

EQUIFAX[®]

The road to net-zero

Financed Emissions
Whitepaper



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The road to net-zero: How automation and audit-grade data unlock commercial lending opportunities amidst UK regulatory mandates

A landscape of increasing climate volatility and shifting demographics represents the stark reality of our current trajectory. For financial institutions, this future poses not only a significant moral challenge but a material commercial risk. In this whitepaper, we examine how to chart a course towards a more stable, sustainable financial future - starting today.

The 40% Pivot: Why Financed Emissions are the New Front Line of Global Capital¹

For banks and lenders, the journey to net-zero by 2050 is not about their office energy consumption; it is about their portfolio. Financed emissions, the indirect greenhouse gas (GHG) emissions from the loans and investments they underwrite, constitute an overwhelming 95% or more of a bank's total carbon footprint². This means every pound loaned is a direct attribution of climate risk to the bank's balance sheet.



CO₂

If British banks and investors were a country, they would rank as the ninth-largest emitter of CO₂ globally.

Today, through the Glasgow Financial Alliance for Net Zero (GFANZ)¹, over **700 financial institutions** across **55 jurisdictions** have committed to transforming the economy for net zero. These firms represent approximately **40% of all global private financial assets**. This shift is no longer just about high-level pledges; as of late 2024, more than **450 of these firms** have published detailed Net-Zero Transition Plans (NZTPs), signaling a move from commitment to implementation.

In the UK alone, financed emissions from a sub-section of the financial sector were responsible for 805 million tonnes of CO₂ in 2019, a figure 1.8 times the UK's annual net emissions³. If British banks and investors were a country, they would rank as the ninth-largest

emitter of CO₂ globally. Far from improving, the trend appears to be regressing; recent 2025 reports⁴ indicate that the world's leading banks reversed previous progress by increasing their fossil fuel financing by approximately **£128 billion (\$162.5 billion)** in 2024 compared to the previous year.

The sheer scale of this impact has transformed climate risk from a secondary Corporate Social Responsibility (CSR) concern into an urgent, mandatory financial disclosure requirement. However, within this challenge lies a significant silver lining: we are currently witnessing one of the most substantial commercial opportunities for the banking sector in decades. Here we explore how institutions can pivot from compliance to competitive advantage.

¹ Glasgow Financial Alliance for Net Zero (GFANZ) (November 2024). Progress Update: Nature in Net-Zero Transition Planning. Available at: gfanzero.com

² LSEG Risk Intelligence / SFI Research (April 2026). Financed emissions in practice: Navigating disclosure gaps and estimating impact. London Stock Exchange Group.

³ WWF UK & Greenpeace UK (May 2021). The Big Smoke: The Global Emissions of the UK Financial Sector. Joint NGO Report.

⁴ The Guardian / Rainforest Action Network, BankTrack, et al. (June 2025). Banking on Climate Chaos: Fossil Fuel Finance Report 2025. 16th Annual Edition. Available at: bankingonclimatechaos.org



A regulatory and data crisis

Financial institutions are navigating new and intensifying global regulations. From the foundational Task Force on Climate-related Financial Disclosures (TCFD) to the global baseline set by the International Sustainability Standards Board (ISSB), and the far-reaching European Union Corporate Sustainability Reporting Directive (EU CSRD), the mandate is singular: **enforce and track the 25-year sprint to net-zero.**

In the UK, this is crystallising as the new **Sustainability Disclosure Requirements (SDR)** framework, with entity-level disclosures for large asset managers starting as early as December 2025/2026. The shift is already being enforced:

The Accelerating Regulatory Mandate

Regulation	Key requirement & consequence
UK Prudential Regulation Authority (PRA) Thematic Feedback	Explicitly scrutinising how banks quantify climate-related risks within International Financial Reporting Standard 9 (IFRS 9) Expected Credit Losses (ECL) . Demands for enhanced modelling and superior governance over source data - embedding climate risk directly into core financial calculations.
EU Corporate Sustainability Reporting Directive (CSRD)	Mandatory, audited sustainability reporting. Penalties for non-compliance are severe, with German national law, for example, permitting fines of up to €10 million or 5% of annual turnover for breaches.
UK Sustainability Disclosure Requirements (SDR)	Anti-greenwashing rules in effect from May 2024 . Entity-level disclosures for the largest firms start from December 2025/2026 , demanding granular, auditable data to substantiate transition plans.

