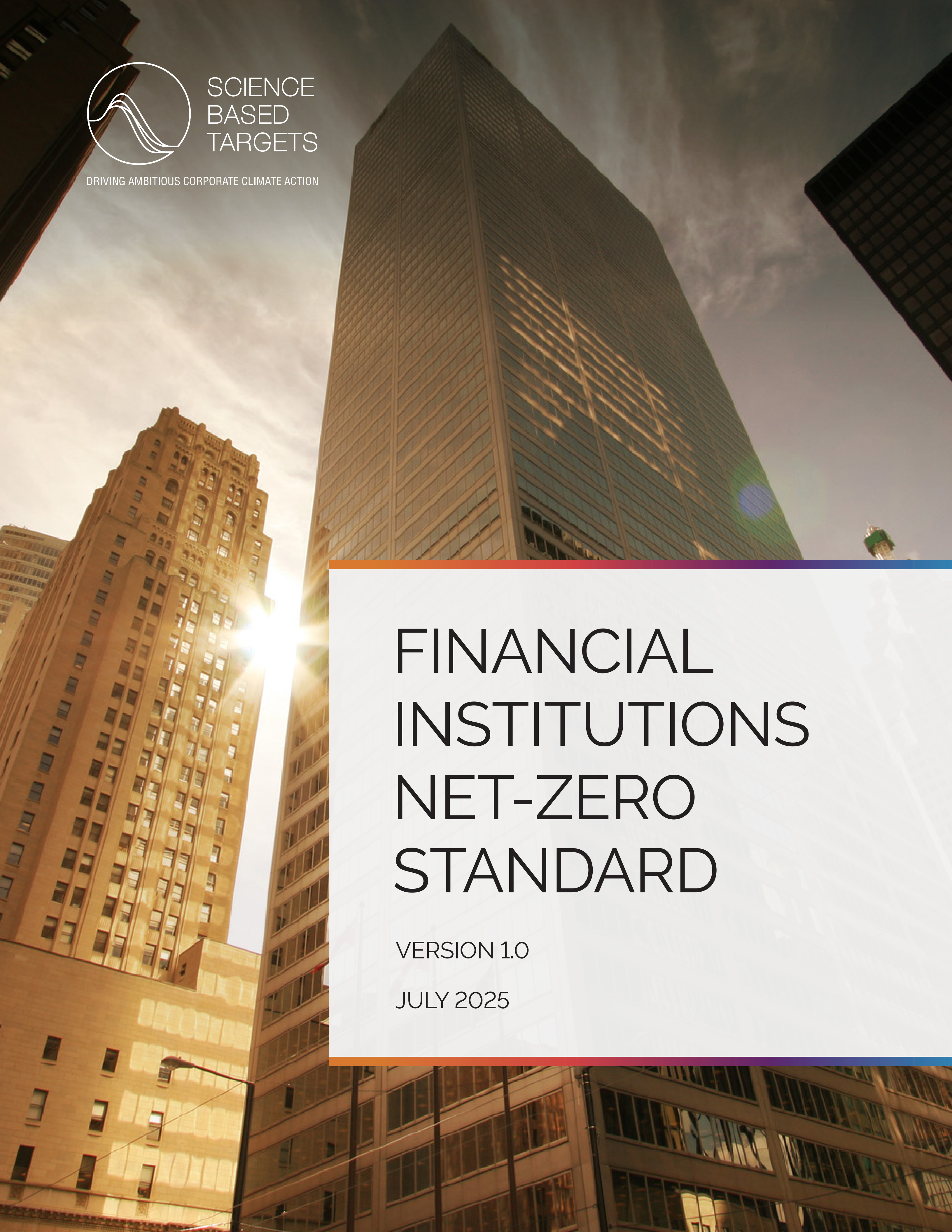

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

FINANCIAL INSTITUTIONS NET-ZERO STANDARD

VERSION 1.0

JULY 2025

DISCLAIMERS

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The SBTi reserves the right to revise this document according to a set revision schedule or as advisable to reflect the most recent emissions scenarios, regulatory, legal or scientific developments, or changes to GHG accounting best practices.

This Standard is to be adopted independently, unilaterally, and voluntarily by each organization and does not construe any contractual understanding or mutual reliance. Organizations that adopt the Standard shall avoid communication of confidential competitively-sensitive information and are encouraged to seek their own legal advice.

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VERSION HISTORY

VERSION	CHANGE/UPDATE DESCRIPTION	RELEASE DATE	EFFECTIVE DATES
1.0	First version of the SBTi Financial Institutions Net-Zero Standard—see the Basis for Conclusions for a summary of the development process.	July 22, 2025	July 22, 2025

CONTENTS

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

__Disclaimer__: The executive summary is intended to provide an overview and guidance for stakeholders and does not constitute a normative part of this Standard. For the full scope of requirements, users should refer to the main body of the Standard. Any translation of this document is for informative purposes only. Businesses should refer to the original document in English in case of any inconsistency.

Financial institutions play an enabling role in the global net-zero transformation. Through investment, loan, and insurance practices, they have the power to influence the direction of the economy and accelerate progress toward a net-zero future.

The Science Based Targets initiative (SBTi) has developed the Financial Institutions Net-Zero Standard to provide a framework for financial institutions to set alignment and sector-specific targets consistent with reaching net-zero by 2050 at the latest.

The SBTi Financial Institutions Net-Zero Standard was developed in line with the Standard Operating Procedure for Development of SBTi Standards (SOP) following an open and transparent, multi-stakeholder approach, including two public consultations and pilot testing. The feedback gathered from consultations, along with input from the project's Expert Advisory Group and deliberation and final approval by the SBTi's Technical Council, has shaped the final version of this Standard.

SCOPE OF THE STANDARD

The Standard covers in-scope financial activities—lending, asset owner investing, asset manager investing, insurance underwriting, and capital market activities—that financial institutions worldwide can use to influence real economy actors. Financial activities are considered relevant when they represent 5% or more of total global revenue.

This Standard provides a framework for financial institutions to target

net-zero by 2050

KEY ELEMENTS OF THE STANDARD

- **The Standard is designed to guide financial institutions in their crucial role in the global net-zero transition**, driving the reduction of overall financed emissions through specific target-setting metrics that foster an increase in net-zero aligned finance (including transition finance).
- **The "engagement first" approach** prioritizes engaging portfolio companies to set their own science-based targets as the primary mechanism to drive emissions reductions.
- **Manage what is measured through required improvements in the quality and scope of emissions and non-emissions data.** This includes the share of clean-energy-to-fossil-fuel financial exposure and climate alignment of portfolio companies (including entities, projects, and associated assets), as well as an assessment by 2030 of exposure to deforestation.
- **If there is significant deforestation exposure**, an engagement plan to address it must be in place by the target renewal date at the latest.
- **The fossil fuel transition policy** requires financial institutions to publish a policy committing to the immediate cessation of new finance for coal expansion and new project finance for oil and gas expansion, as well as the phase-out of new general-purpose finance for oil and gas expansion immediately or by no later than 2030.
- **The buildings policy** recommends no finance for new buildings that are not designed to be zero-carbon-ready and increasing finance for retrofitting existing buildings.
- **Near-term targets** focus on supporting portfolio company transitions, driving finance for climate solutions, and aligning with key sector benchmarks. Financial institutions have the flexibility to choose the target type: either portfolio climate-alignment targets or sector-specific targets for emissions-intensive sectors.
- **Long-term targets** require counterparties to reach net-zero by 2050 and neutralize their residual emissions where relevant.
- **Progress assessment and target renewal** are required at the end of the near-term target cycle to incentivize and recognize continued progress toward targets.

INTEROPERABILITY WITH OTHER STANDARDS AND GUIDANCE

The SBTi Financial Institutions Net-Zero Standard supports financial institutions in addressing their most significant climate impact through alignment and sector-specific targets. The Standard introduces formally recognized third-party climate-alignment methodologies, provided in the Financial Institutions Net-Zero Standard Implementation List, to track the alignment of portfolio activities. This ensures interoperability with the broader climate ecosystem.

Within the science-based framework, the Financial Institutions Net-Zero Standard is complemented by the SBTi's Corporate Net-Zero Standard and sector-specific guidance and standards, which cover financial institutions' scope 1 and 2, as well as scope 3, categories 1-14 targets (where applicable) as defined in this Standard.

The Standard's alignment targets promote interoperability with third-party data and service providers through the climate-alignment methodologies identified in the Implementation List. The dual alignment and sector-specific target approach provide flexibility and accountability consistent with policy and regulatory compliance.

SETTING TARGETS USING THE STANDARD

By setting net-zero targets, financial institutions signal their commitment to climate stabilization, support real-world emissions reductions, and strengthen their long-term resilience. This will be done in accordance with the objective of pursuing their fiduciary duties, the financial interest of customers and other stakeholders, and their ability to exercise choice, in the face of climate-related risks that threaten to erode risk-adjusted returns and value of assets held and managed by financial institutions.

The Financial Institutions Net-Zero Standard is effective from the date of publication. From this date onward, financial institutions will be able to submit targets for validation against the Standard. A transition period until at least December 2026 will be provided, during which both the Financial Institutions Near-Term Criteria and the Financial Institutions Net-Zero Standard will be available for target validation. During the transition period, the SBTi will implement a monitoring and evaluation phase to confirm next steps. It is intended that from January 2027 financial institutions will use this Standard to set new near-term and long-term targets.

For further information, the Financial Institutions Net-Zero Standard In Brief document provides an overview of the Standard and the key steps for developing targets.

Financial institutions are encouraged to start the target-setting process today by registering on the SBTi Services website (SBTi's wholly owned subsidiary).

STRUCTURE OF THE SBTi FINANCIAL INSTITUTIONS NET-ZERO STANDARD CRITERIA

Please refer to each chapter for the full requirements, further explanatory guidance, references and definitions. All normative criteria (e.g., FINZ-C[number]) are assessed as indicated in the assessment stage. FINZ-R[number] denotes recommendations for more ambitious climate action.

HEADLINE CRITERION	ASSESSMENT STAGE	DESCRIPTION
1. FINANCIAL INSTITUTIONS' NET-ZERO COMMITMENT		
FINZ-C1	*Initial validation*	**Financial institutions' net-zero commitment:** Financial institutions shall publicly commit at an entity-level to achieve net-zero by 2050 or earlier.
FINZ-C2	*Initial validation, Renewal validation*	**Organizational boundary:** Financial institutions shall establish an organizational boundary covering all relevant subsidiaries.
FINZ-C3	*Initial validation, Renewal validation*	**Portfolio boundary:** Financial institutions shall identify their in-scope financial activities and undertake a segmentation of those that generate 5% or more of their total revenue.
FINZ-C4	*Initial validation, Renewal validation*	**Governance of climate targets:** Financial institutions shall publish the governance framework within their organization for their net-zero targets.
FINZ-R1		**Climate transition plan recommendation:** Financial institutions should publish a transition plan to substantiate their net-zero commitment and targets.
2. BASE-YEAR ASSESSMENT		
FINZ-C5	*Initial validation, Renewal validation*	**Base year selection:** Financial institutions shall select a base year for target setting.
FINZ-C6	*Initial validation, Renewal validation*	**GHG emissions inventory:** Financial institutions shall calculate a GHG emissions inventory for their base year across their operations, value chain, and in-scope financial activities.
FINZ-C7	*Initial validation, Renewal validation*	**Base-year climate-alignment assessment:** Financial institutions shall assess the share of climate-alignment for each in-scope financial activity in their portfolios.
FINZ-C8	*Initial validation, Renewal validation*	**Exposure assessment:** Financial institutions shall provide an assessment of their financial exposure to clean energy relative to fossil fuel in the base year and commit to assess and publish their deforestation exposure by 2030 at the latest.
3. POLICIES AND TARGET SETTING		
FINZ-C9	*Initial validation, Renewal validation*	**Fossil fuel transition policy:** Financial institutions shall publish a policy that addresses their new financial activities in the fossil fuel sector.

HEADLINE CRITERION	ASSESSMENT STAGE	DESCRIPTION
FINZ-C10	*Renewal validation*	**No-deforestation:** If significant, financial institutions shall publish an engagement plan to address deforestation in their portfolios.
FINZ-R2		**Real estate policy recommendation:** Financial institutions should publish a policy to address their financial activities related to real estate assets.
FINZ-C11	*Initial validation, Renewal validation*	**Non-portfolio targets:** Financial institutions shall set near- and long-term targets for their operational scope 1 and 2 emissions, and where applicable, scope 3 categories 1-14 emissions, in accordance with the most recently applicable criteria in the SBTi Corporate Net-Zero Standard and/or SBTi Sector Standards.
FINZ-C12	*Initial validation, Renewal validation*	**Portfolio near-term targets:** Financial institutions shall set one or multiple near-term targets for each in-scope financial activity (i.e., scope 3, category 15 emissions) using any of the eligible target metrics and target-setting methods.
FINZ-C13	*Initial validation, Renewal validation*	**Portfolio long-term targets:** Financial institutions shall set one long-term net-zero-alignment target for each in-scope financial activity.
FINZ-C14	*Net-zero target year*	**Financial institutions' net-zero state:** Financial institutions shall ensure that counterparties in their portfolio achieve a state of net-zero emissions by the net-zero target year, involving the reduction of their scope 1, 2 and 3 emissions to zero or residual levels, and the neutralization of any residual emissions.
FINZ-C15	*Initial validation, Renewal validation*	**Communicating policies and targets:** Financial institutions shall transparently communicate policies and targets in accordance with the requirements specified in this Standard.
FINZ-C16	*Initial validation, Renewal validation*	**Triggered target recalculation:** Financial institutions shall commit to recalculation based on significant organizational changes and adherence to SBTi validation cycles and policies.
4. ASSESSING AND COMMUNICATING PROGRESS		
FINZ-C17	*Initial validation, Renewal validation*	**Reporting:** Financial institutions shall commit to publicly report progress against targets on an annual basis.
FINZ-C18	*Renewal validation*	**Progress and target renewal:** Financial institutions shall determine progress against their validated target(s) at the end of their near-term target time frame and, when relevant, establish new target(s) and submit them for validation.
5. SBTi CLAIMS		
FINZ-C19	*Initial validation, Renewal validation*	**SBTi claims:** Financial institutions shall ensure all claims are accurate, transparent, verifiable, and compatible with the criteria in this Standard and SBTi policies.

INTRODUCTION

INTRODUCTION

A.1 INTRODUCTION TO THE SBTi

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies worldwide to play their part in reducing greenhouse gas (GHG) emissions to reach net-zero.[1] The SBTi develops standards, tools, and guidance that allow businesses to independently set GHG emissions reduction targets in line with what is needed to limit global warming and to reach net-zero by no later than 2050.

The SBTi is incorporated as a UK charity, with a subsidiary, SBTi Services Limited, that hosts the SBTi's target validation services. The SBTi's founding partners are CDP, the United Nations Global Compact (UNGC), the We Mean Business Coalition (WMBC), the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

A.2 PURPOSE OF THIS STANDARD

The 2015 Paris Agreement established a goal to limit average global temperature rises to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. Climate science has strongly emphasized the importance of limiting global warming to 1.5°C and achieving net-zero GHG emissions globally by mid-century to limit the risk of irreversible climate impacts. Achieving net-zero emissions at the global level requires significant transformation across all sectors of the economy, and companies can play a crucial role in driving this transformation. The SBTi's standards aim to enable companies to transition toward business models that are compatible with a net-zero economy by encouraging companies to address emissions across their operations and value chains and to align activities to a net-zero future.

The largest source of financial institutions' GHG emissions is from their financial activities. Through services such as lending, asset management and insurance underwriting, financial institutions enable their retail, corporate, and public sector clients to generate real economy GHG emissions. Financial institutions are therefore well positioned to facilitate the transition to a net-zero economy by 2050. The key role of financial institutions is recognized in the Paris Agreement, where Article 2.1(c) references making finance flows consistent with a pathway toward low GHG emissions and climate-resilient development.

The SBTi Financial Institutions Net-Zero Standard specifically addresses financed GHG emissions (accounted for under scope 3, category 15).[2] It is a global, voluntary framework that aims to drive bold climate action. Through both near- and long-term criteria and recommendations, this Standard emphasizes the alignment of financial activities with global climate goals, prioritizing engagement over immediate divestment and establishing interim checkpoints. It aims to support financial institutions in reaching a state where their financial activities do not contribute to the accumulation of GHGs in the atmosphere. It also includes transparency criteria to ensure accountability on the path to net-zero.

