SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi FINANCIAL INSTITUTIONS NET-ZERO STANDARD FREQUENTLY ASKED QUESTIONS (FAQs)

Version 1.0

February 2026

ABOUT 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).

DISCLAIMER

VERSION HISTORY

Version	Change/update description	Release date	Effective dates
1.0	• Initial publication of SBTi Financial Institutions Net-Zero Standard FAQs	February 17, 2026	February 17, 2026

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PURPOSE OF THIS DOCUMENT

This document supports financial institutions setting targets with the SBTi Financial Institutions Net-Zero Standard Version 1.0 by providing answers to commonly received questions related to the implementation of the Standard.

GENERAL INFORMATION ABOUT THE SBTi's FINANCIAL INSTITUTIONS NET-ZERO STANDARD

1. **How are financial institutions supposed to use the SBTi's Corporate Net-Zero Standard and Financial Institutions Net-Zero Standard together?**

Financial Institutions are required to follow the Corporate Net-Zero Standard for their scope 1, scope 2, and applicable scope 3 categories 1-14 emissions, and the Financial Institutions Net-Zero Standard for their scope 3 category 15 emissions.

For more information, please see Financial Institutions: How to Apply Relevant SBTi Corporate Net-Zero Standard V1.3 Criteria.

2. **Does the Financial Institutions Net-Zero Standard require absolute emissions targets?**

At the portfolio level, the Financial Institutions Net-Zero Standard requires alignment or sector (e.g., emissions intensity) targets. Some reasons include:

- Portfolio absolute emissions in the near-term may increase as financial institutions seek to shift capital to counterparties in high-emitting sectors that demonstrate transition potential.
- Portfolio absolute emissions may shift due to factors unrelated to real-economy emissions, such as emission factor fluctuations.

Financial institutions are still required to calculate and report their gross portfolio emissions (under FINZ-C6 and FINZ-C17) both to improve the scope and quality of emissions data over time, and also to determine if they have reached a net-zero state (under FINZ-C14).

Financial institutions must also set:

- Absolute (emissions or exposure) phase-out targets for the coal sector.
- Either absolute emissions reduction or alignment targets for their oil and gas portfolios (for further details please see Table 4.3).

3. **How does the Standard account for regional differentiation?**

The Standard includes more regional differentiation than any previous SBTi standard. Key examples include:

- Financial institutions may set separate near-term portfolio climate-alignment targets for developed and developing economies, allowing for a more gradual change in developing economies. For example, financial institutions must aim for at least 95% of their financial activities in segments B and C[1] in developed economies to be aligned by 2040, compared to at least 85% in developing economies.
- The Implementation List allows the use of eligible regional taxonomies to identify financial activities considered to be dedicated to climate solutions.
- The coal phaseout target date is 2030 for OECD and 2040 for non-OECD countries.
- Near-term sector targets for the buildings sector use pathways that are both geographic and building specific.

4. What is the role of climate solutions within the Standard?

One of the intended outcomes of the Standard is the scaling up of financial activities toward climate solutions, representing activities that are necessary for the economy-wide transition to net-zero.

By counting eligible climate solutions towards meeting near- and long-term portfolio climate-alignment targets, the Standard incentivizes financial institutions to increase their financed exposure to climate solutions.

5. How does the Standard work alongside other regulatory frameworks such as ESRS, CSRD or ISSB?

SBTi Standards are designed to be used worldwide. During the development of the Standard, the SBTi continuously monitored frameworks around the world to promote interoperability. While SBTi Standards provide the criteria for setting science-based targets, companies are responsible for meeting any national, subnational and/or regional legislation and regulation that apply where they operate.

6. Does the Standard apply to my existing portfolio?

Yes, the Standard differentiates between new and existing activities and covers both as specified in Tables 1.1-1.5.

7. When will the Standard be updated?

The Standard is subject to regular review and revision. It will be reviewed no sooner than one year and no longer than five years after publication.

In addition, the SBTi may determine that there is a need for a nonsubstantive revision to a Standard at any time.

For further details please refer to the SBTi's Standard Operating Procedure for the Development of Standards.

[1] Please see FINZ-C3.2 for an overview of segments A, B, C and D.

8. Does the Standard permit the use of offsets?

FINZ-C6 requires the calculation of gross portfolio emissions, without any deducting or netting of negative emissions related to the financing/insuring of carbon removal activities, emissions from the use of carbon credits, or any form of avoided emissions.

FINZ-C17 also requires carbon removals, carbon credits, and avoided emissions to be reported separately from the gross GHG emissions inventory. To the extent that these activities can be defined as 'climate solutions' (according to the Implementation List), financial exposure to such activities would count towards achievement of near-term climate-alignment targets.

9. How are financial carbon capture and storage activities treated within the Standard?

First, under FINZ C-9, one of the exceptions for the fossil fuel transition policy is for financial activities dedicated to abating fossil fuel projects and infrastructure with carbon capture, with at least 90% 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.

Second, Table 2 highlights that financial activities supporting coal-fired power plants with carbon capture and storage may be excluded from the fossil fuel transition policy.

Third, Table 3 similarly highlights that financial activities dedicated to abating fossil fuel projects/infrastructure with carbon capture and storage may be excluded from required coal phase out targets.

Lastly, oil and gas entities and fossil fuel projects can be considered as climate solutions when they are dedicated to retrofitting for non-fossil fuel use, permanent decommissioning, or abatement through carbon capture and storage, and their remaining revenue is not generated from fossil fuel activities, as defined in Table 2.

10. How does the Standard treat negative and avoided emissions?

The GHG Inventory has to be calculated as gross portfolio emissions, i.e. excluding any deducting or netting of negative emissions through financing or insuring carbon removal activities (see FINZ-C6.4).

Financing of carbon removal activities count towards achievement of climate-alignment targets, if they meet the definition of eligible climate solutions on the Implementation List.

