Private Financial Institutions' Paris Alignment Commitments: 2022 Update

June 2022

CLIMATE POLICY INITIATIVE

ACKNOWLEDGMENTS

This report is an update of research released in October 2021 on Private Financial Institutions' Commitment to Paris Alignment, co-authored by Matthew Solomon, Donovan Escalante, Paul Rosane, Angela Ortega Pastor, and Pedro Fernandes. This 2022 update report was prepared with funding from the Federal Office for the Environment (FOEN) of Switzerland for distribution to the G20 Sustainable Finance Working Group and the Coalition of Finance Ministers for Climate Action.

The author would like to acknowledge the following professionals for their cooperation and valued contributions including: Samantha Power and Fiona Elizabeth Stewart (World Bank); Christoph Baumann and Caroline Wehrle (Switzerland Federal Department of Finance); Gabriela Blatter (FOEN); and Matthew Cranford and Annie Smith (United States Department of the Treasury).

The author would also like to thank Barbara Buchner, Bella Tonkonogy, Nicole Pinko, Angela Ortega Pastor, Rob Kahn, Caroline Dreyer, Elana Fortin, and Josh Wheeling for their continuous advice, support, design, and internal review.

AUTHOR

Matthew Solomon
matthew.solomon@cpiglobal.org

SUPPORTED BY

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Office for the Environment FOEN

ABOUT CLIMATE POLICY INITIATIVE

CPI is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has six offices around the world in Brazil, India, Indonesia, the United Kingdom, and the United States.

ABOUT CPI'S SUSTAINABLE FINANCE INTEGRITY PLATFORM

This report and the October 2021 Private Financial Institutions' Commitments to Paris Alignment report are part of CPI's broader, ongoing effort to track and bridge the gap between the private financial sector, public policymakers, and financial needs of the climate transition. This project analyzes promised progress in the private financial sector. Similarly, other CPI products address other aspects of the financial sector's climate transition: the Global Landscape of Climate Finance provides context in historical financing trends; the Net Zero Finance Tracker tracks progress made towards achieving net zero goals in different sectors; and the Framework for Sustainable Finance Integrity provides the overarching guidance, across all public and private financial sector actors, on the necessary actions that science demands in meeting the commitments reviewed in this report.

DESCRIPTORS

SECTOR

Financial

REGION

Global

KEYWORDS

Financial institutions; Net zero; Paris agreement

RELATED CPI WORKS

Private Financial Institutions' Commitments to Paris Alignment
Global Landscape of Climate Finance
Net Zero Finance Tracker
Framework for Sustainable Finance Integrity

CONTACT

Matthew Solomon
matthew.solomon@cpiglobal.org

MEDIA CONTACT

Caroline Dreyer
caroline.dreyer@cpiglobal.org

RECOMMENDED CITATION

CPI, 2022. Private Financial Institutions' Paris Alignment Commitments: 2022 Update. Matthew Solomon. Climate Policy Initiative, United States.

CONTENTS

1. INTRODUCTION AND BACKGROUND

Private financial institutions are increasingly announcing climate commitments to align with the goals of the Paris Agreement and participate in the transition of the global finance industry to net zero emissions by 2050. In the run-up to COP26, these announcements received extra attention from policymakers and organizers.

In 2019, when the Net Zero Asset Owner Alliance launched as a Paris alignment industry coalition, it represented less than USD 4 trillion of assets. Now, the Glasgow Financial Alliance for Net Zero reports that as of April 2022, it "represents over 450 major financial institutions from across 45 countries, controlling assets of over $130 trillion."[1] Institutions are also adding specifics to their net zero commitments, including by setting interim mitigation targets, investment goals, and divesting from or excluding fossil fuel assets from future financing.

In October 2021, CPI released [Private Financial Institutions' Commitments to Paris Alignment](), the first effort to create and measure progress against a commitment integrity classification for the private financial sector. This classification was developed for use by policymakers and the financial sectors to set more ambitious goals and collaborate and report on progress. Since the 2021 report was released, new net zero alliances have launched (the Net Zero Financial Service Providers Alliance and the Net Zero Investment Consultants Initiative) and more institutions have made net zero commitments. While there is continued focus on the breadth and geography of new commitments, there is also an interest in how institutions that have already made these long-term commitments can set more actionable targets.[2]

This report updates some of those numbers and surveys new trends, especially since COP26. Section 2 summarizes the methodology used in the October 2021 report and the scope of this update. Section 3 analyzes the current landscape of net zero commitments, including trends by region, actor type, and measures of commitment quality. Section 4 identifies areas for further research.

This report is the first in a two-part series looking at financial sector commitments and their credibility. Part 2, scheduled for release in October 2022, will focus on approaches policymakers can take to support the private sector in making commitments and ensuring their credibility.

1 Glasgow Financial Alliance for Net Zero, 2021. Our progress and plan twoards a net-zero global economy. Available at: https://assets.bbhub.io/company/sites/63/2021/11/GFANZ-Progress-Report.pdf
2 Bloomberg, 2022. Mark Carney Questions the Critics of Bankers' Climate Record. Available at: https://www.bloomberg.com/news/articles/2022-04-24/mark-carney-goes-after-critics-of-banks-climate-record

2. METHODOLOGY AND CLASSIFICATION

2.1 INSTITUTIONS COVERED BY THIS REPORT

The private financial institutions analyzed in this report are banks, asset managers, asset owners, or insurers that have made a public commitment to net zero by 2050 (or earlier) through at least one of the following coalitions:[3]

- Net Zero Asset Managers Initiative (266 institutions tracked)
- Net Zero Asset Owner Alliance (71)
- Net Zero Banking Alliance (110)
- Net Zero Insurance Alliance (25)
- Science-Based Targets Initiative[4] (75)
- Paris Aligned Investment Initiative Net Zero Asset Owner Commitment (54)

For all of these institutions, CPI gathered basic financial and descriptive data, including: headquarters (HQ) geography; actor type (e.g., asset manager or commercial bank); financial data like assets under management (AuM), total assets, revenue, and number of employees; and the minimum level of commitments required by the coalitions they joined.