1 A company is a legal entity which may be a financial institution within the context of SBTi Standards.

This Standard focuses on financial institutions' most relevant leverage to drive real economy change, delivering five outcomes:

1. Robust climate governance driven by a clear set of public commitments, including:

- Delivery of a clear, comprehensive, and harmonized organization-wide strategic net-zero commitment and plan.
- A comprehensive assessment of all financial activities for credible target boundaries.

2. Comprehensive assessment of climate impacts driven by clear accounting criteria, comprising:

- A GHG emissions inventory across relevant financial activities, while progressively expanding scope and improving data quality over time.
- Assessment of the share of portfolio counterparties that are in transition, are climate solutions, or are already operating at performance levels consistent with net-zero.
- Mapping and disclosure of financial exposure to clean energy and fossil fuels, as well as committing to assess and publicly disclose deforestation exposure.

3. Alignment of relevant financial activities with global climate goals through the development of policies and ambitious targets, including:

- Implementation of policies and actions that aim to transition away from financial activities incompatible with reaching net-zero by no later than 2050.
- Scale up financial activities toward climate solutions to drive the net-zero transition.
- Prioritized action on emissions-intensive sectors by guiding financial activities toward counterparties that are in transition. Over time, all financial exposure is oriented toward counterparties that have achieved net-zero.

4. Continuous progress is incentivized by transparent disclosure, including:

- Transparent tracking and communication of progress against targets over time, while progressively increasing scope and robustness of assessments.

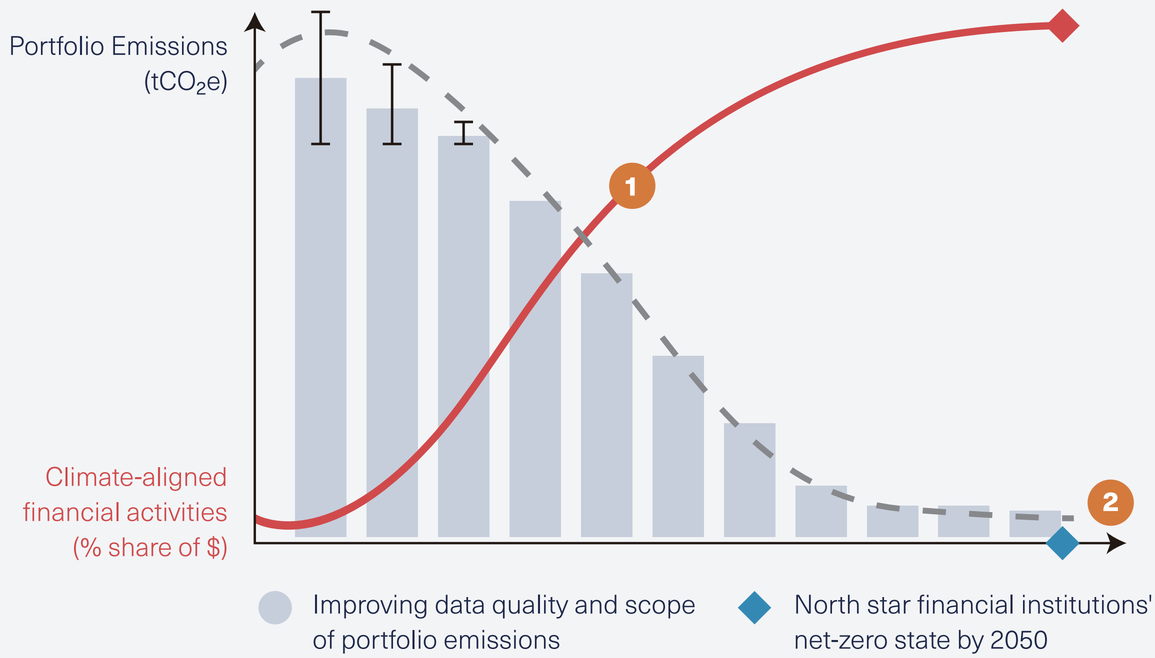
5. Financial institutions make clear and credible claims:

- Ensuring all claims made are accurate, verifiable, and adhere to high-integrity standards and applicable regulations.

This Standard's conceptual framework is based on these outcomes to ensure portfolio climate alignment and the delivery of associated portfolio GHG emissions reductions by 2050 or earlier (Figure 1).

2 The terms "financing" or "finance" are used in this document to generally cover different financial activities (lending, asset owner investing, asset manager investing, insurance underwriting, capital market activities), and not strictly lending and investing. Similarly, the terms "financed emissions" and "scope 3, category 15" are used in this document to generally cover emissions attributed to all the aforementioned financial activities, and not only from investments.

Figure 1. Conceptual framework for the SBTi Financial Institutions Net-Zero Standard



1 **Portfolio climate alignment**
Leading metric to increase the share of financial activities supporting climate solutions and counterparties that are in transition or at a net-zero state.

2 **Portfolio emissions**
Lagging metric to reduce aggregate portfolio GHG emissions to zero or near-zero levels by 2050 and ensure that any residual emissions are neutralized by individual counterparties.

A.3 TERMINOLOGY

Within the SBTi's criteria, the terms "shall," "should," and "may" are used as follows:

1. **"Shall"** indicates criteria that are required as conditions for organizations that decide to submit science-based targets to the SBTi for validation.
2. **"Should"** indicates a recommendation. Recommendations are important as they reflect adherence to best practices, but are not required for validation.
3. **"May"** indicates an option that is permitted, allowed, or permissible.

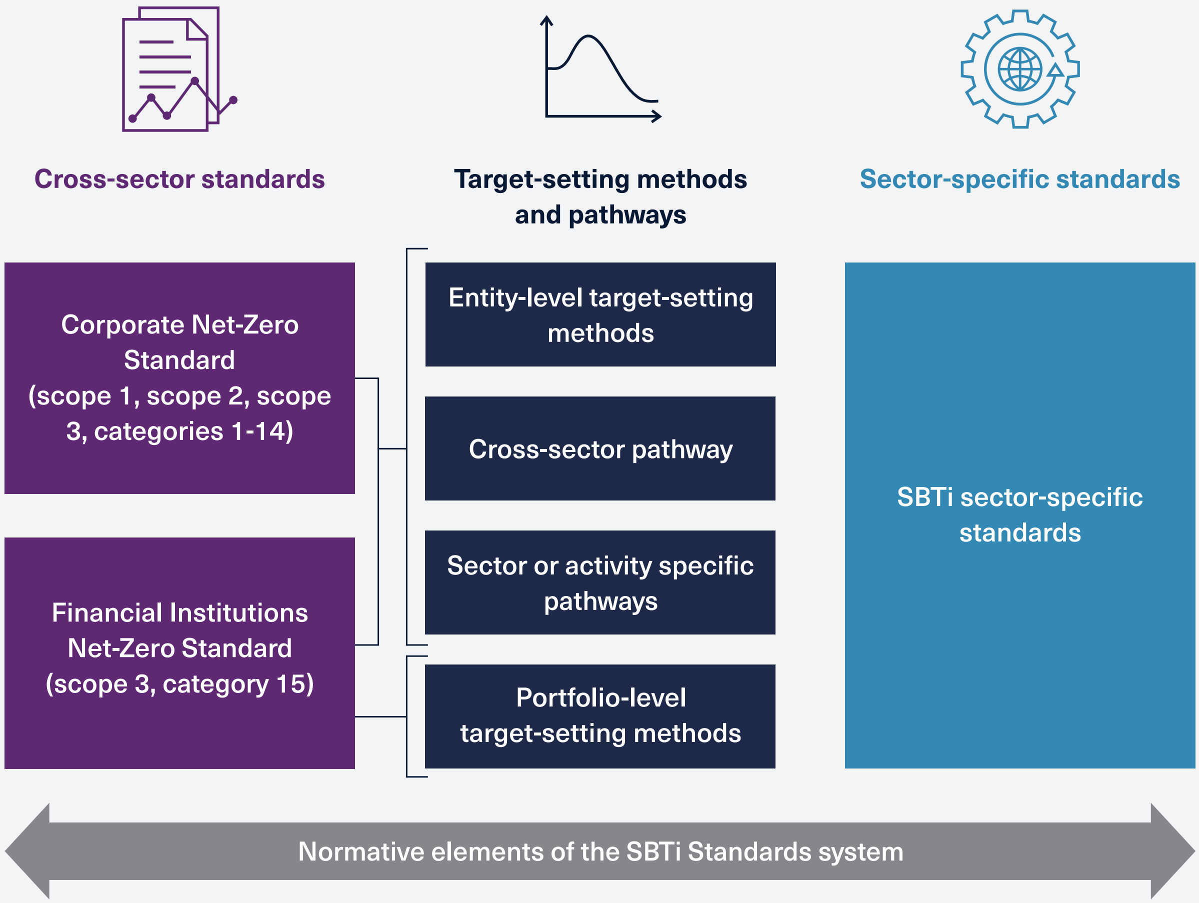
The term "**can**" indicates possibility or capability, referring to options or actions available to the user. "**Must**" denotes external constraints that are not requirements of this document but are provided for informational purposes. For instance, "must" could pertain to compliance with applicable laws in a user's country, region, or sector, while "can" might describe permissible actions that do not affect validation–such as using a specific technology or approach to mitigate GHG emissions.

The SBTi Glossary provides a list of terms, definitions, and acronyms used in the SBTi's technical resources.

A.4 FRAMEWORK OF SBTi STANDARDS

SBTi Standards are structured in a modular framework, comprising two cross-sector standards—this SBTi Financial Institutions Net-Zero Standard and the SBTi Corporate Net-Zero Standard—that provide requirements and recommendations to align value-chain activities with net-zero. The suite of SBTi Standards also includes multiple sector-specific standards and guidance documents intended for use by the highest-emitting industries.

Figure 2. Overview of the SBTi Standards system



The SBTi Corporate Net-Zero Standard provides cross-sector requirements and recommendations for scope 1, scope 2, and scope 3 emissions, categories 1–14. The SBTi Financial Institutions Net-Zero Standard provides requirements and recommendations for financial activities (scope 3, category 15).

A.5 SCOPE OF THE SBTi FINANCIAL INSTITUTIONS NET-ZERO STANDARD

This Standard shall be used by entities setting science-based targets that generate 5% or more of their revenue[3] from any financial activity listed in Table A.1 with further guidance on application provided in Table A.2. It is intended for commercially operated private and public financial institutions globally (including public pension funds and sovereign wealth funds). This includes, but is not limited to, banks, asset managers, private equity firms, asset owners, and re/insurance companies. Entities generating less than 5% of their revenue from financial activities are encouraged, but not required, to apply this Standard.

Table A.1: Financial activities

FINANCIAL ACTIVITY	RELEVANT ACTORS
Lending (LND)	Entities that provide loans, such as retail or commercial banks, as well as non-bank lenders.
Asset Owner Investing (AOI)	Entities that own investments, such as asset owners, re/insurance companies (asset side), banks (direct investing activities), pension funds, family offices, etc.
Asset Manager Investing (AMI)	Entities that manage investments (such as asset managers, wealth managers and private equity firms) on behalf of clients.
Insurance Underwriting (INS)[4]	Entities that provide insurance underwriting services, such as primary insurers, reinsurers or captives (i.e., all entities that have a license to be a risk carrier).[5]
Capital Market Activities (CMA)	Entities such as investment banks that facilitate the primary issuance of capital market instruments.

This Standard shall be used by entities that generate

5% or more

of their revenue[3] from covered financial activities

3 The calculation of % of revenue is based on the total revenue of the entity (as defined in its financial statements) submitting targets to the SBTi for validation purposes.

4 In this Standard, re/insurers' investment activities are covered under investing activities (AOI / AMI), while insurance claims management is out of scope of this Standard.

5 Insurance brokers may use the SBTi Corporate Net-Zero Standard to set targets for their brokerage activities, if they are not also a risk carrier. Both brokered and non-brokered activities are covered by the SBTi Financial Institutions Net-Zero Standard.

Table A.2: Application of this Standard and SBTi Corporate Net-Zero Standard or SBTi Sector Standards or guidance

<table>
<tr><th colspan="2">SCOPE 1, SCOPE 2 AND SCOPE 3, CATEGORIES 1-14 EMISSIONS</th><th>SCOPE 3, CATEGORY 15 EMISSIONS</th></tr>
<tr><td>Entities with 95% or more of revenue from financial activities.</td><td>Required to set targets for scope 1 and 2 emissions using the most recently applicable criteria in the SBTi Corporate Net-Zero Standard.[6] Setting targets for scope 3, categories 1-14 emissions is optional for these institutions.</td><td rowspan="3">Any entity with 5% or more of their revenue from any the five aforementioned financial activities individually shall use the SBTi Financial Institutions Net-Zero Standard.
• Entities with 5% or more of their revenue from the five financial activities in aggregate but less than 5% of their revenue from the five financial activities individually are recommended, but not required, to use this Standard.
• Real economy companies generating 5% or more of their revenue from financial activities that have the same underlying emissions already covered in the company's scope 1, scope 2 and scope 3, categories 1-14 targets (e.g., automotive manufacturers that offer loans or lease financing for their products) are recommended, but not required, to use this Standard.</td></tr>
<tr><td>Entities with more than 5% and less than 95% of revenue from financial activities.</td><td>Required to set targets for scope 1 and 2 emissions, as well as scope 3, categories 1-14 emissions, using the most recently applicable criteria in the SBTi Corporate Net-Zero Standard, alongside any applicable criteria from SBTi Sector Standards or guidance documents.</td></tr>
<tr><td>Entities with more than 5% and less than 95% of revenue from financial activities and with 5% or more revenue as owner-lessor, developer or property manager (of buildings) and...</td><td>...20% or more of total scopes 1, 2 and 3, categories 1-14 emissions stemming from at least one of the following shall apply the SBTi Buildings Criteria:
• In-use operational emissions from owned and/or managed buildings,
• Upfront embodied emissions from developed and/or acquired new buildings.</td></tr>
</table>

A.6 STRUCTURE OF THE SBTi FINANCIAL INSTITUTIONS NET-ZERO STANDARD

The criteria and recommendations of this Standard are presented in the following numbered chapters:

1. Financial institutions' net-zero commitment
2. Base-year assessment
3. Policies and target setting
4. Assessing and communicating progress
5. SBTi claims

6 Applicable Sector Criteria (e.g., Buildings Criteria for owner-lessors) can be used optionally, but are not required, for target setting in this case.

Structure

Each section includes a section header, intent, and the criteria or recommendation. The criteria are identified by "FINZ-C," followed by whole numbers, and sub-criteria are identified by "C," followed by decimal numbers. Criteria and sub-criteria are the requirements that companies shall adhere to in order to be validated by the SBTi-designated validation body.

Sections may also include recommendations (identified with an "R,") followed by numbers. Recommendations are best practices companies are encouraged to pursue.

The criteria are supported by the criteria reference tables chapter, which follows the five chapters mentioned above:

- **Tables 1.1–1.5:** Segmentation of financial activities.
- **Table 2:** List of emissions-intensive sectors and corresponding relevant value chain activities.
- **Table 3:** Target specifications.
- **Tables 4.1–4.3:** Portfolio-level metrics, definitions of climate alignment, and sector specifications.

It is recommended that users of this Standard open the document twice to:

- Use the first copy to read the criteria.
- Use the second copy to view reference tables and annexes, when useful, to complement the reading of criteria.

Annex documents

This Standard contains two annexes:

- **Annex A: Key terms:** Key terms and acronyms introduced in this Standard that are not already included in the SBTi Glossary.
- **Annex B: Target language template**: Summary of permitted target claims and target language.

Other supporting documentation

This Standard is supported by further normative resources that document target design, calculation, and conformance assessments:

- **Target-Setting Tool and Target-Setting Methods and Tool Documentation (to be published):** Provides calculation support and detailed algorithms for target-setting methods used within this Standard.
- **Implementation List:** Provides a list of eligible climate-alignment methodologies for establishing a baseline assessment and measuring progress toward the financial institution's climate alignment target.
- **SBTi Services Criteria Assessment Indicators:** Provides verifiable control points that will be evaluated during the target validation process to assess conformity with this Standard.

