Greening our Corporate Bond Purchase Scheme (CBPS)

i We will adjust the CBPS to support an orderly economy-wide transition to net zero, subject to maintaining its primary monetary policy purpose, protecting public money, and basing any adjustments on robust and proven metrics.

Overview

Context for greening the CBPS

The United Kingdom has committed to a target of net zero greenhouse gas emissions by 2050. In order to achieve that, companies' incentives must be aligned with this national goal. Governments have the most powerful tools to affect these incentives through laws, regulations, taxes and subsidies. Government policy, and companies' actions in response, will therefore be the primary driver of climate transition. However lenders and financial market investors can play a supporting role, by allocating finance in a way that further sharpens companies' incentives to reduce emissions, contributing to an orderly transition to net zero.

The Corporate Bond Purchase Scheme (CBPS) was introduced in 2016, and purchases investment grade sterling corporate bonds issued by companies judged to make a material contribution to UK economic activity. The Scheme is a monetary policy tool, and so its size is determined by the Monetary Policy Committee (MPC) as part of its monetary policy decision making in order to achieve its inflation target. For as long as the MPC maintains its target for CBPS holdings, the Bank will undertake periodic reinvestment operations to replenish the Scheme as bonds mature. One such operation took place in late 2019, and another will start in November 2021. It is possible the target stock of corporate bonds could be raised again in future, were the MPC to judge further asset purchases to be appropriate. But ultimately, as economic conditions permit, the MPC would likely allow the CBPS to wind down. We do not therefore expect to be a permanent investor in corporate bonds.

While the MPC continues to vote to maintain the stock of bonds held by the CBPS the Bank will remain a relatively small, though influential, investor in marketable sterling corporate debt. In March 2021, the Chancellor updated the MPC's remit to confirm that the economic strategy of the Government – which the MPC is expected to support as a 'secondary objective' – includes supporting the transition to a net zero emissions economy. This requires us to adjust the composition of CBPS investments to support transition to net zero, without undermining the Scheme's primary monetary policy purpose. Doing so is also consistent with increasingly persuasive evidence that market prices materially under-estimate the risks and opportunities associated with climate change.

In May 2021, we published a discussion paper exploring options for greening the CBPS. We would like to thank all those who provided feedback as to how best to do so, including experts in climate-conscious investing, climate groups and the general public. In the more detailed material below we have indicated how this feedback has helped us to shape our final framework.

Our approach to greening the CBPS

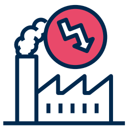
Figure 1.1 summarises our approach to greening the CBPS.

It shows how we will deliver against our three high-level principles: (1) that we will incentivise firms to take decisive actions that support an orderly transition to net zero; (2) that we will lead by example, while learning from others, and; (3) that we will ratchet up our requirements over time as data and metrics improve.

We will put these principles into action by using four tools, calibrated to complement each other. Firms will now need to satisfy climate-related eligibility criteria for their bonds to be purchased by the CBPS, with purchases then being "tilted" towards those eligible firms which are the stronger climate performers within their sectors. Our approach will be consistent with targeting a 25% reduction in the carbon intensity of the CBPS portfolio by 2025, on the way to full alignment with net zero by 2050. And our escalation approach will see the requirements we put on firms increase over time and actions – including reduced purchases, removal of eligibility or even divestment – taken against weaker performers.

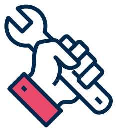
The first step in this process will occur via purchases to top CBPS holdings back up to £20bn, as per the target currently set by the MPC, starting in November 2021.

Figure 1.1: Overview of our approach to greening the CBPS



Incentivise companies to achieve net zero

Lead by example, learning from others



Ratchet up requirements over time

Our tools

 **Targets**	• Ultimate target: achieve net zero emissions associated with the CBPS portfolio by 2050. • Intermediate target guiding near term investment decisions: 25% reduction in the weighted average carbon intensity of the CBPS portfolio by 2025.
 **Eligibility**	• Firms ineligible for further purchases unless they meet climate governance requirements: public climate disclosure in line with the UK Government's requirements, from 2022; and for higher-emitting sectors (energy and utilities) public emissions reduction targets • Issuers with any coal mining activities are ineligible. Issuers using thermal coal in their activities are also ineligible unless they meet stringent criteria related to: eliminating existing activity in line with science-based pathways; reducing emissions over time; and renewable energy provision.


