

UNEP FI / GHGP FINANCED EMISSIONS INITIATIVE

LANDSCAPE REVIEW OF ALTERNATE CLIMATE METRICS

Draft as of September 24, 2014

In response to the Technical Working Group in-person meeting (June 2014, Washington DC) and subsequent stakeholder consultations that voiced concerns regarding the meaningfulness and practicality of financed emissions, GHGP and UNEP FI committed to undertaking a 'landscape review' of publicly disclosed financial sector climate impact metrics. This review was conducted with the aim of identifying both commonly reported climate impact metrics across financial institutions (FIs), as well as those being requested by stakeholders in existing disclosure frameworks.

This document provides an overview of the purpose of the Landscape Review, the methodology undertaken, and general observations regarding the findings. It is not intended to represent a full analysis or a universal set of findings given the relatively small sample of FIs and the need for additional review, particularly of third party metrics. This document is supplemented by an excel document ("Landscape_Final.xlsx"), which contains the complete data collected and coded for the initial Landscape Review.

1. Purpose

The purpose of the initial Landscape Review was two-fold:

- identify commonly reported climate and environmental performance metrics by FIs
- identify commonly requested climate and environmental performance metrics by external stakeholders.

2. Methods

The following methods were used in selecting institutions for review, extracting metrics, and coding them for analysis.

2.1 Commonly reported climate impact metrics

2.1.1 FI selection

The FIs and associated reports selected for review are listed in Appendix A (Asset Owners and Asset Managers) and Appendix B for (Commercial banks and development banks). UNEP FI and GHGP adopted the following method for selecting FIs for the Landscape Review:

1. **Asset Owners:** We surveyed public reports from 14 of the top 21 funds included in the Owners Disclosure Project (AODP) Climate Index¹. This selection was chosen based on an initial internet review of existing reporting. In addition, we surveyed the public reports of those Asset Owners known to be reporting on climate performance², as well as Asset Owners represented in the Financed Emissions Initiative project Advisory Committee³.
2. **Asset Managers:** Since no similar disclosure ranking was available for asset managers, we surveyed public reports from 22 of the largest 35 managers as rated by the Investment & Pensions Europe's (IPE) 2014 Top 400 Asset Managers⁴. Asset management divisions of large universal banks were excluded from this Asset Manager category and instead considered within the Bank category. Of the 22 firms that were included in the scope of the review, public data was only available for only 12 Asset Managers. Therefore, our review was expanded to include public reports from an additional 7 Asset Managers considered by the reviewers to be leaders in reporting on environmental and climate impacts or those involved in the UNEP FI / GHGP Financed Emissions Initiative project⁵.
3. **Banks:** The review focused on those universal banks which are participants in the UNEP FI / GHGP Financed Emissions Initiative project. In addition, large regional banks were also reviewed in order to capture metrics adopted regionally. 18 banks from OECD countries and three banks from emerging markets were selected for geographical balance.
4. **Development Banks:** 14 of the largest international, regional and national development banks and institutions were selected for review.

2.1.2 Data selection

¹The AODP examines pension and superannuation funds' management of climate risks and opportunities, and rates funds based on performance across five key criteria: transparency, risk management, low-carbon investment, active ownership, and investment chain alignment. The AODP ranking was utilized here because it was assumed that these asset owners represented current best practice in reporting on climate performance.

²Fourth Swedish National Pension Fund AP4 and French Public Service Additional Pension Scheme ERAPF

³Allianz SE

⁴Only those Asset Managers ranked in the top 35 of the IPE 2014 Top 400 Asset Managers list who were considered by the reviewers to be primary Asset Managers whose core business is asset management, were selected for review.

⁵Aberdeen Asset Management, Calvert Investments, Pax World Investments, PIMCO, Prudential Real Estate Investors, SkandinaviskaEnskildaBanken (SEB), Trillium Asset Management

The Landscape Review relied on public information to identify commonly reported climate impact metrics among FIs. We focused on public reporting exclusively, as this serves as an 'existence proof' for the practicality and perceived meaningfulness of the reported metrics.