A.7 VALIDATION MODEL

To enhance the accountability and actionability of targets, this Standard requires financial institutions to set near-term targets with a time frame of up to five years, using the applicable criteria from all relevant SBTi Standards (as per the previous section A.5). At the end of each validation cycle, subsequent near-term targets shall be set to address remaining GHG emissions until reaching net-zero. Under each criterion of this Standard, the “Assessment Stage” is mentioned so that financial institutions know when the criterion will be validated.

The validation model includes three assessment stages:

1. **Initial validation:** The validation of new targets submitted under this Standard and includes all criteria labeled “Assessment Stage: Initial validation.”
2. **Renewal validation:** The disclosure of progress against targets from the previous near-term validation cycle, along with other applicable criteria, as well as the development and validation of new targets, and includes all criteria labeled “Assessment Stage: Renewal validation.”
3. **Net-zero target year:** The disclosure of progress against long-term targets and previous validation cycle of near-term targets, as well as validation of all criteria labeled “Assessment Stage: Renewal validation” and “Assessment Stage: Net-zero target year.”

A.8 DEVELOPMENT PROCESS

The SBTi Financial Institutions Net-Zero Standard project launched in 2021. This preceded the SBTi Board’s adoption of the Standard Operating Procedure for the Development of SBTi Standards (SOP) on December 14, 2023, and its publication in April 2024. The SBTi Financial Institutions Net-Zero Standard’s development has therefore been conducted in two phases (preceding and following the adoption of the SOP) and is described in the Basis for Conclusions Report.

The SBTi will begin a consultation process to review this Standard no later than five years from the Standard’s approval date to ensure and improve its continuing relevance and effectiveness in meeting its objectives and achieving its desired impacts. Other non-substantive changes, such as content clarifications, may be made without a formal consultation and review process, as per the SOP.

A.9 COMPLIANCE WITH REGULATORY REQUIREMENTS

In addition to meeting the criteria within SBTi Standards, companies are responsible for meeting or exceeding national, subnational and regional legislation and regulation in the countries where the Standards are applied on topics covered in the SBTi Standards.

A.10 LANGUAGE AND TRANSLATIONS

The working language for SBTi Standards is English. As necessary, the SBTi may arrange translations of SBTi Standards into languages other than English. Translated versions of a Standard are for information only. In case of doubt, the official English-language version shall be deemed definitive.

FINANCIAL INSTITUTIONS' NET-ZERO COMMITMENT

FINANCIAL INSTITUTIONS' NET-ZERO COMMITMENT

Background: Financial institutions can demonstrate climate leadership by committing to the net-zero transition, developing credible transition plans, and setting science-based targets. Organizational governance structures should embed climate priorities to ensure alignment with net-zero goals.

1.1: FINANCIAL IINSTITUTIONS' NET-ZERO COMMITMENT AND ORGANIZATIONAL BOUNDARY

Intent: Financial institutions make a public commitment to achieve net-zero by no later than 2050. This commitment signals climate ambition to internal and external stakeholders and informs the financial institution's business strategy, targets, actions, investments, and conduct in the near through long term. Financial institutions provide an overview of the organization and entities included in their organizational boundary.

FINZ-C1.	**Financial institutions' net-zero commitment:** Financial institutions shall publicly commit at an entity level to achieve net-zero by 2050 or earlier.

Financial activity: *LND, AOI, AMI, INS, CMA*[7]
Assessment stage: *Initial Validation*

C1.1. The commitment shall cover all relevant financial activities, as defined in FINZ-C3, within the financial institution's organizational boundary, as defined in FINZ-C2.

C1.2. Commitments shall be formally approved and adopted by the financial institution's highest governing body responsible for external commitments (e.g., the Board of Directors or equivalent).

C1.3. Financial institutions shall commit to publicly[8] and transparently report progress toward achieving their net-zero targets on an annual basis.

7 SBTi recommends CMA targets, but they are not required in this version of the SBTi Financial Institutions Net-Zero Standard. If CMA targets are set, then FINZ-C12, FINZ-C13, FINZ-C14, and FINZ-C16 shall also be followed.

8 Throughout this Standard, the terms "publish" or "publicly" both refer to publication through publicly available platforms such as the financial institution's website or annual reports.

FINZ-C2.

Organizational boundary: Financial institutions shall establish an organizational boundary covering all relevant subsidiaries.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C2.1. A financial institution's chosen organizational boundary, as defined by the GHG Protocol Corporate Standard, shall match the organizational boundary used in its consolidated financial statements, as defined by jurisdictional rules.

C2.2. Financial institutions shall apply all criteria in this Standard to the defined organizational boundary.

- Parent or group companies shall include the activities of all relevant subsidiaries in their target submission.
- Targets set at the subsidiary level shall be submitted individually, and the target language shall explicitly state which legal entity is submitting a target.

Recommendations:

R2.1. Financial institutions should establish their organizational boundary at the parent or group level.

1.2: ASSESSMENT OF IN-SCOPE FINANCIAL ACTIVITIES

Intent: Financial institutions identify their in-scope financial activities and exposure to emissions-intensive sectors to inform the development of policies and targets.

FINZ-C3.

Portfolio boundary: Financial institutions shall identify their in-scope financial activities and undertake a segmentation of those that generate 5% or more of their total revenue.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C3.1. Any in-scope financial activity that generates 5% or more of total revenue shall comply with the SBTi Financial Institutions Net-Zero Standard criteria.

- For Insurance Underwriting (INS), revenue shall be defined as gross written premium (GWP) or insurance contract revenue.

C3.2. Financial institutions shall segment their in-scope and out-of-scope activities (at the segment, or sub-asset class or business line level), as outlined in Tables 1.1-1.5, for each in-scope financial activity. The segmentation shall follow the sector definitions established in Table 2: List of emissions-intensive sectors and be organized as follows:

- **Segment A:** Fossil fuels (coal, oil, gas).
- **Segment B:** Transport (air, maritime, land), Industrial (steel, cement), Energy (power generation), Real estate (residential and commercial buildings), Forest, land and agriculture (FLAG).
- **Segment C:** Other sectors (not listed in segments A or B).
- **Segment D:** Subset of activities in emissions-intensive sectors and other sectors.

C3.3. The segmentation shall include the calculation of the absolute amount and percentage share of financial exposure relative to total financial exposure as of a year no earlier than 2020, using the following metrics. The same year shall be used for all financial activities:

- **Lending:** Loan commitment, loan amount, or exposure at default.
- **Asset Owner Investing:** Assets under ownership or assets under control.
- **Asset Manager Investing:** Assets under management (AUM), invested capital, or asset value.
- **Insurance Underwriting:** Gross written premium (GWP).
- **Capital Market Activities:** Amount issued.

Recommendations:

R3.1. Financial institutions should calculate the absolute amount and percentage share of financial exposure relative to total financial exposure as of the most recent year.

1.3: GOVERNANCE OF CLIMATE TARGETS

Intent: Financial institutions publicly disclose their governance, fostering effective oversight and implementation of net-zero targets.

FINZ-C4.	**Governance of climate targets:** Financial institutions shall publish the governance framework within their organization for their net-zero targets.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C4.1. Financial institutions shall assign responsibility to specific roles or committees within their governance structure and/or within the leadership of the organization (e.g., C-suite level).

FINZ-R1.	**Climate transition plan recommendation:** Financial institutions should publish a transition plan to substantiate their net-zero commitment and targets.

Financial activity: *LND, AOI, AMI, INS, CMA*

R1.1. The plan should outline the approach to climate-related engagement with portfolio counterparties. This should include expectations of companies, an escalation strategy, and progress on engagement-related outcomes.

R1.2. The plan should be published and should specify the underlying methodology and third-party or jurisdiction-specific frameworks used to design and develop the plan.

BASE-YEAR ASSESSMENT

BASE-YEAR ASSESSMENT

Background: To support the net-zero economy transition, financial institutions must transparently track key metrics. While portfolio-level absolute GHG emissions help assess impact, they are lagging indicators. Financial institutions may start with partial data and by progressively expanding the scope and improving the quality of their inventories, financial institutions ensure reliable measurement of emissions over time without delaying near-term action.

Establishing a baseline using a broader set of metrics, including forward-looking and sector-specific indicators, is a critical first step—especially for emissions-intensive sectors.

Fossil fuel activities require focused attention due to their climate impact and transitional role. Assessing fossil fuel and clean energy exposure improves transparency of the financial institution's contribution to the energy transition. Similarly, financial institutions will need to actively assess deforestation-linked activities in their portfolios to improve transparency.

2.1: SELECT BASE YEAR FOR TARGET SETTING

Intent: Financial institutions select a base year across all financial activities that reflects their typical operations, laying the foundation for an assessment of climate-related metrics.

FINZ-C5.

Base year selection: Financial institutions shall select a base year for target setting.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C5.1. Financial institutions shall select a base year that is representative of their activities—i.e., reflecting typical operations—avoiding years with anomalies such as one-off events or unusual economic conditions, and that is no earlier than 2020.

C5.2. The base year selection for portfolio climate-alignment targets shall be consistent across all financial activities.

- It serves as an input for base year assessments as per: FINZ-C6: GHG emissions inventory; FINZ-C7: Base-year climate-alignment assessment; and FINZ-C8: Exposure assessment.

Recommendations:

R5.1. Financial institutions should use the most recent year as the base year.

R5.2. The base year selection for both portfolio climate-alignment and sector targets should be consistent across all financial activities, as well as with the year used for segmentation (for FINZ-C3: Portfolio boundary).

2.2: GHG EMISSIONS INVENTORY

Intent: Financial institutions calculate an absolute GHG emissions inventory in the base year and actively work toward improving the transparency, completeness, and quality of their GHG emissions data over time.

FINZ-C6.	**GHG emissions inventory:** Financial institutions shall calculate a GHG emissions inventory for their base year across their operations, value chain, and in-scope financial activities.

Financial activity: *LND, AOI, AMI, INS[9], CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C6.1. For non-portfolio-related scope 1 and 2 operational emissions, financial institutions shall use the most recently applicable SBTi Corporate Net-Zero Standard at the time of submission. For non-portfolio related scope 3, categories 1–14 emissions, this applies if the financial institution derives less than 95% of revenue from financial activities.

C6.2. For each in-scope financial activity, financial institutions shall calculate separately the following elements covering, at a minimum, segments A, B, and C:

- Gross portfolio absolute GHG emissions.[10, 11]
- Share of in-scope financial activities for which they have quantified GHG emissions (in financial terms, e.g., % of AUM).

C6.3. The calculation of gross portfolio emissions shall include at minimum the following:

- Scope 1 and 2 emissions, covering all portfolio counterparties.
- Relevant Scope 3 emissions[12] for portfolio counterparties within the following sectors: automotive, coal, oil and gas, and real estate[13].
- All seven GHGs in their GHG emissions inventory: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6), and nitrogen trifluoride (NF3).

9 As an exception for insurance underwriting: lines of business without an existing GHG emissions accounting methodology (e.g., treaty reinsurance and project insurance) are only required to be included in the inventory two years after a GHG emissions accounting methodology is published for these lines of business.

10 Referred to as gross portfolio emissions.

11 The SBTi acknowledges freely available, industry accepted approaches that are currently available to measure and disclose emissions, such as those from the Greenhouse Gas Protocol, International Financial Institutions' Harmonization of Standards for GHG Accounting, and the Partnership for Carbon Accounting Financials (PCAF).

12 Financial institutions can refer to organizations that hold inventory data such as Net-Zero Data Public Utility, LSEG or CDP for identifying the most material scope 3 emission categories of their portfolio counterparties.

13 For buildings-related emissions, this covers scope 1, 2 and 3 emissions stemming from in-use operational emissions (from any energy consumption, electricity, or other fuels used for heating) and fugitive emissions from buildings-specific systems (e.g., refrigerators, cooling systems, heat pumps).

C6.4. The calculation of gross portfolio emissions shall exclude the following:

- Deducting or netting negative emissions from the financing or insuring of carbon removal activities, including carbon removals the financial institution directly supports via its financial activities and carbon removal credits purchased by portfolio entities.
- Deducting or netting emissions from the use of carbon credits, including those purchased by the financial institution or its portfolio entities.
- Deducting any form of avoided emissions, which the financial institution may claim as part of its financing or insurance underwriting of certain climate solutions, and the avoided emissions reported by portfolio entities.

C6.5. If the financial institution opts to set sector targets per FINZ-C12: Near-term targets, it shall provide a base year assessment of relevant sector metrics.

C6.6. Financial institutions shall submit the following information used in the calculation of gross portfolio emissions:

- Data source(s) used and a data quality score of the underlying data.
- GHG accounting methodology and assumptions used to calculate the GHG emissions inventory and data quality score.
- This includes a description of timing and weighting approaches to account for dynamic portfolios, as well as a weighting factor for CMA, if used.

Recommendations:

R6.1. For CMA (also known as facilitated emissions, as per the PCAF Facilitated Emissions Standard), a weighting factor of 100% instead of 33% is recommended.

2.3: ASSESSMENT OF PORTFOLIO ALIGNMENT IN THE BASE YEAR

Intent: Financial institutions assess the base-year portfolio climate-alignment metric of their in-scope financial activities.

FINZ-C7.	**Base-year climate-alignment assessment:** Financial institutions shall assess the share of climate-alignment for each in-scope financial activity in their portfolios.

Financial activity: *LND, AOI, AMI, INS*
Assessment stage: *Initial Validation, Renewal Validation*

C7.1. Financial institutions shall assess their in-scope financial activities at the segment, or sub-asset class or business line level using the following categories, and then calculate their climate alignment—the percentage share of total in-scope financial exposure that is categorized as “in transition,” “climate solutions,” or “net-zero state” — referred to as FINZ.Metric.2–per financial activity.

Climate-alignment assessment categories

	IN TRANSITION	CLIMATE SOLUTIONS	NET-ZERO STATE	NOT ALIGNED	NOT ASSESSED
DEFINITION	Counterparties that are on a science-based pathway to net-zero.	Activities that are necessary for the economy-wide transition to net-zero.	Counterparties that have reached zero or near-zero emissions levels.	Counterparties that are not targeting a net-zero transition.	No information on the counterparty available (yet).
APPLICATION	The application depends on respective segment and sub-asset classes; please see Table 4.2 for details. For AOI and AMI, please also see further specifications in Tables 1.2-1.3. Financial institutions may use climate-alignment methodologies in the Implementation List (a selected eligible methodology shall be used until the end of the near-term target time frame. At renewal validation, only eligible metric(s) listed in the most recent version shall be used) or use sector metrics (via a benchmark divergence assessment) to classify counterparties.			Application yields no match with any of the climate-alignment categories (in transition, climate solutions, net-zero state).	Not eligible for activities in segments A or B (per Tables 1.1-1.5). A rationale is required when using this category.

C7.2. Financial institutions shall submit the climate-alignment methodologies and data sources used in the assessment.

2.4: FINANCIAL EXPOSURE ASSESSMENT

Intent: Financial institutions assess exposure to clean energy compared with fossil fuel. Financial institutions also assess and publish their exposure to deforestation by 2030 at the latest. This way, financial institutions get more insight into their fossil fuel- and deforestation-related impacts and can better work toward reducing them.

FINZ-C8.

Exposure assessment: Financial institutions shall provide an assessment of their financial exposure to clean energy relative to fossil fuel in the base year and commit to assess and publish their deforestation exposure by 2030 at the latest.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C8.1. Financial institutions shall calculate, by in-scope financial activity type, their clean energy–to–fossil fuel financial exposure in terms of both absolute exposure amounts and the ratio, using the following specifications:

- Fossil fuel exposure: All in-scope financial activities in the fossil fuel sector, as specified in Table 2.
    - All in-scope financial activities in the fossil fuel sector dedicated to permanent decommissioning (without replacement) of fossil fuel production activities and capacity shall be disclosed separately and not included in the ratio.
- Clean energy exposure: All in-scope financial activities in the clean energy sector (solar, wind, hydropower, nuclear, geothermal, bioenergy from biowaste, hydrogen produced from renewable energy sources-only as fossil fuel replacement in industrial processes), including generation, storage, transmission, and distribution infrastructure.

