

# Financial Institutions Net-Zero Standard

Explaining the Standard

July 2025

# About the SBTi

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at latest.

The SBTi is incorporated as a UK charity, with a subsidiary SBTi Services Limited, which hosts our target validation services. Partner organizations who facilitated SBTi's growth and development are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

## PARTNERS



United Nations  
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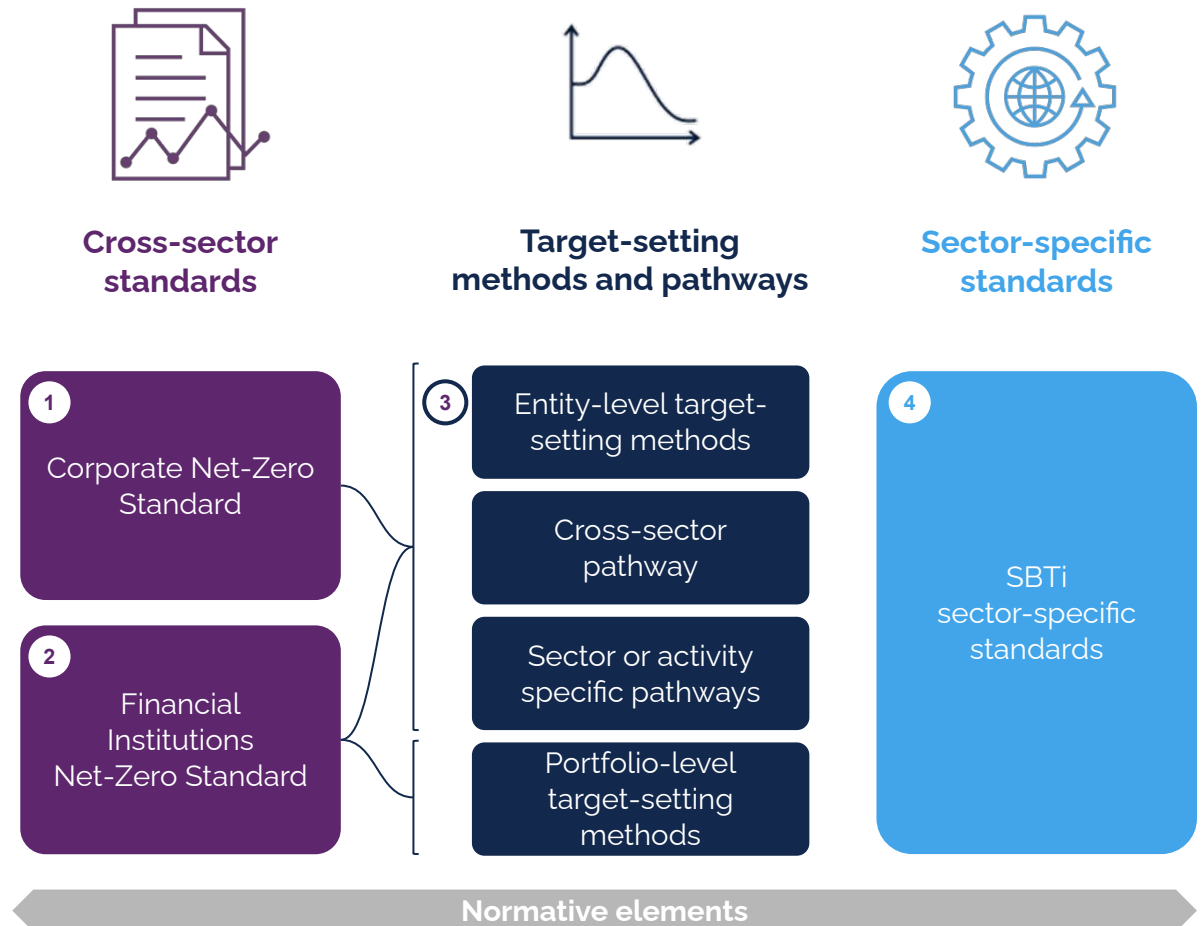
# Overview of the SBTi and the Financial Institutions Net-Zero Standard development

# The Financial Institutions Net-Zero Standard is a core element of SBTi's Standards new modular structure

Supporting the SBTi's transition to a formal standard-setting organization, the **new modular structure**, includes:

- 1 **Corporate Net-Zero Standard:** Core requirements to set net-zero targets across scope 1, scope 2, and scope 3, category 1-14 GHG emissions.
- 2 **Financial Institutions Net-Zero Standard:** Tailored requirements for financial actors covering scope 3, category 15 GHG emissions.
- 3 **Target-setting methods and pathways:** Underlying target-setting methods, sector- and activity-specific pathways to support the target-setting process.
- 4 **Sector-specific standards:** Tailoring of SBTi cross-sector standards to specific sectors and industries.