The Granularity Deficit

At the heart of non-compliance is a critical data gap. **99.9% of British companies are Small and Medium-sized Enterprises (SME's)**, and their lack of readily available, high-quality emissions data creates a blind spot for lenders.⁵

Coverage gap:

Currently, banks report having data for only **25%-40%** of their total lending portfolios. Furthermore, much of this information carries a **Partnership for Carbon Accounting Financials (PCAF) data accuracy score of 4 or 5**, rendering it too speculative for robust risk management or credit decisions. This massive shortfall leaves institutions exposed to regulatory scrutiny, climate-related credit risks, and accusations of greenwashing, all while providing no actionable data for effective strategy.

The Quality Crisis:

The industry-standard metric for accounting for financed emissions is the **Partnership for Carbon Accounting Financials (PCAF) Data Quality Score**, where 1 represents verified data and 5 represents the lowest-quality estimate. Client feedback - bolstered by findings from a **2024 UK Finance study** - confirms that the sector average for Scope 3 emissions remains stagnant at **PCAF 5**, relying heavily on high-level, estimated sectoral proxies.

This reliance on estimation has evolved from a mere reporting hurdle into a material risk involving capital allocation and regulatory compliance. As regulators, such as the Prudential Regulation Authority (PRA), demand loan-level granularity in IFRS 9 Expected Credit Loss (ECL) models, maintaining a PCAF 5 approach is no longer tenable. Institutions persisting with this method face heightened scrutiny, potential fines, and significant reputational damage.



⁵ Federation of Small Businesses (FSB) (2025/2026). UK Small Business Statistics. London: FSB / Department for Business and Trade.



The Equifax & CienDos advantage: Beyond estimates to action

At Equifax, we work closely with **UK Finance** to monitor these shifting expectations. As UK Finance noted in their recent blog⁶, a growing raft of regulatory expectations across the world - from China and Japan to US states, Canada and the UK - is focused on delivering better, materially useful information on sustainability risks and opportunities for investors.

Equifax and CienDos are meeting this mandate head-on. We are not just reporting data; we are enabling market leading Partnership for Carbon Accounting Financials (PCAF) 1-3.18 data accuracy which is a specific average from a bank pilot project - a level of granularity and confidence that stands significantly apart from the industry average. By combining Equifax's deep commercial credit data on SMEs with CienDos' extensive data lake, we move beyond generic estimates to provide auditable, actionable insights on a bank's total portfolio. Enabling them to use the data in transition risk modeling as a tool for pricing products.



*With the latest release of **SS5/25**, the PRA stipulates that financial institutions must gather a concrete plan of action for any data gaps in material climate-related risk data. By **3rd June 2026**, banks must have this plan to fill those gaps. This is no longer a tick-box exercise or a "best endeavor" attempt; banks will require robust and scalable data to pursue regulatory alignment.*

Ian Bhullar,
Director of Sustainability Policy at UK Finance

The power of combining Equifax commercial credit data with market leading carbon data:



Case study: The carbon intensity problem

Our proprietary insights reveal that financial institutions with similar lending volumes can carry vastly different risk profiles. By integrating **Equifax credit data** with SME profiles from some of the UK's largest lending institutions, we have mapped the lending portfolios of businesses with revenues up to **£25 million**, providing a clear view of their associated financed emissions.

The disparity in carbon exposure across the sector is stark. As shown in the data below, Bank 2 and Bank 3 maintain comparable lending totals. However, Bank 3 generates 118 tonnes of CO2 per million pounds lent. In contrast, Bank 2 - despite a similar lending volume - maintains a significantly lower carbon intensity of 55 tonnes of CO2 per million.