C8.2. Financial institutions shall commit to assessing and publishing the amount of their deforestation exposure within two years after validation or by 2030 at the latest, and continue to do so annually after initial disclosure, using the following specifications:

- A financial institution's deforestation exposure is defined as the amount of in-scope activities provided to portfolio entities that are linked to, at a minimum, the loss of natural forest as a result of: (1) conversion to agriculture or other non-forest land use; (2) conversion to a tree plantation; or (3) severe and sustained degradation stemming from any critical deforestation-linked commodities, as specified in Annex A.
- Public disclosures shall include: (i) definition of deforestation that can go beyond the minimum as defined above; (ii) definition of "significant deforestation exposure" for the purposes of FINZ-C10 (using a percentage or absolute amount); (iii) methodologies and metrics for tracking deforestation (including a cutoff date in the past); (iv) and approach and frequency of public reporting.

C8.3. Financial institutions without deforestation or fossil fuel exposure shall commit to publishing the following exemption language in line with the Annex B. Target language template:

- Fossil fuel: "[Financial institution name] does not and will not engage in any applicable financial activities in the fossil fuel sector throughout the SBTi near-term target time frame. This covers applicable financial activities: (i) in the coal sector, (ii) related to oil and gas projects and new liquified natural gas infrastructure, and (iii) related to oil and gas companies."
- Deforestation: "[Financial institution name] does not have applicable deforestation exposure and commits to annually assess and publicly disclose its deforestation exposure beginning in [year]."

Recommendations:

R8.1. Financial institutions should also cover other sources of deforestation beyond required critical deforestation-linked commodities (e.g., other commodities, infrastructure and mining).

R8.2. Financial institutions should commit to no new in-scope financial activities involving portfolio entities engaged in commodity-driven deforestation.

R8.3. The cutoff date is the date after which deforestation is counted rather than the date to cease all deforestation. The Accountability Framework initiative recommends a default cutoff date of December 31, 2020.

R8.4. Financial institutions are recommended to consider any financial exposure to portfolio entities linked to deforestation activities as significant.

Additional non-binding guidance on deforestation

- Definitions of deforestation: WBCSD, AFi Coalition, CDP, or WWF offer approaches for tracking deforestation.
- Definition of "significant exposure": financial institutions may use the "high deforestation exposure" and/or "high financial materiality" thresholds in the Forest IQ methodology.
- Examples on how financial institutions can approach the assessment:
    - First, identify FLAG entities via sector classification schemes; second, check whether this subset of entities is linked to any of the critical deforestation-linked commodities; and third, assess whether this subset is involved in deforestation.
    - The financial institution identifies companies via third party lists of entities (such as Global Canopy databases (ForestIQ or Forest 500); here the financial institution checks whether the third party methodology covers at least the deforestation definition.

POLICIES AND TARGET SETTING

POLICIES AND TARGET SETTING

Background: Financial institutions can address emissions from their financial activities through a range of actions. To supplement alignment and sector targets, policies provide clear public commitments to stop supporting activities that are incompatible with global climate goals. By adopting such policies, financial institutions align their practices with a net-zero economy, setting the stage for transformative climate action.

Financial institutions are essential for providing capital and engaging fossil fuel companies to transition to net-zero. Both the immediate cessation of financial support of the expansion of unabated fossil fuel production capacity and financial institutions using their influence to align companies with a net-zero transition are needed. This Standard seeks to strike a balance between the urgency of actions required by climate scenarios and the practical need to enable financial institutions to engage all counterparties to transition. The SBTi recognizes that the emissions impacts of divestment from fossil fuel assets are not always clear or consistent. Real economy companies, policymakers, and other stakeholders will play a central role in determining fossil fuel demand. As such, the SBTi is focused on client and investee engagement as the "first-best" option for financial institutions to support climate stabilization. However, if fossil fuel company counterparties in a financial institution's portfolio do not align with 1.5°C transition pathways within a set amount of time, then the proposed policy and target criteria require phaseout and divestment.

Near- and long-term targets provide additional incentives to shift financial support to accelerate real economy decarbonization. The SBTi FINZ Standard provides financial institutions with flexibility in the near term to establish different target types (alignment or sector) for specific segments of their portfolios. This choice accommodates the varying levels of readiness among institutions while maintaining a clear trajectory towards long-term, net-zero goals. Financial institutions may choose to adopt both approaches to accelerate progress where feasible.

- Portfolio climate-alignment targets: These forward-looking targets require financial institutions to increase the share of climate-aligned financial activities across their portfolios.
- Sector targets: These targets, set at the aggregate sector level, incentivize financial institutions to focus on specific emissions-intensive sectors, ensuring alignment with 1.5°C sectoral benchmarks.

3.1: POLICIES

Intent: Financial institutions publish policies and describe their engagement plans to address the financing and insurance underwriting of specific long-lived, emissions-intensive activities. Financial institutions transition away from financial activities incompatible with limiting global warming to 1.5°C. This approach seeks to strike a balance between the urgency of actions required by climate scenarios and the practical need to enable financial institutions to engage all counterparties to transition and stop developing plans for additional fossil fuel capacity that would make the transition to a 1.5°C net-zero future more difficult and expensive. The policy is supplemented by targets to address all activities related to the fossil fuel sector in the portfolio as described in Section 3.2.

FINZ-C9.

Fossil fuel transition policy: Financial institutions shall publish a policy that addresses their new financial activities in the fossil fuel sector.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C9.1. Financial institutions shall publish a policy prior to initial validation that addresses new applicable financial activities in the fossil fuel sector. The policy shall include the following components:

- **Definitions** of coal, oil and gas projects and companies used (e.g., how they were determined to be in-scope against an industry classification system or approved list). The definitions must at least include the value chain activities listed in Table 2: List of emissions-intensive sectors (and as relevant to a financial institution's portfolio).
- Explanation of any use of permitted options to exclude in-scope counterparties and financial activities. The term **applicable financial activities** shall be used to refer to in-scope financial activities excluding any use of permitted options, which may include the following financial activities:
    - Financial activities dedicated to the permanent decommissioning (without replacement) of production activities and capacity.
    - Investments through advisory mandates in AMI.
    - Financial activities dedicated to abating fossil fuel projects and infrastructure with carbon capture, with at least 90%–95% capture rates and durable storage that does not support enhanced oil recovery or any other processes that enable continued fossil fuel extraction and production capacity development.
    - Financial activities required by national laws or regulations.[14]

14 This only refers to new applicable financial activities that are explicitly required by published laws and regulations (e.g., a law requires financial institutions to insure a specific project).

C9.2. Cessation of new financial activities in coal value chain[15]: The policy shall commit to the immediate cessation of new applicable financial activities provided to projects and companies involved in new coal expansion activities.

- New coal expansion activities covered in this criterion are defined as new coal mines, extensions or expansions of existing coal mines, and new unabated coal-fired power plants that would require a Final Investment Decision after the financial institution's fossil fuel transition policy publication date.
- This criterion applies to new financial activities with a known use of proceeds (e.g., coal project finance/insurance) as well as an unknown use of proceeds (e.g., general-purpose finance/insurance to coal companies).

C9.3. Cessation of new project finance/insurance linked to new oil and gas expansion activities: The policy shall commit to the immediate cessation of new applicable financial activities provided to projects involved in new oil and gas expansion activities.

- New oil and gas expansion activities covered in this criterion are defined as new upstream oil and gas projects (i.e., exploration, extraction, and the development or expansion of oil and gas fields) and new liquefied natural gas (LNG) infrastructure[16] that would require a Final Investment Decision after the financial institution's fossil fuel transition policy publication date.
- This criterion applies to new applicable financial activities with a known use of proceeds (e.g., oil and gas project finance/insurance) only.

C9.4. Cessation of new general-purpose finance/insurance for companies involved in new oil and gas expansion activities: The policy shall commit to the immediate cessation—or by 2030 at the latest—of new applicable financial activities provided to companies involved in new oil and gas expansion activities, including:

- New oil and gas expansion activities covered in this criterion are defined as new upstream oil and gas projects and new LNG infrastructure that would require a Final Investment Decision after 2030.
- This criterion applies to new applicable financial activities with an unknown use of proceeds (e.g., general-purpose finance/insurance to fossil fuel companies) only.
- The commitment within the policy shall clearly indicate the intended time frame to cease new general-purpose finance/insurance, and shall either be valid as of the fossil fuel transition policy publication date, or by no later than 2030.

Recommendations:

R9.1. While a 2030 transition timeframe is provided, considering the urgency to accelerate the net-zero transformation, the policy should commit to earlier and, where feasible, immediate cessation of new applicable financial activities provided to companies involved in new oil and gas expansion activities.

R9.2. Asset managers that have advisory mandates are recommended to engage their clients to align with this fossil fuel transition policy.

R9.3. The policy should also contain an engagement plan to transition counterparties in the fossil fuel sector. This should include expectations of companies, an escalation strategy, managed phaseout plans for coal with facility-by-facility closure dates and fair transition plans for workers[17], and progress on engagement-related outcomes.

15 The coal value chain shall, as a minimum, include: exploration, extraction, and the development or expansion of mines for all thermal coal grades, and unabated coal-fired power plants (see Table 2 for details).

16 Inclusive of all LNG-related infrastructure (e.g. new import & export terminals, LNG carriers, liquid to gas, gas to liquid facilities, regasification units, and associated compression, processing, and storage equipment required throughout the LNG value chain).

17 Guidelines as defined by the United Nations International Labour Organization should be followed. For financial institutions operating in developing economies, guidance from UNDESA's Committee for Development Policy should also be consulted.

FINZ-C10.

No-deforestation: If significant, financial institutions shall publish an engagement plan to address deforestation in their portfolios.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Renewal Validation*

C10.1. By renewal validation at the latest, financial institutions shall publish an engagement plan for addressing deforestation if they identify significant deforestation exposure in their portfolios as per FINZ-C8, containing the following information:

- An outline of the financial institution's strategy and a timeline of action for addressing deforestation.
- Public disclosure of progress on the engagement plan following FINZ-C18: Progress and target renewal.

Recommendations:

R10.1. The engagement plan should include (i) requirements for portfolio entities, such as making no-deforestation commitments[18], and (ii) a list of financial products or services provided that support portfolio entities to transition to deforestation-free systems.

R10.2. Progress reporting should include the percentage of portfolio entities or financial exposure that meet the financial institution's deforestation policy and the method used to determine that status.

FINZ-R2.

Real estate policy recommendation: Financial institutions should publish a policy to address their financial activities related to real estate assets.

Financial activity: *LND, AOI, AMI, INS, CMA*

R2.1. The policy should commit to no new financial activities[19] involving new buildings that are not zero-carbon-ready.[20]

R2.2. The policy should include provisions for increasing financial activities dedicated to retrofitting existing buildings, including phasing out fossil fuel equipment.

R2.3. The policy should be publicly available.

R2.4. The policy should specify the approach, frequency, and methods for regular public progress reporting.

18 As part of the criteria in Section 3.2, financial exposure to in-scope financial activities is subject to portfolio climate-alignment targets or sector targets. Climate-alignment definitions for FLAG entities, including on no-deforestation commitments, are further detailed in Table 4.2.

19 See Section A.5 for the interoperability of SBTi Buildings Criteria and the Financial Institutions Net-Zero Standard.

20 A zero-carbon-ready building is highly energy efficient based on local rating schemes and uses either renewable energy directly or an energy supply that will be fully decarbonized by 2050, such as electricity or district heat (IEA NZE).

3.2: TARGET SETTING

Intent: Financial institutions set public, measurable, and time-bound portfolio climate-alignment or sector targets to reach net-zero.

FINZ-C11.

Non-portfolio targets: Financial institutions shall set near- and long-term targets for their operational scope 1 and 2 emissions, and where applicable, scope 3 categories 1–14 emissions, in accordance with the most recently applicable criteria in the SBTi Corporate Net-Zero Standard and/or SBTi Sector Standards.

Assessment stage: *Initial Validation, Renewal Validation*

C11.1. Scope 3, categories 1–14 targets are applicable if the financial institution derives less than 95% of its revenue from financial activities.

C11.2. **Near-term target time frame:** Financial institutions shall set targets with a time frame of up to five years. The same target year shall be used for all near-term targets.

FINZ-C12.

Portfolio near-term targets: Financial institutions shall set one or multiple near-term targets for each in-scope financial activity (i.e., scope 3, category 15 emissions) using any of the eligible target metrics and target-setting methods.

Financial activity: *LND, AOI, AMI, INS*
Assessment stage: *Initial Validation, Renewal Validation*

C12.1. **Target metrics**: Financial institutions shall set targets using any of the eligible climate-alignment metric or sector metrics, in line with the options allowed in Table 3. The selected metrics shall be used consistently throughout the target period.

C12.2. **Coverage**: Targets shall cover 100% of activities in segments A, B and C, and shall cover at least 67% of activities in segments A, B, C, and D (in terms of financial or GHG emissions exposure).

- A full (i.e., all in-scope exposure) inventory for scope 3, category 15 emissions shall be provided if the 67% threshold is calculated in terms of GHG emissions.

C12.3. **Ambition**: Financial institutions shall set targets that meet or exceed the level of ambition specified in Table 3 for portfolio climate-alignment targets or the minimum target ambition using the target-setting methods specified in Table 4.3: Sector specifications for sector targets.

- Targets already achieved by the date they are submitted to SBTi for validation are not acceptable. In such cases, financial institutions shall establish a target that meets or exceeds the ambition level required by the subsequent milestone year, as specified in Table 3.

C12.4. **Time frame:** Financial institutions shall set near-term targets with a target year that is within five years of the calendar year the targets are submitted for validation. Financial institutions shall use the same target year for all near-term targets.

C12.5. For validation, targets shall be set at the aggregate level and for each relevant segment in Table 3.

Recommendations:

R12.1. Financial institutions should set near-term portfolio climate-alignment and near-term sector targets for all in-scope financial activities in emissions-intensive sectors.

R12.2. Financial institutions should set, if relevant, at least one near-term target for personal lines motor and homeowners insurance (despite being out-of-scope).[21] Financial institutions may set such targets in line with the target options and ambition levels for segment D.

R12.3. Financial institutions should set, if relevant, at least one near-term target for in-scope capital market activities. Financial institutions may report on their CMA portfolio climate-alignment or sector targets on a cumulative basis during the near-term target time frame.[22]

FINZ-C13.

Portfolio long-term targets: Financial institutions shall set one long-term net-zero-alignment target for each in-scope financial activity.

Financial activity: *LND, AOI, AMI, INS*
Assessment stage: *Initial Validation, Renewal Validation*

C13.1. **Target metrics**: Financial institutions shall set targets using the climate-alignment metric (FINZ.Metric.2 as set out in Table 4.1).

C13.2. **Coverage**: Targets shall cover 100% of activities in all segments (A, B, C, and D).

C13.3. **Ambition**: The long-term ambition of the climate-alignment targets shall be to reach at least 95% of financial activities to counterparties operating at the required net-zero state, as defined in Table 4.2.

C13.4. **Time frame:** The target year shall be 2050 or earlier, consistent with the net-zero target-year commitment.

C13.5. For validation, targets shall be set at the aggregate level and for each relevant segment in Table 3.

Recommendations:

R13.1. Financial institutions should set, if relevant, one long-term climate-alignment target for personal lines motor and homeowners insurance. Financial institutions may set such targets in line with the target options and ambition levels for segment D in Table 3.

R13.2. Financial institutions should set, if relevant, one long-term climate-alignment target for in-scope CMA. Financial institutions may report the climate-alignment of their CMA on a cumulative basis over the target time frame, where the climate-alignment status of their clients can be assessed at the time of each CMA or at the end of the reporting period, as long as the choice is publicly disclosed and used consistently throughout the target period.

21 Emissions reductions for personal lines may, to a large degree, be the result of national regulations, including tax incentives, subsidy schemes, or national priorities to develop public transportation or renewable energy. Specific targets for personal lines could restrict coverage for individuals, particularly in the context of vulnerable low-income communities, and may contradict the principle of a just transition and the protective role of insurance. Personal lines targets are therefore optional.

22 For example, financial institutions may report the climate-alignment of their CMA using the formula: (monetary amount issued from the base year through the reporting period for clients that are 'in transition' or at a 'net-zero state') / (monetary amount issued for all clients from the base year through the reporting period), where the climate-alignment status of their clients can be assessed at the time of each CMA or as of the end of the reporting period as long as the choice is publicly disclosed and used consistently throughout the target period.

3.3: NEUTRALIZATION AND THE FINANCIAL INSTITUTION NET-ZERO STATE

Intent: Financial institutions' portfolio GHG emissions reach a net-zero state, and residual emissions are neutralized.