## Overview of the **SBTi Standards system**



# Objectives and key elements



Develop the first **SBTi net-zero standard for financial institutions**

- Provide a framework for financial institutions to address their **scope 3, category 15 portfolio emissions** consistent with net-zero by 2050.
- Broaden coverage to **five financial activities**: lending, asset owner and manager investing, insurance underwriting and capital market activities.
- Provide an option for **combined near- and long-term target setting**.



Facilitate the **scale up of financial institutions'** climate ambitions

- Elevate financial institutions' **crucial role in the global net-zero transition**, driving overall financed emissions reduction via target-setting to increase the share of climate-aligned financing.
- **Prioritize engagement with portfolio companies** to set their own science-based targets as the primary mechanism to achieve net-zero.



Incorporate expected **financial institutions net-zero journey**

- **Process** from commitment, assessment, target-setting, reporting and renewal.
- **Claims** associated with progress assessment and target delivery.

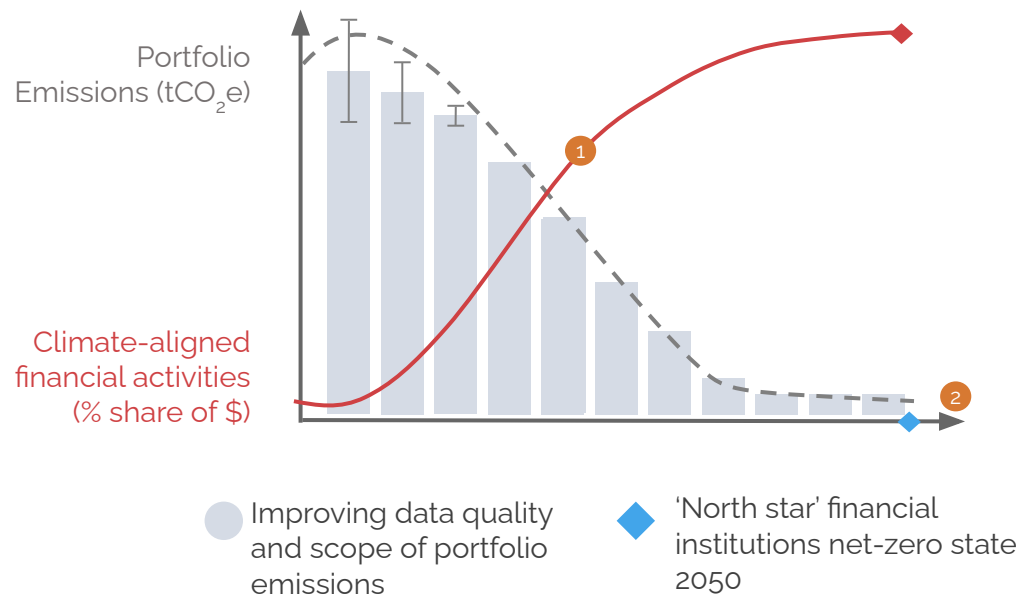


Improve **structure, usability and interoperability**

- Improve structure and interoperability between **SBTi standards**.
- Enhance interoperability with **other relevant frameworks and standards**.
- Allow use of **eligible third party alignment methodologies** to implement the Financial Institutions Net-Zero Standard.

# Driving overall financed emissions reduction via target-setting to boost climate-aligned financing, prioritizing engagement

## Conceptual framework

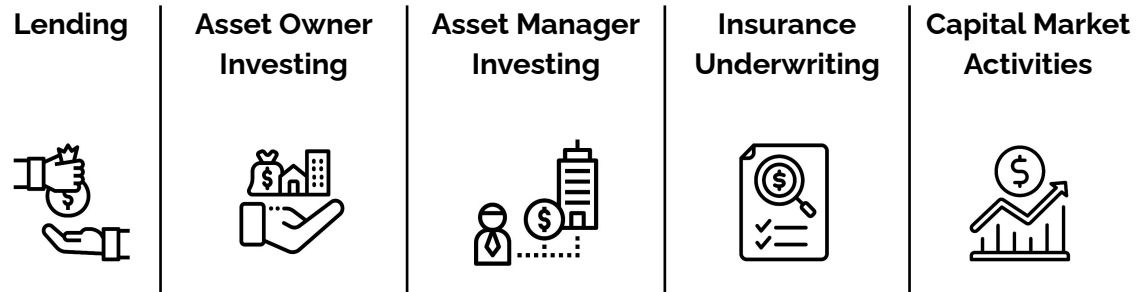


- 1 Portfolio climate alignment**  
Leading metric to increase the share of financial activities supporting climate solutions and counterparties that are in transition or at a net-zero state.
  - 2 Portfolio emissions**  
Lagging metric to reduce aggregate portfolio GHG emissions to zero or near-zero levels by 2050 and ensure that any residual emissions are neutralized by individual counterparties.
- **Improved data quality and scope over portfolio emissions**  
Improve the quality and transparency of emissions inventories over time, including portfolio emissions.
- ◆ **Financial institutions net-zero state 2050**  
Acts as a north-star: Financial institutions' to ensure that their portfolio clients reduce their scopes 1, 2 and 3 emissions and neutralize any residual emissions.

