



Practical tips on carbon accounting in financial services

14 June 2024



Agenda:

- Webinar 1: [Introduction to PCAF – how to account for GHG emissions | ICAEW](#)
- Webinar 2:
 - The preparer's approach:
 - Commercial bank
 - Insurer
 - Assurance of finance emissions

Speakers



**Kirstie
Ross,**
Sustainability
Lead at TSB
Commercial
Bank



**Nimisha
Sodha,**
Head of
Responsible
Investment
at Just
Group Plc



Atul Patel,
Director
Climate
Change
Assurance,
PwC



**Adam
Beasant,**
Director,
Climate
Change
Assurance,
PwC

Ask a question



To ask a question

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

Type your question and click send

NOTE: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration.



Our approach to Net-Zero Targets and Financed Emissions

Kirstie Ross – Sustainability Lead

**Helping our
customers
to be money
confident.**

+

**Doing what
matters for
the planet.**



The story so far....



**Calculating
our baseline**



**Overcoming
challenges**



**Setting our
target**

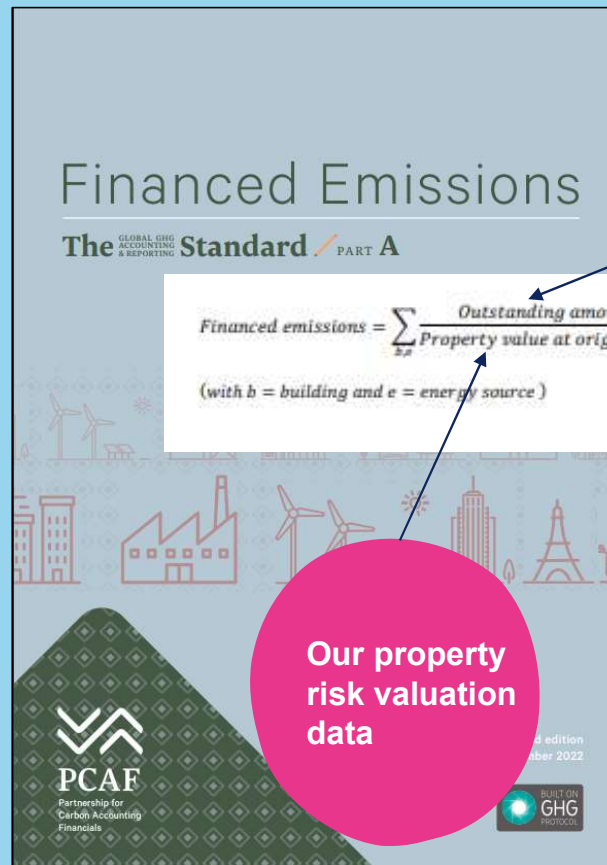


**Taking
action**

Calculating our baseline

Getting ready:

- In-house capability and capacity building
- Dry-run
- Reporting year
- Limited assurance