FINZ-C14.

Financial institutions' net-zero state: Financial institutions shall ensure that counterparties in their portfolio achieve a state of net-zero emissions by the net-zero target year, involving the reduction of their scope 1, 2, and 3 emissions to zero or residual levels[23], and the neutralization of any residual emissions.

Financial activity: *LND, AOI, AMI, INS*
Assessment stage: *Net-zero target year*

C14.1. Counterparties shall neutralize residual emissions in accordance with the most recently applicable criteria in the SBTi Corporate Net-Zero Standard.

3.4: COMMUNICATING POLICIES AND TARGETS

Intent: Financial institutions communicate their policies and targets in a consistent, transparent, and credible way.

FINZ-C15.

Communicating policies and targets: Financial institutions shall transparently communicate policies and targets in accordance with the requirements specified in this Standard.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C15.1. Target formulation shall be submitted following the language set out in the Annex B. Target language template.

C15.2. Financial institutions shall publish their targets within six months of receiving a positive validation decision. The published target language shall be consistent with the validated target formulation. Financial institutions whose targets are not published within six months of receiving a positive validation decision are no longer valid and will have to undergo the validation process again in order to publish targets.

23 Emissions refers to "Gross GHG emissions attributable to all in-scope financial activities" in line with FINZ Metric.1 in Table 4.1. Residual levels for counterparties are defined per sector net-zero benchmark levels as detailed in Table 4.3 and/or the latest SBTi Corporate Net-Zero Standard.

3.5: TARGET RECALCULATION AND VALIDITY

Intent: Financial institutions recalculate their targets when significant changes occur and this way ensure targets' accuracy and relevance.

FINZ-C16.

Triggered target recalculation: Financial institutions shall commit to recalculation based on significant organizational changes and adherence to SBTi validation cycles and policies.

Financial activity: *LND, AOI, AMI, INS*
Assessment stage: *Initial Validation, Renewal Validation*

C16.1. Financial institutions shall commit to recalculating their target(s) and submitting them for revalidation if there is a significant change that could compromise existing validated target(s). A target recalculation for financial institutions is triggered by the following changes:

- Significant change in scope 1 and scope 2 emissions, as well as in any scope 3, categories 1-14 emissions covered by target(s), from an FI's base year emissions.
- Significant changes in company structure or activities (e.g., acquisition, divestiture, merger, insourcing, or outsourcing).
- Other significant changes to projections or assumptions used in setting the target(s).
- Significant adjustments to the base year assessment, data sources, or calculation methodologies, or changes in data used to set targets (e.g., discovery of significant errors or multiple cumulative errors that are collectively significant).

C16.2. Financial institutions shall follow the SBTi's significance threshold for recalculation, defined as a cumulative change of 5% or more in an organization's total base year emissions (tCO_2e).

ASSESSING AND COMMUNICATING PROGRESS

ASSESSING AND COMMUNICATING PROGRESS

Background: Clearly communicating climate policies, GHG emissions, and progress toward targets provides valuable information to stakeholders and builds credibility through transparency.

4.1: REPORTING

Intent: Financial institutions publicly report progress against targets on an annual basis, enhancing accountability and transparency.

FINZ-C17.	**Reporting:** Financial institutions shall commit to publicly report progress against targets on an annual basis.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C17.1. Financial institutions shall commit to separately and publicly report the information outlined below for each in-scope financial activity on an annual basis:

- Gross GHG emissions inventory in FINZ-C6 for segments A, B and C, as well as the GHG accounting methodology, assumptions, data sources, and data quality scores of the underlying data used, as per FINZ-C6.6, with separate reporting of:
  - Scope 1+2 and scope 1+2+3 portfolio-level GHG emissions.
  - Carbon removals, carbon credits, and avoided emissions (as relevant).
  - Fossil fuel–related emissions, and as data quality allows, methane emissions (CH_4) within that.
- Climate-alignment and sector metric assessment (if relevant), as established in FINZ-C7, including a breakdown of climate-alignment methodologies used for the climate-alignment assessment.

- A progressive increase in scope and quality to a full GHG emissions inventory and a full climate-alignment assessment (i.e., without a "not assessed" category) for all in-scope financial activities (i.e., segments A, B, C, and D) every year from 2030 (at the latest).
- Clean energy–to–fossil fuel financial exposure ratio, per FINZ-C8, including the corresponding financial exposure amounts.
- Deforestation exposure in line with FINZ-C8.

C17.2. Financial institutions shall commit to starting annual progress reporting in the year following initial validation.

Recommendations:

R17.1. Financial institutions should annually and publicly disclose the drivers of change in their portfolio emissions through emissions attribution reporting. Recommended attribution factors[24] include: a) changes in reported emissions of portfolio counterparties; b) changes due to portfolio reallocation or adoption of new asset classes; c) changes driven by methodological adjustments, or changes in enterprise value, including cash or data coverage (e.g., from improved data quality or updates to GHG quantification methodologies).

R17.2. Financial institutions should use data with third-party limited assurance where available.

R17.3. For the climate-alignment and sector metric assessment in FINZ-C17.1, financial institutions should provide a breakdown of the assessment by sub-asset class or lines of business.

4.2: PROGRESS ASSESSMENT AND TARGET RENEWAL

Intent: Financial institutions assess and communicate their progress against targets at the end of each target cycle, evaluate their performance level against net-zero benchmarks, and set new targets when they have not reached a net-zero state yet.

FINZ-C18.

Progress and target renewal: Financial institutions shall determine progress against their validated target(s) at the end of their near-term target time frame and, when relevant, establish new target(s) and submit them for validation.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Renewal Validation*

C18.1. Financial institutions shall assess and publicly disclose progress against their validated target(s) no later than 12 months after the near-term target time frame has elapsed.

C18.2. Financial institutions shall submit targets and undergo renewal validation for the next target cycle, following the most recently applicable criteria at the time of resubmission.

24 See for example NZAOA (2023): Understanding the Drivers of Investment Portfolio Decarbonization.

SBTi CLAIMS

SBTi CLAIMS

Background: This chapter introduces general criteria for substantiating claims related to science-based target setting and SBTi validation. The aim is to enable financial institutions to substantiate claims related to their climate target setting and target progress, and communicate their efforts in a clear and credible way.

Intent: Financial institutions ensure that all claims related to implementation of this Standard, including those regarding target achievement, are accurate, verifiable, and adhere to high-integrity standards and applicable regulations.

FINZ-C19.	**SBTi claims:** Financial institutions shall ensure all claims are accurate, transparent, verifiable, and compatible with the criteria in this Standard and SBTi policies.

Financial activity: *LND, AOI, AMI, INS, CMA*
Assessment stage: *Initial Validation, Renewal Validation*

C19.1. Financial institutions shall adhere, at all times, to all relevant SBTi policies and procedures, including, but not limited to, SBTi Communications Guidance, Claims, Brand, and Validation policies.

C19.2. Claims made by financial institutions shall accurately communicate the conformance status of the financial institution by using the appropriate claims wording, as stipulated in the target language per FINZ-C15.

C19.3. Financial institutions shall ensure that all claims are accurate, verifiable, and transparent, avoiding language that may mislead stakeholders or misrepresent the financial institution's climate-related ambition, progress, or performance.

C19.4. All claim content shall be fully substantiated with relevant and verifiable evidence, which shall be accessible for transparency purposes to the SBTi, third parties, and/or regulatory bodies upon request.

Recommendations:

R19.1. The ISEAL Sustainability Claims Good Practice Guide should be used as a reference when making claims.

CRITERIA REFERENCE TABLES

CRITERIA REFERENCE TABLES

Tables 1.1–1.5: Segmentation of financial activities (for FINZ-C3: Portfolio boundary)

TABLE 1.1: LENDING	
Financial exposure metric: Loan commitment OR loan amount OR exposure at default	
IN-SCOPE	
Segment[a]	**Sub-asset class**
A	• Long- and short-term[b] loans to listed and private corporates and small- and medium-sized enterprises (SMEs) in the fossil fuel sector • Fossil fuel project finance
B	• Long- and short-term loans to listed and private corporates in other emissions-intensive sectors • Real estate project finance for new buildings • Project finance in other emissions-intensive sectors • Long-term commercial real estate asset loans
C	• Long- and short-term loans to listed and private corporates in other sectors • Project finance (e.g., infrastructure project/assets) in other sectors
D	• Consumer loans: residential mortgages, lifetime mortgages, and motor vehicle loans • Long- and short-term loans to listed and private SMEs in non-fossil fuel sectors • Real estate project finance for existing buildings • Short-term commercial real estate asset loans
OUT OF SCOPE	
• Loans related to assets with no operational emissions (e.g., land or fully vacant building) • Other consumer loans • Supranational, sovereign, sub-sovereign (including municipal), government, and government agency loans • Margin-based and securities-based lending	
FURTHER SPECIFICATIONS	
[a] The relevant sectors per segments A, B, C and D are defined in Table 2. [b] For this table, short-term is defined as one year or less while long-term is defined as more than one year.	

<table>
<tr><th colspan="3">TABLE 1.2: ASSET OWNER INVESTING</th></tr>
<tr><td colspan="3">Financial exposure metric: Assets under ownership OR assets under control</td></tr>
<tr><th colspan="3">IN-SCOPE</th></tr>
<tr><th>Segment[a]</th><th>Investment route[b]</th><th>Sub-asset class</th></tr>
<tr><td>A</td><td rowspan="4">Direct investments and investments via funds invested in assets</td><td>• Listed equity (common and preferred stock) of listed corporates and small- and medium-sized enterprises (SMEs) in the fossil fuel sector
• Corporate bonds of listed corporates and SMEs in the fossil fuel sector
• Private equity, venture capital, and private debt (stocks or bonds) of private corporates and SMEs in the fossil fuel sector
• Fossil fuel project finance</td></tr>
<tr><td>B</td><td>• Listed equity of listed corporates and SMEs in other emissions-intensive sectors
• Corporate bonds of listed corporates and SMEs in other emissions-intensive sectors
• Private equity, venture capital, and private debt of private corporates and SMEs in other emissions-intensive sectors with ≥ 25% ownership and board seat(s)[c]
• Real estate project finance for new buildings
• Project finance in other emissions-intensive sectors
• Equity or debt investment in real estate assets</td></tr>
<tr><td>C</td><td>• Listed equity of listed corporates and SMEs in other sectors
• Corporate bonds of listed corporates and SMEs in other sectors
• Private equity, venture capital, and private debt of private corporates and SMEs in other sectors with ≥ 25% ownership and board seat(s)[c]
• Project finance (e.g., infrastructure project/assets) in other sectors</td></tr>
<tr><td rowspan="2">D</td><td>• Private equity, venture capital, and private debt of private corporates and SMEs in non-fossil fuel sectors with < 25% ownership or no board seat[c]
• Securitized fixed income (backed by real estate assets, including asset-backed securities, mortgage-backed securities, covered bonds)
• Real estate project finance for existing buildings</td></tr>
<tr><td>Investments via fund of funds (i.e., funds invested in funds)</td><td>Same sub-asset classes as for the direct investments and investments via funds (invested in assets) investment route</td></tr>
</table>

OUT OF SCOPE
• Investments in assets with no operational emissions (e.g., land or fully vacant building) • Investments held in banks' trading books • Investments via funds where the disclosure of the underlying holdings negates the investment strategy (e.g., some hedge funds) • Supranational, sovereign, sub-sovereign (including municipal), government, and government agency bonds (direct holdings or via funds) • Securitized fixed-income instruments (not backed by real estate assets) • Cash and cash equivalents (such as commercial paper, certificates of deposit, time deposits, banker's acceptance, and short-term repurchase agreements) • Financial derivatives (e.g., futures, options swaps) • Commodity trading

FURTHER SPECIFICATIONS
[a] The relevant sectors per segments A, B, C and D are defined in Table 2.
[b] For in-scope investments managed by the asset owner itself OR managed through the asset manager(s) with advisory or execution-only mandate(s), targets shall be set on the underlying entities, projects and assets. For in-scope investments managed through asset manager(s) with discretionary mandate(s), targets shall be set on either the underlying entities, projects and assets OR the asset manager (see Table 4.2 "Financial Intermediary").
[c] Financial institutions may choose to exclude portfolio companies in this particular sub-asset class that are not categorized as "in transition" or "climate solutions" or "net-zero state" for up to 24 months post-investment.

<table>
<tr><th colspan="3">TABLE 1.3: ASSET MANAGER INVESTING</th></tr>
<tr><td colspan="3">Financial exposure metric: Assets under management</td></tr>
<tr><th colspan="3">IN-SCOPE</th></tr>
<tr><th>Segment[a]</th><th>Investment route/ mandate[b]</th><th>Sub-asset class</th></tr>
<tr><td>A</td><td rowspan="4">Direct investments and investments via funds invested in assets through discretionary mandates</td><td>• Listed equity (common and preferred stock) of listed corporates and small- and medium-sized enterprises (SMEs) in the fossil fuel sector
• Corporate bonds of listed corporates and SMEs in the fossil fuel sector
• Private equity, venture capital, and private debt (stocks or bonds) of private corporates and SMEs in the fossil fuel sector
• Fossil fuel project finance</td></tr>
<tr><td>B</td><td>• Listed equity of listed corporates and SMEs in other emissions-intensive sectors
• Corporate bonds of listed corporates and SMEs in other emissions-intensive sectors
• Private equity, venture capital, and private debt of private corporates and SMEs in other emissions-intensive sectors with ≥ 25% ownership and board seat(s)[c]
• Real estate project finance for new buildings
• Project finance in other emissions-intensive sectors
• Equity or debt investment in real estate assets</td></tr>
<tr><td>C</td><td>• Listed equity of listed corporates and SMEs in other sectors
• Corporate bonds of listed corporates and SMEs in other sectors
• Private equity, venture capital, and private debt of private corporates and SMEs in other sectors with ≥ 25% ownership and board seat(s)[c]
• Project finance (e.g., infrastructure project/assets) in other sectors</td></tr>
<tr><td rowspan="3">D</td><td>• Private equity, venture capital, and private debt of private corporates and SMEs in non-fossil fuel sectors with < 25% ownership or no board seat[c]
• Securitized fixed income (backed by real estate assets, including asset-backed securities, mortgage-backed securities, covered bonds)
• Real estate project finance for existing buildings</td></tr>
<tr><td>Investments via fund of funds (i.e., funds invested in funds) through discretionary mandates</td><td rowspan="2">Same sub-asset classes as for the direct investments and investments via funds (invested in assets) through discretionary mandates investment route/mandate</td></tr>
<tr><td>Investments made directly, via funds or via fund of funds through advisory mandates[d]</td></tr>
</table>

OUT OF SCOPE
- Investments in assets with no operational emissions (e.g., land or fully vacant building) - Investments made on behalf of asset owners through execution-only mandates - Investments held in banks' trading books - Investments via funds where the disclosure of the underlying holdings negates the investment strategy (e.g., some hedge funds) - Supranational, sovereign, sub-sovereign (including municipal), government, and government agency bonds (direct holdings or via funds) - Securitized fixed-income instruments (not backed by real estate assets) - Cash and cash equivalents (may include commercial paper, certificates of deposit, time deposits, banker's acceptance, and short-term repurchase agreements) - Financial derivatives (e.g., futures, options swaps) - Commodity trading

FURTHER SPECIFICATIONS
[a] The relevant sectors per segments A, B, C and D are defined in Table 2.
[b] Discretionary mandates apply to situations where the financial institution is granted discretion by the third party to make investment decisions (e.g., fund, index, or security selection) without seeking prior approval from that third party. Advisory mandates apply to situations where the financial institution provides recommendations and makes investments on behalf of the third party that are subject to that third party's instructions or approval. This includes situations where the financial institution selects funds for third parties to choose from but, thereafter, has no control over investment decisions (e.g., fund, index, or security selection). Execution-only mandates apply to situations where the financial institution acts only to execute investment instructions and has no control over investment decisions.
[c] Financial institutions may choose to exclude portfolio companies in this particular sub-asset class that are not categorized as "in transition" or "climate solutions" or "net-zero state" for up to 24 months post-investment.
[d] For in-scope investments through advisory mandates, targets shall be set on either the underlying entities, projects and assets OR the asset owner giving the investment mandate (see Table 4.2 "Financial Intermediary"). For asset managers that are part of larger financial institution entities to be considered as "in transition", the larger financial institutions' targets shall cover the asset manager.