11. My portfolio largely consists of SMEs across sectors, is the Standard still relevant for me?

Yes, the Standard is applicable to portfolios consisting of small- and medium-sized enterprises (SMEs). The Standard accounts for the challenges associated with financing

SMEs, such as the large volume of clients and often-limited data availability, by segmenting the portfolio and providing specific flexibility for most SME activities.

An initial step in the Standard is segmenting financial activities. The SME book (outside of the fossil fuel sector) falls under Segment D per Tables 1.1-1.5 for some financial activities. Here, the Standard offers specific accommodations to facilitate target setting and reporting:

1. Near-Term Target Requirement: Near-term targets must be set for Segment D only if it represents more than 33% of your total in-scope financial activities (by financial exposure). If it is less than 33%, setting targets for this segment is optional.
2. Data Timelines: The deadline for establishing the underlying data for emissions and alignment assessment for Segment D is extended to 2030 to address current data gaps.
3. Alignment Definition: The definition of climate alignment for SMEs (detailed in Table 4.2 of the Standard) is less expansive compared to the requirements for large corporates.
4. Assessment Options: Alignment assessment for SMEs can be conducted using existing methodologies for large corporates, plus the specific options introduced for SMEs in the Implementation List.

SMEs operating in the fossil fuel sector fall into Segment A and are treated alongside large corporate clients for priority transition action. This differentiated approach aims to address the challenges associated with SME target setting (such as data availability).

12. Is there any tool available to help me map existing sector codes to segments A, B, C and D?

SBTi does not currently provide mapping to existing industry classification codes for segments A, B, C and D. Financial institutions may choose to apply industry classification(s) relevant in geographies in which they operate.

13. How does the Standard improve underlying data quality over time?

Main mechanisms include:

- Prioritizing Key Areas: It enforces tighter data requirements for emissions-intensive sectors (e.g. oil and gas) and for large corporates, where data availability is increasingly expected due to regulatory trends.
- Allowing Time for Improvement: It grants flexibility by setting a deadline of 2030 to close existing data gaps, establish a baseline assessment, and continuously improve data quality thereafter.
- Shining a "Flashlight": The Standard highlights critical but challenging areas, such as the requirements for deforestation exposure assessment (FINZ-C8) and engagement plans (FINZ-C10). By mandating disclosure and engagement in these areas where relevant, the Standard signals market demand that drives better data availability.
- Promoting Transparency and Best Practice: The Standard puts an emphasis on public disclosure of key data points, which increases transparency and encourages the emergence and adoption of best practices.

14. Is it possible to set a long-term target prior to 2050?

Yes, it is possible and encouraged to set a long-term target year before 2050. The long-term target year needs to be consistent with the net-zero target-year commitment (FINZ-C1).

15. How does the Standard enable transition finance?

The Standard drives provision of transition finance by requiring financial institutions to significantly increase capital allocation toward activities clustered under climate-alignment targets, which include "in transition" activities (such as decarbonizing high-emitters) and "climate solutions" (low-emissions or transition-enabling activities like renewable energy).

16. Why have policies been introduced in the Standard and is this common practice?

To pair ambition with action, policies have been introduced in the Standard to underpin targets and to define the actions in high priority areas compatible with global climate goals.

These entity-level policies create accountability and communicate expectations to internal and external stakeholders.

Voluntary standard setters commonly require policy implementation as a core part of conformity. They require formal policies as evidence of commitment and as a foundation for systematic action. For example, use of policies is widely referenced in the ISEAL Code of Good Practice for Sustainability Systems. Policies are also commonly used within the ISO standards framework.

The Financial Institution Net-Zero Standard policies do not restrict competition between financial institutions and do not limit output. Indeed, for instance, financing the transition towards clean energy and electrification creates new market opportunities and supports energy output expansion.

The Standard is non-binding, and financial institutions remain free in their manner of policy implementation. Whether to adopt the Standard and how to implement the policies remains a unilateral decision for each financial institution individually, in accordance with their fiduciary duty to minimise financial risks and increase returns for their shareholders, reduce commercial risks and create value for their customers.

The Standard is welfare-enhancing and pro-competitive at various levels, in that the transition to a clean economy preserves and creates value, and reduces financial and investment risks (including systems-level risks), for financial institutions, their customers, their investors, and consumers overall.

The Standard does not require or provide for the exchange of confidential and competitively sensitive information between financial institutions or any other market participant.

FINANCIAL INSTITUTIONS' NET-ZERO COMMITMENT

This section focuses on general questions relating to FINZ-C1, FINZ-C2, FINZ-C3, FINZ-C4, and FINZ-R1.

17. Can I only set targets at the group level, or can I set a target just for a specific subsidiary?

Per FINZ-C2, it is possible to set targets at the subsidiary level, so long as the subsidiary has its own legal entity and operational and financial control. However it is recommended to set targets at the parent/group level.

18. To determine if I need to apply the Standard, can the 5% financial activity revenue threshold be aggregated across financial activities?

The 5% financial activity threshold is at the individual financial activity type level (LND, AOI, AMI, INS, CMA[2]), and only includes financial activities considered in-scope according to Tables 1.1-1.5. For example if a financial institution receives 10% of its revenue from lending, but only 2% from in-scope lending and 8% from out of scope lending, it would not be required to set targets for lending (though it would be recommended).

19. To determine if I need to use the Standard, does the 5% financial activity revenue only include in-scope activities (as specified across Tables 1.1-1.5), or does it also include out-of-scope activities?

The 5% revenue threshold only includes in-scope financial activities as detailed across Tables 1.1-1.5.

20. Why is the portfolio boundary determined by revenue instead of assets?

The portfolio boundary is defined by revenue to ensure universal applicability across diverse financial activities as well as interoperability with the modular system of SBTi Standards.

21. I'm a real economy company with ≥5% of revenue from financial activities (e.g., from customer loans). Do I still need to follow the Standard?

The 5% financial activity threshold is at the individual financial activity type (LND, AOI, AMI, INS, CMA), and only includes in-scope financial activities according to Tables 1.1-1.5. For example if a financial institution receives 10% of its revenue from lending, but only 2% from in-scope lending, it would not be required to set lending targets (though it would be recommended).