# The Standard entails a clear journey for financial institutions toward a net-zero state

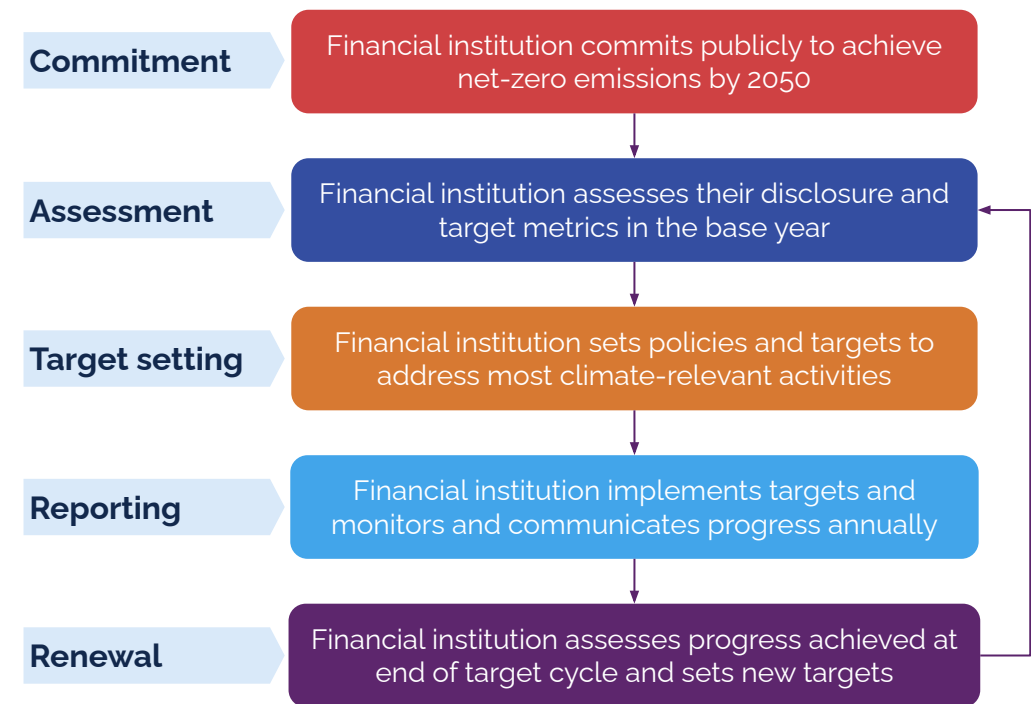
## Users of the Standard

Designed primarily for financial institutions, defined as entities that **generate 5% or more of their revenue from any of the following five financial activities:**



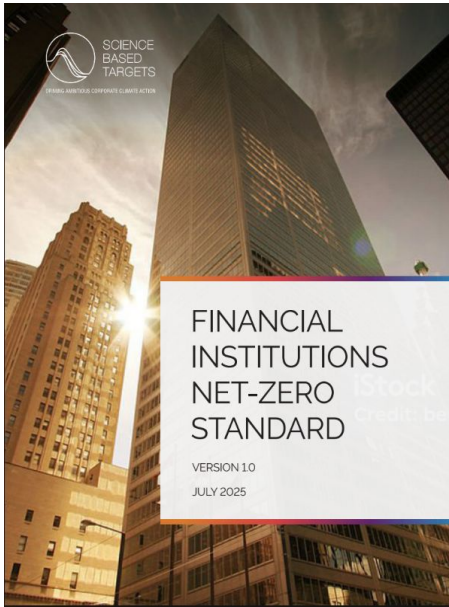
While the Financial Institutions Net-Zero Standard covers scope 3, category 15 emissions, the Corporate Net-Zero Standard covers scopes 1, 2, and 3, categories 1-14 emissions. For financial institutions, the Financial Institutions Net-Zero Standard specifies how the Corporate Net-Zero Standard or relevant sector-specific guidance shall or should be used.

## Net-zero journey

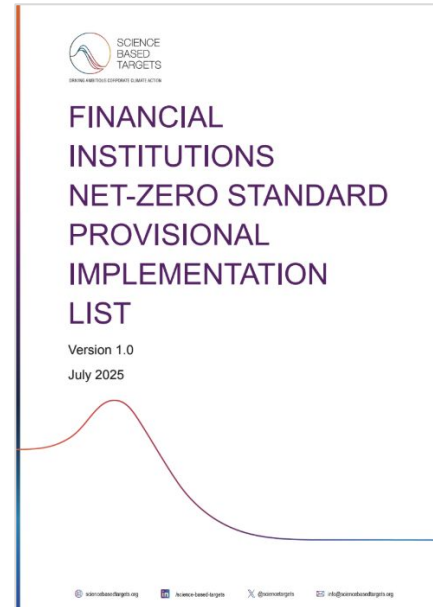


Any net-zero-related claims made by financial institutions must be accurate, transparent, verifiable, and compatible with the criteria in the Standard.