Our review focused on gathering quantitative and qualitative metrics, defined as measurements or key performance indicators of climate impact, environmental impact, or Environmental, Social and Governance (ESG) impact of FIs. Such metrics were identified by searching FI reports using a list of search terms (provided in Appendix C) and extracting identified metrics.

For each FI included in the review, we examined the most recent publicly available information, including Annual Reports, Corporate Social Responsibility Reports, Sustainability Reports, Responsible Investment Policies and Press Releases. Where climate impact information amongst these was lacking, we proceeded to explore companies' websites searching for pages devoted to Sustainability, Corporate Governance, Responsible Investing and Environment, Social and Governance Criteria.

2.1.3 Data extraction and metric coding

Although our review was initially focused on climate impact metrics, given the relatively limited number of FIs measuring and reporting climate performance, we also extracted metrics more broadly related to the environment and ESG. Extracted metrics were separated into quantitative and qualitative measurements and generally only quantitative measurements were fully coded in the attached spreadsheet⁶. What constitutes a metric is clearly a subjective measure, but we attempted to consistently include or exclude all types of measurements across FIs.

We also focused the review on metrics related to the impacts of financing (i.e. investing and lending). Thus, scope 1 and 2 emissions disclosed by the FI, GHG emission targets or reductions for its offices/branches, energy efficiency initiatives that the FI has undertaken for its offices/branches, and other environmental metrics such as waste and water management of the FI were excluded.

Metrics were coded into a smaller number of broad categories within each FI type, and then across FI types where there was overlap in categories, due to significant differences in

⁶As the focus of this report is on quantitative metric disclosure, qualitative metrics were not considered in the analysis. Qualitative questions from external stakeholder surveys are included in the spreadsheet.

transaction types and instruments offered across FIs⁷. A complete list of the metric group codes is provided in Appendix D.

2.2 Commonly requested metrics by external stakeholders

We reviewed several top public global surveys/standards seeking disclosure of climate metrics and extracted climate, environment and broader ESG questions involving quantitative and qualitative metrics. The list of surveys and standards reviewed is provided in Appendix E.

2.3 Unique Energy/Climate Metrics

Given the large number of metrics collected during the review, as well as the similarity in certain metrics observed across FIs and surveys, the Secretariat attempted to filter the list for ease of screening and future analysis. Thus, a subset of ~70 metrics that broadly represent the range of observed metric types across both FIs and third-party surveys was screened and provided in the associated spreadsheet. While the subset is necessarily subjective, generally we utilized two criteria for selection: removing duplicative metrics and selecting unique and insightful energy- or carbon-related metrics across FI types and asset classes.

3. Summary of observations

Generally the Secretariat believes that the greatest value in this Review rests in the provided spreadsheet and the list of metrics therein. This list represents a first cut at the universe of existing (i.e. disclosed already) and potential (i.e. stakeholder-requested) metrics for FI climate performance. Further, stakeholder feedback on these metrics and any others that may have been missed by the initial review is critical before any broad conclusions can be drawn. However, some general observations from the initial review can be provided at this point.

First, and most general, we can observe that current FI climate metric disclosure practices are overwhelmingly focused on 'green financing', with FIs most commonly reporting on investments and financing into 'green' or sustainable projects or products such as renewable energy, clean technology and green bonds. In comparison, external stakeholders tends to be requesting disclosure of such "green" metrics as well as those related to holistic performance across an asset class (e.g. energy intensity of investor-owned property) or exposure to high carbon intensity sectors (e.g. "brown" metrics like exposure to reserves, proportion of loan book to energy sector). We estimate that the ratio of observed "green" metrics to "brown" metrics is at least 2.5:1 overall, and ranges between approximately 1:1 for asset owners and

⁷A total of 77 metrics for Asset Owners, 52 metrics for Asset Managers, 157 metrics for Banks and 73 metrics for International FIs were recorded and coded.