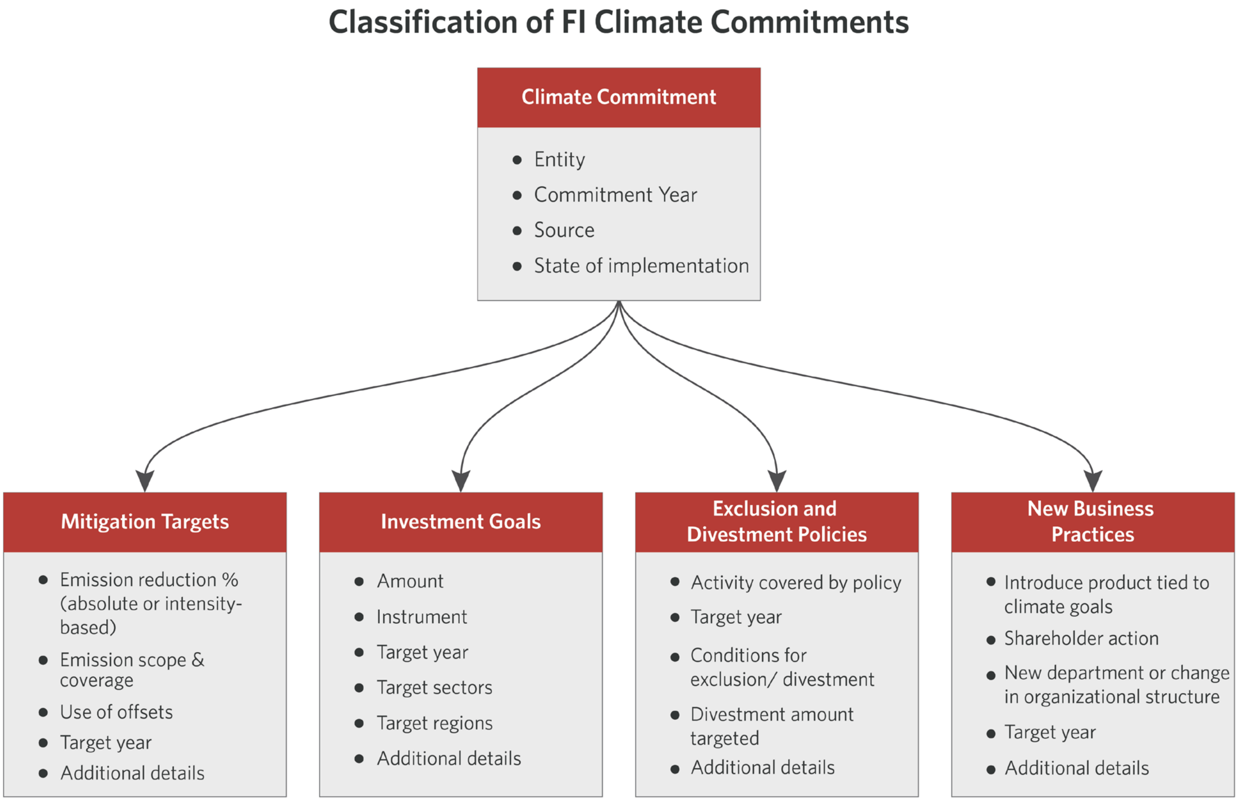
2.2 COMMITMENT CLASSIFICATION

To conduct a more in-depth analysis, CPI constructed a classification of financial institution climate commitments, as described in Figure 1.

3 Number of entities is as of May 13. As the Net Zero Financial Service Providers Alliance and the Net Zero Investment Consultants Initiative have no assets under management and are separated from real economy impacts, member institutions are not included in this report. Some financial institutions are a member of multiple coalitions.

4 Restricted to those institutions that have committed to set a net zero target or are a Business Ambition for 1.5°C campaign member.

Figure 1. Classification of financial institution climate commitments



Source: *Climate Policy Initiative*

This classification was created after discussion with stakeholders, literature review, and analysis of key mechanisms by which financial institutions can affect change.[5] [6] As seen in Figure 1, the classification is split into four categories, described below, with examples of representative commitments in Table 1:

- **Mitigation targets**[7]**:** Commitment to reduce financed emissions (either absolute or as a percentage of business) by a certain date. This analysis focuses on Scope 3 emissions, which are the emissions of an institution's investment portfolio, as these represent the vast majority of a financial institution's emissions.[8] This category also includes other details of commitments when available, such as use of offsets and details of interim targets. As institutions release more details, additional information will be captured such as the percentage of AUM that are covered by mitigation targets and whether a target has been verified by an external initiative (such as the Science Based Targets initiative).
- **Investment goals:** These commitments generally comprise finance of climate-related projects, companies, or government actions through debt (including project finance,

5 The classification was created before CPI released its Framework for Sustainable Finance Integrity and is in the process of being updated to align with the guidelines laid out in the Framework.
6 For a full explanation of the methodology and classification, please see CPI's [Private Financial Institutions' Commitments to Paris Alignment](#) report, released in October 2021.
7 This category is currently limited to emission reduction targets and does not include non-mitigation climate-related targets such as adaptation, in addition to other sustainability topics like biodiversity and waste. If or when financial institutions release more commitments related to these topics, researchers will need to further clarify terms.
8 CDP, 2020. Financial Services Disclosure Report. Available at: https://www.cdp.net/en/research/global-reports/financial-services-disclosure-report-2020

direct corporate lending, and facilitating capital markets access), equity (including private equity, IPOs, and project equity), and other financial mechanisms.

- **Fossil fuel financing exclusion and divestment:** These commitments entail promising to sell off fossil fuel-related assets and cease financing, insuring, or investing in new or existing fossil fuel projects or companies.
- **New business practices:** These commitments include new climate-related products or departments and using shareholder influence to promote climate goals at investee companies.

Table 1 presents a comparison of these commitments for a sample of financial institutions.

Table 1. Examples of climate commitments from a commercial bank, asset manager, and asset owner (commitments announced since COP26 bolded)

	Financial Institutions		
Commitment Category	**HSBC[9] (Commercial Bank)**	**BlackRock[10] (Asset Manager)**	**KLP[11] (Asset Owner)**
Mitigation targets	• Net zero by 2050 • **Reduce on-balance sheet financed emissions in certain sectors by 2030 compared to 2019 baseline: oil and gas (34% reduction in absolute emissions), power and utilities (75% in emissions intensity)** • **Report targets for additional sectors by end of year**	• Net zero by 2050 • **At least 75% of corporate and sovereign assets under management invested in issuers with science-based targets by 2030**	• Net zero by 2050 • Reduce emissions 7% every year from 2019 to 2030
Investment goals	• Provide / facilitate between USD 750 billion and 1 trillion of sustainable finance and investment by 2030 • **Provide USD 250 million in venture debt to climate technology companies**	• Launch a USD 600 million private equity fund targeting decarbonization solutions (with Temasek) • Commit USD 100 million to Breakthrough Energy Catalyst Program	• Increase climate-friendly investments by USD 600 million every year
Exclusion and divestment policies	• **Reduce thermal coal financing exposure by 25% by 2025, 50% by 2030** • Total phase-out in OECD by 2030, globally by 2040	• Exclude companies that generate >25% of revenues from coal production from active investment portfolios, and avoid future direct investments in these companies	• Ensure investments in high emitting sectors are Paris-aligned by 2025 • Blacklist companies that generate >50% of their revenue from thermal coal-related activities

9 HSBC Holdings plc, 2021. Annual Report and Accounts. Available at: https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2021/annual/pdfs/hsbc-holdings-plc/220222-annual-report-and-accounts-2021.pdf?download=1
10 Blackrock, 2022. Sustainability at Blackrock. Available at: https://www.blackrock.com/corporate/sustainability/committed-to-sustainability
11 KLP, 2022. The road to Paris – KLP's roadmap to net zero. Available at: https://www.klp.no/en/corporate-responsibility-and-responsible-investments/klps-roadmap-to-net-zero

New business practices	• New debt financing platform for sustainable infrastructure projects • Created Sustainability Office • Launching several ESG funds • Incorporate climate-related metrics into incentive decision-making, including CEO and CFO	• Launch ESG money market fund • Report on proportion of assets under management that are aligned with net zero by 2050 • Use influence as shareholder to influence corporate actions, including asking companies to report emissions and develop business plans aligned with goals of Paris Agreement	• Develop climate-aligned guidelines for shipping industry

For further examples of each of these types of commitments, see CPI's Private Financial Institutions Commitments to Paris Alignment database[12] (last updated in August 2021).