Statutory loan balances at 31/12/2023

Our property risk valuation data

Emissions data taken from EPC certificates, or model

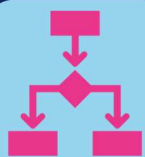


1. PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

Overcoming the challenges



Data availability and reliability



Decision points



Limited assurance

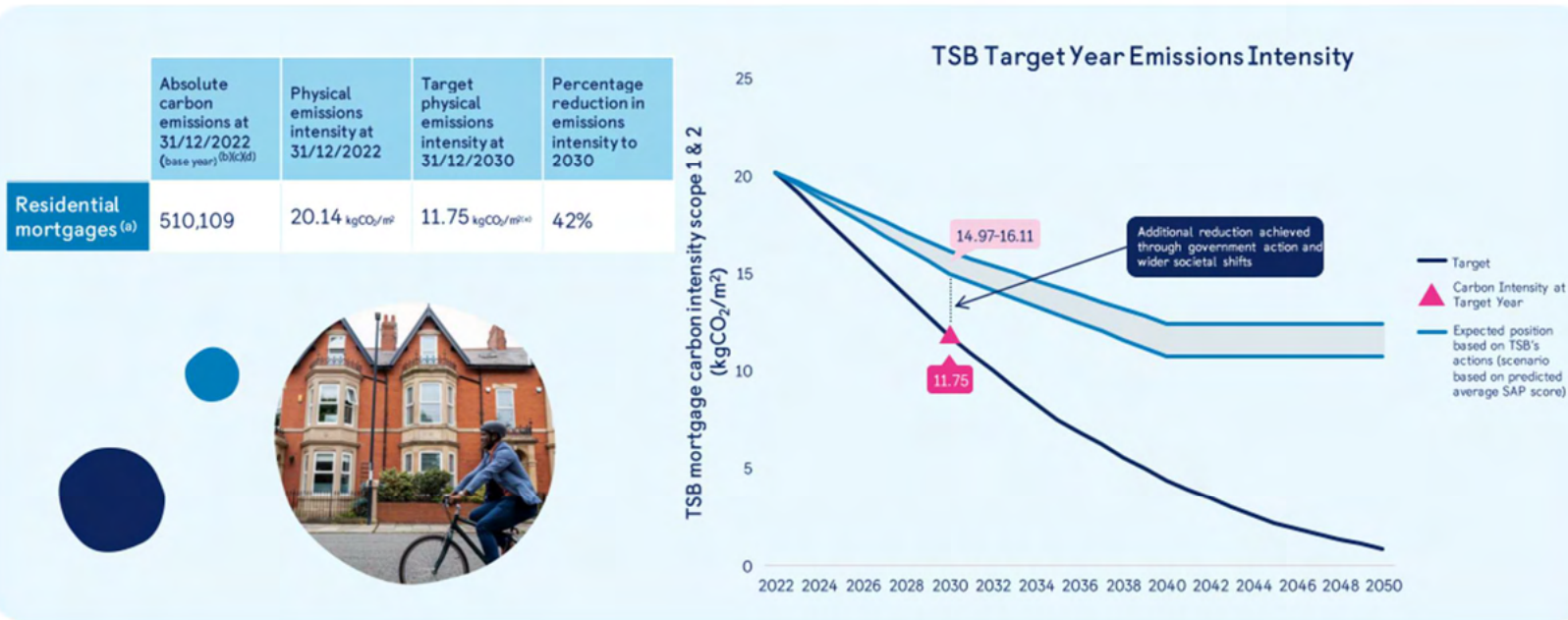


Internal stakeholders and governance



Setting our target

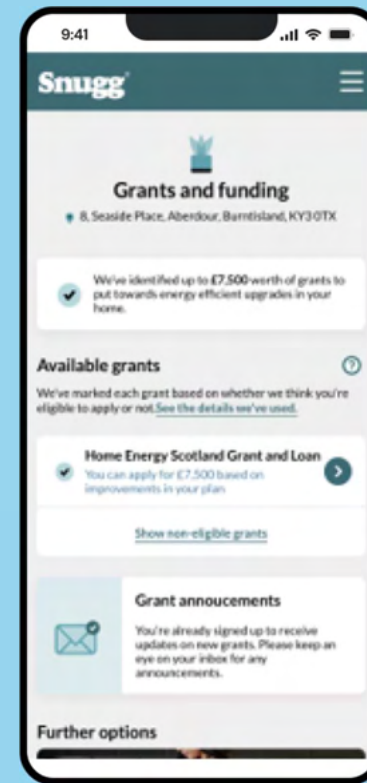
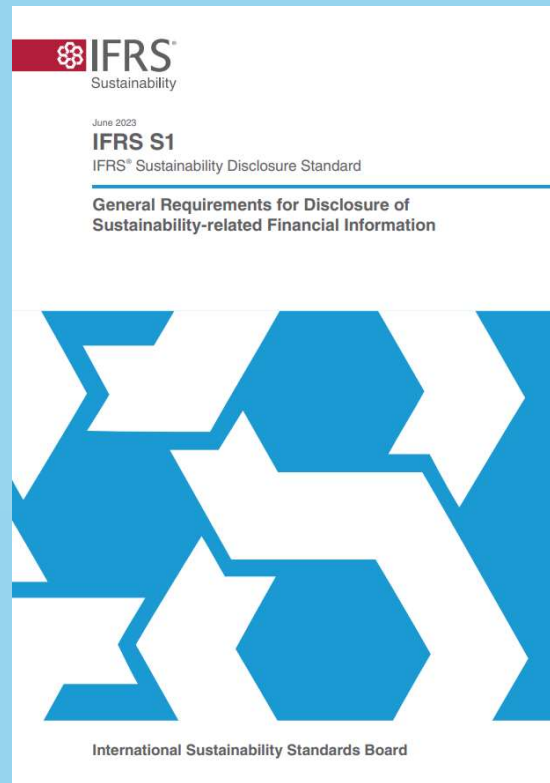