8:1 for commercial banks⁸. This range may be biased at the low-end due to the selection of asset owners that were highly rated by AODP.

In addition, FIs are also commonly reporting on risk or responsibility-based screening practices, as requested by many stakeholders, such as the number of transactions screened by internal Environmental and Social Risk Assessment mechanisms, or external Equator and Carbon Principles.

In addition to these general observations, below we provide a short summary of other characteristics of the metrics reviewed, including metric types, asset classes, metric units, and whether the metric was compared to an index or benchmark.

3.1 Commonly reported climate metrics by FIs

3.1.1 FI type:

The most commonly reported metric types observed by all FIs are sustainable investments (n = 142), carbon metrics (49), transaction/risk screening (43), and ESG integration (35). Of course, these categories varied by institution type, with ESG integration being relatively more common among asset managers, avoided emissions common among development banks, transaction screening common among commercial banks, and active ownership common among asset owners.

In terms of greenhouse gas accounting metrics specifically, financed emissions were more commonly reported by Asset Owners and Asset Managers, whereas banks primarily report other climate metrics and development banks report both avoided emissions and other carbon metrics.

3.1.2 Financial instrument:

The most common financial instruments reported were project finance and listed equities, followed by commercial loans, unspecified finance, and portfolio-wide or multi-asset indicators. As Figure 1 shows, reporting by asset class varied as would be expected by FI type, with asset managers and owners reporting on listed equities, portfolios, and real estate investments, whereas banks report most often on project finance and commercial loans.

⁸ Estimated as the sum of coded groups “sustainable investments”, “avoided emissions”, “ESG integration” and “climate finance” divided by the sum of “carbon metrics”, “portfolio energy performance”, and “carbon-intensive financing”. See Appendix D for definitions.

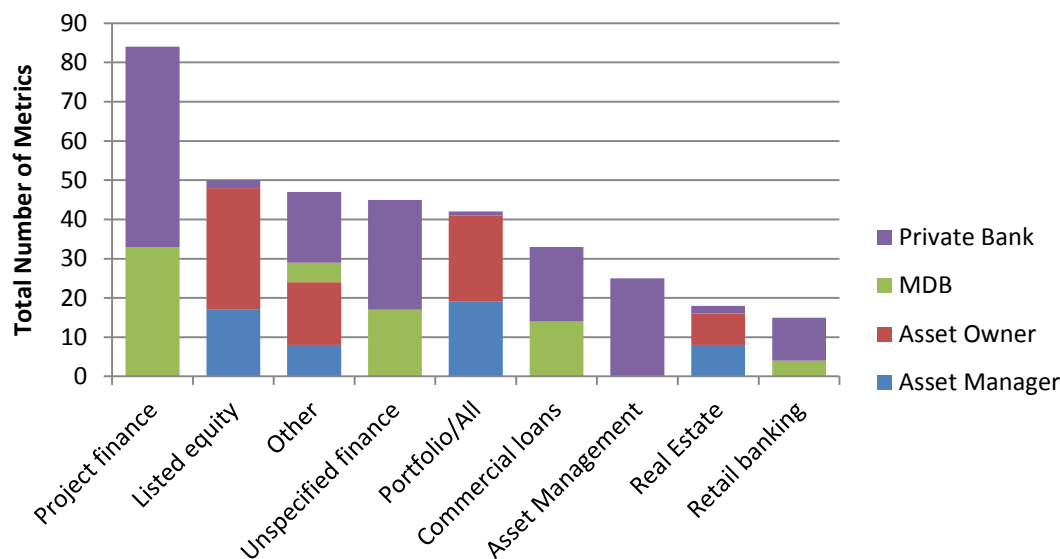


Figure 1: Number of reported metrics by asset class for different FI types

3.1.3 Metric Units:

The majority of climate metrics reported are in simple units of exposure (\$), count, or percentage, with approximately one-fifth reported in energy or GHG units.