12 CPI, 2021A. Private Financial Institutions' Commitments to Paris Alignment. Available at: https://www.climatepolicyinitiative.org/publication/private-financial-institutions-commitments-to-paris-alignment/

3. COMMITMENT ANALYSIS

In the last two years, financial institution net zero commitments have increased substantially. Today, according to CPI's analysis, at least 547 financial institutions representing USD 129 trillion in assets under management and advice have announced net zero targets (see Box for further discussion of this figure).[13,14] These institutions (which include asset managers, asset owners, commercial banks, and insurers) represent 32% of global private financial assets[15], approximately 65% of the global asset management industry[16] and 39% of the global banking industry.[17] This includes 25 of the 30 largest global asset managers[18] and 39 of the 60 largest banks in the world.

In 2021, the emphasis on the private finance sector and the launch of the Glasgow Financial Alliance for Net Zero resulted in almost 400 institutions releasing net zero commitments, an increase of more than 17x from 2020. That pace has slowed in the first half of 2022, with 76 institutions setting net zero targets in 2022 through May 13, but the industry is on track to see more than 200 additional financial institutions set net zero targets this year if the current pace continues. However, as many large financial institutions made their net zero commitment in 2021 in the run-up to COP26, the 2022 commitments represent a smaller amount of total assets – only USD 5 trillion in 2022 so far (or 3.2% of global private financial assets[19]) as opposed to USD 124 trillion through 2021 (30.6%).[20]

13 Estimates are as of May 13, 2022. We calculate this figure as the sum of assets under management for all asset managers, insurers, and asset owners, and total assets for commercial banks. When assets under management are unavailable, we use total assets. In addition to members of GFANZ-affiliated alliances, this figure includes financial entities that joined SBTi – Business Ambition for 1.5C or have made an SBTi net zero by 2050 commitment, or that made a standalone commitment to net zero by at least 2050. Therefore, both the methodology and coverage of CPI estimates differs from GFANZ's. This total does not double count entities that have committed to multiple net zero groups and intends to limit AuM double counting when both a parent company and some of its subsidiaries have committed to net zero.

14 The Glasgow Financial Alliance for Net Zero reports that they represent more than USD 130 trillion in assets under management and advice, but from a fewer set of institutions than CPI's estimate. The difference between GFANZ and CPI's figures are due to availability of assets data and different data compilation dates.

15 Assumes global private financial assets of USD 407.9 trillion, excluding assets associated with central banks and public financial institutions. Financial Sustainability Board, 2021. Global Monitoring Report on Non-Bank Financial Intermediation. Available at: https://www.fsb.org/wp-content/uploads/P161221.pdf.

16 Per an estimate of USD 103 trillion of global assets under management. Boston Consulting Group, 2021. Global Asset Management 2021: The $100 Trillion Machine. Available at: https://web-assets.bcg.com/79/bf/d1d361854084a9624a0cbce3bf07/bcg-global-asset-management-2021-jul-2021.pdf

17 Per an estimate of USD 180 trillion global assets in the banking industry. Financial Sustainability Board, 2021. Global Monitoring Report on Non-Bank Financial Intermediation. Available at: https://www.fsb.org/wp-content/uploads/P161221.pdf.

18 ADV Ratings, 2022. World's Top Asset Management Firms. Available at: https://www.advratings.com/top-asset-management-firms

19 Financial Sustainability Board, 2021. Global Monitoring Report on Non-Bank Financial Intermediation. Available at: https://www.fsb.org/wp-content/uploads/P161221.pdf

20 As previously mentioned, CPI's estimates of assets managed by institutions committed to net zero are lower than GFANZ's due to availability of assets data and different data compilation dates.

Credibility in net zero and interim targets

As more financial institutions set net zero targets, extra attention needs to be paid to whether the commitments and plans to meet these goals are credible. For example, only a fraction of institutions has currently set interim emission reduction targets. Yet those interim targets that exist do not necessarily cover an institution's entire portfolio – for example, the Net Zero Asset Managers initiative reports that, for asset managers that have set interim targets, only 39% of assets under management are committed to be managed in line with achieving net zero by 2050 or sooner, with specific institution commitments ranging from[21] 0.55% to 100% of total AuM to be managed in line with net zero.[22] Commercial banks are only required to set interim targets for certain high-emitting sectors and include on-balance sheet direct investment and lending in initial interim targets, even though a majority of fossil fuel financing is bond and equity underwriting.[23] For the 29 asset owners who have set interim targets for 2025, the targets only align 33% of their overall portfolios.[24] While it can be reasonable for financial institutions to focus initially on the most climate-relevant sectors, transparency around portfolio emissions sources and how AUM committed to net zero over time will expand is needed.

Of interim targets that have been set, only a small portion of institution plans have been verified by an external party such as the Science-Based Targets initiative[25]. It is also not apparent what assets are part of an institution's initial target percentage, potentially leaving open loopholes and slowing short-term progress towards reducing emissions.

Additional research and data gathering will be required to confirm that the financial sector is making – and meeting - comprehensive interim commitments to reduce portfolio emissions consistent with the goals of the Paris Agreement.

21 NZAM, 2022A. Net Zero Asset Managers initiative publishes initial targets for 43 signatories as the number of asset managers committing to net zero grows to 273. Available at: https://www.netzeroassetmanagers.org/net-zero-asset-managers-initiative-publishes-initial-targets-for-43-signatories-as-the-number-of-asset-managers-committing-to-net-zero-grows-to-273/
22 NZAM, 2022B. Initial Target Disclosure Report. Available at: https://www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022.pdf
23 UNEPFI, 2021. Guidelines for Climate Target Setting for Banks. Available at: https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-Guidelines-for-Climate-Change-Target-Setting.pdf; Rainforest Action Network, 2022. Banking on Climate Chaos. Available at: https://www.ran.org/wp-content/uploads/2022/03/BOCC_2022_vSPREAD-1.pdf
24 As of October 13, 2021. NZAOA, 2021. Credible Ambition, Immediate Action: The first progress report of the UN-convened Net-Zero Asset Owner Alliance. Available at: https://www.unepfi.org/wordpress/wp-content/uploads/2021/10/AOA-Progress-Report-2021.pdf
25 Note that SBTi recently closed its pilot phase for financial institution transition plan verification and is planning to release a net-zero standard in 2023, so the pace of verification may increase. SBTi, 2022. Science Based Targets Initiative Annual Progress Report, 2021. Available at: https://sciencebasedtargets.org/resources/files/SBTiProgressReport2021.pdf

Figure 2A. Net zero commitments by actor type[26]