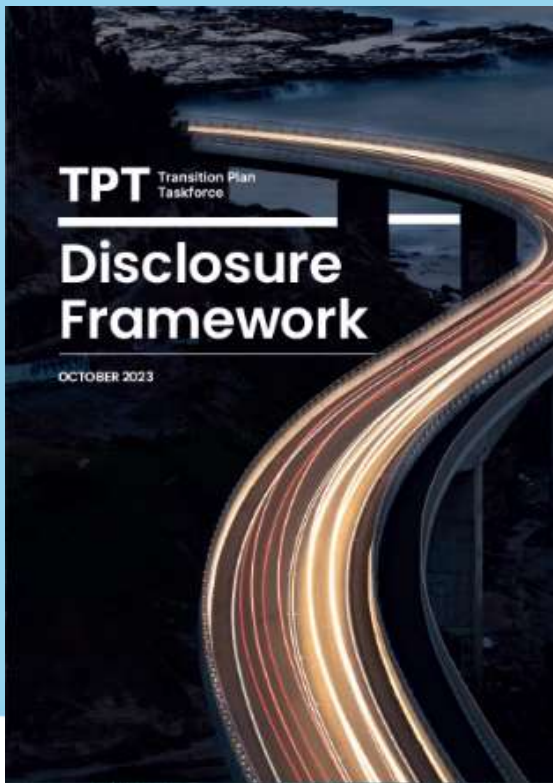
Our intermediate target for 2030



[NZBA target report](#) published August 2023 - PCAF DQ score 3.33



Taking action





Thank you



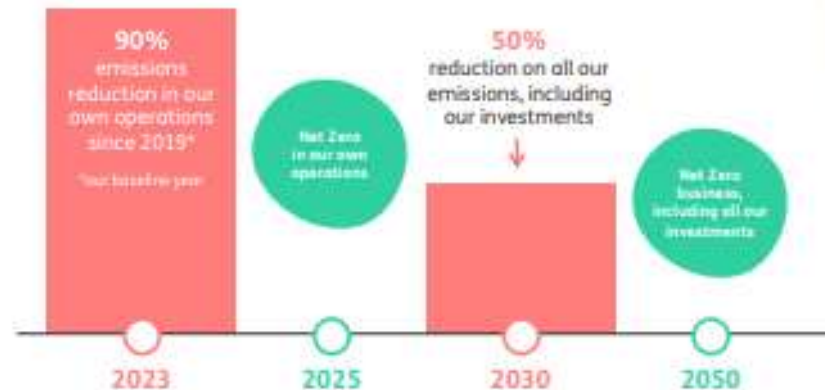
JUST.

Our approach to transition
planning & financed
emissions

Our sustainability strategy



Our path to Net Zero



Our sustainability strategy has three pillars:



Make a positive impact



Leave a responsible footprint



Create a fair world

And we are already making great progress.....