Strategic Implications

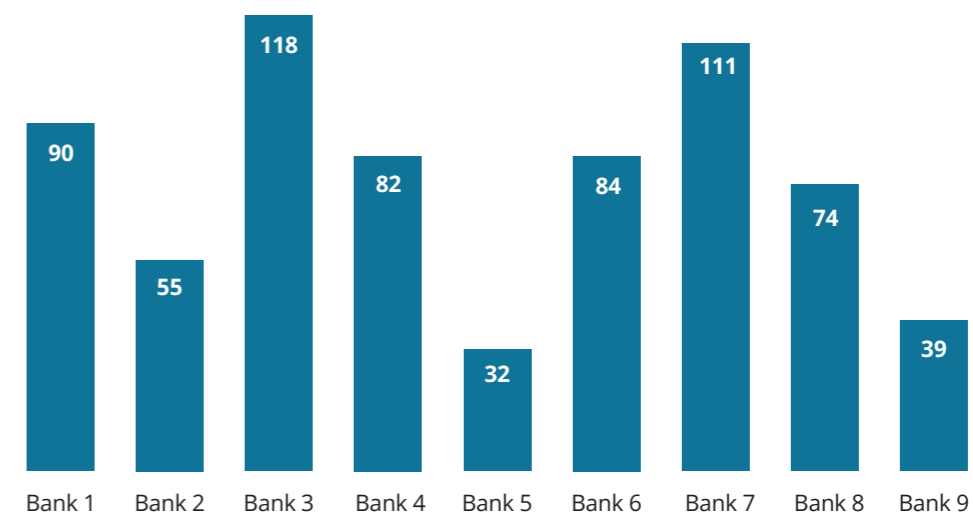
This discrepancy demonstrates that Bank 3's portfolio is heavily weighted towards carbon-intensive sectors, significantly heightening its transition risk. Such exposure can jeopardise an institution's ability to meet net-zero targets, potentially leading to:

- **Heightened Regulatory Scrutiny:** Increased oversight from bodies such as the PRA.
- **Financial & Capital Risks:** Potential fines and the need for higher capital buffers against climate-related credit risks.
- **Reputational Damage:** An unfavourable public profile and increased vulnerability to accusations of greenwashing.

This risk is most prevalent among banks that lack the granular data and analytical capacity to fully understand their customer and supplier ecosystems. Without high-accuracy data, institutions remain blind to the true carbon weight of their portfolios.

Metric Tonnes of CO2 Equivalent per £m loaned: UK Tier 1 Banks

Excluding lending to entities above £25m turnover threshold



⁶ UK Finance Blog Insights (May 2026). Bhullar, I., *Sustainability disclosure's quiet revolution*.

Digging in deeper: The Agriculture sector

While most companies focus on switching to green energy, our data reveals a critical blind spot in bank portfolios:
The Agriculture, Forestry, and Fishing sector.



When aggregating financed emissions, this sector emits, on average, 35% more than the next highest sector.⁷

Top 10 Sectors with the most Financed Emissions per £m Lent

Excluding Private Household Activities

Agriculture, Forestry & Fishing	513
Transportation & Storage	381
Mining & Quarrying	346
Manufacturing	125
Water & Environmental Services	110
Arts, Entertainment & Recreation	97
Human Health & Social Work	60
Sales, Distribution & Vehicle Repair	50
Energy & Utilities Provision	48
Other Service Activities	47
All Others	21

The Issue: Suggesting that banks force farmers to switch to plant-based production is politically sensitive and may alienate traditional farming clients.

The Fix: Recommend technology-based improvements instead, such as precision farming, methane capture, or sustainable crop management.

⁷Fidelity International (November 2022). *Addressing the climate challenge: A deep dive into financed emissions*. Analyst Report.

*WWF UK (May 2023). *Eating for Net Zero: How diet shift can enable a nature-positive, net-zero transition in the UK*.