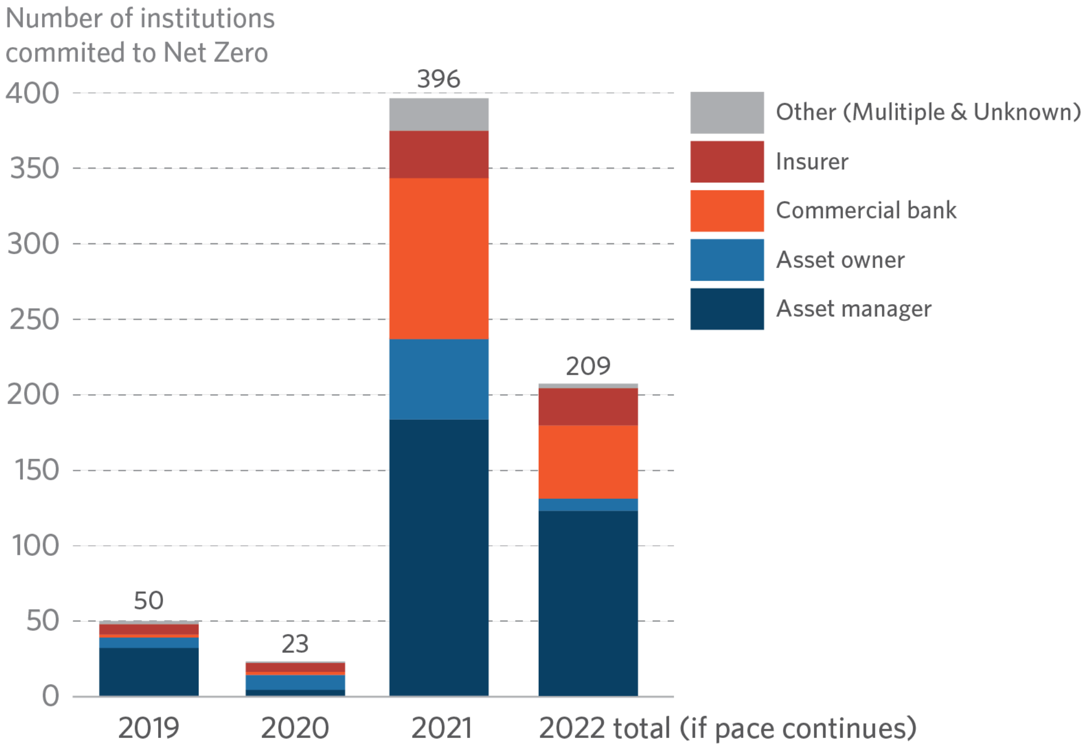
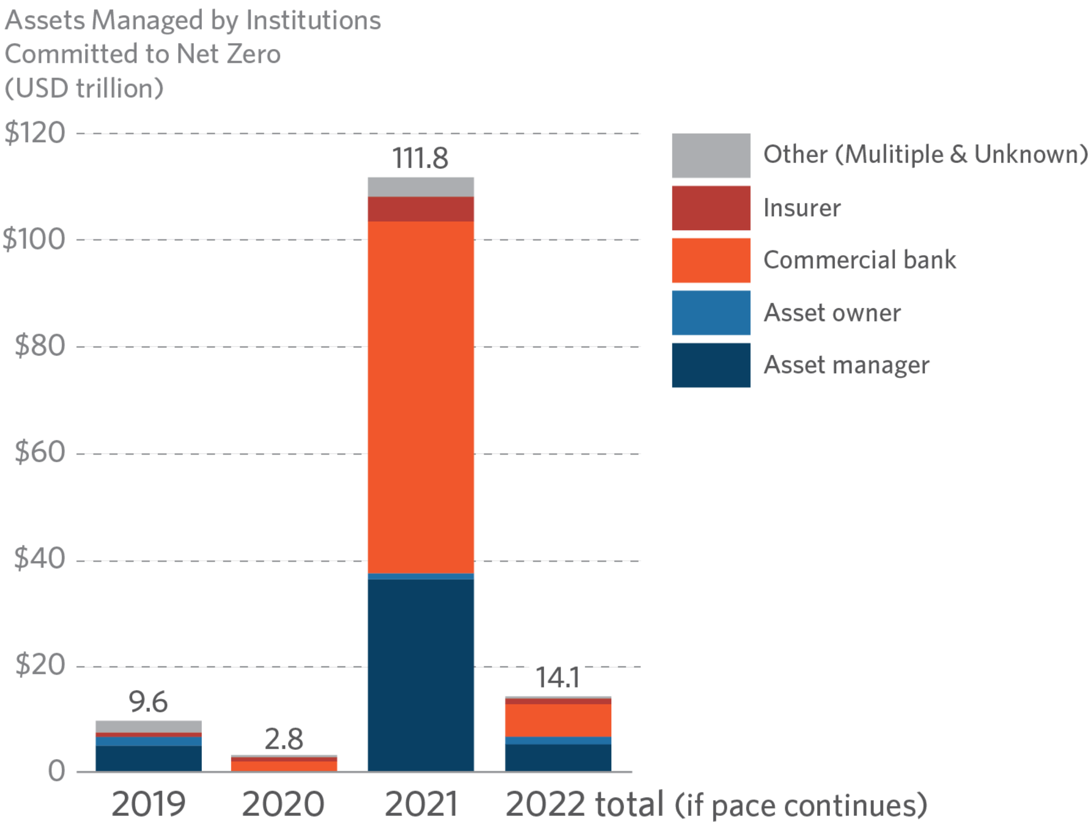


Figure 2B. Assets managed by institutions committed to net zero by actor type[27]

