

Union Bank of India Becomes First Major Indian Bank to Sign PCAF

Union Bank of India has announced its decision to become a signatory to the Partnership for Carbon Accounting Financials (PCAF). This step aligns with the growing global emphasis on climate risk management and the recent draft guidelines issued by the Reserve Bank of India (RBI) on climate risk disclosures.

PCAF is a global partnership of financial institutions working to develop and implement a harmonized approach to assess and disclose greenhouse gas emissions associated with loans and investments. By joining PCAF, Union Bank of India demonstrates its commitment to measuring and managing its financed emissions, a crucial aspect of climate risk management for Banks.

Financed emissions, often referred to as Scope 3 emissions, represent the indirect emissions that result from a Bank's lending and investment activities. These emissions can significantly outweigh a Bank's operational emissions and pose substantial risks to its portfolio in the face of climate change and evolving regulations.

The importance of tracking financed emissions has been underscored by the RBI's recent draft guidelines on 'Disclosure framework on climate-related financial risks, 2024', issued on February 28, 2024. The framework mandates regulated entities to disclose information on four key areas: governance, strategy, risk management, and metrics and targets. The RBI's draft guidelines signal a shift towards more stringent climate risk reporting for Indian Banks. Union Bank of India's proactive stance in becoming a PCAF signatory is likely to give it a head start in meeting these upcoming regulatory requirements.

Industry observers note that this move positions UNION BANK OF INDIA at the forefront of climate risk management in the Indian Banking sector. The Bank's adoption of PCAF's methodology is expected to enhance its ability to set targets and develop strategies aligned with global climate goals.