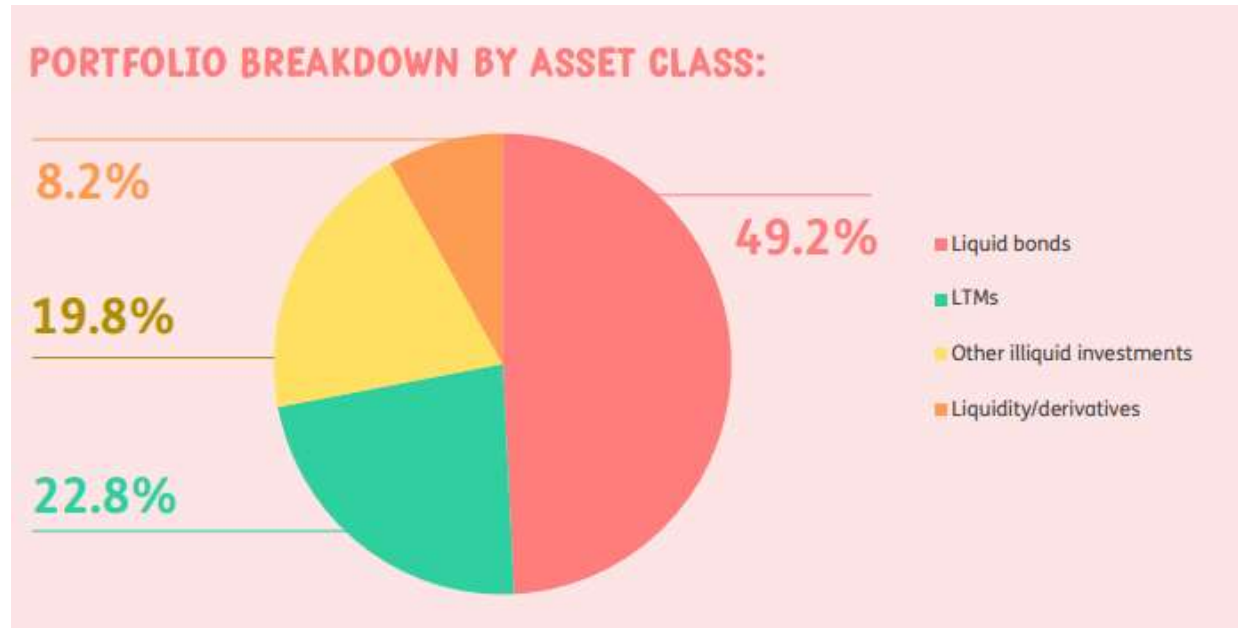
£325m invested in green and social assets

99% of our purchased electricity is from renewable sources (REGO certified)

