



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THE SBTi FINANCIAL INSTITUTIONS NET- ZERO STANDARD

CONCEPTUAL FRAMEWORK AND INITIAL
CRITERIA

Consultation Draft

June 2023

CONTENTS

EXECUTIVE SUMMARY	5
1. INTRODUCTION	6
1.1. About the SBTi	7
1.2. The Purpose of this Consultation Draft	7
1.3. Consultation Process	8
2. THE CONCEPTUAL FRAMEWORK	12
2.1. Defining Net-Zero for FIs	12
2.2. Desired Outcomes of the FINZ Framework	12
2.3. The FINZ Target-setting Framework	13
3. THE PROPOSED SBTi FINANCE NET ZERO HIGH-LEVEL CRITERIA AND RECOMMENDATIONS	17
3.1. Criteria Organization	17
3.2. Structure	18
3.3. Terminology	18
4. ORGANIZATIONAL AND PORTFOLIO BOUNDARIES	20
4.1. Background and Key Concepts	20
4.1.1. Financed and Facilitated Emissions	20
4.1.2. Establishing the Portfolio Target Boundary: the SBTi Coverage Principles	24
4.1.3. Financial Activities and Asset Classes In-scope	25
4.2. Organizational Boundary Criteria	27
4.3. Portfolio Target Boundary Criteria	28
4.4. Organization and Portfolio Boundary Consultation Questions	30
5. NET ZERO NEAR-TERM TARGET REQUIREMENTS	32
5.1. Background and Key Concepts	32
5.1.1. Target-setting Boundaries and Climate Relevance	32
5.1.2. Ambition and Target-setting Methods	37
5.1.3. Near-term Target Summary	42
5.2. General Target Criteria	44
5.3. Near-Term Targets Criteria	45
5.4. Target Disclosure and Transparency Criteria	49
5.5. Consultation Questions	50

6. NET-ZERO LONG-TERM TARGET REQUIREMENTS	51
6.1. Background and Key Concepts	51
6.2. Long-term Target Criteria	52
6.3. Consultation Questions	53
7. PORTFOLIO NEUTRALIZATION	54
7.1. Background and Key Concepts	54
7.2. Portfolio Neutralization Criteria	55
7.3. Consultation Questions	58
8. FOSSIL FUEL FINANCE	59
9. MONITORING, REPORTING AND RECALCULATION	64
9.1. Background and Key Concepts	64
9.2. Criteria	64
9.3. Consultation Questions	67
ANNEX 1: GLOSSARY	68
ANNEX 2. REFERENCES	72

ACKNOWLEDGEMENTS

We would like to acknowledge the support of Bain & Company in the development of this Consultation Draft.

As part of its Standard development process the SBTi has engaged with its Expert Advisory Group and other key sector alliances to design and test many of the concepts and proposed criteria set out in this document.

Contributing authors:

Eoin White
Tim Young
Hunter Bell
Georgina Ellis
Howard Shih
Nate Aden
Donald Linderyd
Peter Nystrom
Leonie Ederli Fickinger

Disclaimer

This document outlines the key conceptual framework and initial high-level criteria for science-based net-zero target-setting for financial institutions. The document represents an initial consultation draft. Please be aware that the content and provisions of the final version of the Standard are subject to modifications and may differ substantially from this Consultation Draft.

Please note that this consultation draft document, including the draft recommendations, is not intended to constitute legal advice and as such does not establish compliance with any legal or regulatory requirements. Users should seek independent legal advice on applicable national laws and regulations.

EXECUTIVE SUMMARY

Financial Institutions (FIs) will play an important role in helping to stabilize the climate. This role is highlighted in the Paris Agreement (UNFCCC, 2016) which includes the goal of making “all financial flows consistent with a pathway towards low-emissions, climate-resilient development.” As with all other sectors, FIs need to achieve a state where their operations, supply chains and, most importantly, the financial services they provide reach a state of net-zero emissions.

The Science Based Targets initiative (SBTi) is in the process of developing a Financial Institutions Net Zero (FINZ) Standard. The goal of the FINZ Standard will be to provide criteria and guidance that enable FIs to establish robust near-term and long-term targets consistent with achieving net-zero emissions by 2050. The Standard will also include updated criteria and guidance for near-term targets consistent with achieving net-zero with 1.5°C low/no overshoot pathways.

This Consultation Draft sets out the conceptual framework and initial high-level criteria. These high-level criteria will form the basis of the FINZ Standard and are now open for public consultation. Feedback and comments are to be provided via an online survey. The responses received during this period will be summarized, considered, and integrated as the SBTi builds toward drafting and publication of the Standard. **Please be aware that the content and provisions of the final version of the Standard are subject to modifications and may differ substantially from the Consultation Draft.**

The criteria set out in the document below contain several key developments for the SBTi in its approach to target-setting for FIs. Key topics addressed include:

1. Defining what it means for an FI to reach a state of **net-zero** at the portfolio level, and the conceptual framework to establish both near and long-term targets.
2. An expanded approach to **coverage**, introducing materiality and climate relevance principles to better define how different financial asset classes should be addressed over time. **Target ambition** is expected to be defined across all asset classes within a portfolio-wide target boundary, rather than on an asset-by-asset basis, and FIs will have the flexibility within this boundary to focus on key portfolios that have the greatest impact on greenhouse gas (GHG) emissions, incorporating key milestones that are clearly set out on the road to net-zero.
3. Establishing **neutralization** criteria to define how an FI can eliminate residual portfolio emissions and under what conditions an FI can make a net-zero claim.
4. A “**maturity scale**” approach is introduced, to reflect the different approaches to assessing alignment of an FI’s portfolio over time.
5. The introduction of compulsory criteria related to an FI’s **fossil fuel finance** activity, the key high GHG-emitting sector.

1. INTRODUCTION

Understanding net-zero emissions at the planetary level. Scientific consensus has shown a strong correlation between the accumulation of anthropogenic greenhouse gases (GHGs) in the atmosphere and increasing global temperatures - resulting in increasingly dangerous climate impacts. To prevent further temperature increase and address harmful impacts, a state of net-zero GHG emissions at the planetary level is required. This involves deep decarbonization along 1.5°C pathways and achieving a balance between the volume of anthropogenic GHGs released to the atmosphere and the volume permanently removed.