[2] LND=Lending, AOI= Asset Owner Investing, AMI = Asset Manager Investing, INS = Insurance Underwriting, CMA = Capital Market Activities.

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 the Standard.

22. How do I treat joint ventures when determining my portfolio boundary? For example, if I have a 20% equity stake in a firm whose underlying financial activity is insurance underwriting.

Generally, the organizational boundary needs to match the boundary used in the consolidated financial statements. To determine whether a joint venture is within the organizational boundary, depends on whether the financial institution has control:

- In case of subsidiaries, i.e. greater than 50% of ownership, the control is clear and those joint ventures are included in the organizational boundary (i.e., the subsidiaries' scope 1 and 2 emissions, scope 3 categories 1-14 emissions, and financial activities, are counted as the FI's own emissions and activities).
- In case of joint ventures/associates with 50% or less of ownership, it depends and must be determined by the financial institution.
  - If the parent has de facto control, the joint venture is to be included in the organizational boundary.
  - If the parent does not have control, the joint venture is not included in the organizational boundary but is included in the portfolio boundary (i.e., the joint venture is considered an equity investment that must be covered by the financial institution's portfolio targets).

23. Which metrics can I use for the segmentation exercise, and why can't I use financed emissions?

FINZ-C3.3 outlines the metrics that can be used for the segmentation exercise, which include:

- 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.

Financed emissions data, however, is required to be calculated and disclosed under FINZ-C6 and FINZ-C17, respectively. Additionally, it is possible to use financed emissions for determining near-term target coverage (see FINZ-C12.2).

24. What is the definition of an SME within the Standard?

Under the Standard, financial institutions shall use either the SBTi Glossary definition or the relevant national or regional regulatory definition(s) as per Annex A of the Standard.

25. Does the Standard require financial institutions to publish a transition plan?

While there is no requirement to publish a transition plan, the Standard, under FINZ-R1, recommends it, to help financial institutions substantiate net-zero commitment and targets.

BASE-YEAR ASSESSMENT

This section focuses on questions related to FINZ-C5, FINZ-C6, FINZ-C7 and FINZ-C8.

26. Which year can I use as my base year?

Under FINZ-C5, financial institutions are required to select a base year that is representative of their activities, and no earlier than 2020. The base year for portfolio climate-alignment targets shall be consistent across all financial activities. It is recommended to use the most recent year as the base year.

The target base year is the reference year chosen when setting targets. Unlike the inventory base year (which is defined by GHG Protocol 2004 as "a historic datum against which a company's emissions are tracked over time"), the target base year is not fixed; it resets at the start of each new target cycle.

27. I do not have precise data; can I use estimates?

Where data availability is a challenge, estimates may be used for disclosure requirements, including GHG inventories. Financial institutions must be transparent about their estimation method and consistent during the near-term target period. The expectation is for data quality to improve over time.

For example, the Standard references PCAF as an eligible methodology for calculating scope 3 category 15 emissions, which allows for estimates. Under FINZ-C6, financial institutions must submit data source(s) used and data quality scores of the underlying data. Financial institutions are expected to improve the quality of their emissions and alignment data over time, working towards a full portfolio inventory by 2030 (i.e. having no "not assessed" portfolio elements as defined in FINZ-C7.1 table).

28. For which sectors do I need to include Scope 3 emissions in my inventory?

Under FINZ-C6, financial institutions must calculate scope 3 emissions for financial activities in automotive, coal, oil and gas, and real estate sectors as a minimum.

29. How can I assess the climate-alignment of my portfolio and what information do I need to provide for target validation?

You can assess each entity, project, or asset in your portfolio against any of the provided methodologies and metrics for in-transition and climate solutions in the Implementation List.

For target validation by SBTi Services, you must provide the methodologies and version numbers used, the percentage of your portfolio (per financial activity type) that is assessed by each of those methodologies, along with the associated scores, ratings, or targets for each entity, project, or asset. Additionally, for each entity, project, or asset, you must provide the applicable sector (e.g., coal) and the associated asset class or line of business as per Tables 1.1-1.5. For more detailed information on the required information, please refer to the Financial Institutions Net-Zero Standard Submission Form.

30. How often do I need to assess the alignment status of counterparties?

At least annually. Under FINZ-C17, financial institutions are required to publish on an annual basis climate-alignment as established in FINZ-C7, including a breakdown of climate-alignment methodologies used for the climate-alignment assessment.

31. The eligible alignment methodologies in the Implementation List won't fully cover counterparties in my portfolio; can I still go ahead with the base year assessment?

Yes. Financial institutions do not have to have full data availability in order to satisfy FINZ-C7. Closing potential data gaps may be one of the first steps in reaching a near-term portfolio climate-alignment target.

As per the table in FINZ-C7.1, the 'not assessed' category is eligible for segments C and D but not segments A and B. A full climate-alignment assessment (i.e., with no “not assessed” category) is required for all in-scope financial activities (i.e., segments A, B, C, and D) for every year from 2030 (at the latest).

32. Is climate alignment measured in terms of % counterparty alignment, or % of financial exposure to aligned counterparties?

Climate alignment is measured in terms of % financial exposure to counterparties demonstrating alignment.
For example, if there are two companies in a portfolio, and the FI invests $4m in a company demonstrating alignment (e.g., it has a validated SBT) and invests $6m in a company that is not aligned, then the result would be 40% alignment.

33. Can national trajectories or pathways be used for assessing alignment?

A counterparty that demonstrates better performance than national pathways that themselves have a higher ambition than the reference pathways listed in Table 4.3 would be considered aligned. For simplicity, a counterparty's performance is directly compared against the reference pathways listed in Table 4.3 in a benchmark divergence assessment.

34. How does the Standard define an 'in transition' oil and gas company?

Table 4.1 defines an oil and gas entity as being 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.