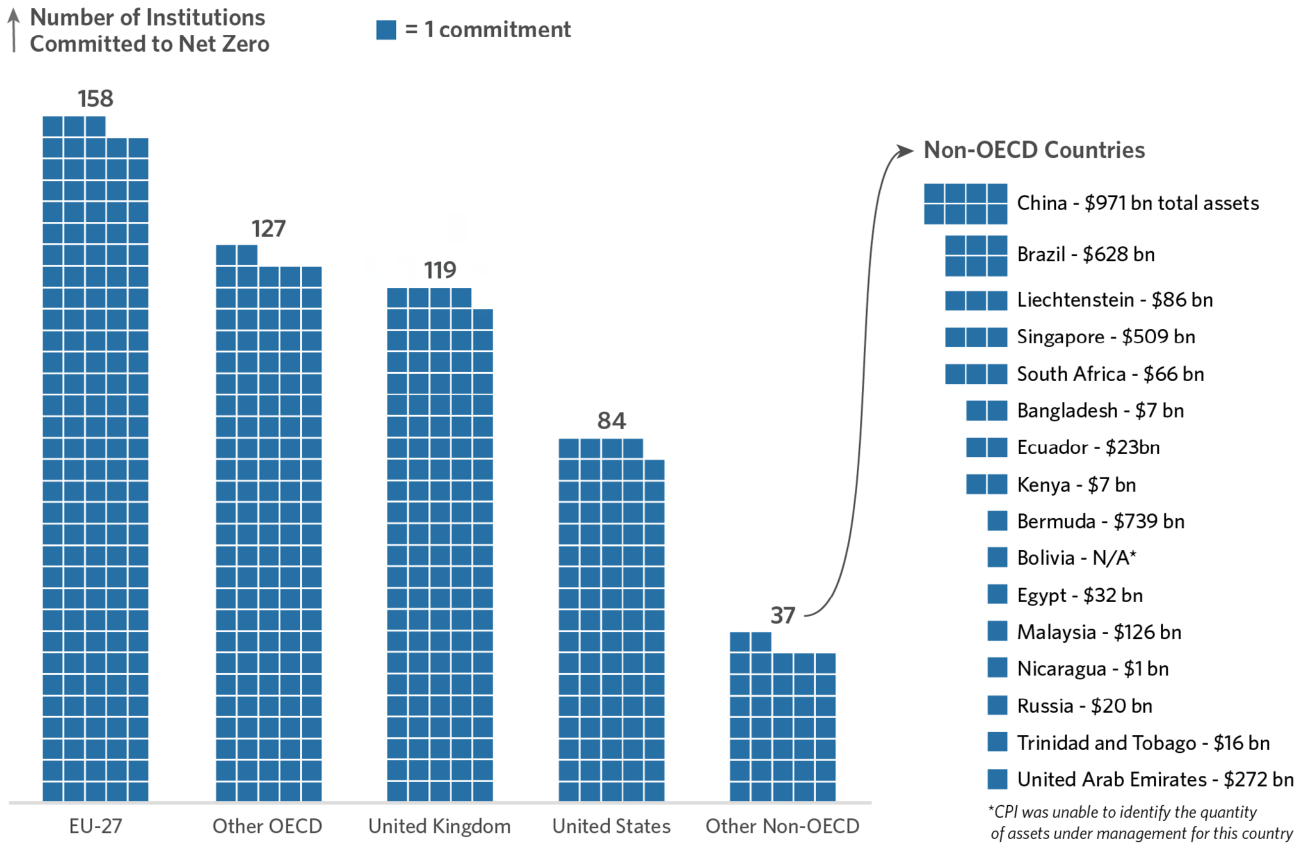


26 One institution committed to net zero in each of 2015 and 2016 but are not included in this chart.
27 Institutions representing USD 0.024 billion and USD 102 billion committed to net zero in 2015 and 2016, respectively, but are not included in this chart.

3.1 NET ZERO TRENDS BY REGION

Through 2021, 89% of net zero targets were set by institutions in the UK, US, EU, or other OECD countries. There were only a handful of financial institutions from developing economies that had net zero targets. This trend continues so far through 2022: 88% of the 76 net zero pledges so far this year came from OECD countries.

Figure 3. Total net zero commitments by country (cumulative)[28]



Despite these numbers, more institutions from around the world are announcing net zero targets. The number of non-OECD institutions committed to net zero has increased by a third in 2022 and, while absolute numbers are comparatively small, is growing at a faster rate than institutions in OECD countries. As an example, in September 2021, African Risk Capacity Ltd (total assets of USD 100 million) became the first African company to join the Net Zero Asset Owner Alliance.[29] There are still substantial pockets of capital in non-OECD countries that are not yet committed to net zero. For example, institutions in Asia (excluding Japan and Australia) represented USD 14 trillion in assets under management in 2020, but institutions in that region committed to net zero represent only USD 610 billion in assets under management.[30] As a comparison, in the United States, institutions committed to net

28 "Other OECD" includes the following countries, in order of number of institutions committed to net zero and alphabetically: Canada (27 institutions, $7.9 trillion), Switzerland (23, $3.1 trillion), Australia (20, $3.2 trillion), Japan (20, $12.7 trillion), Norway (11, $264 billion), South Korea (8, $1.5 trillion), New Zealand (6, $126 billion), Colombia (3, $71 billion), Turkey (3, $209 billion), Chile (2, $63 billion), Costa Rica (2, $27 billion), Iceland (1, $11 billion), and Mexico (1, $90 billion).
29 African Risk Capacity, 2021. Joint AU / ARC Press Release. Available at: https://reliefweb.int/sites/reliefweb.int/files/resources/NETZERO_PR_ARC_LTD.pdf
30 CPI was unable to find comparable data to identify the remaining number of assets in each region that were managed by institutions not yet committed to net zero by 2050.

zero manage USD 47.3 trillion compared to a country-wide domestic financial sector total of USD 134.8 trillion financial assets.[31]