Net-zero as the north star for climate ambition. Increasing awareness of the imperative of reaching net-zero emissions at the planetary level has caused a growing number of countries, cities and non-state entities to embrace this goal and adopt net-zero commitments. While there is a clear understanding of the concept of net-zero at the planetary level, translating this concept to the regional, national or sub-national level is less clear, and is subject to numerous interpretations. To ensure consistency, transparency, and integrity, it is critical to reach a common understanding of the definition of net-zero. Several efforts are underway to help achieve this goal. This includes the UN Secretary General convening a High-Level Expert Group (HLEG) which has published key principles that inform the interpretation of net-zero at the non-state entity level (UNHLEG, 2022). The Science Based Targets initiative (SBTi) Corporate Net-Zero Standard (SBTi, 2021) has provided the first definition and framework for companies to establish science-based net-zero targets.

Net-zero in the financial sector. Financial institutions (FIs) play an important role in supporting the economy and achieving climate stability. As owners and allocators of capital they can use their influence as lenders, investors, and insurers, among many other roles, to help transform the economic activities they service to reach a state of net-zero emissions.

As with other sectors, FIs need to reach a position where their operations, supply chains and most importantly, their financial services reach a state of net-zero emissions. This means the financial services they provide do not contribute to the accumulation of GHGs in the atmosphere and, ultimately, result in net-zero emissions across their portfolios. Crucially, FIs must achieve this long-term goal in such a way that they contribute their fair share to helping the world reach net-zero on a 1.5°C low/no overshoot pathway.

This centers on FIs transitioning their portfolios so that their financial flows become consistent with 1.5°C outcomes, through targeting the managed phase out of high-emitting assets and supporting the transition of their portfolio holdings. In addition, FIs should directly support the scale up of net-zero aligned activities (e.g., climate solutions) through the provision of financial services.

Developing science-based net-zero targets in the financial sector. Given the critical role of the financial sector, the SBTi has embarked on a process to develop a more comprehensive framework for net-zero target-setting; namely, the Financial Institutions Net Zero (FINZ) Standard. It intends to guide the formulation and assessment of net-zero targets for a range of financial activities, including (*inter alia*) investment, lending, securities underwriting and insurance activities. The FINZ Standard will build on the work previously developed by the SBTi that guides

the formulation of science-based near-term climate targets for FIs (SBTi, 2022a) as well as the SBTi Corporate Net-Zero Standard. Its development is following a robust, inclusive and transparent multi-stakeholder process in accordance with best practices for standard-setting organizations (see “Consultation Process” below).

1.1. About the SBTi

The Science Based Targets initiative (SBTi) is a global body enabling businesses and FIs to set ambitious emissions reductions targets in line with climate science. It is focused on accelerating companies and FIs across the world to align with the Paris Agreement goals and halve emissions before 2030 and achieve net-zero emissions before 2050.

The initiative is a collaboration between four of the world’s most established environmental organizations: CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), and is one of the We Mean Business coalition (WMB) commitments.

The SBTi defines and promotes best practice in science-based target (SBT) setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies’ targets.

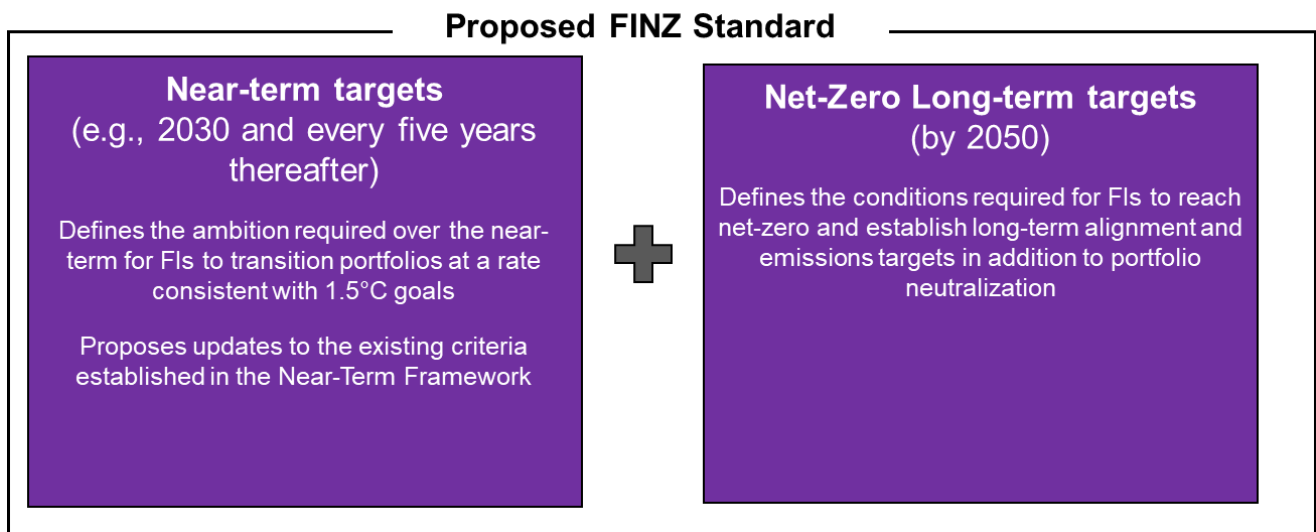
1.2. The Purpose of this Consultation Draft

This Consultation Draft builds upon the SBTi’s ‘[Foundations for Science-Based Net-Zero Target-Setting in the Financial Sector](#)’ (FINZ Foundations paper) published in April 2022 (SBTi, 2022b). Its main purpose is to set out the initial high-level criteria, together with an explanation of the concepts behind them, for public consultation. It has been developed with input from an Expert Advisory Group (EAG) consisting of 50+ academics, FI representatives, net-zero alliances, consultancies, and civil society organizations (NGOs). The principles and concepts behind the criteria have also been tested with a group of FIs, academics, consultants and NGOs, although more detailed testing, workshops and consultations will be undertaken in the next phases of the Standard development process. There are two important, additional aspects to the SBTi’s FI-related work in this Draft:

- (a) Building on the concepts outlined in the FINZ Foundations paper, the SBTi introduces Fossil Fuel Finance criteria addressing the “disclosure, arrest, transition, and phase out” of fossil fuel-related financial flows. This aspect of the FINZ framework is also the subject of a separate paper that can be found [here](#) and will be developed further as the SBTi also finalizes its fossil fuel sector proposals for the corporate sector.
- (b) Revisions to the current SBTi target-setting framework for FIs, the Near-Term Framework (NT Framework), will also be necessary to ensure consistency with the long-term ambition presented in this paper. During the FINZ development process, the NT Framework will be updated and aligned with the near-term components of this Draft. In

addition to the long-term criteria, this Consultation Draft introduces proposals for revising aspects of the near-term criteria that will be needed as a consequence of this initiative (Figure 1). The existing NT Framework will ultimately be retired upon the finalization and phase-in of the FINZ Standard (at the earliest six months after the publication of the FINZ Standard Version 1.0).