3.1.4 Comparison to benchmarks:

Asset Owners and Asset Managers more commonly compared reported metrics to benchmarks than Banks and development banks (25% of reported metrics vs 3%, respectively), presumably due to the existence of meaningful benchmarks and indices for listed equities and bonds.

3.1.5 Investee sectors:

Over half of metrics reviewed focus on all sectors of the economy. However, of those metrics that focused on individual sectors, the most common sectors reported on were power generation (both low-carbon and high-carbon), real estate, and general clean technology/low-carbon.

3.2 Commonly requested climate metrics by external stakeholders

The most common categories of quantitative metrics requested by external stakeholders reviewed were related to active ownership, various carbon metrics including financed emissions, ESG integration, sustainable investments, and property energy intensity. Requested metrics varied strongly by the requesting entity, as different surveys target different financial actors (e.g. AODP) or sectors (e.g. GRESB).

APPENDIX A.

ASSET OWNERS INCLUDED IN REVIEW

Asset Owners	Documents Included in Review
AP4 (Sweden)	Top 1000 Funds, News Article 2013
APG (NL)	2013 Responsible Investment Report
Allianz SE (Germany)	2013 Annual Financial Report
Australian Super (Australia)	2013 Press Release (Trucost)
Aviva (UK)	2013 "Our Wider Impact Report 2013"
	Website – "Responsible Investment"
BT Super (Australia)	2012 Principles for Responsible Investment Report
CalPERS (USA)	2014 Progress Report "Towards Sustainable Investment & Operations"
	Website - "Overview - Sustainability in Real Assets"
	2012 Report "Towards Sustainable Investment: Taking Responsibility"
	2012 Greenprint Performance Report, Vol. 4

CalSTRS (USA)	2013 Annual Report "Green Initiative Task Force"
	CalSTRS Fact Sheet "Why We File: Improving energy efficiency is good for investors as well as the planet"
Cbus Super (Australia)	2012 Global Investor Survey on Climate Change – Asset Owners
EAPF (UK)	Trucost Public Report 2014 "Stranded Assets: Fossil Fuels. Carbon Stores in EAPF"
	2013-14 Annual Report and Financial Statements
	Asset Owner Disclosure Project Global Climate Index 2013-14
ERAFP (France)	2014 Press Release
GEPF (South Africa)	2013 Annual Financial Report
	AODP Global Climate Index Report 2013-14
Local Government Super (Australia)	2013 AODP Survey Response
	AODP Global Climate Index Report 2013-14
	2012 Investment Paper "Global Sustainable Government Bonds"
	Website "LGS Property Portfolio's Environmental Performance"

StichtingPensioenfondsZorgenWelzijn (PGGM) (Netherlands)	2012 PGGM Presentation
	2013 Responsible Investment Annual Report
Storebrand (Norway)	2013 Annual Financial Report
VicSuper (Australia)	2013 Annual Financial Report
	2010 VicSuper Performance Report
	2009 VicSuper Carbon Count

ASSET MANAGERS INCLUDED IN REVIEW

Asset Managers	Documents Included in Review
Aberdeen Asset Management (UK)	2013 Corporate Responsibility Report
Allianz Global Investors (Germany)	2013 Sustainability Report
	Website – “Green Solutions”
	Website – “Low Carbon Investments”
Amundi (France)	2013 Business Report
AXA Investment Managers (USA)	2013 Responsible Investment Report
	2013 CDP Survey Response
BlackRock (USA)	2013 Annual Financial Report
	2013 Corporate Governance & Responsible Investment Report
BNY Mellon (USA)	2013 CDP Survey Response
	2013 Corporate Social Responsibility Report
Calvert Investments (USA)	2009 Trucost Report
Legal & General Investment Management (UK)	2013 Sustainability Review