# The Standard is complemented by a suite of materials



**Normative criteria** financial institutions are required to follow when developing science-based targets and submitting them for validation.



**Implementation List:** Provides a list of eligible climate-alignment methodologies.

## ADDITIONAL RESOURCES

### Explanatory material



#### Understanding the Standard

- [The Standard In Brief](#)
- [One-page Summary](#)
- [Executive Summary](#)

#### Understanding processes followed

- [Basis for Conclusions Report](#)
- [Protocol for Usage of Third-Party Alignment Methodologies](#)

### Material for target submission



#### Validation services resources

- [Criteria Assessment Indicators](#)
- [Submission Form](#)

#### Target calculation supporting materials

- Target-Setting Tool (to be published)
- Target-Setting Methods and Tool Documentation (to be published)

# Transition periods

We are committed to ensuring a smooth transition from Financial Institutions Near-Term Guidance to Financial Institutions Net-Zero Standard

## How to set targets

## Timing

Financial institutions	<ul style="list-style-type: none"><li>Set <b>near and long-term targets</b> using Financial Institutions <b>Net-Zero Standard v1.0</b></li><li>Set <b>near-term targets only</b> using Financial Institutions <b>Near-Term Criteria v2.0</b></li></ul>	Both can be used until <b>at least December 2026</b>
Financial institutions with net-zero commitments	Set <b>near-term and long-term targets</b> using Financial Institutions <b>Net-Zero Standard v1.0</b>	Within <b>24 months</b> of Financial Institution Net-Zero Standard publication
Financial institutions with existing near-term targets	<ul style="list-style-type: none"><li>Existing near-term targets remain <b>valid</b></li><li><b>Revalidate</b> near-term targets using Financial Institutions <b>Near-Term Criteria v2.0</b></li><li>Set near- and long-term targets using Financial Institutions <b>Net-Zero Standard v1.0</b></li></ul>	Both can be used until <b>at least December 2026</b>

Find out more on the SBTi's financial institutions [webpage](#).



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# The SBTi Financial Institutions Net-Zero Standard Criteria

# The Standard comprises 19 criteria, 16 which are relevant at initial validation

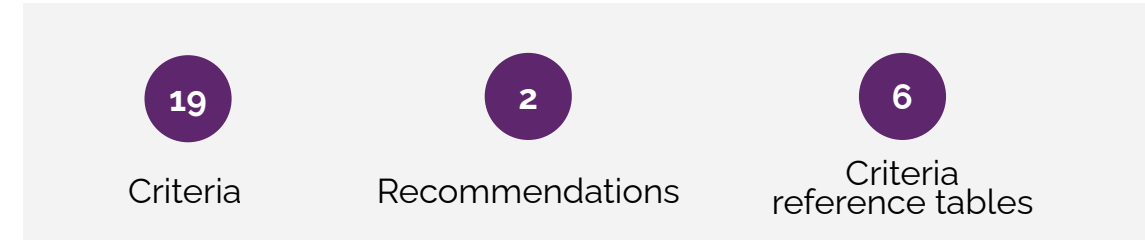
## Criteria and *recommendations*

Assessment  
stage\*

Financial institutions' net-zero commitment	FINZ-C1	Financial institutions net-zero commitment	IV
	FINZ-C2	Organizational boundary	IV RV
	FINZ-C3	Portfolio boundary	IV RV
	FINZ-C4	Governance of climate targets	IV RV
	FINZ-R1	Climate transition plan recommendation	-
Base-year assessment	FINZ-C5	Base year selection	IV RV
	FINZ-C6	GHG emissions inventory	IV RV
	FINZ-C7	Base year climate-alignment assessment	IV RV
	FINZ-C8	Exposure assessment	IV RV
Policies and target setting	FINZ-C9	Fossil fuel transition policy	IV RV
	FINZ-C10	No-deforestation	RV
	FINZ-R2	Real estate policy recommendation	-
	FINZ-C11	Non-portfolio targets	IV RV
	FINZ-C12	Portfolio near-term targets	IV RV
	FINZ-C13	Portfolio long-term targets	IV RV
	FINZ-C14	FIs net-zero state	NZ
	FINZ-C15	Communicating policies and targets	IV RV
Assessing & communicating progress	FINZ-C16	Triggered target recalculation	IV RV
	FINZ-C17	Reporting	IV RV
	FINZ-C18	Progress and target renewal	RV
SBTi claims	FINZ-C19	SBTi claims	IV RV