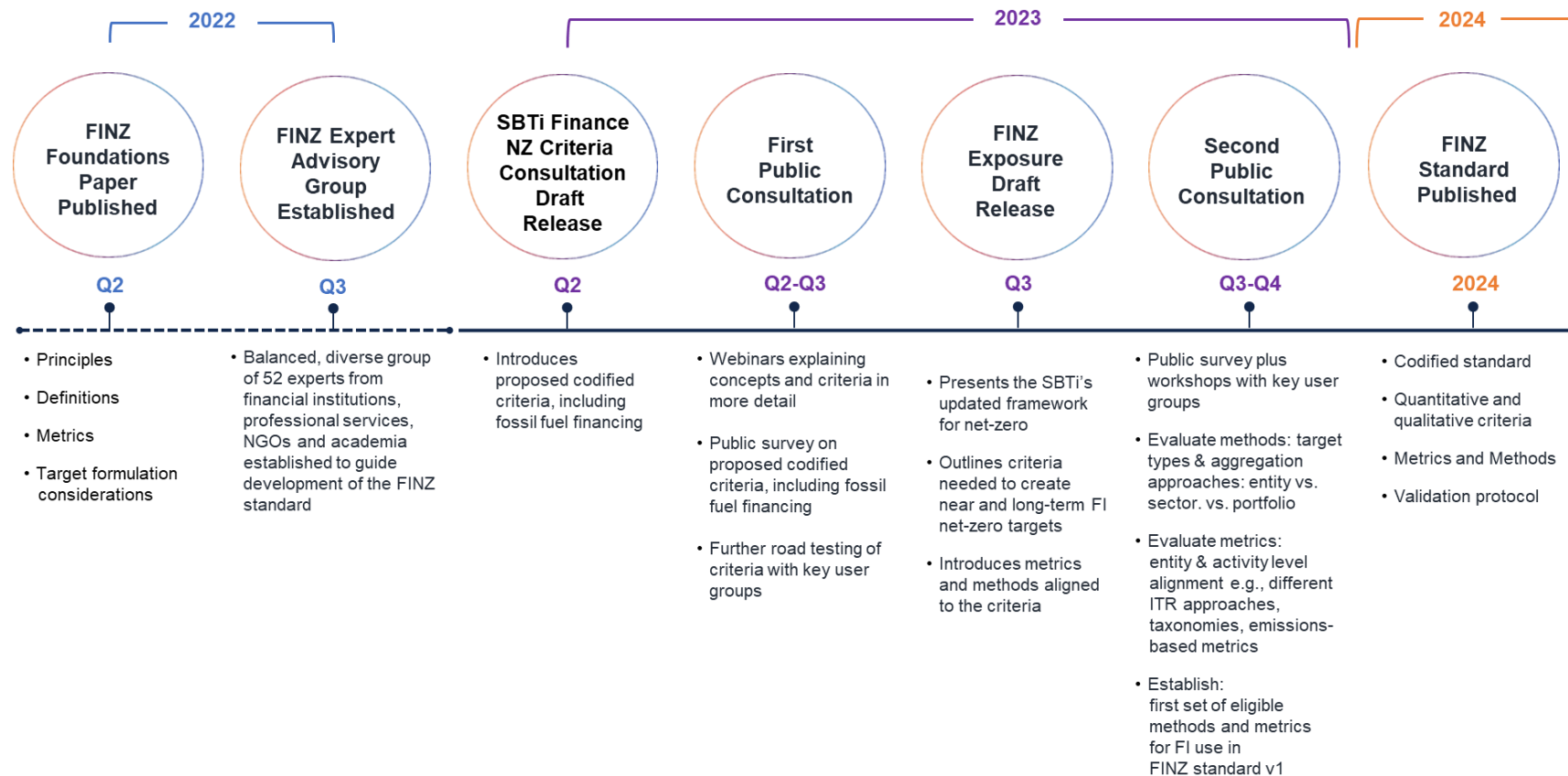
Figure 1. The dual purpose of the FINZ Standard



1.3. Consultation Process

Following its publication, this Consultation Draft is now open for a 60-day public consultation period. During this period, the SBTi plans to host webinars to discuss the contents of the Draft and, with a selected range of stakeholders, conduct further “road testing” of the criteria. Additional elements of the Standard, including metrics and method development, will continue to be worked on during this period, with input from the EAG. This work, together with synthesized feedback from the Consultation Draft survey and consequent amendments to the criteria, will form the basis of an Exposure Draft. As outlined below in Figure 2, it is anticipated that this draft will be issued in Q3 2023. This will be followed by a further (30-day) consultation period, together with webinars and public workshops to further inform and seek input on these concepts prior to the anticipated publication of Version 1 of the FINZ Standard (see Figure 2 below).

Figure 2. Tentative milestones in the development of the FINZ Standard and the proposed timeline for its publication

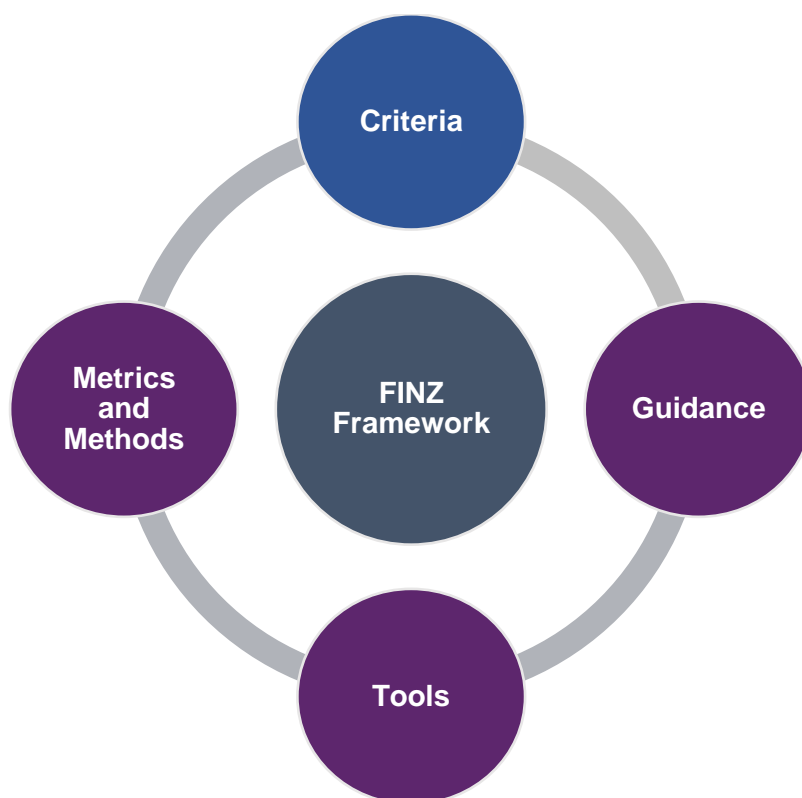


Note: The provided timeline is tentative and subject to potential changes and revisions.