<table>
<tr><th colspan="3">TABLE 1.4: INSURANCE UNDERWRITING</th></tr>
<tr><td colspan="3">Financial exposure metric: Gross written premium</td></tr>
<tr><th colspan="3">IN-SCOPE</th></tr>
<tr><th>Segment[a]</th><th>Insurance type</th><th>Lines of business[b]</th></tr>
<tr><td>A</td><td rowspan="4">Primary insurance and reinsurance (facultative and treaties), captive insurance—both brokered and non-brokered</td><td>- Commercial insurance covers for listed and private corporates, small- and medium-sized enterprises (SMEs) and any clearly identified assets that are directly associated with in-scope value chain activities[c] in the fossil fuel sector
- Fossil fuel project insurance</td></tr>
<tr><td>B</td><td>- Commercial insurance covers for listed and private corporates and any clearly identified assets that are directly associated with in-scope value chain activities in other emissions-intensive sectors
- Real estate project insurance for new buildings
- Project insurance in other emissions-intensive sectors</td></tr>
<tr><td>C</td><td>- Commercial insurance covers for listed and private corporates and any clearly identified assets that are directly associated with in-scope value chain activities in other sectors
- Project insurance in other sectors</td></tr>
<tr><td>D</td><td>- Commercial insurance covers for listed and private SMEs in non-fossil fuel sectors and any clearly identified assets that are directly associated with in-scope value chain activities in other sectors
- Real estate project insurance for existing buildings</td></tr>
<tr><th colspan="3">OUT OF SCOPE</th></tr>
<tr><td colspan="3">- Any insurance cover with no underlying operational emissions of the underlying activities or associated assets (e.g., land or fully vacant building)
- Insurance contracts purchased by public entities (e.g., government agencies and municipalities)
- Structured trade credit insurance
- Surety bonds (except for project insurance surety)
- Life and health insurance, personal accident, and pension schemes
- Unit-linked contracts
- Alternative re/insurance capital through capital markets (insurance-linked securities/collateralized reinsurance) such as catastrophe bonds, sidecar, and industry loss warranties
- Insurer internal fronting arrangements
- Retrocession: reinsurance contracts established from reinsurer to reinsurer
- Statutory/mandatory lines of business
- Personal lines insurance</td></tr>
</table>

FURTHER SPECIFICATIONS
[a] The relevant sectors per segments A, B, C, and D are defined in Table 2.
[b] Commercial insurance covers include, but are not limited to, liability/casualty, property, commercial motor, marine, aviation, agriculture, primary insurance of political risk, commercial engineering, financial lines (e.g., Directors and officers (D&O), professional indemnity), and treaty reinsurance lines of business. Project insurance includes, but is not limited to, contractors all risk (CAR), erection all risk (EAR), inherent defect insurance (IDI), surety, and all other applicable engineering lines of business.
[c] Clearly identified assets that are directly associated with in-scope activities are those assets that directly enable and are essential to the direct outcome of the in-scope activity. For example, in the oil and gas sector, this would include drilling, well completion, and production assets, as well as assets such as the company headquarters, LNG terminals servicing existing fields, GHG monitoring, accounting services, and other indirectly related assets.

TABLE 1.5: CAPITAL MARKET ACTIVITIES	
Financial exposure metric: Amount issued	
IN-SCOPE	
Segment[a]	**Sub-asset class**
A	• Issuance of equity securities (initial public offering (IPO), dilutive follow-on public offering, private placement) in the fossil fuel sector • Issuance of debt securities (public issuance, private placement) in the fossil fuel sector • Issuance of fossil fuel project finance securities
B	• Issuance of equity securities in other emissions-intensive sectors • Issuance of debt securities in other emissions-intensive sectors • Issuance of real estate project finance securities for new buildings • Issuance of project finance securities in other emissions-intensive sectors
C	• Issuance of equity securities in other sectors • Issuance of debt securities in other sectors • Issuance of project finance securities in other sectors
D	• Commercial paper issuance • Issuance of securitized fixed-income instruments (backed by real estate assets) • Issuance of real estate project finance securities for existing buildings
OUT OF SCOPE	
• Special purpose acquisition company IPO • Issuance of supranational, sovereign, sub-sovereign (including municipal), government, and government agency bonds • Issuance of securitized fixed-income instruments (not backed by real estate assets) • Issuance of alternative re/insurance capital through capital markets (insurance-linked securities/collateralized reinsurance) such as catastrophe bonds, sidecar, and industry loss warranties • Issuance of financial derivatives (e.g., futures, options, swaps) • Trading in secondary market (i.e., secondary offering) • Advisory services (e.g., mergers and acquisitions)	
FURTHER SPECIFICATIONS	
[a] The relevant sectors per segments A, B, C, and D are defined in Table 2.	

Table 2: List of emissions-intensive sectors and corresponding relevant value chain activities (for all criteria across this Standard that reference segments A, B, C, and D)

SECTOR GROUP	SECTOR ACTIVITY	SEGMENT	RELEVANT VALUE CHAIN ACTIVITIES
Energy	Fossil fuel – coal	A	The coal value chain shall, as a minimum, include: exploration, extraction, and the development or expansion of mines for all thermal coal grades[25], and unabated[26] coal-fired power plants[27]. The coal value chain should also include: exploration, extraction, and the development or expansion of mines for all metallurgical coal grades, mining services, dedicated transport and logistics, processing, storage, trading, coke making, coal gasification, feedstock production, advisory services, lobbying, and abated power plants (that use coal). Coal companies are identified as those listed in the Global Coal Exit List and/or companies with 10% or more of revenues from the coal value chain. Financial institutions should also include companies listed in the Metallurgical Coal Exit List. Financial institutions shall define coal projects financed or insured with 10% or more of their revenue generated from the coal value chain.
	Fossil fuel – oil and gas	A	The oil and gas value chain shall, as a minimum, include: exploration, extraction (including coalbed methane), and the development or expansion of fields, and any liquefied natural gas infrastructure. The oil and gas value chain should also include: feedstock production, processing, transportation, distribution, terminals, storage, gas to liquids, refining, trading, marketing, advisory services, lobbying, and retailing. Oil and gas companies are identified as those listed in the Global Oil & Gas Exit List (including National Oil Companies, i.e. those fully or majority-owned by a national government) and/or companies with 10% or more of revenues from the oil and gas value chain inclusive of National Oil Companies. Financial institutions shall define oil and gas projects financed or insured with 10% or more of their revenue generated from the oil and gas value chain.
	Power generation	B	Power generation.

25 Metallurgical coal grades shall be defined only as anthracites and low- and medium- volatile bituminous coal (>69% Fixed Carbon). If data is not available on the grade(s) of coal used, the coal grade(s) are considered to be that of thermal coal.

26 Abatement is defined as at least 90%-95% reduction, relative to pre-abatement levels of direct emissions (scopes 1 and 2) of power generation assets. For carbon capture to be considered, it shall be combined with durable storage and cannot support enhanced oil recovery or any other processes that enable continued fossil fuel extraction and production capacity development.

27 Power plants that use coal as a fuel in any capacity or percentage mixture are considered to be coal-fired power plants.

Transport	**Air Transport**	**B**	Passenger and cargo airlines, aviation services.
	Maritime	**B**	Operation (transport activity).
	Land transport	**B**	Passenger and freight transport (road and rail), logistics service providers, carriers, postal companies, road vehicle manufacturers, autopart manufacturers.
Industrial	**Cement**	**B**	Cement and cementitious production.
	Steel	**B**	Steel manufacturing (sintering, blast furnace, basic oxygen furnace, casting, direct reduced iron, oxygen plant, lime production, pelletization, boilers and power plants (surplus gas), smelting reduction, electric arc furnace, secondary metallurgy), hot rolling, power production (imported), production of H2/syngas, coke making, emissions from exported off-gases.
Real estate	**Residential buildings and commercial buildings**	**B and D**	Residential buildings: Owning, developing, managing, or financing/insuring new or existing residential buildings used by consumers/individuals. Commercial buildings: Owning, developing, managing, or financing/insuring new or existing commercial buildings spanning all building typologies that are not single-family or multi-family homes.
Forest, Land and Agriculture **FLAG (supply side and demand side)**	**FLAG**	**B**	Companies with FLAG-related emissions that total 20% or more of overall emissions across scopes 1, 2 and 3 or Companies from the following FLAG-designated sectors: ◦ Forest and Paper Products: Forestry, Timber, Pulp and Paper, Rubber. ◦ Food Production: Agricultural Production. ◦ Food Production: Animal Source. ◦ Food and Beverage Processing. ◦ Food and Staples Retailing. ◦ Tobacco.

Table 3: Target specifications (for FINZ-C13 Portfolio near-term and FINZ-C14 Portfolio long-term targets)

<table>
<tr><th>SEGMENTS</th><th>2030 MILESTONE</th><th>2035 MILESTONE[a]</th><th>2040 MILESTONE</th><th>PORTFOLIO NET-ZERO STATE (BY 2050)[b]</th></tr>
<tr><td colspan="5">Minimum target ambition (Required for LND, AOI, AMI, INS | Recommended for CMA)</td></tr>
<tr><td>A
(Fossil fuel - coal[c])
(100% of this segment shall be covered by targets)</td><td colspan="3">○ Sector target using Sector metric-FINZ.1a or Sector metric-FINZ.1b, to phase out
• by the end of 2030 in countries that are members of the Organization for Economic Co-operation and Development (OECD), and
• by the end of 2040 globally[d]</td><td>No applicable financial activities remaining</td></tr>
<tr><td>A
(Fossil fuel - oil & gas)
(100% of this segment must be covered by targets)</td><td>○ Climate-alignment at or above linear path (as of target year) from base year % to:
• ≥ 95% for developed economies[e] by 2035 and
• ≥ 85% for developing economies by 2035; OR
○ Sector target using Sector metric-FINZ.2</td><td>○ ≥ 95% climate-alignment for developed economies[e] and
• ≥ 85% for developing economies; OR
○ Sector target using Sector metric-FINZ.2</td><td>○ ≥ 95% climate-alignment for developed[e] and developing economies; OR
○ Sector target using Sector metric-FINZ.2</td><td>≥ 95% of financial exposure to counterparties that are at a net-zero state</td></tr>
<tr><td>B, C
(100% of these segments shall be covered by targets)</td><td colspan="2">○ Climate-alignment at or above linear path (as of target year) from base year % to:
• ≥ 95% for developed economies[e] by 2040 and
• ≥ 85% for developing economies by 2040; OR
○ For segment B only: Sector target using Sector metric-FINZ.3-10</td><td>○ ≥ 95% climate-alignment for developed economies[e] and
• ≥ 85% for developing economies; OR
○ For segment B only: Sector target using Sector metric-FINZ.3-10</td><td>≥ 95% of financial exposure to counterparties that are at a net-zero state</td></tr>
</table>

D	• If at least 67% (based on financial exposure or emissions) of segments A, B, C and D are already covered by near-term targets, it is optional to set near-term targets for segment D.
	  • Otherwise, portions of segment D shall be covered by near-term targets until the 67% threshold is reached.
	• Near-term targets for segment D shall use the target options available for segments B and C in line with the minimum ambition levels in the 2040 milestone column for segment D.
		• Climate-alignment at or above linear path (as of target year) from base year % to:
		  • ≥ 95% for developed economies[e] by 2050 and
		  • ≥ 85% for developing economies by 2050
			≥ 95% of financial exposure to counterparties that are at a net-zero state

FURTHER SPECIFICATIONS			
Sector targets using Sector metrics-FINZ.1-10 are defined in Table 4.3.			
[a] As an exception, treaty reinsurance contracts are excluded from Section 3.2 target criteria for target submissions through 2029 and required for target submissions or revalidation of targets from 2030 onwards.			
[b] Net-zero state on counterparty level is defined in the respective column of Table 4.2.			
[c] The following may be excluded from the phase out: Financial activities (i) dedicated to the permanent decommissioning of production activities and capacity, or (ii) dedicated to abating fossil fuel projects/infrastructure with carbon capture that is combined with durable storage and does not support enhanced oil recovery or any other processes that enable continued fossil fuel extraction and production capacity development, or (iii) are required by national laws or regulations.			
[d] If the year of full phaseout is more than five years from the year of target submission, financial institutions shall also set a near-term sector phaseout target on their in-scope financial activities in the coal sector. For example, a financial institution submitting net-zero targets in 2025 with a 2030 coal phaseout would not need to set a separate near-term sector target to reduce its coal-related financial exposure or GHG emissions.			
[e] Developed economies and developing economies (i.e., 'developing countries' or 'economies in transition') are defined per the United Nations Secretariat's Department of Economic and Social Affairs classification and per headquarters of the respective entity, project, or asset. The target ambition for developed economies applies if no regional differentiation is used.			

Tables 4.1–4.3: Portfolio-level metrics, definitions of climate alignment, and sector specifications

Table 4.1 documents the metrics and associated net-zero-aligned benchmarks used at a portfolio level in this Standard.

Table 4.2 provides an overview of how alignment is defined for each type of portfolio counterparty. Climate alignment at the portfolio level measures the share of total financial activities dedicated to climate-aligned real economy entities, projects, and assets (collectively termed "counterparties"). Climate alignment explains the degree to which counterparties, enabled by the financial institution, are 1) in transition, or 2) climate solutions, or 3) already transitioned to an emissions performance level required in a net-zero economy (i.e., at a net-zero state). The climate alignment of an entity is assessed differently from the climate alignment of a specific project or physical asset. Therefore, the three categories of climate-aligned financial activities apply differently to each counterparty type.

Table 4.3 documents relevant metrics, target-setting methods and reference pathways for emissions-intensive sectors. The reference pathways can be used for establishing sector-level targets, which must meet the minimum ambition established by target-setting methods incorporated into the SBTi Financial Institutions Net-Zero Target-setting Tool (to be published). The SBTi Financial Institutions Net-Zero Target-setting Tool (to be published) and associated documentation provide further details on the pathways. Generally, all pathways considered eligible for use in this Standard are consistent with the SBTi's scenario selection approach. For each sector, the SBTi has selected a pathway, or an envelope of eligible pathways, to be used for companies setting targets for certain emissions-intensive sectors. Certain sector reference pathways are derived from a range eligible pathways whereas other sectors, due to lack of credible alternatives, are based on one specific underlying pathway, for example, cement, steel, and automotive sector pathways rely on the IEA's Net Zero Emissions by 2050 Scenario (NZE) pathway. The range of eligible reference scenarios will be updated over time to reflect the latest approved SBTi pathways.

Table 4.1: Portfolio-level metrics, net-zero-aligned benchmarks, and target-setting methods for determining near-term targets

CODE	METRIC/ TARGET TYPE	RELEVANT SEGMENTS	METRIC CATEGORY/ DESCRIPTION	UNIT	NET-ZERO ALIGNED BENCHMARK VALUE	REFERENCE YEAR	REFERENCE SCENARIO	TARGET-SETTING METHOD FOR INTERIM TARGETS
Metric-FINZ.1	Portfolio wide - Absolute emissions	A, B, C, D	Gross GHG emissions attributable to all financial activities (covering at a minimum scope 1 and 2, and where applicable, scope 3 of portfolio emissions automotive, buildings, coal, oil and gas; for buildings-related emissions, this covers scope 1, 2 and 3 emissions stemming from in-use operational emissions (from any energy consumption, electricity, or other fuels used for heating) and fugitive emissions from buildings-specific systems (e.g., refrigerators, cooling systems, heat pumps).	tCO_2e	Portfolio residual emission value (counterparty dependent)	2050 or earlier	N/A	N/A - no interim targets required
Metric-FINZ.2	Portfolio wide - Climate alignment	A, B, C, D	Share of total financial activities dedicated to climate-aligned (as defined in Table 4.2 below) counterparties compared to total financial exposure.	% share of climate-aligned financial activities	95%	2050 or earlier	N/A	Portfolio climate-alignment
FURTHER SPECIFICATIONS								
Eligible climate-alignment methodologies: The climate-alignment of an entity or activity can be assessed based on an eligible methodology. SBTi provides a list of eligible climate-alignment methodologies that financial institutions can use for this purpose. For a climate-alignment methodology to be considered eligible, it has to meet a set of criteria and follow an approval process documented in the Protocol for Usage of Third-Party Alignment Methodologies. This list is expected to be updated over time as new and improved climate-alignment methodologies emerge for categorizing entities, projects, and assets as either in transition, climate solutions, or having reached their net-zero state.								