Tilting
	• Tilt purchases towards stronger climate performers within CBPS sectors, and away from weaker performers, using a scorecard incorporating:
	  ◦ Level of emissions intensity in latest data;
	  ◦ Past reductions in absolute emissions (relative to sector-specific pathways for high emitters);
	  ◦ Publication of a climate disclosure; and
	  ◦ Publication and third-party verification of an emissions reduction target.

 **Escalation**	• Review calibration of CBPS greening annually, increasing requirements as coverage and robustness of data/metrics improve; • Escalate intensity of actions, including, where appropriate, loss of eligibility and divestment where climate performance is inadequate.

Plus we will be transparent as possible without impacting the Bank's objectives. This means publishing:

- A detailed description of our final greening tools, including the tilting 'scorecard', allowing issuers and investors to understand our approach;

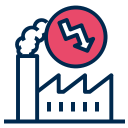
- A list of the issuers held in the portfolio; this, alongside the existing list of eligible bonds, will allow loss of eligibility and divestment to be publicly observable;
- Information on the share of eligible firms allocated to our climate performance buckets;
- A detailed climate-related financial disclosure, following the structure recommended by the Task Force on Climate-related Financial Disclosures: this will include disclosures on our portfolios held for monetary policy purposes, and an update on greening progress.

Principles and tools of our Greening Framework

Principles

Our discussion paper explained how our approach to greening the CBPS is guided by three principles (**Figure 2.1**). These principles are shaped by the CBPS's overarching purpose as a monetary policy tool and the Bank's broader obligations as a public body. That means that greening cannot impede the ability of the MPC to achieve its primary inflation target; must have due regard to protecting public money; and must be capable of clear and transparent explanation using robust and proven metrics.

Figure 2.1: Principles for Greening the CBPS

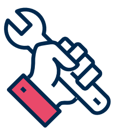


1. Incentivise companies to take decisive action to achieve net zero:

We want firms whose debt we might hold to change their behaviours in meaningful and lasting ways that support orderly transition to net zero by 2050 - not simply to minimise the current climate footprint of our portfolio. Exclusions or divestments will be part of the toolkit, but only where they incentivise that transition;

2. Lead by example, learn from others:

Given the relatively small scale of the CBPS, we will work closely with others in designing our approach: drawing on the work of relevant market-wide initiatives; seeking to influence that thinking where appropriate; and illustrating how comparable investors might approach similar challenges; and



3. Ratchet up our requirements over time

As data and metrics on transition pathways and firm-level emissions improve, and issuers have the opportunity to develop credible net zero strategies, our approach will become progressively more demanding, setting higher expectations and sharper incentives.

The principles shown in **Figure 2.1**, along with the proposed set of tools to implement them, received broad support during our outreach in summer 2021. In particular, a number of stakeholders welcomed that our design choices would be driven by the goal of incentivising economy-wide transition. We also agreed with feedback that the incentives we set should always be as sharp as the Bank's role and the coverage and robustness of available metrics allow – so, amongst other things, our requirements should get more demanding as data improve over time.

Tools

Targets

Our ultimate objective is to incentivise economy-wide transition over the medium term. We don't yet know for how long the CBPS will exist, as this will depend on the MPC's judgement as to when economic conditions warrant it being wound down. Whenever that may be, we can best support climate transition by setting an example of best practice, for larger investors and for those who may be allocating funds after the CBPS has closed. Best practice includes setting climate targets for the CBPS portfolio, even if the appropriate horizons for these end up being beyond the life of the Scheme, and so are never reached.