33% of senior leadership are women

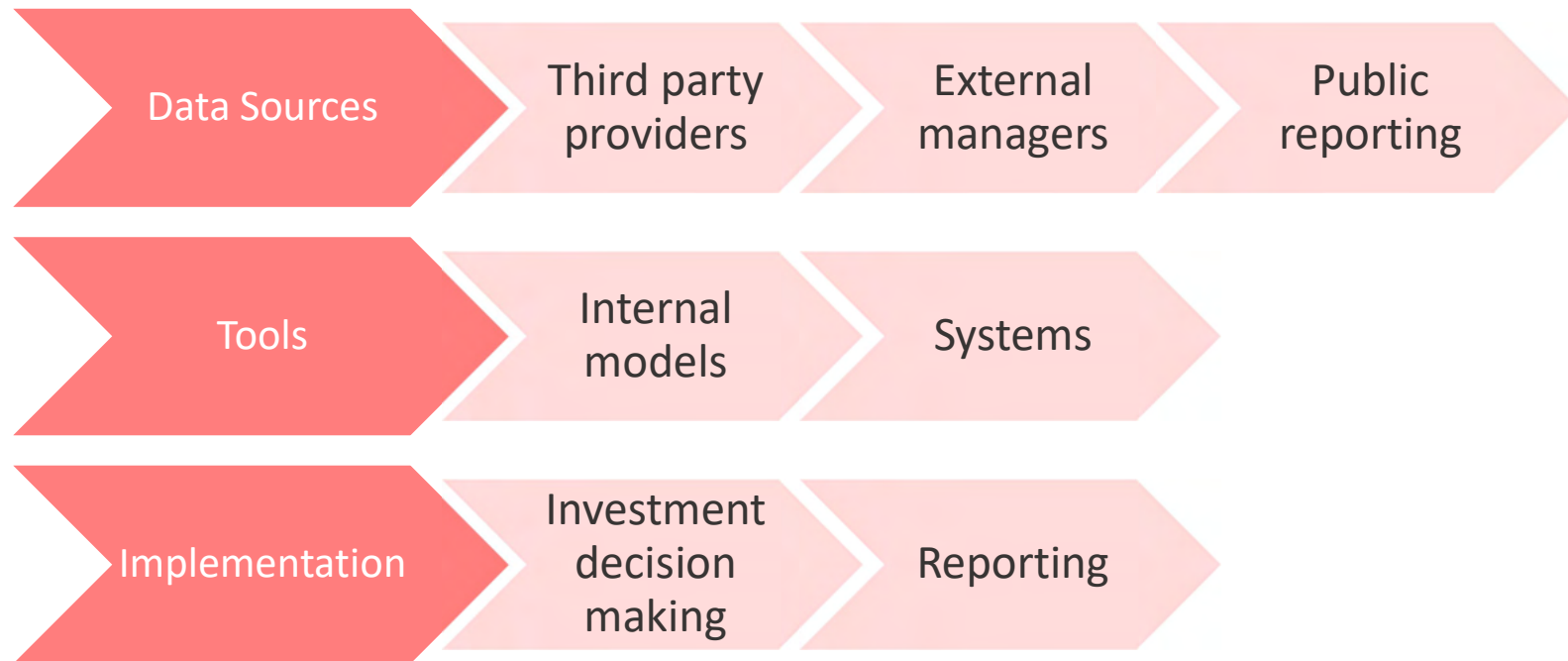
50% of our Board are women

Scope 3 – investment portfolio



- Hybrid model
 - Portfolio footprint calculated using pcaf standard
 - Data availability varies across asset classes
-

Data & implementation



Our progress...