Table 4.2: Climate-alignment assessment categories for different counterparty types

SEGMENT	SUB-ASSET CLASSES	IN TRANSITION[28] (See Implementation List for eligible third-party climate-alignment methodologies OR where relevant FINZ sector metrics in Table 4.3)	CLIMATE SOLUTIONS (see Implementation list for eligible third-party climate-alignment methodologies)	NET-ZERO STATE (Minimum requirement at counterparty level, where relevant residual emission levels are defined per the applicable sector in Table 4.3 and/or the latest criteria in the SBTi Corporate Net-Zero Standard)
N/A	Financial intermediaries	Financial intermediary classified as in transition when it is consistent with and supportive of net-zero GHG emissions commitments and corresponding targets that limit global warming to 1.5°C, covering scope 1, 2 and 3 emissions.	N/A	Minimum net-zero state for financial intermediary includes reducing emissions to reach zero or near-zero residual emissions across all GHG emissions scopes (net-zero aligned) and neutralizing any residual emissions (to reach net-zero achieved status).
A	Oil and gas entities	Entity classified as in transition when: 1) It demonstrates ambition along an absolute reduction trajectory consistent with pathways that limit global warming to 1.5°C, covering scope 1, 2 and 3 emissions; and 2) It is not engaging in new fossil fuel expansion activities as defined in Section 3.1 that would require a Final Investment Decision after the financial institution's fossil fuel transition policy publication date.	An entity is classified as a climate solution provider, when it is generating at least 90% of its revenue dedicated to retrofitting for non-fossil fuel use, permanent decommissioning, or abatement through carbon capture and storage[29], and the remaining revenue is not generated from fossil fuel activities, as defined in Table 2.	Minimum net-zero state for a fossil fuel entity includes reducing emissions to reach zero or near-zero emissions across all GHG emissions scopes (net-zero aligned) and neutralizing any residual emissions (to reach net-zero achieved status).
	Fossil Fuel Projects	N/A	A financial activity dedicated to a project or asset is classified as a climate solution, when it is exclusively dedicated to retrofitting for non-fossil fuel use, permanent decommissioning, and/or abatement through carbon capture and storage[29].	N/A

28 The "In transition" category for entity financing is first focused on entities establishing a clear 1.5°C aligned ambition. Over time, entities must demonstrate progress against this ambition to keep their "In transition" classification, which could include recognizing the quality of an entity's transition plan as means to assess its progress. The eligibility of climate-alignment methodologies that can be used to measure transition will therefore be updated to reflect this move from ambition to progress over time.

29 For carbon capture to be considered, it shall be at least at a 90%-95% capture rate combined with durable storage and cannot support enhanced oil recovery or any other processes that enable continued fossil fuel extraction and production capacity development. For example, if a CCS company provides services to the extraction of oil and gas (or other in-scope activities), they may still be considered a climate solution provided their services meet both conditions (i) and (ii) detailed above.

SEGMENT	SUB-ASSET CLASSES	IN TRANSITION[27] (See Implementation List for eligible third-party climate-alignment methodologies OR where relevant FINZ sector metrics in Table 4.3)	CLIMATE SOLUTIONS (see Implementation list for eligible third-party climate-alignment methodologies)	NET-ZERO STATE (Minimum requirement at counterparty level, where relevant residual emission levels are defined per the applicable sector in Table 4.3 and/or the latest criteria in the SBTi Corporate Net-Zero Standard)
B	FLAG entities (supply side and demand side)	Entity classified as in transition when: 1) It has a no-deforestation commitment with a phaseout in line with the most recently applicable SBTi FLAG Guidance; and 2) It demonstrates ambition consistent with pathways that limit global warming to 1.5°C, covering scope 1, 2 and 3 emissions (including FLAG-related emissions).	N/A	Minimum net-zero state for a FLAG entity includes: 1) Its value chain is not engaged in deforestation; and 2) It has reduced emissions to reach zero or near-zero emissions across all GHG emissions scopes (net-zero aligned) and neutralized any residual emissions (to reach net-zero achieved status).
	Entities in other emissions-intensive sectors (i.e., other than the fossil fuel and FLAG sectors)	Entity classified as in transition when: • It demonstrates ambition consistent with pathways that limit global warming to 1.5°C, covering scope 1, 2 and 3 emissions; **OR** • It demonstrates better performance than the relevant sector benchmark (in the reporting year) via a benchmark divergence assessment for a counterparty's activities in other emissions-intensive sectors.	Entity classified as a climate solution, when it is generating at least 90% of its revenue from specific climate solutions recognized through eligible taxonomies, and the remaining revenue is not generated from fossil fuel activities, as defined in Table 2.	Minimum net-zero state for an entity in other emissions-intensive sectors includes reducing emissions to reach zero or near-zero residual emissions across all GHG emissions scopes (net-zero aligned) and neutralizing any residual emissions (to reach net-zero achieved status).
	Electricity generation projects	N/A	N/A	Minimum net-zero state for an electricity generation project is when its operational emissions are zero or near-zero (less than 0.001 t CO_2e/MWh).
	Projects or assets in other emissions-intensive sectors (i.e., other than the fossil fuel and FLAG sectors)	Project or asset classified as in transition when it demonstrates better performance than the relevant sector benchmark (in the reporting year) via a benchmark divergence assessment.	N/A	Minimum net-zero state for a project or asset in other emissions-intensive sectors is when it is operating at the relevant sector net-zero aligned benchmark values. Applicable activities are listed in Table 4.3.

SEGMENT	SUB-ASSET CLASSES	IN TRANSITION[27] (See Implementation List for eligible third-party climate-alignment methodologies OR where relevant FINZ sector metrics in Table 4.3)	CLIMATE SOLUTIONS (see Implementation list for eligible third-party climate-alignment methodologies)	NET-ZERO STATE (Minimum requirement at counterparty level, where relevant residual emission levels are defined per the applicable sector in Table 4.3 and/or the latest criteria in the SBTi Corporate Net-Zero Standard)
C	Entities in other sectors (including the financial sector)	Entity classified as in transition when it demonstrates ambition consistent with pathways that limit global warming to 1.5°C, covering scope 1, 2 and 3 emissions.	Entity classified as a climate solution, when it generates 90% or more of its revenue from specific climate solutions recognized through eligible taxonomies, and the remaining revenue is not generated from fossil fuel activities, as defined in Table 2.	Minimum net-zero state for an entity in other sectors includes reducing emissions to reach zero or near-zero residual emissions across all GHG emissions scopes (net-zero aligned) and neutralizing any residual emissions (to reach net-zero achieved status).
	Projects or assets in other sectors	N/A	A financial activity dedicated to a project or asset recognized as climate solutions through eligible taxonomies.	Minimum net-zero state for a project or asset in other sectors is when it is operating at zero emissions.
B + D	SME (public or private)	Entity classified as in transition when it is demonstrating ambition consistent with pathways that limit global warming to 1.5°C, covering scopes 1 and 2 emissions.	Entity classified as a climate solution, when it generates 90% or more of its revenue from climate solutions recognized through eligible taxonomies, and the remaining revenue is not generated from fossil fuel activities, as defined in Table 2.	Minimum net-zero state for SME entities is when it has reduced emissions to zero or near-zero residual emissions levels across all GHG emissions scopes (net-zero aligned).
	Residential real estate and Commercial real estate (buildings)	Existing building classified as in transition when at least one of the following conditions are met: • Building has a high energy performance certificate (at least in the top two tiers of the regional framework), or credible comparable ratings approach in absence; • Building is within the top 15% of national building stock expressed in primary energy demand (kWh/m^2); or • Building's physical emissions intensity is at or below the relevant 1.5°C benchmark for the duration of financial exposure. New building classified as in transition when both of the following conditions are met: 1) Building has a high energy performance certificate (at least in the top two tiers of regional framework), or credible comparable ratings approach in absence; and 2) Building has no fossil fuel grid connection.	N/A	Minimum net-zero state for an existing or new building asset is when the building operates at or below the physical emissions intensity (kg CO_2e/m^2) of the relevant 1.5°C scenario (including all energy use and fugitive emissions).
D	Consumer - motor vehicle	N/A	N/A	Minimum net-zero state for vehicles is when the vehicle has zero tailpipe emissions (i.e., a zero emission vehicle).

Table 4.3: Sector specifications: metrics, net-zero-aligned benchmarks, and target-setting methods for determining near-term sector targets

CODE	SECTOR/ SUB-SECTOR	DESCRIPTION	UNIT	NET-ZERO ALIGNED BENCHMARK VALUE	REFERENCE YEAR	REFERENCE PATHWAYS	TARGET-SETTING METHOD
Sector metric - FINZ.1a	Coal	Measures the absolute gross emissions (scope 1, 2, and 3) of coal entities, projects, and assets attributed to financial activities. The metric represents a bottom up aggregation from the counterparties to produce a sector absolute emissions value at the portfolio level.	tCO_2e	100% at phase out year	2030 OECD; 2040 globally	N/A	Phaseout
Sector metric - FINZ.1b	Coal	Measures the total financial exposure to coal entities, projects, and assets.	Financial exposure (e.g., dollar invested)	100% at phase out year	2030 OECD; 2040 globally	N/A	Phaseout
Sector metric- FINZ.2	Oil and gas	Measures the absolute gross emissions (scope 1, 2, and 3) of oil and gas entities, projects, and assets attributed to financial activities. The metric represents a bottom up aggregation from the counterparties to produce a sector absolute emissions value at the portfolio level.	tCO_2e	Reference scenario dependent	2040 or earlier	IEA NZE pathway	Sector Absolute Contraction
Sector metric- FINZ.3a	Power generation	Measures the average gross emissions per unit of electricity generated attributed to financial activities. The emissions value covers the scope 1 emissions of all electricity generated by the activity, or bought and resold by an entity.	tCO_2e / megawatt-hour (MWh)	Reference scenario dependent	2040 or earlier	SBTi power sector pathway;	Sectoral - Portfolio Intensity Convergence

CODE	SECTOR/ SUB-SECTOR	DESCRIPTION	UNIT	NET-ZERO ALIGNED BENCHMARK VALUE	REFERENCE YEAR	REFERENCE PATHWAYS	TARGET-SETTING METHOD
Sector metric-FINZ.3b	Power generation	Measures the share of zero-emissions generation capacity attributed to financial activities. It includes any technology that generates zero or near-zero emissions (less than 0.001 tCO_2e/MWh) during the production of electricity (e.g., wind, solar, hydro, nuclear, batteries). While these technologies still have lifecycle emissions (e.g., via the embedded materials), the indicator only references the electricity generation phase.	% zero-emissions generation capacity	Reference scenario dependent	2040 or earlier	SBTi power sector pathway;	Sectoral - Portfolio Index Alignment
Sector metric-FINZ.4	Air transport	Measures the average gross emissions generated per revenue ton-kilometer (RTK) attributed to financial activities, following leading industry standards, such as the SBTi Aviation Sector Guidance or RMI's Pegasus Principles.	gCO_2e / RTK	Reference scenario and aircraft dependent	2050 or earlier	SBTi aviation sector pathways	Sectoral - Portfolio Intensity Convergence
Sector metric-FINZ.5a	Maritime	The Energy Efficiency Operational Indicator (EEOI) metric measures the average gross Well-to-Wake emissions per ton-nautical mile attributed to financial activities. Well-to-Wake emissions are based on fuel used for the voyage and the life cycle carbon intensity of the fuel. Ton-nautical miles represent the actual tonnage transported over each nautical mile.	tCO_2e / ton-nautical mile	Vessel dependent	2050 or earlier	SBTi maritime sector pathways	Sectoral - Portfolio Intensity Convergence
Sector metric-FINZ.5b	Maritime	The Annual Efficiency Ratio (AER) metric measures the average gross emissions of a ship per unit of transport work, obtained from its total distance traveled and design deadweight tonnage (DWT). Calculation of the intensity shall follow leading industry standards, such as the Poseidon Principles.	gCO_2e / DWT-nautical mile	Vessel dependent	2050 or earlier	SBTi maritime sector pathways	Sectoral - Portfolio Intensity Convergence

CODE	SECTOR/ SUB-SECTOR	DESCRIPTION	UNIT	NET-ZERO ALIGNED BENCHMARK VALUE	REFERENCE YEAR	REFERENCE PATHWAYS	TARGET-SETTING METHOD
Sector metric-FINZ.6a	Automotive	Measures the average gross life cycle emissions (well-to-wheel emissions of the vehicle) per vehicle kilometer (v.km) attributed to financial activities.	gCO_2e / vkm	Reference scenario and vehicle dependent	2050 or earlier	IEA NZE pathway	Sectoral - Portfolio Intensity Convergence
Sector metric-FINZ.6b	Automotive	Measures the share of zero-emission vehicles (ZEV) produced relative to all vehicles attributed to financial activities.	% new ZEV	100%	2040 or earlier,	Zero Emission Vehicles Declaration	Sectoral - Portfolio Index Alignment
Sector metric-FINZ.7	Cement	Measures the average gross emissions (including emissions from the combustion of waste-derived fuels) per ton of cementitious product attributed to financial activities. Cementitious product means clinker, cement, and cement substitutes produced by the reporting company.	tCO_2e / ton cementitious product	Reference scenario dependent	2050 or earlier	IEA NZE pathway	Sectoral - Portfolio Intensity Convergence
Sector metric-FINZ.8	Steel	Measures the average gross emissions per unit of hot rolled steel produced attributed to financial activities. Specific calculation guidance should follow leading industry standards, such as the SBTi Steel sector guidance or RMI's Sustainable Steel Principles.	tCO_2e / ton hot rolled steel	Reference scenario dependent	2050 or earlier	IEA NZE pathway	Sectoral - Portfolio Intensity Convergence
Sector metric-FINZ.9	Residential buildings' and Commercial buildings' in-use operational emissions	Measures the average gross in-use operational emissions (from any energy consumption, electricity, or other fuels used for heating) per unit of floor area (square meter or m^2) of residential buildings attributed to financial activities. Calculation guidance is specified by PCAF's Technical Guidance for the Financial Industry.	$kgCO_2e$ / m^2	Geographical location and building type dependent	2050 or earlier	CRREM- SBTi 1.5°C	Sectoral - Portfolio Intensity Convergence

CODE	SECTOR/ SUB-SECTOR	DESCRIPTION	UNIT	NET-ZERO ALIGNED BENCHMARK VALUE	REFERENCE YEAR	REFERENCE PATHWAYS	TARGET-SETTING METHOD
Sector metric-FINZ.10	FLAG commodities - supply-side companies[a]	Measures the average net[a] emissions per ton of FLAG commodities produced, attributed to financial activities. Commodity pathways are applicable only to the entities producing the commodities.	tCO_2e / ton	Commodity dependent	2050 or earlier	SBTi FLAG Commodity Pathways	Sectoral - Portfolio Intensity Convergence
-	FLAG commodities - demand-side companies[b]	Measures the gross absolute FLAG emissions of companies with diversified FLAG activities and/ or majority of FLAG emissions in scope 3 as they are either purchasing significant volumes of FLAG products or selling FLAG products to end-use customers. The emissions value covers scope 1, 2 and 3 emissions. It represents the FLAG activities not covered by the commodity specific pathways provided in Sector metric-FINZ.8.	tCO_2e	72% (below scenario base year value) for FLAG emissions only	2050 or earlier	SBTi FLAG Demand - Side Pathway	*Not relevant for sector targets but to inform Portfolio Climate-Alignment*
FURTHER SPECIFICATIONS							
[a] The latest SBTi FLAG guidance on how emissions netting is to be conducted for targets on supply-side FLAG companies shall be followed. [b] SBTi FLAG commodity pathways currently include 11 pathways for specific commodities: beef, chicken, dairy, leather, maize, palm oil, pork, rice, soy, timber and wood fiber, and wheat. Financial institutions can only set climate-alignment targets for FLAG sector demand-side companies and FLAG sector supply-side companies producing commodities that do not have commodity-specific pathways.							

ANNEX A: KEY TERMS

ANNEX A: KEY TERMS

A full list of SBTi terms, definitions, and acronyms is available in the SBTi Glossary. This Annex provides a list of new or updated terms used in the SBTi Financial Institutions Net-Zero Standard.