The first condition can be assessed via an eligible alignment methodology as featured in the Implementation List. The second condition involves further engagement with the oil and gas company or via checking additional data sources.

35. By when do SMEs have to be included in the portfolio climate-alignment assessment?

This would depend on which segment (A, B, C, or D) the SME exposure falls under. For example:

- SMEs in the fossil fuel sector would belong to segment A
- Loans and insurance to non-fossil fuel SMEs would belong to segment D
- There is no difference between equity investments in corporates and SMEs (they can be in segments A, B, C, or D depending on the sector as well as, if it's an unlisted entity, % ownership and board seat position).

For SME exposure in segments A, B, and C, these would need to be covered by near-term targets under FINZ C-12. Meanwhile, SME exposure in segment D would only need to be covered by near-term targets if segment D represents more than 33% of total in-scope financial activities.

36. Are climate solutions automatically considered as 'in transition'?

Financial exposure to counterparties that are considered climate solutions (as per eligible taxonomies in the Implementation List) count towards near-term climate-alignment target attainment. Such climate solutions do not need to also satisfy the Table 4.2 'in transition' definitions.

37. How can I identify eligible climate solutions to count towards my portfolio-alignment targets?

Climate solutions are recognized via eligible taxonomies listed in Table 2 of the Implementation List. An entity can be classified as a climate solution, when it is generating at least 90% of its revenue from specific climate solutions.

38. When calculating the clean energy to fossil fuel ratio, how do we treat integrated energy companies that generate revenue both from clean energy and fossil fuel activities?

Project finance/insurance should be allocated to whether the use of proceeds goes to clean energy or fossil fuels accordingly.

General purpose finance/insurance can be proportionally allocated based on the split of the company's revenues from clean energy vs. fossil fuel if data is available, or based on the split in energy production terms (e.g., at the entity level for companies listed in Urgewald's GOGEL/GCEL lists).

39. What deforestation definition can financial institutions use to inform their exposure assessment?

Financial institutions must, at a minimum, define deforestation exposure as the amount of in-scope financial activities provided to portfolio entities linked to 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,
3. Severe and sustained degradation stemming from any of the critical deforestation-linked commodities (beef, palm oil, soy, cocoa, and timber and wood fiber).

Financial institutions are required to disclose the definition of deforestation they use, which can go beyond this minimum requirement (e.g. by covering ‘other’ deforestation-linked commodities such as coffee, leather, and rubber). They may reference existing approaches from organizations such as WBCSD, AFi Coalition, CDP, or WWF.

40. What methodologies can financial institutions use to determine if deforestation exposure is significant?

The Standard requires financial institutions to define and publicly disclose their own metric for "significant deforestation exposure" (e.g., using a percentage or absolute amount). While the definition is flexible, the Standard provides non-binding guidance on approaches to make this determination, including third-party thresholds such as "high deforestation exposure" and/or "high financial materiality" thresholds defined in methodologies like Forest IQ.

Examples of how financial institutions can approach the assessment include:

1) Tiered Screening: First, identify FLAG (Forest, Land, and Agriculture) entities via sector classification; second, check if these entities are linked to critical deforestation-linked commodities; and third, assess if the subset is involved in deforestation.

2) Third-Party Lists: Identifying companies via third-party lists and databases, such as Global Canopy databases (ForestIQ or Forest 500), provided the third-party methodology covers at least the FINZ minimum deforestation definition.

POLICIES AND TARGET SETTING

This section focuses on questions relating to FINZ-C9, FINZ-10, FINZ-R2, FINZ-C11, FINZ-C12, FINZ-C13, FINZ-C14, FINZ-C15, and FINZ-C16.

41. Do financial institutions have to publish their fossil fuel transition policy by the time target submission, or prior to 2030?

The requirement to cease new financing for companies involved in oil and gas (O&G) expansion by 2030 must be included in your publicly stated transition policy before validation. Including the 2030 or earlier deadline in your policy now is considered a crucial market signal of your commitment.

Given the urgency of the net-zero transition, the SBTi strongly encourages financial institutions to commit to the earliest possible date.

42. Does the fossil fuel transition policy cover both new and existing investments?

FINZ-C9.1 sets out the fossil fuel transition policy relating to new applicable financial activities in the fossil fuel sector, with the 'Key Terms' section of the Standard defining "applicable financial activities" and "new financial activities".

43. I've never invested in fossil fuels, do I still need to publish a fossil fuel transition policy?

No. According to FINZ-C8.3, financial institutions without fossil fuel exposure shall publish the following exemption language in line with the Annex B :

“[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.”

44. What is considered new general-purpose financing for companies involved in oil and gas expansion?

New general-purpose finance or insurance for companies involved in new oil and gas expansion activities captures any form of financing or insuring that is not project financing/insuring (i.e., with known use of proceeds). In addition to provision of finance or insurance to legal entities, it also includes both equity and debt across primary and secondary markets.

45. How does the fossil fuel transition policy define expansion?

Expansion is defined as follows:

- Coal value chain: 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 (see FINZ C9.2)

- New oil and gas project finance or insurance: 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 that would require a Final Investment Decision after the financial institution's fossil fuel transition policy publication date. LNG infrastructure covers, for example, 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 (see FINZ C9.3)
- Companies involved in new oil and gas expansion activities: New upstream oil and gas projects and new LNG infrastructure that would require a Final Investment Decision after 2030 (see FINZ C9.4)

46. What is the in-scope fossil fuel value chain for the fossil fuel transition policy, and is it the same for target setting?

Both the fossil fuel transition policy and the fossil fuel target requirements focus on the value chain activities of the fossil fuel sector as defined in Table 2, with the fossil fuel transition policy zooming in on projects and entities involved in new fossil fuel expansion activities.

From a financial activity perspective, the fossil fuel transition policy covers new in-scope financial activities with some permitted exclusion options (see FINZ-C9.1), while fossil fuel targets are more exhaustive covering new and existing in-scope financial activities listed in Tables 1.1 to 1.5.