1.4. FINZ Framework Components

The FINZ framework will consist of normative (rules-based criteria - the subject matter of this Draft) and non-normative (methods and guidance for implementation) elements that are required for FIs to set comprehensive near- and long-term targets. Additional guidance on transition finance and financing of the green economy will be added over time as the SBTi incorporates a broader set of alignment metrics into the framework. The components of the FINZ Standard are summarized in Figure 3 below.

Figure 3. The key elements of a FINZ Framework



By following a rigorous consultation process, including consultation survey, further road-testing and webinars, the SBTi intends to gather detailed feedback to inform and prioritize next steps towards the development of the FINZ Standard. A three-step process is being followed. This document represents step 1 and focuses on introducing the conceptual framework and initial high-level criteria when establishing net-zero targets. This consultation will inform a more complete draft of the Standard which will include codified requirements and target-setting methods.

Figure 4. The FINZ development process

Step 1: Consultation Draft

- Introduces conceptual framework for near and long-term targets
- Establishes key target components including coverage, portfolio alignment, portfolio emissions, and portfolio neutralization, among others
- Proposes minimum target setting requirements

Step 2: Exposure Draft

- Establishes a set of alignment metrics and target setting methods
- Codifies target setting criteria based on feedback from Step 1

Step 3: FINZ Standard v1

- Final set of criteria and methods
- Target validation protocol
- Tools and guidance to implement the standard

1.5. How to Read the Document and Submit Feedback

The document begins with background on the conceptual framework developed by the SBTi for setting near- and long-term targets, which outlines key definitions, outcomes, and target components. A detailed set of criteria is then presented on each of the key target components. Each section begins with an overview and introduction to how and why criteria are being established. Next, the draft criteria are presented in table form in the section, with a column used to provide additional context. Finally, a set of Consultation Questions are shown at the end of each section for readers to provide input via the [feedback survey](#).

2. THE CONCEPTUAL FRAMEWORK

2.1. Defining Net-Zero for FIs

FIs differ from other economic actors: they provide finance and other services to the entities and activities that are responsible for generating GHG emissions, rather than having direct control over these emissions. Making financial flows consistent with a net-zero economy is at the center of target-setting for the financial sector. To achieve a net-zero economy, absolute GHG emissions must be reduced by approximately 90% from 2020 levels by 2050, with the remaining residual emissions being balanced by permanent GHG emission removals (SBTi, 2021). Through the alignment of its own portfolio, an FI must reach a state where its financing does not contribute to the accumulation of GHGs in the atmosphere and deliver its fair share of the emissions reductions and removals required to be consistent with 1.5°C pathways. While ensuring portfolios also reach a state of net-zero emissions is important, achieving this by simply decoupling the portfolio from the real economy will not be sufficient for supporting the wider economic transformation. Net-zero targets must therefore include both clearly defined **portfolio alignment** goals and portfolio **GHG emission reduction** goals. As explained in the FINZ Foundations paper, this objective implies two conditions:

1. **Achieve net-zero aligned financial flows:** by aligning all financial flows with pathways that limit warming to 1.5°C with no or low overshoot.
2. **Reach net-zero emissions:** through neutralizing the impact of residual portfolio emissions by permanently removing an equivalent volume of atmospheric CO₂.

Being consistent with the global net-zero goal should therefore not simply mean being focused on reducing exposure to emissions over time to reach net-zero portfolio emissions, but to contribute to global net-zero goals by ensuring a greater share of portfolio holdings are aligned to 1.5°C pathways over time.

2.2. Desired Outcomes of the FINZ Framework

FIs have a unique ability to contribute to the transition to a low emissions economy by focusing their efforts on financing and facilitating the activities that help reduce total emissions in the real economy. This FINZ framework focuses on 3 key outcomes necessary for the finance sector to contribute towards climate stabilization (Box 1): stop financial flows that support the development of new high-emitting assets; focus efforts on decarbonization of existing portfolio holdings through transition financing; and support the growth of net-zero aligned activities. Credible, robust, and science based net-zero targets established by financial institutions must ensure that these three components are clearly addressed and incentivized via criteria and metrics.

Box 1: Key components for financial sector 1.5°C alignment

Decarbonize existing activities: Financial institutions incentivize, engage, and enable the decarbonization of their portfolio emissions, which should include the managed phase down and phaseout of high emitting assets.

Stop financing further development of high emitting assets: Financial institutions stop financing and facilitating activities that will increase emissions in the future and that are not consistent with limiting global warming to 1.5°C. This means halting the creation of new stocks of carbon-emitting assets that cause carbon lock-in.

Support the growth of a net-zero aligned economy: Financial institutions support the growth of a net-zero aligned economy through the provision of financial services.

Using these components, net-zero targets are formulated by evaluating portfolios to identify: 1) what activities should not be financed e.g. new fossil fuel assets; 2) what activities should be financed and promoted e.g. climate solutions such as renewable electricity generation and carbon removal; and 3) what activities should be financed under certain conditions (e.g., entities and activities who need finance to transition and have signaled their intention to decarbonize).