Figure 4A. Institutions committed to net zero by region

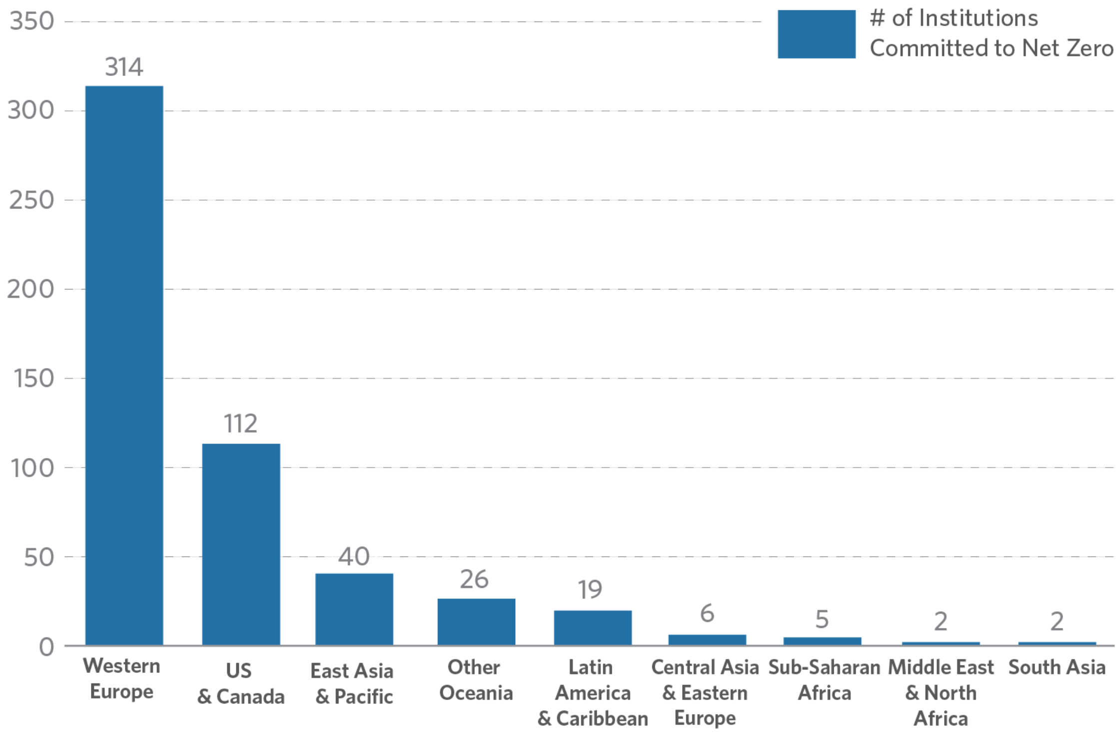
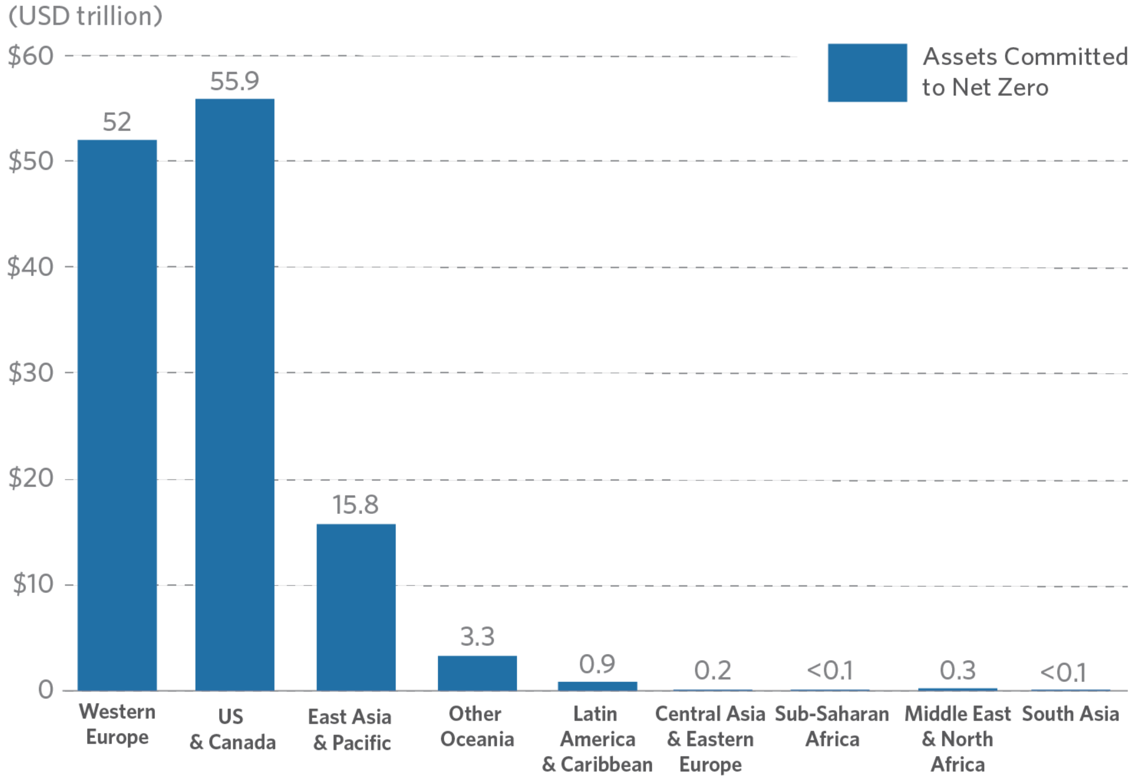


Figure 4B. Assets managed by institutions committed to net zero by region



31 Board of Governors of the Federal Reserve System, 2021. Financial Accounts Matrix—Levels for 2021. Available at: https://www.federalreserve.gov/releases/z1/20220310/html/levels_matrix.htm

Financial institutions in developing economies have limited access to climate-related data, such as on emissions, which limits the ability to make detailed climate disclosures and targets, a prerequisite to joining most net zero coalitions. In addition, many developing economies may set net zero targets beyond 2050 to account for their important development needs, but the net zero coalitions have opted for consistency across the membership, which can also account for the cross-border nature of financial institution assets and investments. Sharing country, sectoral, and regional climate data between financial institutions will aid in the development and implementation of climate commitments.

3.2 NET ZERO TRENDS BY ACTOR TYPE

The asset manager category had the largest increase in number of financial institutions committed to net zero in 2022, continuing the trend from 2021. A high number of boutique asset managers are currently driving growth in this category, as up to 42% of the managers currently committed to net zero have less than USD 1 billion in assets or do not publicly report their assets under management. Commercial banks continue to have the most assets committed to net zero (nearly USD 70 trillion), driven by large multinational banks.

Asset managers and commercial banks also lead in estimated percentage of total assets industry-wide that are managed by institutions committed to net zero.[32] However, as previously mentioned, **further disclosure and research is needed to identify the percentage of each institution's assets that are actually managed in line with net zero commitments**.

Table 2. Net zero commitments by actor type

Actor Type	Financial Institutions Committed to Net Zero	Assets Managed by Institutions Committed to Net Zero (USD billion)	Estimated Total Assets Industry-Wide (USD billion)	Estimated % of Industry Assets Managed by Institutions Committed to Net Zero
Total	**547**	**$129,474**	**$407,900**[33]	**32%**
Asset manager	266	$43,344	$103,000[34]	42%
Commercial bank	128	$69,876	$180,400[35]	39%
Asset owner	74	$3,772	$56,575[36]	6.7%
Insurer	54	$6,493	$40,260[37]	16%
Multiple	15	$4,618	N/A	N/A
Unknown	10	$1,371	N/A	N/A

32 These estimates may not be directly comparable, as estimated total assets industry-wide may not cover all relevant markets, contain state-owned entities, and originate from total asset figures compiled on different dates than in this report.
33 Financial Sustainability Board, 2021. Global Monitoring Report on Non-Bank Financial Intermediation. Available at: https://www.fsb.org/wp-content/uploads/P161221.pdf.
34 Boston Consulting Group, 2021. Global Asset Management 2021: The $100 Trillion Machine. Available at: https://web-assets.bcg.com/79/bf/d1d361854084a9624a0cbce3bf07/bcg-global-asset-management-2021-jul-2021.pdf
35 Financial Sustainability Board, 2021. Global Monitoring Report on Non-Bank Financial Intermediation. Available at: https://www.fsb.org/wp-content/uploads/P161221.pdf
36 Based on an estimate of pension fund assets in 22 of the largest markets in the world. Thinking Ahead Institute, 2022. Global Pension Assets Study 2022. Available at: https://www.thinkingaheadinstitute.org/content/uploads/2022/02/GPAS_2022.pdf
37 Statista, 2022. Assets of insurance companies worldwide 2002-2020. Available at: https://www.statista.com/statistics/421217/assets-of-global-insurance-companies/

3.3 COMMITMENT QUALITY

Post-COP26, there has been increased focus from financial institutions, civil society, and advocates on turning headline commitments into real economy action. This entails setting interim (5-10 year) mitigation targets, releasing additional details on how companies will achieve published goals, and regular reporting on progress.

While a full update of CPI's commitment database is outside the scope of this report, initial research indicates that some progress has been made on this front, with more financial institutions releasing interim emissions reduction targets, further details on engagement policies, and further restrictions on financing for fossil fuels, especially coal.