\*IV=Initial validation; RV=Renewal validation; NZ=Net-zero target year

## In summary



6 criteria reference tables support the application of the criteria

1 (1.1-1.5)	2	3	4.1	4.2	4.3
Segmentation of financial activities (for portfolio boundary)	List of emissions-intensive sectors and corresponding relevant value chain activities	Target specifications  Portfolio near-term and portfolio long-term targets	Portfolio-level metrics, net-zero-aligned benchmarks, and target-setting methods for determining near-term targets	Climate-alignment assessment categories for different counterparty types	Sector specifications: metrics, net-zero-aligned benchmarks, and target setting methods for near-term sector targets

# Financial institutions align with the net-zero transition following clear boundaries and governance



## Chapter 1

### Financial institutions' net-zero commitment

- FINZ-C1 Financial institutions' net-zero commitment:** Shall publicly commit at an entity-level to achieve net-zero by 2050 or earlier.
- FINZ-C2 Organizational boundary:** Shall establish an organizational boundary covering all relevant subsidiaries.
- FINZ-C3 Portfolio boundary:** Shall identify their in-scope financial activities and undertake a segmentation of those that generate 5% or more of their total revenue.
- FINZ-C4 Governance of climate targets:** Shall publish the governance framework within their organization for their net-zero targets.
- FINZ-R1 Climate transition plan recommendation:** *Should publish a transition plan to substantiate their net-zero commitment and targets.*

### Zoom in FINZ-C3 Portfolio Boundary

- **Five financial activities** defined: Lending, asset owner investing, asset manager investing, insurance underwriting, and capital markets activities.
- **Tables 1.1-1.5** provide **segmentation A, B, C, D** into **sub-asset classes and business lines** for each financial activity and are **linked to sectors** to establish prioritization in relevant criteria of the Standard.

Segment A	Segment B	Segment C	Segment D
Sub-asset classes and business lines per tables 1.1-1.5			
Fossil fuels (coal, oil and gas)	Transport (air, maritime, and land); Industrial (steel, cement), energy (power generation), real estate (residential and commercial buildings), forest, land and agriculture (FLAG)	Other sectors (not listed in A or B)	Subset of activities in emissions-intensive sectors and other sectors

# Financial institutions transparently track key metrics and progressively improve them



## Chapter 2

### Base-year assessment

- FINZ-C5 Base year selection:** Shall select a base year for target setting.
- FINZ-C6 GHG emissions inventory:** Shall calculate a GHG emissions inventory for their base year across their operations, value chain, and in-scope financial activities.
- FINZ-C7 Base-year climate-alignment assessment:** Shall assess the share of climate-alignment for each in-scope financial activity in their portfolios.
- FINZ-C8 Exposure assessment:** 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.

### Zoom in FINZ-C7 Base-year climate-alignment assessment

- Climate-alignment definition: Percentage share of in-scope financial exposure categorized as “in transition,” “climate solutions,” or “net-zero state”.

In transition	Climate solutions	Net-zero state	Not aligned	Not assessed
Counterparties on a science-based pathway to net-zero.	Activities necessary for economy-wide transition to net-zero.	Counterparties that have reached zero or near-zero emissions levels.	Counterparties not targeting a net-zero transition.	No information on the counterparty available (yet).

- Financial institutions may use climate-alignment methodologies in the **Implementation List** or sector metrics (via a **benchmark divergence assessment**) to classify counterparties.

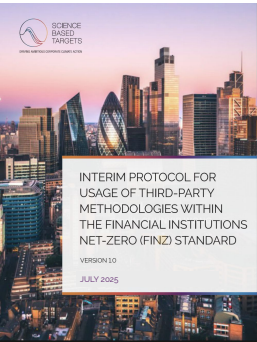
# Base year climate alignment assessment can be informed using the implementation list

## Implementation List

### How it works

- Identifies 3rd party resources specifically for use in climate alignment **base year assessment**, providing a foundation for near- and long-term climate alignment **target-setting**.
- Currently contains **eligible methodologies** for “in transition” and “climate solutions”.

### Background and update of the list



- SBTi **process for evaluation** of 3rd party climate-alignment methodologies can be found in the interim protocol.
- The protocol describes the initial development including the **quality criteria**.
- It describes **going forward** how SBTi seeks to inform and update the implementation list, containing an envisioned update frequency of six months.

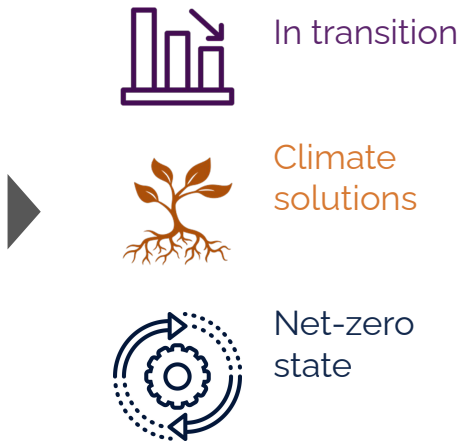


Table 1: Eligible Financial Institutions Net-Zero Standard climate-alignment methodologies for “In transition”