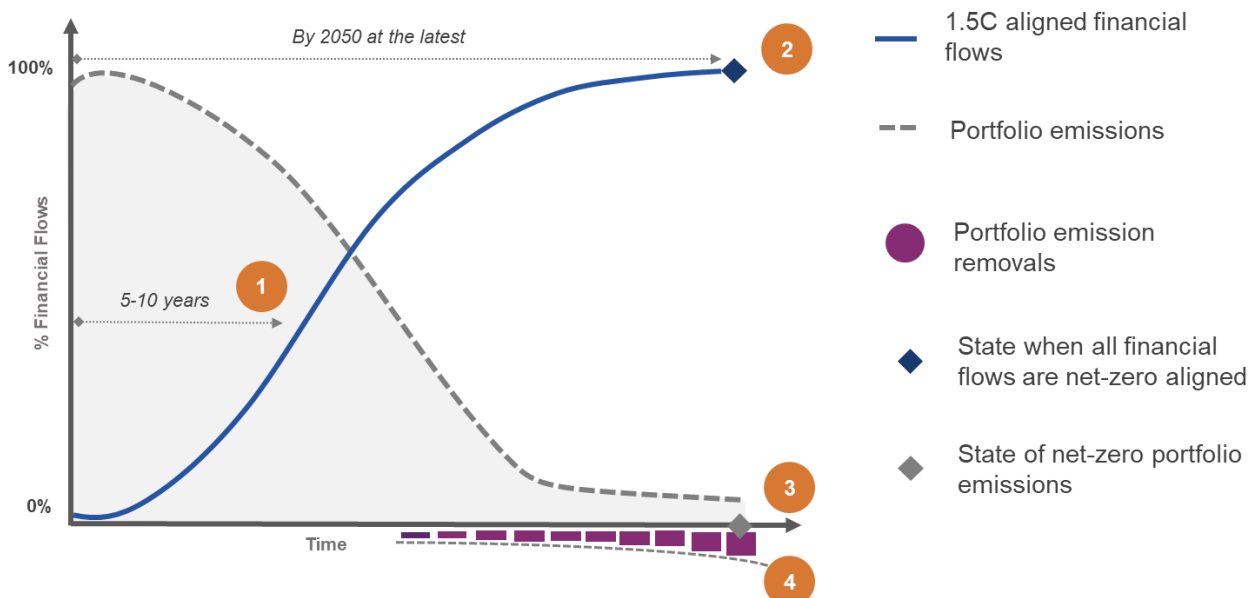
This Consultation Draft aims to define the criteria necessary to ensure a transition of FI portfolios to a position where all financial flows are consistent with 1.5°C with low/no overshoot pathways. These actions form the foundation of the FINZ target-setting framework to enable FIs to set targets that are aligned with climate scenarios and allow an ex-post evaluation of FIs' contribution to real economy emission reductions.

2.3. The FINZ Target-setting Framework

The FINZ framework defines both the end-state requirements of what constitutes a net-zero portfolio and the interim steps required to ensure that FIs reach that state in a manner consistent with 1.5°C low/no overshoot pathways. A portfolio alignment approach is being proposed to ensure that both near- and long-term targets can directly support the goals of the Paris Agreement and incentivize FIs to not simply reduce exposure to emissions but rather focus supporting emissions reductions in the real economy.

Figure 5 below demonstrates the portfolio alignment and portfolio emissions pathways that reach the long-term net-zero state. There are four key elements that make up an FI net-zero target, as depicted in Figure 5. These elements only refer to an FI's portfolio (i.e., Scope 3 Category 15) and not the FI's operations or supply chain (i.e., Scope 1, 2 and 3 (1-14)), plus Beyond Value Chain Mitigation.

Figure 5 Key elements of net-zero target-setting



1 Set near-term science-based targets:

5-10 year alignment targets, to increase the share of financial flows that are aligned to 1.5°C pathways. Near-term targets must be consistent with the milestones required in the real economy and focus on increasing the alignment of all financial flows over time in a manner consistent with 1.5°C ambition.

2 Set long-term science-based targets:

Targets to reach a point where all financial flows are net-zero aligned by no later than 2050. These targets drive long-term business planning and show the extent to which portfolios must be net-zero aligned to be consistent with the global goal of reaching net-zero emissions by 2050 or sooner.

3 Reduce portfolio emissions to residual levels:

Achieving long-term net-zero alignment targets will mean portfolio emissions are brought down to near zero levels by 2050. As a result of near- and long-term alignment targets, portfolio emissions need to be reduced over time to a residual level.

4 Neutralize residual portfolio emissions:

Residual GHGs released into the atmosphere when the FI has achieved their long-term targets must be counterbalanced through the permanent removal and storage of carbon from the atmosphere. FIs must ensure these residual emissions are neutralized to reach net-zero emissions at the portfolio level and achieve a state of zero impact on the climate from GHG emissions.

Portfolio alignment can be considered a **leading indicator**, driving the action needed in the real economy, with portfolio emissions being a **lagging indicator**, representing the emissions reduction being achieved from having more aligned portfolios. Portfolio alignment indicators must capture and incentivize the change needed in the real economy, both in terms of transition of existing activities and the growth of net-zero aligned activities.

The FINZ target-setting framework is primarily based on FIs using a portfolio alignment pathway, with the targets being designed to incentivize real economy and not “paper decarbonization” (i.e., reducing exposure to emissions through divestment or portfolio shifting). Emissions exposure metrics can be helpful to understand the status of the portfolio relative to its long-term destination of net-zero emissions, but these metrics should not be used to drive decisions in the near-term. Table 1 provides a summary of the alignment and emissions components needed for near and long-term targets.

Table 1. Overview of near and long-term target components

	Near-term	Long-term
Portfolio alignment	<p>FIs target a growing share of their portfolios to align with relevant 1.5°C pathways and support growth of net-zero aligned activities.</p> <p><i>Example: FI targets that X% of its portfolio holdings are on a credible 1.5°C pathway by 2030.</i></p>	<p>FIs target a long-term state where all of their portfolio holdings are net-zero aligned i.e., the entities and activities in their portfolios are operating at net-zero performance levels.</p> <p><i>Example: FI targets that Y% of its portfolio holdings have reached a net-zero state by 2050.</i></p>
Portfolio emissions	<p>Emissions exposure may be tracked and addressed with absolute or intensity-based targets for specific parts of the portfolio. Overall portfolio emissions may not be reduced at 1.5°C levels given that the goal of the FINZ framework is to finance the wider economy transition which may even result in short-term increases in exposure to high GHG emitting activities.</p> <p><i>Example: FI targets to reduce the emissions intensity of all financial flows to the power sector to X t CO₂e/MWh financed by 2030.</i></p>	<p>For FIs to make net-zero claims, targets must also address the long-term goal of reaching net-zero emissions in their portfolios. This includes both a long-term emissions target and portfolio neutralization element.</p> <p><i>Example: FI targets to reduce absolute portfolio emissions to residual levels and neutralize all remaining portfolio emissions to reach net-zero by 2050.</i></p>

Establishing clear and robust portfolio alignment criteria requires a deeper understanding of what it means for a portfolio to transition in a manner that can be considered 1.5°C aligned, which relies on

clear definitions of what alignment means at the entity and activity level. This consultation draft focuses on both the degree of alignment at the portfolio level and the definition of alignment at the underlying portfolio entity/activity level:

- **The degree of alignment over time.** The rate at which different asset classes and their constituents need to be aligned to 1.5°C pathways is a key determinant of the ambition of an FI target. Different asset classes can have varying levels of climate relevance depending on their characteristics and significance within an FI portfolio.
- **The definition of alignment.** The concept of alignment changes over time to reflect the actions needed at various points in the transition. Clear definitions are needed to determine the alignment of different entities and activities being supported with the FI's financial services. Alignment definitions and metrics must differentiate between entities who have a 1.5°C ambition versus those that are credibly transitioning along 1.5°C pathways. While 1.5°C forward-looking alignment targets of portfolio companies are important now, they will become less so in the future, as 1.5°C performance (i.e., demonstrating decarbonization in line with 1.5°C pathways) will become the key alignment metric of transition in the real economy.