47. Why is LNG infrastructure in-scope for the fossil fuel transition policy, and not pipelines?

IEA NZE scenarios show new LNG export infrastructure as inconsistent with 1.5°C pathways. The process of liquefaction and transport also significantly increases LNG's carbon footprint. Furthermore, new LNG facilities incentivize more upstream gas development and facilitates long-term fossil fuel consumption.

On the other hand, pipelines and other distribution midstream infrastructure may have dual-use purposes or conversion potential to carry non-fossil fuel materials (e.g. conversion to carry green hydrogen).

48. Are offshore service vessels in-scope for the fossil fuel transition policy and fossil fuel targets?

As outlined in Table 2 of the Standard, only certain (e.g., upstream) oil and gas activities are required to be covered by the fossil fuel transition policy and target requirements. While it is recommended to subject other (e.g., downstream) oil and gas activities under the fossil fuel transition policy and targets, if they are excluded they would still need to be captured within FINZ under other sectors.

In case of offshore service vessels, these may be categorized in segment B under maritime transport.

49. Can we still provide green project finance to companies involved in fossil fuel expansion after 2030?

Yes; in two broad instances.

First, where the use of proceeds is known and purely involved with renewable energy generation and associated infrastructure.

Second, climate solution projects as described in Table 4.2 that are exclusively dedicated to retrofitting for non-fossil fuel use, permanent decommissioning, and/or abatement through carbon capture and storage.

50. Does the fossil fuel transition policy exemption relating to national laws apply at the investor level, or at the company level?

FINZ-C9.1 lists "financial activities required by national laws or regulations" as one of the permitted exclusion options for the fossil fuel transition policy. This covers financial activities that national laws require the financial institution to carry out, and not activities that national laws require portfolio companies to carry out.

51. What databases can I use to identify companies involved in fossil fuel expansion?

An objective of the fossil fuel transition policy is for financial institutions to engage fossil fuel companies to transition. One way is to engage and ask fossil fuel companies whether they are involved with expansion activities. However, Final Investment Decisions (to proceed with new projects) are often public and can serve to identify expansion activities. Urgewald's GCEL and GOGEL lists may include expansion data based on Rystad and proprietary research.

For example, when using the GOGEL list, a value greater than zero in either the "1.5°C Expansion Overshoot based on IEA NZE (2021/2022)" or "Exploration CAPEX 3-year average" columns in the 'Upstream' tab should indicate whether an oil and gas company is engaged in expansion activities.

Financial institutions are strongly encouraged to engage with all oil and gas companies to verify and influence their transition plans.

52. Which metrics can I use to satisfy target coverage requirements?

For portfolio near-term targets (FINZ-C12), a financial institution can choose to use FINZ.Metric 2 “climate-alignment” (per Table 4.1) or a set of sector metrics (per Table 4.3).

For portfolio long-term targets (FINZ-C13), financial institutions need to use FINZ.Metric 2 “climate-alignment”.

The FINZ-Metric 1 “portfolio emissions” is relevant for disclosure, but not target setting. This metric will eventually be the required metric to demonstrate that a financial institution has reached a net-zero status.

53. What is the difference between alignment and sector target options for near-term targets?

Forward-looking portfolio alignment targets require financial institutions to increase the share of climate-aligned financial activities across their portfolios.

Sector 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.

See Tables 4.1-4.3 for details on the metrics, definitions, benchmark values, and target-setting methods for alignment and sector target options.

54. Where can I find the eligible sector pathways/benchmarks for sector targets?

Table 4.3 sets out sector specific metrics, net-zero-aligned benchmarks, and target-setting methods for determining near-term sector targets.

The Financial Institutions Net-Zero Target-Setting Tool helps calculate the minimum required ambition for portfolio climate-alignment targets, determine the climate alignment of counterparties (via a benchmark divergence assessment), and set the minimum required ambition for sector-specific targets.

55. How do the Sector Decarbonization Approach (SDA), the Portfolio Intensity Convergence (PIC), and the Benchmark Divergence Assessment (BDA) approaches differ?

Similar to the Sector Decarbonization Approach (SDA), the Portfolio Intensity Convergence (PIC) method, which is used for near-term sector targets, produces an emissions intensity pathway between the base year and the target year. PIC represents the portfolio's reduction curve needed to reach the net-zero benchmark by 2050. This method is based on a physical intensity convergence approach, and modifies the SBTi's SDA which companies use to address their scope 1 and 2 emissions.

PIC uses the underlying SDA equations, but **removes the target year market share parameter**. In other words, PIC is equivalent to the SDA, but with the market share parameter set to 1. The removal of the market share parameter and update of the underlying scenarios might create minor variance in PIC and SDA outputs. Financial institutions that wish to use the SDA may do so insofar as the output intensities are at least as ambitious as the corresponding PIC tool outputs, where available.

Separately, the Benchmark Divergence Assessment (BDA) is one of the available options for assessing a counterparty's alignment status. Using BDA, a counterparty is considered aligned when performance is better than the linear reference pathway.

The Financial Institutions Net-Zero Standard Target-Setting Methods and Tool Documentation provides detailed explanation.

56. **For the automotive leasing segment, is it possible to use the percentage of electric vehicles ratio target (like for the automotive sector)?**

Yes, the zero emission vehicle to total vehicles ratio may be used when setting climate-alignment targets via the Benchmark Divergence Approach (BDA) for the automotive sector using the sector metric 6b (see Table 4.3).

Alternatively, many taxonomies in the FINZ Implementation List identify electric vehicles as a climate solution that could count toward a near-term climate-alignment target.

57. **How many eligible alignment methodologies from the Implementation List can I use for tracking progress against my portfolio-alignment targets?**

Financial institutions can use multiple methodologies to assess climate alignment, but will need to disclose and use them consistently throughout the near-term target period.