Counterparty Type	Alignment Metric Type	Methodology	Version	Necessary Achievement / Score	Status
Non-SME (small- and medium-sized enterprise) Corporate Entity	Entity-level certification/ validation	Global	containing eligible methodologies		
		Global			
	Implied Temperature Rise metrics	Global			
		Multi-jurisdictional			
		Regional			
		Country-specific			

Table 2: Eligible Financial Institutions Net-Zero Standard climate-alignment methodologies for “Climate solutions - taxonomies”

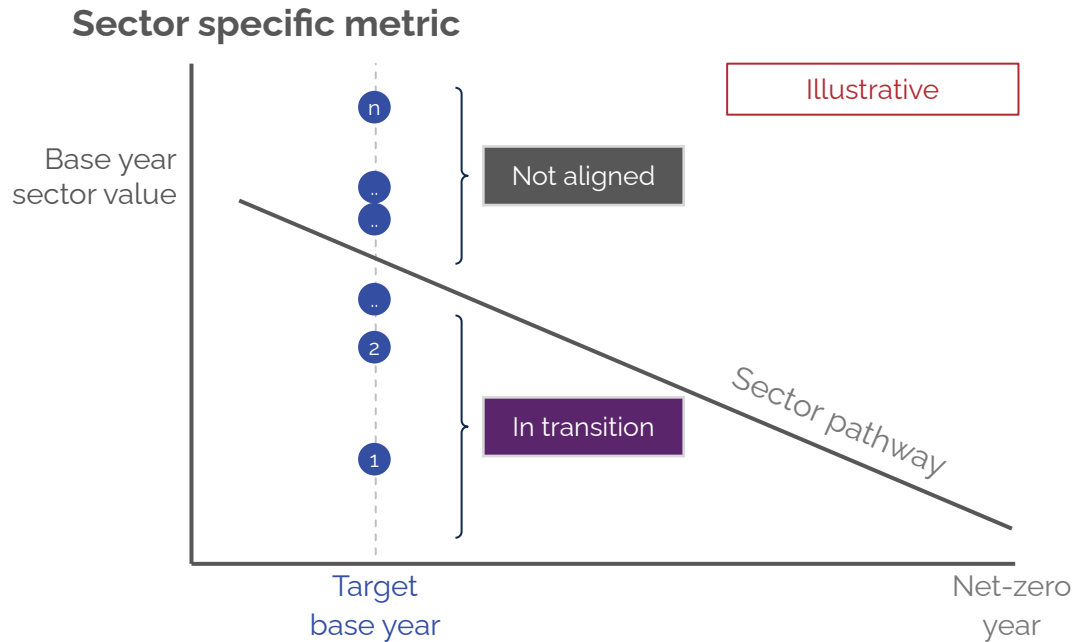
Applicable region	Taxonomy Name	Version and Date	Eligible Category
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‘Provisional’ is used because it serves for the Financial Institutions Net-Zero Standard only. It is a first step in supporting the interoperability of the Financial Institutions Net-Zero Standard v1.0 by linking other standards or schemes that complement our standards. It also prevents duplication of efforts as required by the ISEAL Code Of Good Practice. The SBTi is developing a global third-party recognition procedure across Standards, which is expected to supplant this document once published. Methodologies selected for target-setting remain valid for the near-term target cycle.

# Base year climate-alignment assessment can be informed using benchmark divergence assessment - Segments B and D

## Benchmark divergence assessment



## How it works

**Application:** Benchmark divergence assessment is relevant for segment and sub-asset classes in segments B and D, i.e. emissions-intensive sectors with **sector reference pathways:**

- Transport (air, maritime, and land)
- Industrial (steel, cement)
- Energy (power generation)
- Real estate (residential and commercial buildings)
- Forest, land and agriculture (FLAG)

→ with segments defined in FINZ-C3

Segment A	Segment B	Segment C	Segment D
Sub-asset classes and business lines per tables 1.1-1.5			
Fossil fuels (coal, oil and gas)	Transport (air, maritime, and land); Industrial (steel, cement), energy (power generation), real estate (residential and commercial buildings), forest, land and agriculture (FLAG)	Other sectors (not listed in A or B)	Subset of activities in emissions-intensive sectors and other sectors

## Climate-alignment assessment category “in transition”

- Entity or assets (such as buildings) are classified as in transition when they demonstrate better performance than the relevant sector benchmark (in the reporting year)

x Portfolio counterparties

x SBTi reference pathways



Considered a useful option for financial institutions that chose to set sector targets for emissions-intensive sectors.

# Financial institutions develop policies and set both near- and long-term targets



## Chapter 3

### Policies and target setting

**FINZ-C9 Fossil fuel transition policy:** Shall publish a policy that addresses their new financial activities in the fossil fuel sector.

**FINZ-C10 No-deforestation:** If significant, financial institutions shall publish an engagement plan to address deforestation in their portfolios.