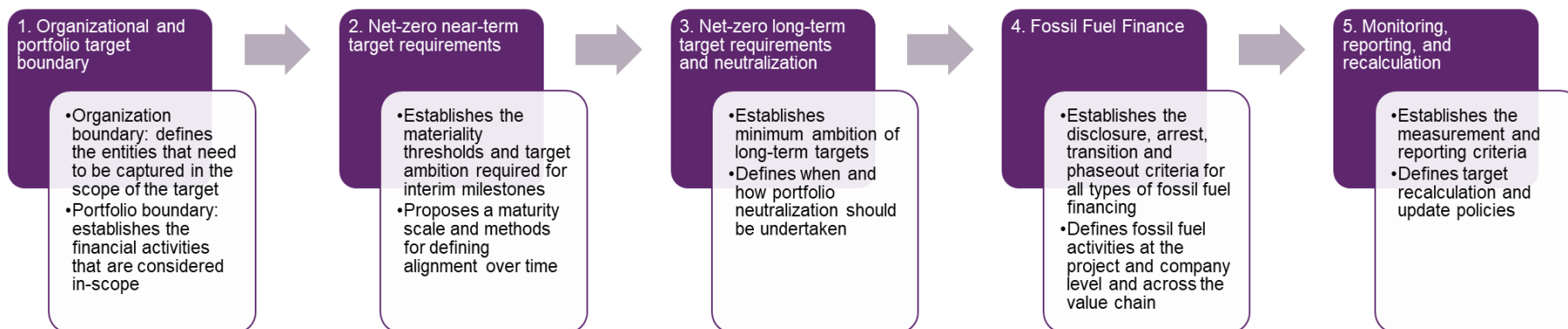
A number of approaches are introduced to define what should count as 1.5°C alignment over time, with criteria being established to define ambition on the degree and type of alignment required for near-term targets and long-term net-zero targets.

3. THE PROPOSED SBTI FINANCE NET ZERO HIGH-LEVEL CRITERIA AND RECOMMENDATIONS

3.1. Criteria Organization

The SBTi's FI Net-Zero Criteria aim to ensure that net-zero targets, which are commitments to reach a state of no impact on the climate from GHG emissions, are consistent and robust. Criteria are established as the quantitative and qualitative indicators to guide the formation and assessment of net-zero targets. The criteria are split across 5 key sections, set out in Figure 6 below, each addressing key components required to set credible net-zero targets.

Figure 6. The five sections of the FINZ Criteria



The first section lays out the overarching criteria that ensure FIs account for all relevant emissions within their organizational boundaries. This includes establishing a clear portfolio target boundary and a baseline against which near- and long-term targets are set. Section two lays out the requirements for FIs to have near-term science-based targets and the specific components that they should address. This section represents the minimum requirements for FIs to ensure their near-term targets are consistent with the milestones required to reach net-zero emissions following 1.5°C with low/no overshoot pathways. The third section addresses “how much” financial flows need to be aligned in the long-term and the criteria for neutralizing unabated portfolio emissions with carbon removals. These criteria establish the minimum requirements for any FI to reach a state of net-zero emissions and make final net-zero claims. Section four details separate criteria on fossil fuel finance that apply across different timeframes and establish the minimum requirements expected when it comes to the disclosure, arrest, transition, and phase out of such finance. The final section, “Monitoring, Reporting and Recalculation”, specifies official target wording that must be publicly available, plus measurement and reporting requirements, in addition to the conditions that trigger a mandatory target recalculation.

Proposed criteria in each section take a variety of forms. Further components of the FINZ framework are being developed to complement these criteria, including metrics and methods that can be used to evaluate the net-zero alignment of different financial activities for an FI to track progress against their targets.

3.2. Structure

Each of these five sections contains three elements to guide the reader:

1. **Conceptual framework and technical rationale** – an overview of key concepts and technical elements required for different target components, outlining the background for establishing the requirements.
2. **Proposed Criteria** – the proposed minimum requirements to establish net-zero targets, with descriptions and options for their implementation. Some sections propose multiple options for different criteria, on which public feedback is needed.
3. **Consultation Questions** – consultation questions relating to the specific criteria on which public feedback is sought.

3.3. Terminology

This document uses precise language to indicate requirements, recommendations, and accepted options that FIs may use. The terms “shall” and “must” in the criteria are used to indicate what is required for targets, whereas the term “should” or “may” is used to indicate a recommendation but not a requirement. The letter “C” preceding a number indicates a criterion and the letter “R” preceding a number indicates a recommendation. Criteria in yellow highlight are linked to Consultation Questions, which are included at the end of each section. An example is shown in Table 2 below:

Table 2. Example table of draft criteria and description

Topic	Criteria	Description	Rationale
Criterion where feedback is not requested	FINZ-C	Draft criteria text	Overview and rationale for proposing the criteria. Practical examples and supporting information if needed.
Criterion where feedback is requested on proposed text via Consultation Questions	FINZ-C	Draft criteria text	
Criterion where 2-3 options are provided for feedback via Consultation Questions.	FINZ-C	Option A. Draft criteria text A Option B. Draft criteria text B	
Recommendation only	FINZ-R	Draft recommendation text	

Feedback on recommendations and other aspects of this Draft is also welcomed during the consultation period.

4. ORGANIZATIONAL AND PORTFOLIO BOUNDARIES

4.1. Background and Key Concepts

FIs play an important role in supporting the economy and achieving climate stability through a wide range of financial activities. These activities, to a certain extent, result in what can be categorized as financed and facilitated emissions (as defined in Box 2). An FI's net-zero target is only credible if it seeks to address all the emissions it finances and facilitates. The first step in establishing a net-zero target is to determine the various boundaries that need to be defined to ensure FIs are addressing all of their financed and facilitated emissions.