EMISSIONS PROFILE OF THE CREDIT PORTFOLIO



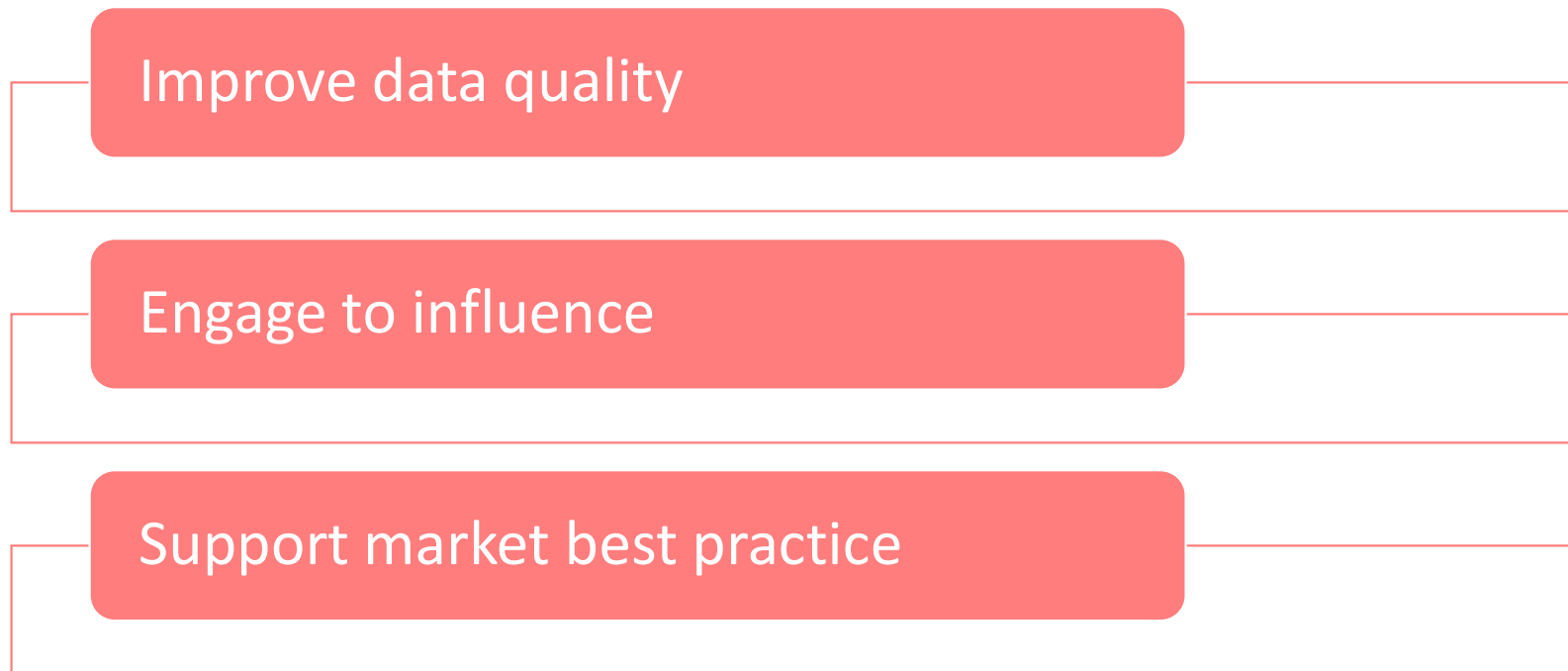
Key Learnings

Don't let
perfection be
the enemy of
action

Engage with
and utilise
external
managers'
expertise

Encourage
disclosure
through active
participation
in external
initiatives

Future plans



Financed emissions assurance

Atul Patel
Adam Beasant



Why are financed emissions important?

Climate commitments

2015 Paris Agreement:

- “the increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.”
- However, world leaders now stress limit global warming to 1.5°C by the end of this century (potentially going further !)
- **Climate finance:** a necessity for mitigation and adaptation
- **Financial institutions:** many setting ambitious climate / net-zero commitments that includes financing
- **Commitments** = setting targets + measuring progress (against a baseline)

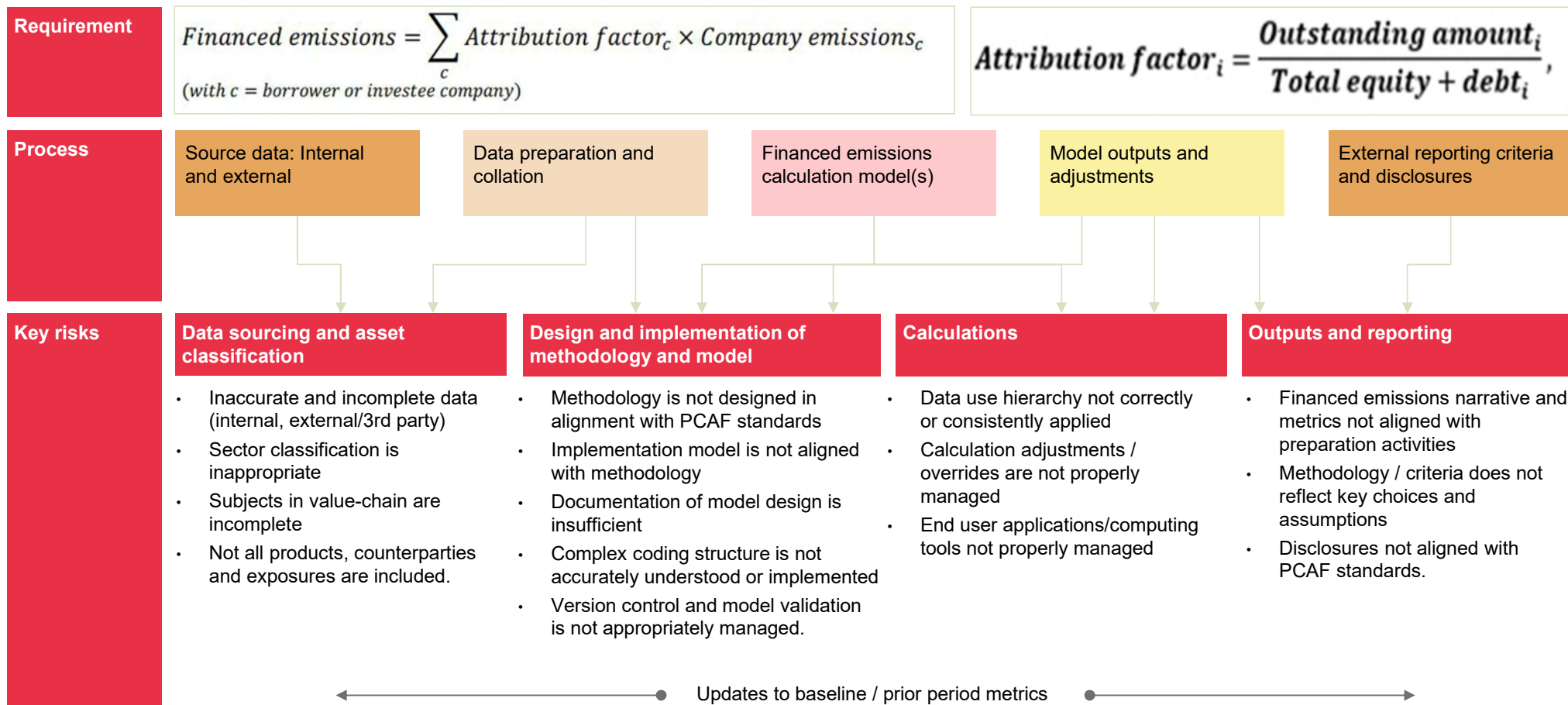
Global - industry initiatives and regulations