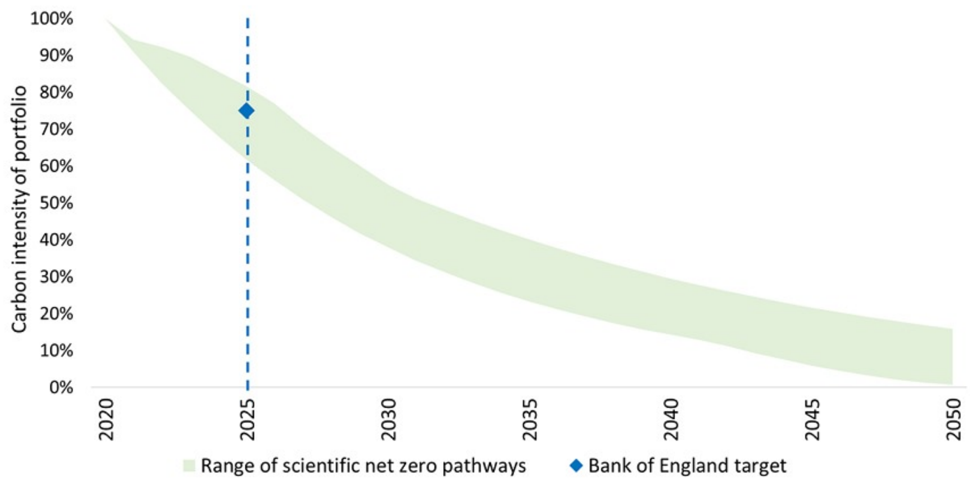
- We commit to achieving net zero greenhouse gas emissions associated with the CBPS portfolio – itself a snapshot of the sterling corporate bond market – by 2050, the Government's net zero goal.

Feedback in response to our discussion paper advised that adopting an interim target for the CBPS itself would support that goal in practice, guide our active investment decisions and give stakeholders a yardstick against which to monitor progress. Such interim targets are also an integral component of other net zero investment frameworks.

- We aim to reduce the Weighted Average Carbon Intensity (WACI) of the CBPS by 25% by 2025.[1]

The targeted reduction of 25% applies to a comparison of the portfolio WACI in our 2025 and 2020 annual climate disclosures. This is aligned with a science-based transition pathway to net zero produced by the Network for Greening the Financial System (NGFS),[2] and so with our longer-term objectives (Figure 2.2).

Figure 2.2: Bank of England interim portfolio target relative to net zero pathways[3]



The chosen horizon for our interim target seeks to balance: our focus on sustained changes in companies' behaviour and allowing time for incentives to take effect; accountability and transparency; and consistency with guidance from existing net zero investment frameworks. The balance of feedback we received also supported such a horizon - short term targets would not allow incentives time to take effect, while interim targets at much longer horizons run the risk of becoming out of date and losing relevance long before they are reached.

How did we choose the horizon and metric for the CBPS portfolio target?

Over time, we will also look to purchase eligible green corporate bonds, though we have chosen not to have an associated target.

Eligibility for purchase

As set out in our discussion paper, we are mindful, in greening our eligibility criteria, that transition is not well served by climate-conscious investors indiscriminately ceasing to invest in firms which are currently high emitters. This would cede influence over sectors of the economy that are crucial to overall transition to other investors, who may care less about climate considerations. It would also fail to differentiate between firms which have credible plans for emissions reduction and those which do not, thereby failing to incentivise putting such plans in place. We have identified two key ways in which our criteria determining eligibility for purchase by the CBPS can incentivise firms to improve their climate behaviours.

1. We will incentivise firms to measure and disclose their exposures to climate risks and to devise and communicate net zero aligned decarbonisation plans. This complements and reinforces the Government's pathway to mandatory disclosures.[4] It also accords with a strong onus in the feedback we received on the fundamental importance of investors having access to more, and higher quality, data on firms' climate impacts.

2. We will take action to filter out certain activities that scientific evidence suggests are incompatible with reaching net zero by 2050, or from when Government policy is for very tight restrictions on these activities. Other net zero investment frameworks advocate such an approach, with the producers of these highlighting this in their feedback.

   For instance, a strong body of evidence supports the need for a rapid fall in thermal coal usage – including elimination by around 2030 – in order for advanced economies to be aligned with transition to net zero. In the UK, the Government has committed to eliminating unabated coal-fired power generation by 2025.

That is why we will make ineligible for CBPS purchase debt issued by firms:

- Without a climate disclosure compatible with UK mandatory requirements which, on current Government proposals, will be introduced for financial years beginning after April 2022;
- In the high emitting energy and utilities sectors which have not published an emissions reduction target, with effect from the November 2021 reinvestment round;
- Not satisfying a set of stringent restrictions on the use of thermal coal, also with effect from the November 2021 reinvestment round.

What are the specific new green eligibility requirements for the CBPS?

Tilting

A powerful tool for further incentivising a reduction in emissions is skewing, or 'tilting', future CBPS purchases within sectors towards the debt of eligible firms that are performing relatively strongly in support of net zero - and responding most to the incentives we are setting – and away from those who are not.