4.1.1. Financed and Facilitated Emissions

There are two types of boundaries that can be defined within any net-zero target: the organizational and the portfolio target boundary.

Organizational Boundary: a financial institution should define its organizational boundary by selecting a single consolidation approach based on a range of institution-considerations. The chosen consolidation approach should be applied consistently its institutional structure.

After selecting an **organizational boundary**, a financial institution distinguishes between its direct (scope 1 and 2) and indirect emissions (scope 3). The SBTi Corporate Net-Zero Standard addresses how to establish net-zero targets for scope 3 category 1-14 GHG emissions. For scope 3, category 15 emissions, the [Greenhouse Gas Protocol \(GHGP\) Corporate Value Chain \(Scope 3\) Standard](#) only the emissions measurement of corporate debt holdings with known use of proceeds. framework here goes beyond this requirement and therefore expands the minimum coverage of scope 3, category 15. The SBTi intends to expand on the definition of

Box 2: Defining financed and facilitated emissions

Financed emissions: emissions from an FI's financial flows using its own funds for *lending to or investing in* equity or debt, such that the loans or investments are accounted for as an asset on its balance sheet.

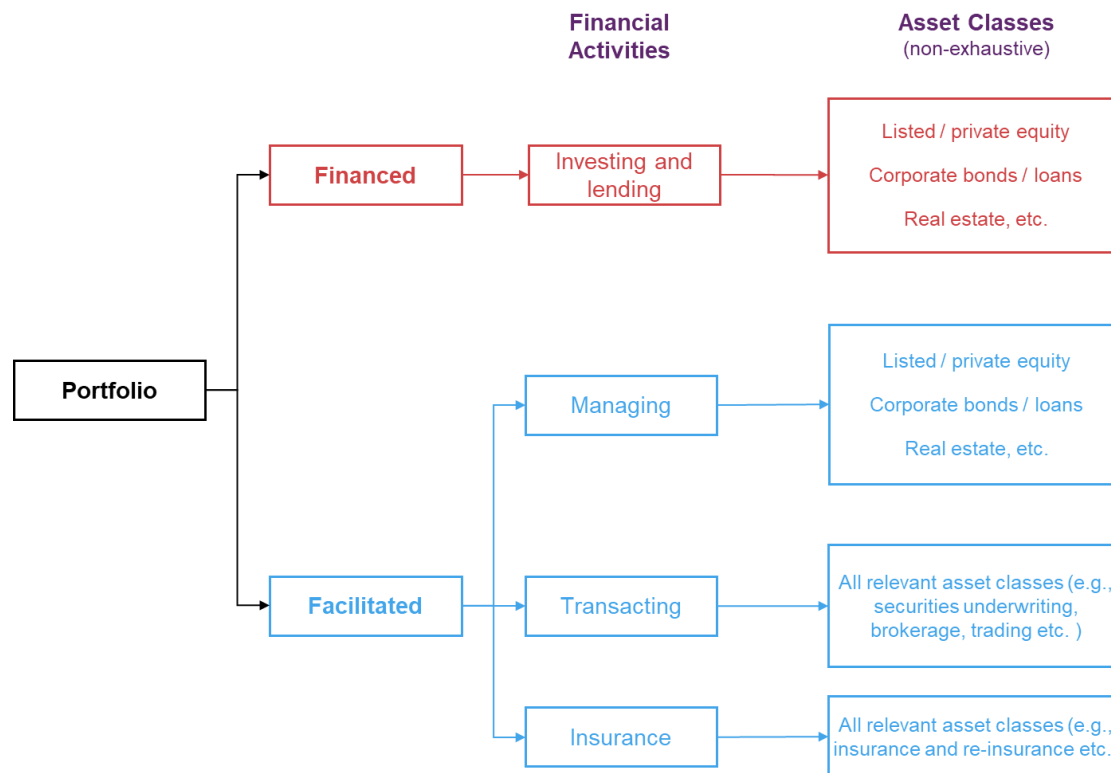
specific
across

Facilitated emissions: emissions associated with activities that in some way assist in the financing of companies, projects, or other actors or activities that results in emissions e.g., insurance or reinsurance services, providing access to financing through the capital markets, or provide other financial services to mitigate operational risk and/or make a corporate venture economically feasible. These are emissions that may not be directly connected to an investment/loan that is on the balance sheet of the FI.

1+2 and
requires
The

facilitated emissions proposed by the Partnership for Carbon Accounting Financials (PCAF, 2022a), to cover a broader range of emissions that are facilitated through the services provided by a financial institution (e.g., [capital markets](#) and [insurance underwriting](#) activities). This broader view on coverage is termed “scope 3 category 15+” in this Draft. Scope 3 category 15+ represents all financial activities, both on and off-balance sheet, that fall within the FI’s chosen organizational boundary.

Figure 7. Financial activities and asset classes



Portfolio Target Boundary (scope 3 category 15+): this boundary includes all “in-scope” financial activities undertaken by a financial institution. The activities deemed to be “in-scope” are defined using a series of Coverage Principles outlined in 4.1.2 below that should be addressed for an FI to meet its long-term net-zero target.

The SBTi intends for an FI’s Portfolio Target Boundary, ultimately, to include all traditional financing activities as well as the broader scope of facilitation and other activities that financial institutions regularly engage in – capital markets activities, insurance, and third-party asset management, etc.

The term “financial activities” is used to refer to a group of activities that may be composed of several underlying asset classes. For example, financed emissions are primarily the result of investing and lending activities, which is made up of several underlying asset classes such as listed equity, corporate loans, project finance, etc. Figure 7 provides an example of how financial activities can be categorized for the FINZ framework. This categorization is necessary to properly account for the expanded range of activities that are expected to be covered eventually by net-zero targets.

These boundary definitions build on the GHG accounting and reporting principles from the [GHG Protocol ‘Corporate Accounting and Reporting Standard,’](#) [GHG Protocol ‘Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard,’](#) and [PCAF’s ‘Global GHG Accounting and Reporting Standard.’](#) Best practices for organizational and portfolio boundaries accounting, and asset class and activity-specific accounting from the GHG Protocol and PCAF, should be referenced when translating GHG inventories into target boundaries. The SBTi seeks to harmonize its boundary approaches to be consistent with the evolution of best-practice GHG accounting standards such as GHGP and PCAF.