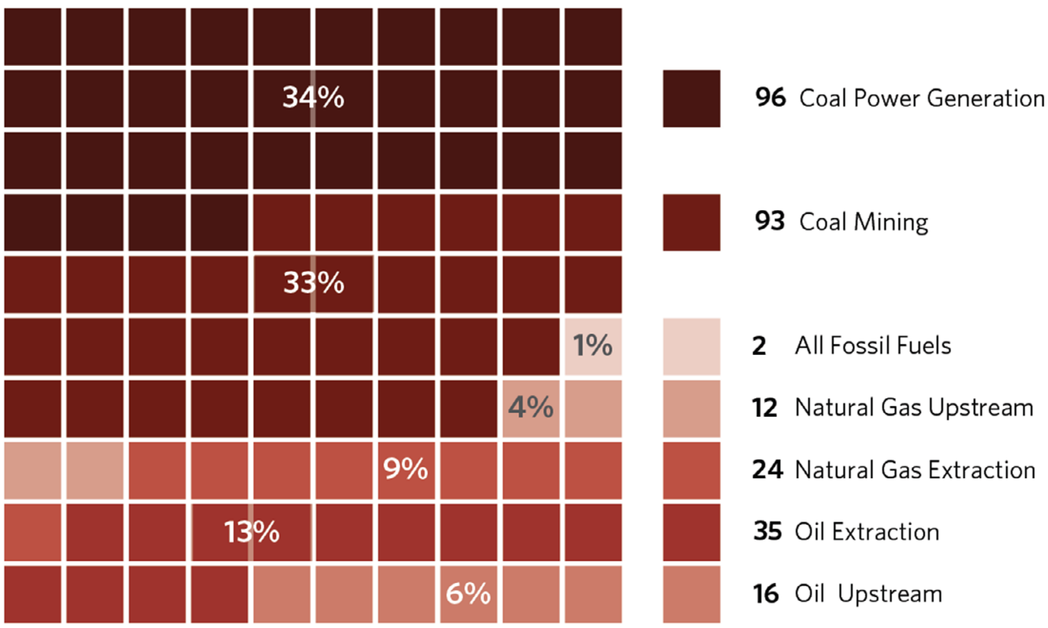
CPI's Framework for Sustainable Finance Integrity provides further analysis on what necessary actions entail in order to meet the goals of the Paris Agreement.

Mitigation Targets: Through COP26, mitigation targets were primarily limited to commitments to reach net zero by 2050, with only 12 institutions making further interim portfolio emission targets. In the last six months more interim mitigation targets have been announced and additional releases are expected as coalition deadlines for setting interim targets – usually 1-2 years after joining - come about.

Investment Goals: Through 2021, financial institutions had pledged to invest or finance USD 6 trillion in climate solutions by 2030. Publicly available information on institutions' investment goals still contains few details on the sectoral or geographic focus. GFANZ is currently encouraging more institutions to commit financing towards investing in developing economies, but limited progress has been made from the private sector.

Fossil Fuel Exclusions and Divestment: Pre-COP26, most financial institutions focused their fossil fuel exclusion announcements on coal mining and coal power generation as seen in Figure 5.

Figure 5. Fossil fuel exclusion and divestment announcements (financing, investment, and insurance) (from October 2021 report)



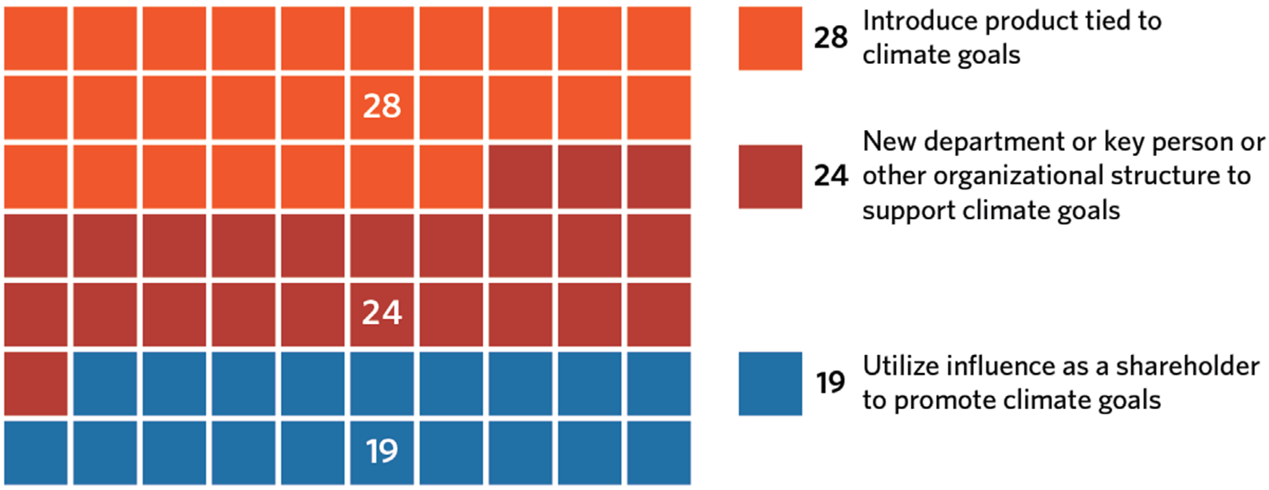
Source: *Climate Policy Initiative*

As discussed in CPI's previous analysis on this topic, commitments varied in scope and stringency and often had wide loopholes, such as allowing for continued investment in companies with up to 40% of revenues derived from coal or restricting the exclusion to certain portions of an institution's business such as project finance as opposed to general corporate lending. In the last six months, there have been an increasing number of non-coal announcements, such as Dai-Ichi Life Group's pledge to no longer engage in financing for new oil and gas power generation.

Place-based commitments remain popular, including stopping financing of arctic drilling, tar sands development, and projects that result in deforestation especially in the Amazon and tropics.

New Business Practices: In CPI's October report, commitments in this category were split between new climate-focused products, organizational structures to support climate goals, and using shareholder influence.

Figure 6. Financial institution business practice changes to implement climate commitments (from October 2021 report)



Source: *Climate Policy Initiative*

Shareholder engagement has received specific advocacy attention as shareholders have introduced even more environmental-related proposals in 2022 than in previous years.

For large asset managers with most of their assets under management in passive and / or index funds, this can be an impactful mechanism. Financial institutions are announcing more details on their engagement strategy, including promising that they will engage with a certain percentage of their assets under management or a specific number of companies that are not yet aligned with net zero pathways.

Institutions are using various strategies to achieve their goals, including committing to bilateral action with major emitters and joining initiatives such as Climate Action 100+, which now includes "700 global investors responsible for more than $68 trillion in assets under management."

4. AREAS FOR FURTHER RESEARCH

With the huge growth in net zero pledges comes the hard task of assessing their quality and integrity. There are a number of further potential research questions that can be addressed with this dataset and methodology which deserve further exploration.

- **What portion of assets committed to net zero are actually aligned with net zero pathways or are covered by net zero commitments?** As previously discussed, current disclosures do not provide sufficient insight into what assets are managed in line with net zero by 2050. Mechanisms such as the Partnership for Carbon Accounting Financials and the Paris Agreement Capital Transition Assessment are some tools that would enable this analysis as institutions begin to regularly report on their climate transition. For example, PCAF reports that 260 institutions with USD 73 trillion in total assets have committed to report emissions associated with their portfolio of loans and investments, but only 77 institutions with USD 38 trillion in assets have so far disclosed the results. Of the 547 institutions committed to net zero, only 108 representing USD 59 trillion of assets have disclosed or committed to disclose their emissions using PCAF.
- **What are the growth opportunities for net zero commitments in developing economies?** Further research is needed to identify viable transition pathways and timelines for developing economy financial institutions that align with the Paris Agreement. Additionally, capacity building and enhanced data sharing may be required among institutions in developing economies to build a foundation upon which institutions can set credible net zero targets.