- A scorecard allocating firms to different climate buckets will be used to assess their performance across multiple climate metrics, and to drive our investment decisions.
- This scorecard will include the latest level of a firm's carbon intensity and recent changes in its emissions, as well as metrics of credible transition plans for the future. For 2021, these forward-looking metrics will include the publication of climate disclosures and decarbonisation targets (taking account of third-party verification).
- We believe these metrics strike the appropriate balance between incentivising firms to produce more ambitious and credible plans for emissions reduction and having good data coverage across CBPS issuers to ensure firms can be fairly compared to each other. We have focussed on metrics that are sufficiently robust as a basis for investing public funds. As other measures of climate performance expand their coverage and demonstrate their robustness over time, we will look to incorporate them. We received feedback noting the flexibility of tilting approaches, into which new and improved metrics can be incorporated in a timely way.

More specifically, the overall climate bucket to which a firm is allocated, which will affect the price the CBPS is prepared to pay for its bonds, will take into account:

i. **Current carbon intensity**: Carbon intensity normalises a firm's greenhouse gas emissions by its revenues, to capture the volume of emissions it produces for its size, rather than how large a company it is. This metric is expressed in terms of the volume of carbon dioxide equivalent emissions per million pounds of revenue.

ii. **Past change in absolute emissions**: To be calculated as a weighted-moving average over a three year lookback window, with more weight placed on the most recent data. Firms' progress will be compared against transition pathways judged most appropriate for a given sector. Sector specific pathways will be used where available and sufficiently robust (currently the Net Zero Asset Owner Alliance pathways for energy and utilities - electricity, gas and water - sectors). We will otherwise use an aggregate pathway (from the NGFS).

Where firms have not self-reported emissions data, such that only estimates produced by third-party data providers are available, they will be allocated to the weakest bucket of performers in terms of both carbon intensity and reductions in absolute emissions.[5]

What definition of emissions will we use in our scorecard?

iii. **Disclosure**: Firms will receive credit for having made climate-related financial disclosures, the more so where they are in a sector with relatively low levels of disclosure. Firms will be marked down for not having made such disclosures, particularly if they are in sectors with higher levels of disclosure.

iv. **Targets**: Firms will receive credit for having an emissions reduction target, the more so if it has been validated by a third party. Firms which do not have a target at all will be marked down, especially where there is a higher coverage of targets in their sector.

The buckets firms are allocated to for each of these four metrics will then be weighted together to allocate them to an overall climate category. **Figure 2.3** illustrates how this approach will operate. All else equal, we will be prepared to pay a higher price for bonds issued by greener firms. These will then comprise a greater proportion of new purchases and, over time, the CBPS portfolio. Tilting will occur within sectors. Weights on the forward-looking metrics (i.e. disclosures and targets) will be greater where coverage in a sector is higher, so as not to overly penalise firms who are not lagging behind their sector peer group.

Figure 2.3: Tilting scorecard and its effect on CBPS investments

Current carbon intensity	Reduction in emissions	Climate disclosure	Validated science-based target
Firms scored relative to the carbon intensity of the portfolio.	Firms scored relative to a reference transition pathway most appropriate for a sector.	Firms receive credit for publishing a climate disclosure.	Firms receive credit for publishing an emissions reduction target – more so if verified.

↓

For each sector, equal weight is placed on the level of carbon intensity and past reductions in emissions.	Scores - and the weight given to each category - vary relative to peer group performance.

↓

Firms are allocated to a bucket based on their climate performance. Purchases are then tilted within sectors towards better climate performers by linking these buckets to the price we are willing to pay for a bond issued by a firm.

For a picture showing a (stylised) version of a tilt in action please see our discussion paper.

Our intention is to place progressively more weight, over time, on forward looking metrics, and to make use of developments in metrics to increasingly capture the ambition and credibility of firms' transition plans.