**FINZ-R2 Real estate policy recommendation:** *Should publish a policy to address their financial activities related to real estate assets.*

**FINZ-C11 Non-portfolio targets:** 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 Portfolio near-term targets:** 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 Portfolio long-term targets:** Shall set one long-term net-zero-alignment target for each in-scope financial activity.

**FINZ-C14 Financial institutions' net-zero state:** 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 Communicating policies and targets:** Shall transparently communicate policies and targets in accordance with the requirements specified in this Standard.

**FINZ-C16 Triggered target recalculation:** Shall commit to recalculation based on significant organizational changes and adherence to SBTi validation cycles and policies.

# Due to its relevance, fossil fuel financing is addressed via both policy and target setting

## Policy: Cessation of support of the expansion of unabated fossil fuel production capacity

### Three key policy components

1. No new financing or insuring of coal expansion.
2. No new project financing or insuring of oil and gas expansion.
3. No new general-purpose financing or insuring of companies involved in oil and gas expansion immediately or by 2030 at the latest.

#### Underlying scope of expansion activities:

- Thermal coal exploration, extraction, development or expansion of mines and unabated coal-fired power plants.
- New upstream oil and gas (exploration, extraction, development/expansion of oil and gas fields), new liquefied natural gas infrastructure.
- Permitted exclusions: Permanent decommissioning; advisory mandates in AML; abating fossil fuel projects with >90% carbon capture rates and durable storage; related financial activities required by law.

&

## Target setting: Use influence to align companies with a net-zero transition

Coal - set;

- **Sector target only** - subject to **phase out** targets (2030 OECD, 2040 Non-OECD).

Oil and Gas - select between:

- **Alignment Target:** more ambitious compared to other sectors - at least 95% alignment by 2035 in developed economies / 85% by 2035 in developing economies.
  - **Definition "In Transition":** absolute scope 1, 2 and 3 emissions reduction target **and** not engaging in new fossil fuel expansion.
- **Sector Target:** aggregate emissions from counterparties in the oil and gas sector and set absolute emissions reduction target in line with the International Energy Agency's Net Zero Emissions by 2050 Scenario.

# Financial institutions set both near- and long-term targets increasing coverage of in-scope financial activities

## Near-term portfolio targets

**Target type:** Flexibility to select near-term portfolio targets:

**Portfolio climate-alignment targets:** increase the share of climate-aligned financial activities across their portfolio.

- Across segments (except A for coal).
- Ambition level segment dependent:

**Segment A:** Fossil fuels: linear increase until **2035** to reach 95% developed | 85% developing countries.

**Segment B:** Emissions intensive & **Segment C:** linear increase until **2040** to reach 95% developed | 85% developing countries.

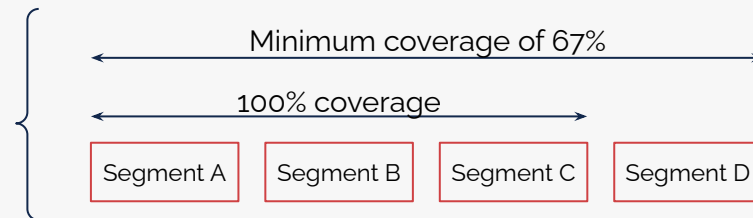
**Segment D:** Linear increase until **2050** to reach 95% developed | 85% developing countries.

**Sector targets** target setting based on sectoral benchmarks (e.g. physical intensity, technology share or absolute).

- Optional for segments A, B and D, except mandatory coal phase out.
- Ambition level: Reference pathway dependent.

