



TOPICS:

ESG risk

SOURCE

Bank of Italy

Bankit: Greening the Present to Decarbonise the Future - an Analysis of Italian Banks' Decarbonisation Strategies

- This Bank of Italy paper examines **how Italian credit institutions are shaping medium- to long-term decarbonisation strategies to support the transition toward a climate-neutral economy.** The study leverages data from the Regional Bank Lending Survey (RBLs), covering 243 banks representing 80% of Italian banking assets as of end-2023.
- **Findings** indicate that while larger institutions (Significant Institutions, **SI**s) **lead in setting decarbonisation objectives**, smaller banks (Less Significant Institutions, **LS**Is) **are progressing**, often aligning with group-wide strategies. Approximately 80% of total surveyed assets already have or plan to adopt decarbonisation objectives aligned with EU and national climate targets. Notably, this proactive stance exceeds current regulatory obligations under the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD), with many banks outside these frameworks also setting voluntary targets.
- **Banks primarily focus on decarbonising their credit portfolios and internal operations, rather than investment portfolios or services**, reflecting their traditional business models. Strategies include assessing borrowers' climate ambitions during credit evaluations, issuing green lending products, and selectively setting sectoral targets. Exposure to carbon-critical sectors, particularly manufacturing and electricity, correlates with stronger decarbonisation efforts, suggesting banks are strategically managing transition risks.
- **Supervisory expectations** - differentiated by institution size and timeline - also shape responses. **SI**s were expected to integrate climate risks into business strategies by 2022, with **LS**Is required to comply by end-2025. While regulatory drivers matter, banks also cite reputational and business advantages in pursuing climate strategies.

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