	TERM	DEFINITION
A	Applicable financial activities	For this Standard, the term "applicable" refers to in-scope financial activities, except for the use of any permitted exclusion options. For example, applicable financial activities for the fossil fuel transition policy covers all in-scope financial activities in the fossil fuel sector, except for the following activities that may be excluded: • Financial activities dedicated to the permanent decommissioning of production activities and capacity. • Investments through advisory mandates in AMI. • Financial activities dedicated to abating fossil fuel projects/infrastructure with carbon capture with at least 90%-95% capture rates and durable storage that does not support enhanced oil recovery or any other processes that enable continued fossil fuel extraction and production capacity development. • Financial activities that are required by national laws or regulations.
B	Benchmark	A reference point against which a financial institution's performance can be compared. In the context of science-based target setting, benchmarks are informed by methods and reference pathways such as the 1.5°C pathways. The net-zero aligned benchmarks (i.e., end-point value of the metric) stipulate the required level of performance to be consistent with a net-zero economy.
	Benchmark divergence assessment	An assessment of a counterparty's activity performance value relative to (e.g., above for technology share or below for emissions intensity) a benchmark (derived from a reference pathway) at discrete points in time, yielding a binary assessment of alignment or non-alignment.
C	Carbon dioxide removals (CDR)/ Carbon removals	As defined in the SBTi Glossary V1.2, anthropogenic activities removing CO_2 from the atmosphere and durably storing it in geological, terrestrial, or ocean reservoirs, or in products (IPCC, 2018).
	Climate-alignment	Climate-alignment represents the assessment of entities, projects, and assets in a financial institution's portfolio that are in transition, climate solutions, or those that have achieved a net-zero state. Portfolio climate-alignment is the aggregation of this assessment at the portfolio level, expressed as a percentage share (%) of total financial activities.
	Climate-alignment methodology	Any methodology that is used to assess whether a specific entity, project or asset can be considered either 1) in transition, 2) a climate solution, 3) or those that have achieved a net-zero state (see Climate-alignment).
	Climate solution	An asset or activity that meets a need in society, contributes to the reduction of GHG emissions, and has a low emissions intensity. Production and use of climate solutions is compatible with the global 1.5°C ambition, and is intended to accelerate the transition towards a net-zero carbon economy (Oxford Net Zero, 2023). Climate solutions are typically identified via climate or green taxonomies. SBTi uses a 90% revenue threshold to determine when an entity can be categorized as a climate solution.
	Counterparty	A collective term to describe one or more of the following: Parties that are a part of a financial transaction (e.g., clients of a bank or an insurance company, or the portfolio companies of an investor). It may also include entities, projects, and associated assets.

	TERM	DEFINITION
D	Deforestation-linked commodities	Critical deforestation-linked commodities include the following: beef, palm oil, soy, cocoa, and timber and wood fiber. Other deforestation-linked commodities include coffee, leather, and rubber. These commodities may not necessarily involve deforestation in every case and in all contexts, but are relevant for the purposes of assessing deforestation exposure. This list and the definition of deforestation may be revised in line with updates to the SBTi Glossary or SBTi FLAG Guidance.
E	Emissions- intensive sectors	Refers to economic activities, products, services, or processes that significantly contribute to global GHG emissions or otherwise exacerbate climate change, including in energy-intensive and land-use-intensive sectors.
	Entity	Financial institutions shall use the definition of a legal entity as required by their relevant jurisdictional rules.
F	Final Investment Decision (FID)	A critical milestone in the development of a project, such as a major energy asset, at which the decision by the Board or sponsor to proceed is made with a financial commitment to construction or ownership.
	Financial activities	Financial activities are categorized and accompanied by a list of relevant actors, as follows: - Lending (LND): Entities that provide loans, such as retail or commercial banks, as well as non-bank lenders. - Asset Owner Investing (AOI): Entities that own investments, such as asset owners, re/insurance companies (asset side), banks (direct investing activities), pension funds, family offices, etc. - Asset Manager Investing (AMI): Entities that manage investments on behalf of clients, such as asset managers, wealth managers, and private equity firms. - Insurance Underwriting (INS): Entities that provide insurance underwriting services, such as primary insurers, reinsurers, or captives (i.e., all entities that have a license to be a risk carrier). - Capital Market Activities (CMA): Entities such as investment banks that facilitate the primary issuance of capital market instruments.
	Financial exposure	Financial institutions' exposure to real economy activities is defined through their financial relationships (e.g., a provision of financial services such as loans, insurance, etc.). Exposure is used as a measure of the amount or proportion of money invested in, lent, or underwritten to real economy activities.
	Financial intermediaries	A financial intermediary serves as a conduit by facilitating the flow of financial services between financial institutions, such as investors and real economy companies that require financing for their operations or growth. In the SBTi Financial Institutions Net-Zero Standard it applies to intermediary relationships between asset owners and asset managers as further elaborated in Tables 1.2-1.3.
I	In-scope	"In-scope" means activities covered by one or more of the SBTi Financial Institutions Net-Zero Standard criteria, as set out in FINZ-C3 and Tables 1.1-1.5.
	Insurance claims	A formal request submitted by a policyholder to an insurance company seeking coverage or compensation for a loss or event.

	TERM	DEFINITION
M	Metric	A measurable variable used to track progress or assess conditions, often to evaluate changes over time or performance against a set goal. Metrics measure quantitative data about the financial institution's climate-related performance.
N	Net-zero achieved counterparty (entity or activity)	A counterparty that has reached zero or net-zero emissions, and whose activities do not result in the accumulation of GHG in the atmosphere, i.e., existing residual emissions have been neutralized.
	Net-zero aligned counterparty (entity or activity)	A counterparty that has reduced emissions across their operations and value chains to reach residual emissions levels.
	New financial activity	Any in-scope financial activities related to entities, projects, and assets that the financial institution was not previously involved with, AND any new or additional in-scope financial activities related to entities, projects, and assets that the financial institution is already involved with. For this Standard, the term "new or additional" is relevant for the fossil fuel transition policy and covers, starting from the financial institution's fossil fuel transition policy publication date, any applicable financial activities related to counterparties (that are involved in new coal, oil and gas expansion activities) that the financial institution is not already involved with, as well as any new or additional applicable financial activities related to counterparties (that are involved in new coal, oil and gas expansion activities) that the financial institution is already involved with. As an LND example, if a financial institution has already provided a $60 loan to a coal company with expansion plans (as of the financial institution's fossil fuel transition policy publication date), then the financial institution may maintain that loan until its maturity, but not extend or provide any new loans to that company. As an AOI/AMI example, if a financial institution already owns/manages 30 shares in a coal company with expansion plans (as of the financial institution's fossil fuel transition policy publication date), then the financial institution may continue to hold those 30 shares, but may not buy any more shares; if the financial institution sells 10 of the 30 shares, then it may continue to hold the remaining 20 shares, but may not purchase new ones. As an INS example, if a financial institution has already provided an insurance policy to a coal company with expansion plans (as of the financial institution's fossil fuel transition policy publication date), then it may maintain that insurance policy until its maturity date, but may not extend, renew, or provide any new policies to that company. As a CMA example, a financial institution may not facilitate the issuance of any new debt or equity securities (i.e., securities that have not been issued by the date of the financial institution's fossil fuel transition policy publication) by a coal company with expansion plans.
O	Out of scope	Activities that are not addressed by any required or optional criteria in the current version of this Standard (see Tables 1.1-1.5).
P	Phaseout	The approach that sets a timeline to phase out exposure to applicable value chain companies, projects, and assets, typically of a certain sector for a certain geography. In addition to a deadline of phasing out exposure to the relevant sector, the approach requires a specified reduction of exposure over time if the year of complete phase out is more than five years from the target base year.
	Portfolio	A collection of an entity's financial activities and their related entities, projects and assets and can extend across multiple asset classes, including loans, investments, and underwriting.
	Portfolio Index Alignment	The approach that applies to technology share metrics, and requires convergence to a sector benchmark value in the desired target year (independent of the portfolio starting point).
	Project finance/ insurance	Asset class or insurance product(s) with a known use of proceeds for financing or insuring a specific or ring-fenced set of, on- or off-balance sheet, assets and activities.

	TERM	DEFINITION
S	Small- and medium-sized enterprises (SMEs)	For financial institutions only: As the definition of SMEs may vary from region to region, financial institutions shall use either the SBTi definition as defined in the SBTi Glossary or the relevant national or regional regulatory definition(s). For target validation, entities may set targets through the streamlined validation route, if they meet the SBTi definition of an SME, or they may choose to set targets through the standard validation route.
T	Target-setting method	The method (algorithm) uses pathways and input variables to define the interim performance values for each metric. Some metrics (e.g., disclosure metrics) do not require interim performance values and therefore do not need a target-setting method.
	(In) Transition	Indicates whether an entity intends to or has already started to transition toward reaching net-zero emissions by 2050 following credible 1.5°C low/no overshoot pathways.
Z	Zero-emission vehicle	A vehicle with zero tailpipe emissions during its use phase.
	Zero-emissions generation capacity	Any technology that generates zero or near-zero emissions (less than 0.001 tCO_2e/MWh) during the production of electricity (e.g., wind, solar, hydro, nuclear, batteries). While these technologies still have lifecycle emissions (e.g., via the embedded materials), the indicator only references the electricity generation phase.

ANNEX B: TARGET LANGUAGE TEMPLATE

ANNEX B: TARGET LANGUAGE TEMPLATE

The below target language template represents the general template that financial institutions must follow, as of the publication of this document. The word target(s) is used for simplicity, this extends to including additional commitments and policies. The SBTi may separately provide updated versions that supersede this template to, for example, capture specific cases that arise during target validations. Financial institutions may supplement these targets with additional information in their own communications.

<table>
<tr><th colspan="2">PERMITTED TARGET CLAIMS AND TARGET LANGUAGE</th></tr>
<tr><th colspan="2">PORTFOLIO HEADLINE TARGET</th></tr>
<tr><td>Headline target</td><td>[Financial institution name] commits to reach net-zero GHG emissions from its in-scope financial activities by [net-zero target year]. To reach this target, it has set different sub-targets:
◦ [Financial institution name]'s near-term portfolio targets cover [XX]% of its financial exposure to [LND, AOI, AMI, INS, CMA] activities as of [base year]. As of that year, required in-scope activities made up [XX]% of [Financial institution name]'s financial exposure to [LND, AOI, AMI, INS, CMA] activities, while optional in-scope activities made up [XX]% and out-of-scope activities made up [XX]%.
◦ [Financial institution name]'s alignment targets cover [XX]% of its in-scope [LND, AOI, AMI, INS, CMA] activities by [financial metric] while [Financial institution name]'s sector targets cover [XX]% as of [base year][30].
◦ [Financial institution name]'s long-term portfolio targets cover [XX]% of its financial exposure to [LND, AOI, AMI, INS, CMA] activities as of [base year]. As of that year, in-scope activities made up [XX]% of [Financial institution name]'s financial exposure to [LND, AOI, AMI, INS, CMA] activities, while out-of-scope activities made up [XX]%.</td></tr>
<tr><th colspan="2">DEFORESTATION EXPOSURE</th></tr>
<tr><td>Deforestation exposure</td><td>[Financial institution name] does not have applicable deforestation exposure and commits to annually assess and publicly disclose its deforestation exposure beginning in [year].
OR
[Financial institution name] commits to assess, monitor and publicly disclose their deforestation exposure across in-scope financial activities, and publish an engagement plan should exposure be significant.</td></tr>
</table>

30 This sentence is to be repeated per financial activity that is included in the target submission.

PERMITTED TARGET CLAIMS AND TARGET LANGUAGE	
FOSSIL FUEL TRANSITION POLICY COMMITMENT	
Fossil fuel transition policy	*i. Financial institution name] does not and will not engage in any applicable financial activities in the fossil fuel sector throughout the SBTi near-term target time frame. This covers applicable financial activities: (i) in the coal sector, (ii) related to oil and gas projects and new liquified natural gas infrastructure, and (iii) related to oil and gas companies.* *ii. [Financial institution name] defines coal, oil and gas projects, companies and value chain as follows: [definitions].* *iii. [Financial institution name] defines applicable financial activities in the fossil fuel sector as: [[definition], which excludes [exclusions if used] as permitted in the FINZ Standard].* **OR** *In line with its published policy [link], [Financial institution name] commits to end all:* *i. new applicable financial activities that are provided to projects and companies involved in new coal mines, extensions or expansion of existing coal mines, and new unabated coal-fired power plants immediately; and* *ii. new project finance/insurance that are provided to new upstream (exploration, extraction, and development/expansion) oil and gas projects and new liquefied natural gas infrastructure immediately; and* *iii. new general-purpose finance/insurance that are provided to companies involved in such oil and gas activities by [target year].*
REAL ESTATE POLICY (RECOMMENDED)	
Real estate policy recommendation	*In line with its published policy [link], [Financial institution name] commits to no new financial activities involved with new buildings that are non-zero-carbon-ready buildings from [year] and to increase financial activities dedicated to retrofitting existing buildings that includes phasing out fossil fuel equipment by [[$ amount or %] from a [202x] base year to [$ total] in [target year]].*
NEAR-TERM ALIGNMENT TARGETS	
Near-term - global	*[Financial institution name] commits that [XX]% of its applicable [LND, AOI, AMI, INS, CMA] activities will be climate-aligned[2] by [near-term target year] from a [202x] base year. This includes:* *• [XX]% climate-alignment of financial activities in the [(XX (e.g., fossil fuel) sector) or (segment A/B/C/D) or (XX sector in segment A/B/C/D)];* *• [XX]% climate-alignment of all remaining financial activities [e.g., segment B and C].*
Near-term - regional	*[Financial institution name] commits that [XX]% of its applicable [LND, AOI, AMI, INS, CMA] activities will be climate-aligned by [near-term target year] from a [202x] base year. This includes:* *• [XX]% climate-alignment of financial activities in the [(XX sector) or (segment A/B/C/D) or (XX sector in segment A/B/C/D)] in developed economies;* *• [XX]% climate-alignment of financial activities in the [(XX sector) or (segment A/B/C/D) or (XX sector in segment A/B/C/D)] in developing economies;* *• [XX]% climate-alignment of all remaining financial activities in developed economies and [XX]% climate-alignment of all remaining financial activities in developing economies.*

PERMITTED TARGET CLAIMS AND TARGET LANGUAGE	
NEAR-TERM SECTOR TARGETS (IF RELEVANT)	
Sectoral - portfolio intensity convergence	*[Financial institution name] commits to reduce GHG emissions from the [XX] sector within its applicable [LND, AOI, AMI, INS, CMA] portfolio [XX]% per [metric] by [near-term target year] from a [202x] base year.*
Absolute emissions reduction	*[Financial institution name] commits to reduce absolute scope [XX] GHG emissions from the [XX] sector within its applicable [LND, AOI, AMI, INS, CMA] portfolio [XX]% by [near-term target year] from a [202x] base year.*
Sectoral - portfolio index alignment	*[Financial institution name] commits to reach the 1.5°C benchmark technology share of [XX%] from the [XX] sector within its applicable [LND, AOI, AMI, INS, CMA] portfolio by [near-term target year] from a [202x] base year.*
Phaseout	*[Financial institution name] commits to phase out all applicable financial activities to coal projects and coal companies in countries that are members of the OECD by [target year]. [Financial institution name] commits to phase out all applicable financial activities to coal projects and coal companies in non-OECD countries by [target year]. The financial institution commits to reduce its [financial and/or emissions metric] from the coal sector within its applicable [LND, AOI, AMI, INS, CMA] portfolio [XX]% by [near-term target year] from a [202x] base year.*
LONG-TERM TARGETS	
Net-zero year	*[Financial institution name] commits that [XX]% of its applicable [LND, AOI, AMI, INS, CMA] activities will have reached a net-zero state by [net-zero target year].*
TRANSITION PLAN (recommended; this transition plan is for reference only and has not been reviewed by the SBTi)	
[Financial institution name] has the following published transition plan [link], which defines the strategy and action to achieve its targets.	
OPTIONAL FINANCIAL INSTITUTION LEGAL DISCLAIMER ALLOWANCE (for a financial institution's own communications)	
"The targets disclosed above must be read together with additional information about [financial institution name]'s science-based target-related assumptions, data quality, uncertainties, and risks, available in [financial institution name]'s latest [Annual & Sustainability Report]."	

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