- Principles for Responsible Banking
- Net Zero Banking Alliance
- Glasgow Financial Alliance for Net Zero
- Net Zero Asset Managers Initiative
-



Financed emissions - preparation and disclosure risks (examples)



Hints and tips / areas of challenge

Data quality	<ul style="list-style-type: none">• Reliability of data• Having more than one source / 'outlier' controls• How current is the data?• 3rd party methodology
One version of the truth	<ul style="list-style-type: none">• The need for finance / investments and sustainability teams to be joined up on the data source and attributes
Changes in methodology	<ul style="list-style-type: none">• Impact on disclosure (including baseline)• Having a policy on how to handle prior year restatements
Documentation	<ul style="list-style-type: none">• Judgements• Key person dependency
The story and its use	<ul style="list-style-type: none">• What do the numbers mean? How do you draw comparisons? (impacts internal and external messaging)• KPIs & Commercial (including remuneration targets)

Limited vs reasonable assurance

Area	Limited assurance	Reasonable assurance
Objective	Reduction in engagement risk to a level that is acceptable in the circumstances of the engagement	Reduction in engagement risk to an acceptably low level in the engagement circumstances
Materiality	No difference as materiality is considered from intended users' perspective	No difference as materiality is considered from intended users' perspective
Understanding the underlying subject matter and engagement circumstances	<ul style="list-style-type: none"> • Sufficient to identify areas where a misstatement is likely to arise • Considers the process used to prepare the subject matter information 	<ul style="list-style-type: none"> • Aimed at identifying and assessing the risks of material misstatement (i.e. at a granular level) • Requires an understanding of the internal control over the preparation of the subject matter information • Includes evaluating design of controls and whether implemented (and requires more than inquiry)
Response to risk (i.e. evidence gathering procedures)	<ul style="list-style-type: none"> • Design procedures to address the areas identified above • Procedures can: Differ in nature and extent, or may be similar in nature, but performed on a smaller number of items • If the assurance provider becomes aware that the subject matter information may be materially misstated, additional procedures are needed 	<ul style="list-style-type: none"> • Design procedures to respond to assessed risks • Procedures more extensive than for limited assurance • Shall include obtaining sufficient appropriate evidence about the operating effectiveness of relevant controls when: <ul style="list-style-type: none"> ◦ Expectation that controls are operating effectively ◦ Substantive procedures, alone, are not sufficient
Form of assurance report	<p>A negative form of expression of the practitioner's conclusion</p> <p>Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the [financed emissions metrics] set out on page XX ABCs Annual Report and Accounts 202x, has not been prepared, in all material respects, in accordance with ABC's Financed Emissions Methodology 202x (the 'Reporting Criteria') available on ABC's website.</p>	<p>A negative form of expression of the practitioner's conclusion</p> <p>Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the [financed emissions metrics] set out on page XX ABCs Annual Report and Accounts 202x, has not been prepared, in all material respects, in accordance with ABC's Financed Emissions Methodology 202x (the 'Reporting Criteria') available on ABC's website.</p>



Did you know?

From 1 November 2023, ICAEW's revised Continuing Professional Development (CPD) Regulations brought in new CPD requirements, including a minimum number of hours and an ethics requirement.

This webinar could contribute to up to 1 hour of verifiable CPD, so long as you can demonstrate that the content is relevant to your role.

Find out more about how these changes affect you at [icaew.com/cpdchanges](https://www.icaew.com/cpdchanges).



Questions



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