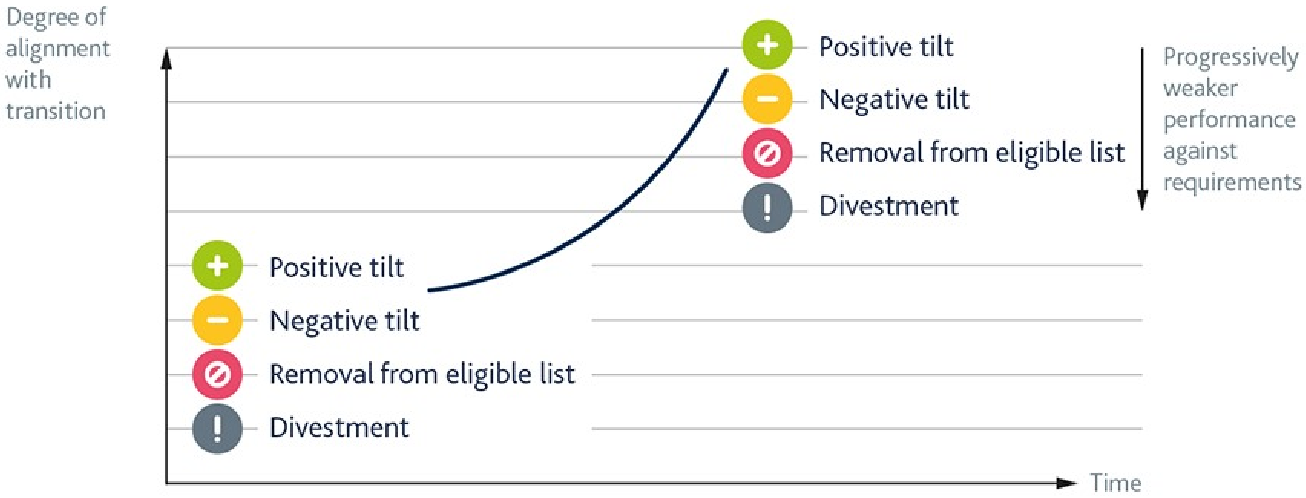
Escalation

We need to ensure that the incentives we set for firms to change their behaviours remain binding as transition progresses. Our requirements will therefore tighten over time as improvements in data quality and coverage allow us to distinguish more effectively between firms on the basis of the ambition and credibility of their future transition plans. Specifically:

- The weight placed on forward-looking metrics within our scorecard will increase over time, as coverage broadens;
- We will also explore options for capturing more granular information on the quality of firms' disclosures and the ambition of firms' emissions reduction targets.

As well as progressively tightening our overall requirements, we also have an 'escalation ladder' of actions we can take against specific firms whose climate performance is not sufficiently strong. **Figure 2.4** summarises this set of actions. These include tilting purchases away from weaker climate performers, making them ineligible for further purchases and, if appropriate, divestment of existing holdings of their debt. The upward sloping line represents our overall requirements becoming more demanding over time.

Figure 2.4: Escalation of expectations and actions over time



- Whether purchases are tilted away from, rather than towards, a firm will depend on its performance against the four metrics which feed into our tilting scorecard.
- Removal of eligibility for further purchases will automatically follow at the next update of our eligible list for any firm which fails to satisfy our green eligibility criteria.
- In addition to removing eligibility for further purchases from firms who no longer meet our eligibility criteria, we may also exercise our discretion to remove eligibility from firms whose overall climate performance over time is judged to warrant this action.
- Were a firm's climate performance sufficiently weak, we have the option of divesting existing holdings of its debt. The potential for this action may have a greater impact on firms' incentives now that this would be visible through our disclosure of which firms we hold (removal from our eligible list is also publically observable).
- Our escalation ladder for weak performers will strike a balance between setting sufficiently sharp incentives for firms to change their behaviour, and allowing a reasonable time to act upon them. Persistently weak performance could therefore be expected to lead to loss of eligibility after around three years, and to divestment after around five years.
- However, we may exercise our discretion to remove eligibility for purchase or to divest much more quickly, where warranted. Failure to satisfy eligibility criteria would be one example, in the most serious cases of which divestment could follow after as little as one year from the point of a firm being found in breach.

Disclosure

We will provide a range of enhanced information to throw light on the operation of our greening framework. This is important for three main reasons. First, it will help to sharpen firms' incentives to improve their climate behaviour. Second, it will help other investors to learn from our approach and, where appropriate, to apply similar principles to their own activities, helping to incentivise an economy-wide transition. And, finally, it will allow others to monitor how our framework is working in practice, and how we are performing against our targets. **Table 1** summarises the information we are publishing.