Legg Mason (USA)	2013 Corporate Social Responsibility Report
Northern Trust (USA)	2012 Corporate Social Responsibility Report
	2009 Press Release
Parnassus Investments (USA)	Website – “Our Firm Highlights”
Pax World Investments (USA)	2014 Trucost Case Study “Portfolio Footprinting to Manage Carbon Liabilities: Pax World Case Study”
	2013 Trucost Report “Pax World Investments Carbon footprint analysis”
PIMCO (USA)	2013 Allianz Group Annual Report
Prudential Real Estate Investors (USA)	2012 Prudential Financial Inc. Sustainability Report
	Website – “Green Investments”
State Street Global Advisors (USA)	GRI G4 Index
SkandinaviskaEnskildaBanken (Sweden)	2014 Press Release
	Website – “Responsible Investments”
T. Rowe Price (USA)	2013 Corporate Social Responsibility Report
Trillium Asset Management (USA)	2013 Trucost Press Release

	Report: "Extracting Fossil Fuels From Your Portfolio: A Guide to Personal Divestment and Reinvestment"
Vanguard (USA)	Website – "Vanguard FTSE Social Index Fund Investor Shares"

Appendix B

BANKS INCLUDED IN THE REVIEW

Banks in OECD Countries	Documents included in the review
ABN Amro	2013 Annual Report 2013 Sustainability Report
Australian and New Zealand Bank	2013 Annual Report 2013 Sustainability Report
Bank of America	2013 Annual Report 2013 Sustainability Report
Barclays	2013 Annual Report 2013 Sustainability Report
BNP Paribas	2013 Annual Report 2013 Sustainability Report 2013 Equator Principles Report
Citi	2013 Annual Report 2013 Sustainability Report
Credit Agricole	2013 Annual Report 2013 Sustainability Report
Credit Suisse	2013 Annual Report 2013 Sustainability Report
Deustche Bank	2013 Annual Report 2013 Sustainability Report
HSBC	2013 Annual Report 2013 Sustainability Report
JP Morgan Chase	2013 Annual Report 2013 Sustainability Report
Mitsubishi UFJ Financial Group	2013 Annual Review 2013 Sustainability Report
National Australian Bank	2013 Annual Report 2013 Sustainability Report (Environmental Dig Deeper, Customer Dig Deeper, Dig Deeper Report)
Royal Bank of Scotland	2013 Annual Report 2013 Sustainability Report 2013 Energy Financing Report
Societe Generale	2013 Annual Report 2013 Sustainability Report
UBS	2013 Annual Report 2013 Sustainability Report
Wells Fargo	2013 Annual Report 2012 Sustainability Report
Westpac Banking Corporation	2013 Annual Report

	2013 Sustainability Report
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Banks in emerging markets	Documents included in the review
Banco Santander	2013 Annual Report 2013 Sustainability Report
ICBC International Holdings Ltd	2013 Annual Report 2013 Sustainability Report
Yes Bank	2013 Annual Report 2013 Sustainability Report

DEVELOPMENT BANKS INCLUDED IN THE REVIEW

Development Bank	Documents included in the review
African Development Bank	2013 Annual Report
Asian Development Bank	2013 Annual Report 2013 Sustainability Report 2010 World Bank Presentation
CAF – Development Bank of Latin America	2012 Annual Report
Caribbean Development Bank	2012 Annual Report
COFIDE	2012 Annual Report
European Bank for Reconstruction and Development	2012 Progress Report
European Investment Bank	2012 Progress Report
FMO	2013 Annual Report
Green Investment Bank	2014 Annual Report
IFC	2010 World Bank Presentation Website
Inter-American Development Bank	2013 Annual Report
Islamic Development Bank	2013 Annual Report 2010 World Bank Presentation
KfW	2013 Annual Report 2012 Sustainability Report 2012 CSR Facts and Figures
World Bank	2010 World Bank Presentation 2013 WRI Report 2013 Annual Report New article (2013)

Appendix C

Search terms used for data selection

For each FI reviewed, a search was performed with the following terms:

- Carbon
- Climate
- Emissions
- Energy
- Environment
- ESG
- Footprint
- Green
- Green bond
- Greenhouse gas
- Low-carbon
- Renewable
- Responsible investment
- Sustainability

Appendix D

LIST OF METRIC CATEGORIZATION

The list of metric categories and description of metric types included in each category by the reviewers is listed in the Tables 1 (Asset Owners and Asset Managers) and 2 (Banks and International FIs) below.

