

With momentum into the new year -

Net Zero Banking Alliance Germany kick-off event

The representatives of the eight participating banks met in Frankfurt on 25 January and determined the work programme for this year's focal points.

- 1. Dialogue with the real economy for transparency and positioning as a prerequisite for a successful transformation.**
- 2. Good Governance? Only in line with the Paris climate goals!**
- 3. Transparency for a clear course! Further development of climate-integrated loan portfolio management.**
- 4. Comparability of climate targets and progress reports.**

This year's public kick-off of the NZBAG's work will be the presentation of the customer dialogue tool on 23 March. [Click here for the invitation and registration to the event.](#)

1. Dialogue with the real economy for transparency and positioning as a prerequisite for a successful transformation.

Questionnaires and sustainability reviews in connection with large credit requests are becoming more and more common. But how can the sustainability dialogue be integrated and tested in the discussions between banks and corporate clients in day-to-day business? Which questions are essential and where are signs of convergence with regard to the possible choices of questions in connection with regulation and standardisation?

To this end, the NZBAG has developed an interactive interview guide that focuses on important questions for customers and banks alike and derives indications on the customer situation.

Exemplarily, the questionnaire covers two sectors that are very climate relevant (energy supply and real estate). Following the indicators selected by the [Pathways to Paris](#) project, the questions focus on the topics with the highest relevance, from which the company situation can be derived especially for the dimension of climate transformation.

After the launch of the customer dialogue tool, a public feedback phase is planned to help shape further development. Possible next steps are (i) the extension to additional sectors and/or (ii) the connection with related topics such as the further standardisation of the questions, the use of the information gained for the companies and banks e.g. via a fiduciary raw database for an extended risk assessment for banks, among others. A raw database would also help to reduce the number of similar requests to clients.

2. Good Governance? Only in line with the Paris climate goals!

When is a bank's climate strategy successful? When it is an integral part of the corporate strategy and governance provisions. Currently, the NZBAG is working on an impulse paper on the establishment of sustainable governance structures, which is intended to help banks set the necessary goals, accelerate integration into day-to-day business, identify conflicting goals and thus lay the foundation for climate-integrated decisions. An overview of current market developments on responsibilities, roles and (incentive) structures will also be given.

The publication is scheduled for the second quarter. In addition, the publication will feature portraits of companies from the real economy that provide impulses for the financial sector through their change processes in corporate management as well as through changes in the focus of their corporate objectives and customer services.

3. Transparency for a clear course! Further development of climate-integrated loan portfolio management.

In 2023, the NZBAG will continue to work on the practical implementation and application of climate-integrated portfolio measurement and management. Increasingly, banks are gaining transparency on the climate footprint of their financed emissions. Based on this, more and more banks are defining sector reduction targets for their loan

portfolios. At the same time, sensitivity is increasing when granting larger financing. However, the two together do not yet provide a consistent transparency basis for the alignment and management of the loan portfolio.

Therefore, the aim is to develop and test the next steps for a strategic-operational steering that builds on the banks' baselining and, in conjunction with targets and a climate scenario, allows the respective positions on the respective (sector) decarbonisation paths to be determined dynamically. To this end, the NZBAG would like to further develop the already developed and methodologically open indicator system and test it for sectors. In addition, the aim is to harmonise the reporting requirements with international voluntary commitments. This is also expected to lay the foundations for a methodologically open comparability of climate targets of different banks.

4. Create comparability of climate targets and progress reports

The open-method work creates the links to work together on the issues, regardless of the approaches and methods chosen by the banks. However, this does not yet allow for easy comparability of climate targets. Recognising the importance of transparency, the NZBAG will therefore work on comparison formats that take into account different institutional characteristics (including how to deal with different business models and methodologies, divergent definitions and tailoring of sectors and scopes, and German targets in the context of global portfolio targets).

About the Net Zero Banking Alliance Germany

Since 2021, the eight member banks of the NZBAG have been working on the development and implementation of climate protection measures in their institutions. The NZBAG develops methods for portfolio management as well as minimum requirements and guidelines at the strategic and technical level. The NZBAG focuses on market-related activities, as these can promote climate transformation in the real economy and offer significant business opportunities for banks.

The climate protection commitment of the German financial sector provides the basis and ambition for the NZBAG work. The goal is to enable comparable measurement and management of credit portfolios in line with the Paris climate goals. To this end, foundations and impulses are being developed in various areas.