58. **I have a Financial Institutions Near-Term target. Can I still use SDA, portfolio coverage, and temperature ratings target-setting methods in my targets under the Standard?**

SBTi target status (from Portfolio Coverage method) and implied temperature rise metrics (e.g., from Temperature Rating method) can count toward near-term climate-alignment targets. Near-term sector targets for emissions-intensive sectors allow the use of physical emissions intensity (similar to the SDA, but with the market share parameter removed).

59. **I have a Financial Institutions Near-Term target and I am considering updating to the Standard. How can I do this?**

The SBTi's blog post Near-Term and Net-Zero: Understanding the SBTi's Frameworks for Financial Institutions provides a good overview.

60. **Why do the alignment target timelines differ across Segments A, B, C & D?**

The four segments have been intentionally structured to help financial institutions prioritize action across emissions-intensive sectors to drive impact. Segment A, for example, addresses the fossil fuel sector and is subject to the most stringent alignment target timeline (95% by 2035). Meanwhile segment D, which for example includes residential mortgages and SME loans/insurance, is subject to a more gradual alignment target timeline (95% by 2050).

61. **Why do long-term portfolio climate-alignment targets only require 95% instead of 100%?**

The 100% target in FINZ-C14 represents the 'north star' for the portfolio's net-zero state, representing the ultimate goal where all counterparties have neutralized residual emissions. This criterion is assessed for validation in the net-zero year (e.g. 2050) and not at initial validation. Meanwhile, the 95% is the target-setting threshold that acknowledges current practical limitations (data, methodology coverage, etc.) while still driving the necessary decarbonization. It is assessed at initial validation as part of long-term targets.

ASSESSING AND COMMUNICATING PROGRESS

This section focuses on questions relating to FINZ-C17 and FINZ-C18.

62. By when am I expected to have a complete GHG inventory and climate-alignment assessment across my portfolio?

FINZ-C17.1 outlines 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 in C7.1 table) for all in-scope financial activities from 2030 (at the latest).

63. Is reporting based on year-end exposure, or a weighted average over the year?

Reporting is required on an annual basis and should be done on a consistent basis (e.g., as of the same date each year, or on a weighted average over the year).

64. What happens if progress against my targets under the Standard becomes off track?

The SBTi reevaluates targets under the Standard at the time of revalidation according to the SBTi’s validation cycles and policies, which is no later than 12 months after the near-term target time frame has elapsed, or resubmission due to significant organizational changes (e.g. due to M&A activity).

There is no penalty for not achieving targets from the SBTi.

BUILDINGS

65. Am I required to set buildings-related targets using the SBTi's Buildings Criteria covering scopes 1, 2 and 3 (categories 1-14) emissions?

Financial institutions are required to set targets through the SBTi Buildings Criteria when both of the following conditions are met:

- 5% or more of revenue is collectively from owner-lessor, developer, and property manager activities, and
- 20% or more of scopes 1, 2, and 3, categories 1-14 emissions are attributed to operational emissions of owned and/or managed buildings or to embodied emissions from newly developed and/or acquired buildings.

Revenue from financed buildings (reported in scope 3, category 15) are excluded from the nominator for the revenue threshold calculation.

To understand when the Buildings Criteria may apply, please consult the User Guide for Financial Institutions with Real Estate Exposure and Table A.2 in the Financial Institutions Net-Zero Standard for more information.

66. Are there any additional requirements for financial institutions with real-estate exposure?

If a financial institution sets targets under the SBTi Buildings Criteria, then the entity is required to publicly commit to installing no new fossil fuel equipment that is owned or financially controlled by the company in their buildings portfolios from 2030, at the latest, per Buildings-C14. This policy is optional for buildings that are only financed (i.e., scope 3, category 15) and not within an entity's operational portfolio (scopes 1, 2, and 3, categories 1-14).

The SBTi Financial Institutions Net Zero Standard recommends that financial institutions publish a policy that commits to ceasing new financial activities for buildings that are not zero-carbon ready and to increase financial activities dedicated to retrofitting existing buildings (FINZ-R2). This recommendation is for all financial institutions, regardless if Buildings Criteria targets are set.

67. How should financial institutions distinguish between scope 3, category 13 downstream leased assets and category 15 financed emissions?

Under the Greenhouse Gas Protocol, Category 13 is intended for emissions from the operation of assets that the reporting entity owns and leases to other entities, with the reporting company ultimately acting as an owner-lessor.[3] Activities as an owner-lessor may include, but are not limited to, authority over property and contract management, rent collection, financial management of operations, property inspections, and repairs and maintenance. A non-exhaustive list is available in Table 3 of the Buildings Explanatory Document.

Category 15 financed emissions is intended for emissions from investments, including equity investments, debt investments, and project finance.[4] Real estate activities relevant for this category would include where the financial institution directly or indirectly invests in the real estate asset and/or real estate entity. This may include, but are not limited to, debt investments into a real estate asset or indirect investment into a real estate asset. A summary is available in Table 7 of the Buildings Explanatory Document.

Financial institutions are encouraged to consult Accounting and Reporting of GHG Emissions from Real Estate Operations published by GRESB, PCAF and CRREM to better understand emissions accounting and reporting of their financed, facilitated, and insurance-associated emissions for their real estate portfolio.

68. Which criteria should a REIT follow?

Equity REITs—namely real estate companies that own or manage income-generating properties and lease them to tenants—are not considered a target audience under the Financial Institution Net-Zero Standard and must follow the SBTi's Corporate Net-Zero Standard and the SBTi Buildings Criteria, if applicable thresholds are met.

[3] Greenhouse Gas Protocol: Category 13
[4] Greenhouse Gas Protocol: Category 15

Other REITs with more than 20% of emissions from in-use buildings emissions or upfront embodied buildings emissions must use the SBTi Buildings Criteria in line with the Buildings-C1 and -C2 in addition to the Financial Institutions Net-Zero Standard in full.

69. How should financial institutions treat REITs within their portfolio?

Financial institutions with exposure to in-scope REITs (e.g. part of their Scope 3 Category 15 financed, facilitated, and insurance-associated emissions) must account for these activities under the Financial Institutions Net-Zero Standard as well as the Buildings Criteria, as applicable (see question 65).