The Opportunity: Empowering relationship managers through green lending

Working with Tier 1 Banks, we have found that Equifax data offers an accuracy of $\pm 15\%$ (with portfolio tests showing deviation as low as 5%). In contrast, banks relying on standard proxy data have, in some cases, overestimated or underestimated emissions by as much as 2000%. These results were validated by a comparative analysis between our platform's output and the internal calculations of a Tier 1 investment bank.



Data of that quality is unusable for financial institutions making critical risk decisions. If a bank underestimates emissions by such a significant margin, they risk focusing their transition efforts on the wrong sectors or customers. This leaves customers unaware of their true carbon intensity and exposes the bank to greenwashing risks by reporting lower emissions than reality. Crucially, it also means pricing teams cannot use this data to build accurate pricing models for lending products. This is where the opportunity lies. Sustainability is no longer just a tick-box compliance exercise; it is a commercial lever to drive new business.

Relationship Managers (RMs) need to know exactly who to lend to and which SMEs are primed for green products. Our data allows RMs to effectively find the needle in the haystack by identifying the specific sub-sectors and micro-sectors where high financed emissions are lurking.

For example, consider an RM identifying a food manufacturer with high baseline emissions. The data doesn't just flag risk; it reveals a pre-qualified opportunity, financing an £18,000 upgrade to production lines for plant-based options.

This represents a tangible transition activity that directly reduces the bank's financed emissions. However, without accurate data, pricing teams often hesitate, fearing the loan won't result in a genuine reduction or an effective return. With robust, granular data, banks can confidently offer preferential rates, reduce the risk of funds being used for non-green activities, and tangibly lower the financed emissions of both the bank and the customer, all while reducing capital allocation and driving new lending.

The regulatory burden on banks, driven by standards like IFRS 9, should not translate into a data burden on the backbone of the economy: SMEs. Our solution removes complex carbon attribution from the SME and embeds actionable insights directly into the bank's core workflow, driving genuine green lending.

RMs should be relationship builders and growth drivers, not climate scientists. Equifax provides the data to seamlessly integrate sustainability into their core functions, allowing them to focus on what they do best.

By bridging the data gap, we enable the transition from legacy lending practices to a future-focused strategy that fuels the green economy:



Old Approach

The RM Workflow: Manual & Abstract: RMs are burdened with trying to understand and manually report on complex, abstract customer emissions data.

Commercial Outcomes: Stalled Growth: Green lending remains a time-consuming, abstract target with little to no execution due to a lack of accurate data.

Compliance & Risk: Greenwashing Exposure: High risk of greenwashing and reporting inaccuracies due to reliance on poor, estimated data quality.

Change to The Equifax & CienDos Advantage

The RM Workflow: Manual & Abstract: RMs are burdened with trying to understand and manually report on complex, abstract customer emissions data.

Pre-Qualified Deal Flow: RMs receive clear, pre-qualified green loan opportunities (e.g., an £18k plant-based manufacturing upgrade) that drive new revenue and reduce capital allocation.

Audit-Grade Certainty: Unlocks the certainty of PCAF 3.18 or above data to definitively prove compliance and demonstrate genuine climate impact.

The point of choice: Lead or lag

The convergence of severe regulatory pressure and the material risk posed by inaccurate data means financial institutions are at a critical inflection point.

Equifax and CienDos offer the definitive platform to:

- 1 Pursue regulatory alignment:**
Move from estimated PCAF 4/5 data to auditable, high-quality 1-3.18 data, satisfying intensifying PRA and SDR requirements.
- 2 Mitigate climate risk:**
Gain visibility across the full SME portfolio, proactively identifying and reducing exposure to high-carbon intensity sectors.
- 3 Drive green growth:**
Transform the regulatory challenge into a commercial advantage by empowering RMs with actionable data that enables profitable, high-impact green lending.

We are certain of a better path. With our data, you can be too.

Would you like to schedule a follow-up discussion to explore specific Sustainability products? With market leading data accuracy metrics for your portfolio and how our joint solution with CienDos can be integrated into your existing risk and lending workflows?





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Let's talk

Speak to our team to explore how Equifax and CienDos can integrate auditable carbon profiles into your existing risk and lending workflows.

Speak to our experts

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