Table 1: Overview of publically available information on CBPS investments

Information	Disclosure
(Non-climate) eligibility criteria and operational details of how we will make purchases for the CBPS.	See: Asset Purchase Facility (APF): Corporate Bond Purchase Scheme Reinvestment programme – Market Notice 5 November 2021
List of bonds eligible for purchase.	Find out more on the Information for participants page
Annual report summarising the climate impact of the Bank's operations, including the CBPS.	We have published two TCFD-compliant climate disclosures, disclosing financial risk across all our operations. We were the first central bank to disclose the climate-related risks associated with our monetary policy portfolio. Read our 2021 report.
Setting out a framework for greening the CBPS and, within that, detailed description of greening tools.	We became the first central bank to articulate a comprehensive framework for greening a monetary policy portfolio, via a discussion paper published in May 2021. This webpage provides detail on the design and calibration of individual tools, including our additional 'green' eligibility criteria, how we have calibrated our portfolio targets, the data we will use to assess a firm's climate performance, and our approach to dealing with poor climate performers. By providing this information we intend to influence other investors, and to contribute to the further evolution of climate-conscious investing.
Identity of issuers whose bonds are held in portfolio.	A list of issuers held within the portfolio will henceforth be published annually alongside our eligible list. This is complementary to our greening approach, including by making it observable if the Bank divests the bonds of a particular issuer.
Shares of the issuers on our eligible list allocated to different climate categories on the basis of their climate performance.	In order to map climate performance into the price we are prepared to pay for a bond, and so to green the composition of the CBPS, we will allocate firms into one of a small number of categories, on the basis of the tilting scorecard. We will publish annually the share of firms in our eligible list that have been allocated to each of these 'categories'.

Specific design choices

How did we choose the horizon and metric for the CBPS portfolio interim target?

We have set an interim target for the CBPS portfolio of reducing the weighted average carbon intensity (WACI) of the portfolio by 25% between our 2020 and 2025 disclosures. This does not presuppose anything about the life-span of the CBPS - role modelling an interim target of this kind can help contribute to transition, whenever the MPC decides to wind the Scheme up.

This choice of calibration reflects two core judgements:

Horizon

Climate conscious investors must be concerned with the entire transition pathway to net zero. Our setting of an interim target for 2025 is consistent with broad consensus across net zero investment frameworks, corroborated by feedback on our discussion paper, that a horizon of around five years is soon enough to anchor a strategy while allowing sufficient time for greening incentives to take effect. The choice of 2025 aligns with national targets agreed as part of commitments made under the Paris Agreement, as well as science-based climate scenario data, making it easier to benchmark our interim target against others.

Metric

WACI is a widely used metric of a portfolio's climate impact, proposed by most net zero investor frameworks. The WACI of the CBPS is calculated by summing the emissions intensity of each firm held in the portfolio (emissions / revenue), and weighting this based on how much debt of each firm is held (value of holdings / value of portfolio). This is expressed in terms of tonnes of CO_2 equivalents ('tCO_2e') per £mn of revenue.

WACI has the benefit of being a robust metric, which is readily understood – but it is backward looking, taking no account of the transition plans of firms held in a portfolio. We considered forward-looking metrics, such as those raised in our discussion paper, including Implied Temperature Rise (ITR) metrics. However, we received overwhelming feedback from experts that although such metrics are potentially valuable, at this stage in their development they remain too sensitive to underlying assumptions to provide a robust basis for interim targets for portfolios such as the CBPS.

What are the specific new green eligibility requirements for the CBPS?

There are two areas where we have introduced new requirements for bonds to be eligible for purchase by the CBPS. We will monitor whether firms should remain eligible based on these new 'green' requirements as part of our annual eligibility review process.

Expectations for firm disclosures

Our CBPS eligibility criteria will align with, and reinforce, the timetable for mandatory climate disclosures set out by the UK government.[6]

- Based on the proposed timetable that means that publishing climate related financial disclosures will be an eligibility requirement for reporting periods starting after April 2022 for all firms with over 500 employees and a turnover of over £500 million. We will also apply this criterion to non-UK firms, to ensure a consistent approach across the portfolio, and incentivise firms to make such disclosures even where not mandated by UK law.
- Firms will be deemed to have met this disclosure requirement if they have published climate-related financial information in line with the four overarching pillars of the TCFD recommendations (Governance, Strategy, Risk Management, Metrics & Targets). Climate risk disclosures following any of the following standards would also meet this requirement: CDP (formerly the Carbon Disclosure Project), Sustainable Accounting Standards Board and International Integrated Reporting Framework (now collectively known as the Value Reporting Foundation, VRF), Carbon Disclosure Standards Board or the Global Reporting Initiative.
- Firms meeting these requirements before mandatory requirements come into force will receive credit for this within our tilting scorecard.
- We will additionally require high-emitting sectors (energy, electricity, gas, and water) to have published a decarbonisation target in order to be eligible for purchase. Over time, we expect this requirement to get increasingly stringent – for example, once third party verification is more widespread we may expect firms' targets to be independently validated. We will continue to monitor developments in order to judge when best to introduce such requirements.