Financial institutions should review Tables 1.1-1.5 of the Financial Institutions Net-Zero Standard for segmentation requirements. In-scope REITs will typically fall within Segment B activities but could be classified under Segment D, depending on the nature of the activities.

70. How do I calculate my buildings-related emissions?

Financial institutions should utilize a 'whole building approach' when calculating buildings-related emissions. This includes 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).

The User Guide for Financial Institutions with Real Estate Exposure provides easy-to-use guidance.

71. What criteria do buildings need to meet, in order to be considered as 'in transition' for the Standard?

In Table 4.2 of the Standard, an existing building is 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 its absence;
- Building is within the top 15% of national building stock expressed in primary energy demand (kWh/m²); or
- Building's physical emissions intensity is at or below the relevant 1.5°C benchmark for the duration of financial exposure.

A new building is classified as 'in transition' when both of the following conditions are met:

- Building has a high energy performance certificate (at least in the top two tiers of regional framework), or credible comparable ratings approach in its absence; and
- Building has no fossil fuel grid connection.

72. How does the Financial Institutions Net-Zero Standard differ from the Financial Institutions Near-Term Criteria, with respect to real estate?

For real estate, several key differences include:

	[Financial Institutions Near-Term Criteria (FINT)]()	[Financial Institutions Net-Zero Standard (FINZ)]()
Real estate coverage for financed emissions	Provides list of in-scope, optional, and out-of-scope activities, with target thresholds defined within each asset class	Requires segmentation by financial activity, with certain real estate activities being defined in Segment B (requiring 100% coverage) and others in Segment D (which may require target setting to reach sufficient portfolio coverage)
Use of buildings-specific target-setting methods	Certain real estate financial activities may be required to use the sectoral decarbonization approach (SDA), while others may use SDA, temperature rating, or portfolio coverage methods. For more information, please refer to Figure 7 of the Buildings Criteria.	Options of climate-alignment and sector-specific target setting. For the buildings sector, portfolio intensity convergence method is available for sector targets.
Target coverage of real estate specific targets	In-use operational emissions	In-use operational emissions

LENDING AND CAPITAL MARKET ACTIVITIES

73. How does the Standard treat consumer loans?

Mortgages and motor vehicle loans to consumers are in-scope, while other consumer loans are out-of-scope as set out in Table 1.1.

74. Would a client usage of a revolving credit facility, in place prior to 2030 with an Oil & Gas company, be regarded as new financial activity under the fossil fuel transition policy?

This would not be considered as new financial activity if the facility was already in place, with a specific expiration date, that has not been extended.

75. Can we provide general purpose finance to an Oil & Gas company involved with fossil fuel expansion post-2030, if we add a condition that proceeds cannot be used for fossil fuel expansion?

No. If the proceeds are general with some exceptions (e.g., for anything except oil and gas expansion), they would still be deemed general purpose according to the fossil fuel transition policy.

If the use of proceeds are known and dedicated to renewable energy expansion, this would not be deemed as fossil fuel project finance and thus not subject to the fossil fuel transition policy.

76. If a company plans to build a small LNG facility in 2031, do we need to cease new lending to this company?

If the company is not defined as an oil & gas company (as per Table 2), then general purpose finance to this company is not subject to the fossil fuel transition policy.

However, any project finance linked to new oil & gas expansion, where the use of proceeds is known, is always subject to the policy.

77. What weighting factor should I use for calculating emission from capital market activities?

A weighting factor of 100% (rather than 33%) is recommended, as set out in FINZ-R6.1.

78. Why are capital-markets activities included, if I don't need to set targets on them?

As stated in FINZ-R12.3 and FINZ-R13.2, financial institutions are recommended to set targets on capital market activities. Capital market activities are also subject to other criteria (e.g., fossil fuel transition policy).

INSURANCE UNDERWRITING

79. Insurance claims management is out of scope of the Standard. Is there a way I can cover claims-related emissions in my target submission?

Setting targets for scope 3 categories 1-14 emissions is optional, but recommended, for financial institutions that generate 95% or more of their revenue from financial activities. This is especially so for insurers that can closely manage their claims-related emissions.

Covering scope 3 categories 1-14 emissions with targets is required for financial institutions that generate less than 95% of their revenue from financial activities.

80. Do I handle the insurance of buildings from a product or sector perspective?

For building insurance underwriting activities, insurers may apply either:

- a sector-first approach, whereby insurance is assessed at the company level and attributed to the company's sector; or
- a product-first approach, whereby insurance is assessed at the asset level and attributed to the real estate sector.

In either case, insurance coverage for fossil-fuel operations (as defined in Table 2) shall be attributed to the fossil fuel sector. The insurer must disclose its chosen approach, including rationale, and apply it consistently throughout the near-term target period.

81. **Insurance underwriting: I provide insurance underwriting to a large number of SMEs. How can I treat very small micro-SMEs?**

All SMEs, including micro-SMEs are currently subject to inclusion within the target boundary.

In the Corporate Net-Zero Standard V2 Second Public Consultation Draft, exclusion of micro-SMEs from scope 3 targets is proposed (see C17.2(a)). If the proposals are approved and incorporated into the upcoming release of the Corporate Net-Zero Standard, then we can review the inclusion of micro-SMEs in the Financial Institutions Net-Zero Standard target boundary.

ASSET OWNER/ASSET MANAGER INVESTING

82. **How does the Standard differentiate between the treatment of asset owners and asset managers?**

For asset owners, all investments, whether managed in-house or externally need to be assessed according to Table 1.2 for applicable scope and in line with FINZ-C9 for the fossil fuel transition policy.

For asset managers:

- Execution-only mandates are out of scope for both target setting and the fossil fuel transition policy
- Advisory or discretionary mandates need to be assessed against Table 1.3 to determine if they are within scope for target setting
- For advisory mandates, targets can be set at the portfolio counterparty level or the asset owner level. Such investments, however, can be excluded from the fossil fuel transition policy.