Each metric was further coded according to whether it was explicitly climate related, environmentally related, or more broadly ESG related, as outlined in Table 3.

Table 1: Metric Categories

Metric Type	Description
Active ownership	Exercising formal rights and informal influence to engage companies on ESG performance or disclosure. ⁹ Metrics in this category include: company dialogues about ESG, level of climate consideration among external investment managers, resolutions on environmental issues for which funds/firms instruct voting, and (proxy) votes cast.
Avoided emissions	Avoidance of carbon emission, reduction in energy demand due to financing of the FI, and avoided energy import costs due to renewable energy financed
Carbon-intensive financing	Value of financing or level of exposure to carbon-intensive sectors such as fossil fuel power generation and upstream fossil fuels.
Climate finance	Metrics primarily related to climate adaptation and resilience (i.e. climate risk) rather than climate mitigation or climate performance. Also includes financing approved to promote green policies, stronger institutions and productive capacity.
Carbon metrics	Carbon footprint or carbon intensity (including both financed emissions and other intensities) of investee companies in equity, project finance, commercial lending, or property portfolios
Environmental footprint	This metric category applies only to Asset Owners. Allocation of a proportion of the environmental impact of companies in equity, corporate fixed income and property portfolios, relative to amount of

⁹UNPRI <http://www.unpri.org/viewer/?file=wp-content/uploads/1.WhatIsResponsibleInvestment.pdf>

	stock held or as a proportion of enterprise value.
ESG integration	Broad ESG category that includes metrics related to responsible investment (RI) practices, proactive consideration of ESG factors in investment research and decision-making, use of positive and negative screening, and thematic investment strategies.
Low-carbon financing	Financing to any low-carbon activities, including clean energy projects, energy efficiency projects, environmental business activities, green projects, green vehicles, renewables, environment and natural resources management, environmental sustainability sector, green bonds, green loans and value of green financial products.
Not financial	Category used only in 3 rd party disclosure surveys to delineate metrics that are not directly related to the impacts of investing or lending (usually because metrics refer to impacts of internal operations of an organization, i.e. Scope 1 and 2)
Portfolio energy performance	Category of metrics pertaining to energy consumption primarily across real estate investments (property portfolio) and in one instance for private equity. Also includes counts of properties within portfolios that have achieved third party sustainable certification.
Sustainable investments	Includes all financing and investments in 'green' projects and products (i.e. green bonds), such as lending, underwriting, or investing in renewable energy, energy efficiency, clean technology, and green vehicles and mortgages. Also includes allocations to carbon tilted indices and sustainability funds.
Transaction screening	Number / value of transactions screened by internal Environmental and Social Risk Assessment mechanisms, Equator Principles and Carbon Principles
Other	All other metrics

Appendix E

GLOBAL EXTERNAL STAKEHOLDER SURVEY AND STANDARDS REVIEWED

1. AODP Survey 2013
2. CDP Investor Survey 2013
3. Dow Jones Sustainability Index (DJSI) Corporate Sustainability Assessment (CSA) Sample Questionnaire
4. UN Principles for Responsible Investment (PRI) Survey
5. Global Real Estate Sustainability Benchmark (GRESB) 2014 Survey
6. Sustainability Accounting Standards Board (SASB) Sustainability Accounting Standards for the Financial Sector
 - 6.1 Asset Management & Custody Activities
 - 6.2 Commercial Banks
 - 6.3 Consumer Finance
 - 6.4 Insurance¹⁰
 - 6.5 Investment Banking and Brokerage
 - 6.6 Mortgage Finance

¹⁰Only 1 insurance company (Aviva) was included in the review. More insurance companies could be researched to establish whether disclosure of the 3 insurance industry quantitative metrics sought by the SASB Insurance Sustainability Accounting Standard.