Activities incompatible with net zero

We will also take action to filter out certain activities that scientific evidence suggests are incompatible with reaching net zero by 2050, or from when Government policy requires very tight restrictions on these activities. As noted above, a strong body of scientific evidence supports this now applying to thermal coal (i.e. coal used for power generation).

- Firms which generate any revenue from mining thermal coal will be ineligible.
- Additionally, firms which generate any revenue from using thermal coal will be ineligible for purchase by the CBPS, unless they meet all of the following criteria:
    - No investment in new unabated thermal coal plants, with commitments to eliminate existing thermal coal activity in the UK by 2025 and globally by 2030;
    - Emissions falling over time consistent with appropriate sectoral net zero pathways;[7]
    - At least 20% of energy mix comprised of renewable energy.[8]

Over time, we will look to keep CBPS eligibility criteria aligned with the balance of scientific opinion and UK Government policy regarding activities which are considered incompatible with transition to net zero. This is likely to entail imposing additional restrictions on a wider range of fossil fuel related activities, beyond thermal coal. The Bank intends to engage with ongoing discussions amongst experts in net zero investing about the appropriate nature of such restrictions, and the timeframes over which they should come into force.

What definition of emissions will we use in our scorecard?

For the purposes of calculating firms' carbon intensities and changes in their absolute emissions for our scorecard we will include all greenhouse gas emissions, converted into units of carbon dioxide equivalence, and reported on a Scope 1 plus Scope 2 basis (ie. not Scope 3). These are defined in **Figure 3.1**.

Figure 3.1: The three scopes of GHG emissions reporting

Scope 1 GHG emissions	Scope 2 GHG emissions	Scope 3 GHG emissions
Direct emissions from owned or controlled sources: eg, emissions in the manufacturing process of goods, use of company vehicles.	Indirect emissions from the generation of purchased and consumed electricity, steam, heating and cooling.	All other indirect emissions that occur through the generation and consumption of a company's goods and services: eg, business travel, waste disposal, consumption of goods, investments.

Sources: Bank of England and GHG Protocol

In principle, including Scope 3 emissions would provide the most complete picture of a company's activities. However, Scope 3 emissions are intrinsically very hard to measure accurately, and there are many data gaps compared with Scopes 1 and 2. On balance, we concluded that this prevented us from incorporating Scope 3 emissions in a systematic and fair way, at this time. We will continue to monitor the evolution of Scope 3 data over time, along with the case for incorporating this once it becomes sufficiently robust.

The trade-offs involved in this choice were set out in our Discussion Paper.

1. This metric normalises a firm's greenhouse gas emissions by its revenues (to capture the volume of emissions it produces for its size, rather than how large a company it is), and then weights these together using the (current value) share of each firm in the overall CBPS portfolio. It is expressed in terms of the volume of carbon dioxide equivalent emissions per million pounds of revenue. Our target is set on the basis of so-called Scope 1 and Scope 2 emissions. This means that it captures both the emissions produced directly by a firm and in the production of the energy that it uses, but not the emissions associated with either the production of its other inputs or the use of its own outputs (which would be Scope 3).
2. A voluntary network of central banks and supervisors which aims to contribute to best practice in managing environmental and climate risks in the financial sector, and mobilising finance in support of a sustainable economy.
3. The green swathe is based on a range of science-based emissions reductions pathways consistent with limiting global temperature increases to the 1.5°C goals of the Paris Agreement. These are also consistent with achieving net zero CO2 emissions by 2050, but do not reach zero by 2050 because they also include other greenhouse gasses. The UK Government's net zero commitment does cover all greenhouse gasses, as therefore do our own CBPS targets.
4. Department for Business, Energy & Industrial Strategy – Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs
5. Subject to a sufficient number of firms in a sector self-reporting data for this to be practical.
6. Department for Business, Energy & Industrial Strategy – Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs.
7. Greenhouse gas emissions on a Scope 1 plus Scope 2 basis.
8. Energy mix refers to having at least 20% of output or capacity from renewable sources.

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