83. **How does the Standard treat private equity investing?**

Private equity investments are addressed in Tables 1.2 and 1.3, where outside the fossil fuel sector, regard is given to 25% ownership threshold and board seat representation.

Private equity investments, outside the fossil fuel sector, can be excluded from target setting scope for up to 24 months post-investment.

84. **Does the Standard differentiate between investments in primary and secondary markets?**

No. Both primary and secondary market investments are in scope for target setting.

85. **Does the Standard differentiate between direct versus indirect investments?**

Tables 1.2 and 1.3 include columns to address different investment routes: direct, via funds, or via fund of funds.

86. Are infrastructure SPV investments treated as projects or entities?

Special purpose vehicles (SPVs) shall be considered as entities.

87. My portfolio has a high degree of turnover. How am I expected to keep up with my alignment targets?

For a high-turnover portfolio, financial institutions can select alignment methodologies that best fit their investment profile.

For new investments, point-of acquisition screening can be used to ensure contribution towards achievement of alignment targets. For new investments in the early stages of transition, where there is often limited data available, ambition-based methods such as eligible temperature ratings can provide a clear binary indication of alignment status. New investments in more mature stages of transition, where there is often higher quality data available, SBTi validation status, benchmark divergence assessment or sectoral (intensity) targets may be more appropriate.

For existing holdings, financial institutions should focus their engagement on progressing counterparties from “not aligned” into “aligned” categories.

The Standard allows financial institutions to exclude private equity, venture capital, and private debt of private corporates and SMEs in non-fossil fuel sectors that are not categorized as “in transition”, “climate solutions” or “net-zero state” for up to 24 months post-investment. This gives a defined window for engagement and assessment before these counterparties fall in scope.

Further details on eligible methodologies and metrics is in the Implementation List.

88. Are investments made in funds considered in-scope for the fossil fuel transition policy? Is there any differentiated treatment for types of funds (active, passive, index, limited transparency, mutual, etc)?

Investments made in funds are considered to be in-scope for the fossil fuel transition policy. The only exception is for investments via funds, where the disclosure of the underlying holdings negates the investment strategy (e.g., some hedge funds).

In cases where there is limited visibility into a fund's holdings, the financial institution is required to obtain this from the fund/provider. Under the fossil fuel transition policy, financial institutions have until 2030 to gain full visibility into their holdings, to inform their investment and risk management decisions in line with the fossil fuel transition policy.

The Standard has been designed to enable financial institutions to create demand for investment products, such as index funds, that align with the fossil fuel transition policy by 2030. SBTi is engaging index providers to facilitate creation of indices and passive funds in conformance with the Standard.

89. How is exposure to oil and gas expansion through third-party funds considered under the fossil fuel transition policy?

If a financial institution has investments in a third-party fund, but makes no additional capital transfers into that fund beyond 2030, it would be in compliance with the fossil fuel transition policy. This would remain the case, even if that fund were to increase its exposure to oil and gas companies with expanding capacities beyond 2030. To note, the investments would still be subject to portfolio targets.

However, if the financial institution transfers capital into a third-party fund that has existing exposure (e.g., debt or equity investments) to companies involved in new oil and gas expansion, this would be considered a “new financial activity” even if the fund were already compliant with the fossil fuel transition policy. By adding exposure to the third-party fund, the financial institution would be adding exposure to the expanding oil and gas companies in that fund.

Beyond 2030, the financial institution shall ensure that the sum of its exposure across all third-party funds to expanding oil and gas companies does not increase. The financial institutions’ exposure to expanding oil and gas companies must remain constant or decrease at the point of capital transfer, in line with the fossil fuel transition policy’s intent to cease new support.

For example, if Fund A has the same or less exposure to the same expanding oil and gas companies as Fund B, then a capital transfer from Fund B to Fund A should not breach the fossil fuel transition policy.

90. How are index or tracker funds treated in the Standard?

Investments in passive funds are in-scope for target setting and the fossil fuel transition policy (for both asset managers and asset owners), depending on the mandate (see question 82).

While it is recognized that there are currently limited available passive funds that meet the requirements of the fossil fuel transition policy, particularly with respect to entities involved in oil and gas expansion, financial institutions have up to 2030 to either develop their own compliant passive funds, or engage with index or passive fund providers, to ensure availability of compliant passive funds.

The SBTi is currently in dialogue with index and passive fund providers on this issue to facilitate creation of such funds.

91. For mandates where I have limited influence, can I set portfolio-alignment targets at the financial intermediary level, instead of at the underlying holdings?

Yes. Asset owners giving discretionary mandates to external asset managers can optionally set targets at the asset manager level to cover investments in these mandates.

Separately, asset managers that have received advisory mandates from asset owners can optionally set targets at the asset owner level to cover investments in these mandates.

92. What does target setting at the financial intermediary level involve in practice?

The financial intermediary would need to have its own validated science-based target.

For an asset manager part of a banking group, the group target must include asset management activities within the target boundary.

93. What is the difference between discretionary, advisory and execution-only mandates?

Discretionary mandates: The manager is granted full discretion by its client to make investment decisions on its behalf without prior approval.

Advisory mandates: The manager provides recommendations and makes investments on behalf of the client subject to its instruction or approval. This includes manager suggestion(s) for its client to choose from, but thereafter has no control over investment decisions (e.g., in a fund, index, or security).

Execution-only mandates apply to situations where the financial institution acts only to execute investment instructions (including those documented in an Investment Management Agreement) and has no control over investment decisions.

94. Is target setting for fund of funds optional or mandatory?

For asset owner investing (AOI), fund-of-fund investments are in segment D according to Table 1.2.

For asset manager investing (AMI), fund-of-fund investments are either in segment D or out of scope, depending on the type of mandate according to Table 1.3.

Near-term targets for fund-of-fund investments in segment D are only optional if 67% or more of segments A, B, C and D comprising other assets are already covered by targets.