Ongoing research will benefit from a public database of financial institution commitments, including interim targets and progress reporting. GFANZ and its constituent alliances are publishing progress reports and will continue to provide insight into actions financial institutions are taking. CPI is also working to evolve this research to align the classification more closely with the Framework for Sustainable Finance Integrity and to track a larger universe of financial institutions and metrics of commitments and progress through the Net Zero Finance Tracker.

The second part of this project, due to be completed by October 2022, will focus on levers available to finance ministries and other public actors to increase the quantity and quality of private financial institution climate commitments. This will include an examination of the role of net zero alliances and coalitions in ensuring the credibility of mitigation targets, and the relationship between government actors and the coalitions.

5. REFERENCES

1. ADV Ratings, 2022. World's Top Asset Management Firms. Available at: https://www.advratings.com/top-asset-management-firms
2. African Risk Capacity, 2021. Joint AU / ARC Press Release. Available at: https://reliefweb.int/sites/reliefweb.int/files/resources/NETZERO_PR_ARC_LTD.pdf
3. Blackrock, 2022. Sustainability at Blackrock. Available at: https://www.blackrock.com/corporate/sustainability/committed-to-sustainability
4. Bloomberg, 2022. Mark Carney Questions the Critics of Bankers' Climate Record. Available at: bloomberg.com/news/articles/2022-04-24/mark-carney-goes-after-critics-of-banks-climate-record
5. Board of Governors of the Federal Reserve System, 2021. Financial Accounts Matrix—Levels for 2021. Available at: federalreserve.gov/releases/z1/20220310/html/levels_matrix.htm
6. Boston Consulting Group, 2021. Global Asset Management 2021: The $100 Trillion Machine. Available at: https://web-assets.bcg.com/79/bf/d1d361854084a9624a0cbce3bf07/bcg-global-asset-management-2021-jul-2021.pdf
7. CA100+, 2022. Investor Signatories. Available at: climateaction100.org/whos-involved/investors/
8. CDP, 2020. Financial Services Disclosure Report. Available at: https://www.cdp.net/en/research/global-reports/financial-services-disclosure-report-2020
9. CPI, 2021A. Private Financial Institutions' Commitments to Paris Alignment. Available ta: climatepolicyinitiative.org/publication/private-financial-institutions-commitments-to-paris-alignment/
10. CPI, 2021B. Blog: 5 Climate Finance Themes that Emerged from COP26. Available at: www.climatepolicyinitiative.org/5-climate-finance-themes-that-emerged-from-cop26/
11. CPI, 2021C. Framework for Sustainable Finance Integrity. Available at: climatepolicyinitiative.org/wp-content/uploads/2021/10/Framework-for-Sustainable-Finance-Integrity.pdf
12. Dai-ichi Life Holdings, 2022. Climate Change Initiatives: Response to TCFD. Available at: https://www.dai-ichi-life-hd.com/en/sustainability/environment/climate.html
13. Financial Sustainability Board, 2021. Global Monitoring Report on Non-Bank Financial Intermediation. Available at: https://www.fsb.org/wp-content/uploads/P161221.pdf.
14. Glasgow Financial Alliance for Net Zero, 2021. Our progress and plan twoards a net-zero global economy. Available at: assets.bbhub.io/company/sites/63/2021/11/GFANZ-Progress-Report.pdf
15. Harvard Law School Forum on Corporate Governance, 2022. 2022 Proxy Season

and Shareholder Voting Trends. Available at: https://corpgov.law.harvard.edu/2022/03/30/2022-proxy-season-and-shareholder-voting-trends/

16. HSBC Holdings plc, 2021. Annual Report and Accounts. Available at: https://www.hsbc.com/-/files/hsbc/investors/hsbc-results/2021/annual/pdfs/hsbc-holdings-plc/220222-annual-report-and-accounts-2021.pdf?download=1

17. IPPR Progressive Review, 2022. Climate action after COP26. Available at: onlinelibrary.wiley.com/doi/epdf/10.1111/newe.12286

18. KLP, 2022. The road to Paris – KLP's roadmap to net zero. Available at: https://www.klp.no/en/corporate-responsibility-and-responsible-investments/klps-roadmap-to-net-zero

19. Net Zero Delivery Summit, 2022. Financing the Net Zero Revolution: Speech by Mark Carney. Available at: https://assets.bbhub.io/company/sites/63/2022/05/Financing-the-Net-Zero-Revolution_NZDS-Speech-by-Mark-Carney.pdf

20. NZAM, 2021. Net Zero Asset Managers initiative: Progress Report. Available at: https://www.netzeroassetmanagers.org/media/2021/12/NZAM-Progress-Report.pdf

21. NZAM, 2022A. Net Zero Asset Managers initiative publishes initial targets for 43 signatories as the number of asset managers committing to net zero grows to 273. Available at: netzeroassetmanagers.org/net-zero-asset-managers-initiative-publishes-initial-targets-for-43-signatories-as-the-number-of-asset-managers-committing-to-net-zero-grows-to-273/

22. NZAM, 2022B. Initial Target Disclosure Report. Available at: www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022.pdf

23. NZAOA, 2021. Credible Ambition, Immediate Action: The first progress report of the UN-convened Net-Zero Asset Owner Alliance. Available at: https://www.unepfi.org/wordpress/wp-content/uploads/2021/10/AOA-Progress-Report-2021.pdf

24. Pensions&Investments, 2022. PSP Investments sets interim targets on path to net-zero by 2050. Available at: https://www.pionline.com/esg/psp-investments-sets-interim-targets-path-net-zero-2050

25. Rainforest Action Network, 2022. Banking on Climate Chaos. Available at: https://www.ran.org/wp-content/uploads/2022/03/BOCC_2022_vSPREAD-1.pdf

26. Reuters, 2022. Wells Fargo set emissions reduction targets for oil, gas, power clients. Available at: https://www.reuters.com/business/finance/wells-fargo-set-emissions-reduction-targets-oil-gas-power-clients-2022-05-06/

27. SBTi, 2022. Science Based Targets Initiative Annual Progress Report, 2021. Available at: https://sciencebasedtargets.org/resources/files/SBTiProgressReport2021.pdf

28. Statista, 2022. Assets of insurance companies worldwide 2002-2020. Available at: https://www.statista.com/statistics/421217/assets-of-global-insurance-companies/

29. Thinking Ahead Institute, 2022. Global Pension Assets Study 2022. Available at: https://www.thinkingaheadinstitute.org/content/uploads/2022/02/GPAS_2022.pdf

30. UNEPFI, 2021. Guidelines for Climate Target Setting for Banks. Available at: unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-Guidelines-for-Climate-Change-Target-Setting.pdf

climatepolicyinitiative.org