**Timeframe:** Up to five years

**Coverage:** Segment dependent



## Long-term portfolio targets

**Long-term target** to align at least 95% of financing with net-zero benchmarks by 2050 at the latest.

**Timeframe:** Selected net-zero year

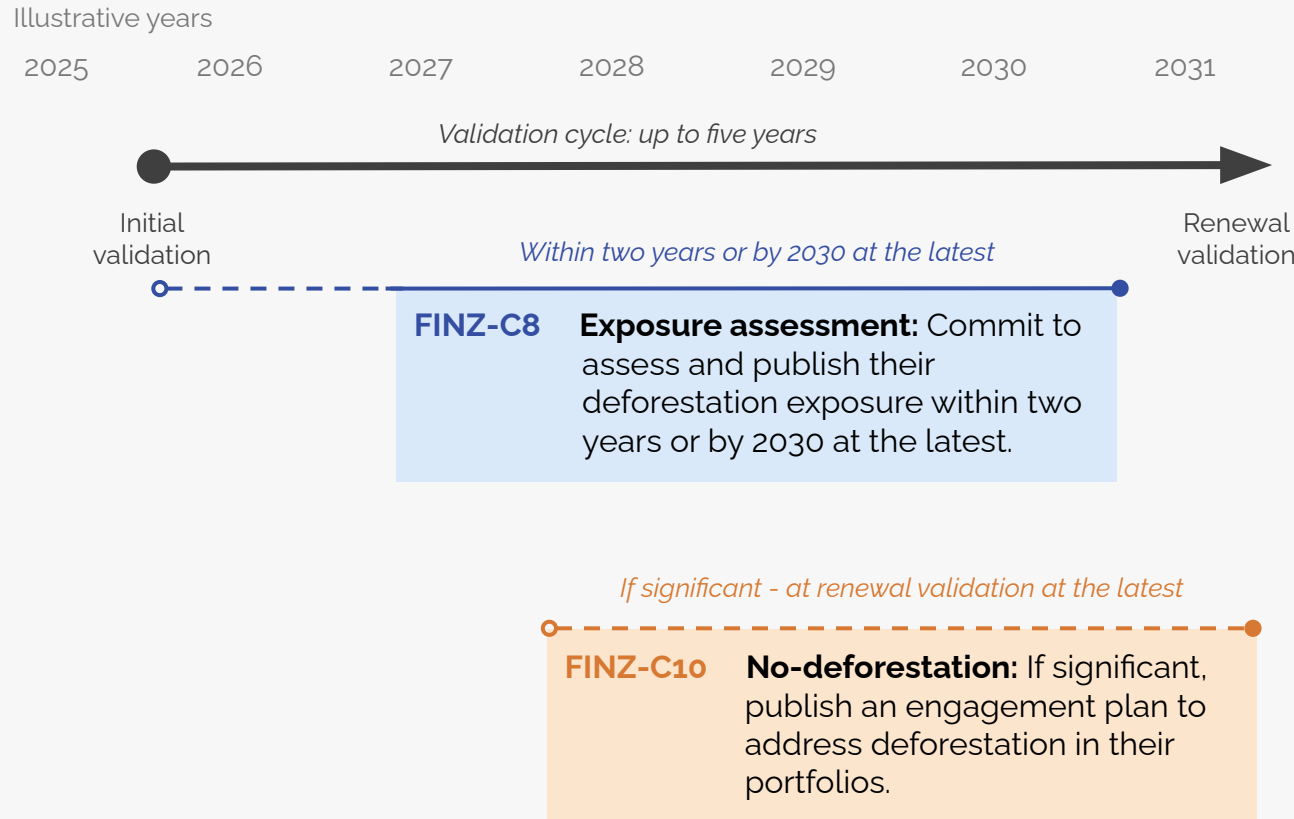
**Coverage:** 100%

# No-deforestation: Commitment to action via assessing, disclosing and addressing in case of significance

## Actions

## Timing of actions

## Details



Include in exposure assessment and disclosure:

- Deforestation exposure provided to portfolio entities linked to, at a minimum, the loss of natural forest<sup>1</sup> stemming from any critical deforestation- linked commodities.<sup>2</sup>
- Disclosures (i) definition; (ii) definition of "significant"<sup>3</sup>; (iii) methodologies and metrics for tracking (incl. cutoff date in the past); (iv) public reporting approach and frequency.

Include in the plan:

- Financial institution's strategy outline and timeline of action for addressing deforestation.
- Public disclosure of progress against the engagement plan.

<sup>1</sup> 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.

<sup>2</sup> "Critical" include: beef, palm oil, soy, cocoa, and timber and wood fiber.

"Other" include: coffee, leather, and rubber.

<sup>3</sup> using a percentage or absolute amount.

# Reporting on their climate performance and progress against targets is key



## Chapter 4

### Assessing and communicating progress

- FINZ-C17 Reporting:** Shall commit to publicly report progress against targets on an annual basis.
- FINZ-C18 Progress and target renewal:** 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.

### Zoom in Reporting Data points

- ✓ *Gross GHG emissions* for segments A, B, and C, and methodology, assumptions, data sources and data quality. Separate reporting is required for:
  - Scopes 1 and 2, and scopes 1, 2 and 3 portfolio-level emissions.
  - Carbon removals, carbon credits and avoided emissions (if relevant).
  - Fossil fuel-related emissions, and as data quality allows, methane emissions.
- ✓ *Climate-alignment and sector metric assessment*, including breakdown of climate-alignment methodologies used.
- ✓ *Clean energy to fossil fuel financial exposure ratio*.
- ✓ *Deforestation exposure*.

### Timing - increasing scope and data quality over time

- **By 2030** have a full GHG emissions inventory and full climate-alignment assessment across all segments A, B, C, and D.
- **Continuously** increase data quality.

# Financial institutions describe target conformance using appropriate wording



## Chapter 5

### Claims

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

### Target Language

#### Headline Target

*[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].*
- [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]%.*

For the full target language template see Annex B.

## Find out more

Want to learn more about the Financial Institutions Net-Zero Standard?

Check out our [financial institutions webpage](#) and [sign up to our webinar](#) on September 10, 2025.



Make sure to submit your questions in when you sign up to our webinar



# THANK YOU

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