4.1.2. Establishing the Portfolio Target Boundary: the SBTi Coverage Principles

The SBTi has defined guiding principles that underpin how it views the roles of FIs and the financial activities that FIs should address in their net-zero targets. **Financial activities where both Coverage Principles apply are considered “in scope” for the purposes of the Portfolio Target Boundary.** This principles-based approach will also guide the SBTi in determining which financial flows within Scope 3 Category 15+ it will prioritize for inclusion within the Portfolio Target Boundary going forward. Box 3 presents an overview of the Coverage Principles.

The Coverage Principles are designed as a more holistic approach to establishing which financial activities should ultimately be in the Portfolio Target Boundary. All financial activities over which the FI has a) influence; and b) on which a credible target-setting method exists, can and should be addressed under the net-zero target. **The Portfolio Target Boundary may, therefore, increase with the evolution of GHG accounting standards and target-setting methods.**

Influence

FIs do not typically control the activity/exposure underpinning a financial asset. Therefore, the influence principle delineates a set of driver categories which describe an FI's ability to act as gatekeepers of capital/financial services and influence other actors to reduce their GHG emissions. Two primary drivers are established:

- **Direct influence** where the FI has control through its legal position, e.g., as a shareholder with voting and/or control rights over a company or an asset.
- **Indirect influence** where the FI has other means of influence, such as:

Box 3. Coverage Principles

SBTi Coverage Principles are used to determine which financial activities and asset classes should be considered “in-scope” within the portfolio target boundary for near-term and long-term net-zero targets.

Method availability: A credible GHG accounting framework and associated target setting method must exist for a financial flow to be in-scope. Not all financial flows currently have a credible science-based method for target-setting.

Influence: The degree of direct or indirect influence the FI can exercise over the underlying GHG emissions linked to a financial flow. If an FI has any influence over a financial flow, it should be considered in-scope.

- Engagement, e.g., promoting a corporate emissions reduction strategy to the management,
- Pricing, e.g., differentiated pricing depending on an asset/activity's emissions profile,
- Covenants, e.g., incorporate GHG emissions targets into loan agreements.

FIs can use these influence drivers to effect change in portfolio assets and activities' emissions as part of the transition to net-zero.

Method Availability

Beyond FI influence, suitable methods for target-setting may not be available, reducing an FIs' ability to include such activities and assets in their portfolio target boundary. To define what constitutes a suitable method, the SBTi is developing a set of meta-criteria (see Section 5.1.2.3.) to evaluate methods and approaches for inclusion in the near- and long-term framework for target-setting.

Both the method and influence principles will be used to determine the in-scope financial activities and asset classes. Method availability is the primary driver of inclusion as, regardless of influence, only activities where credible methods exist can be included in the portfolio target boundary. The influence principle is critical to better defining which types of activities should be included. For example, there are ongoing debates about if and how specific activities like advisory or execution-only mandates, passive funds and some forms of sovereign debt, among others, can be addressed within the scope of an FI net-zero target. In addition, while the influence principle is binary in nature, the different degrees of influence will also play an important role in selecting which methods are appropriate for the given financial activity. The type of influence may ultimately dictate the type of method that should be employed.

4.1.3. Financial Activities and Asset Classes In-scope

Table 3 provides an overview of the financial activities under consideration and how the coverage principles will be applied. The scope of financial activities has been derived from evaluating the financial assets typically held by different types of financial institutions e.g., banks, asset owners, asset managers, and insurance companies. The SBTi has considered the assets and activities identified by the Net Zero Banking Alliance (UNEP 2021, UNEP 2022a), Net Zero Asset Owners Alliance (UNEP, 2023a), Net Zero Asset Managers initiative (NZAMi, 2021), and the Net Zero Insurance Alliance (UNEP 2023b) among others, as being relevant to the different types of institutions. These activities will form the basis of identifying the portfolio target boundary but may be expanded in future with the evolution of accounting standards and target-setting methods. The three-step process outlined in Table 3 provides transparency on the range of financial activities under consideration, and the required activities that should be included within the portfolio target boundary.

Please note, a final list of the in-scope financial activities has not been defined for this draft. The SBTi expects to include all currently “required” and “optional” asset classes, as established in the NT Framework, within the scope of the FINZ portfolio target boundary.

Table 3. Application of a principles-based approach to define target boundaries and direct action

1. Scope of financial activities	2. In-scope activities for the portfolio target boundary	3. Defining minimum coverage thresholds and materiality constraints
<p>Current list of financial activities under consideration</p> <ul style="list-style-type: none"> • Debt (corporate, consumer, residential mortgages, sovereign) • Equity (public / private) • Real Estate • Project finance • Asset-backed financing • Securitized fixed income instruments • Cash and cash equivalents • Derivatives • Brokerage activities • Advisory • Capital market activities (structuring and advisory on debt and equity instruments) • Insurance activities (insurance, reinsurance, and insurance brokerage) • Asset management 	<p>The SBTi will evaluate a broad range of financial activities as part of the FINZ framework. It is expected to at least include all existing activities which are currently covered by the SBTi (see Table 5.2 (SBTi, 2022a)):</p> <ul style="list-style-type: none"> • Residential mortgages • Electricity Project finance • Corporate loans (including short term debt and small and medium enterprises [SME] lending) • Listed Equity • Fund of Funds • Corporate bonds • Real Estate • Private equity and debt 	<p>The SBTi is proposing a number of options for addressing the materiality and relevance of asset classes within the portfolio target boundary.</p> <p>By performing an emissions inventory across different financial activities, FIs can determine which asset classes need to be addressed by their targets to ensure a growing share of financial activities are aligned over time.</p>

4.2. Organizational Boundary Criteria

This set of criteria provides information on how organizational boundaries should be constructed for the purpose of establishing net-zero targets. This includes both the scope emissions across the entity, considering both operational scope 1 and 2 GHG emissions, value chain emissions defined by scope 3 category 1-14, and portfolio emissions (i.e., scope 3 category 15+). The SBTi Corporate Net-Zero Standard already defines the ambition, coverage, and timeframe guidance for all near- and long-term targets for non-portfolio emissions and is referenced here to ensure consistency between the Standards being used by those defined by the SBTi as financial institutions and those companies operating in other sectors.

Table 4. Organizational boundary draft criteria and description

Topic	Criteria	Description	Rationale
Organizational Boundary	FINZ-C1	Financial Institutions should submit targets only at the parent or group level, not the subsidiary level. Parent companies must include the emissions of all subsidiaries in their target submission, in accordance with the boundary criteria outlined below. In cases where both parent companies and subsidiaries submit targets, the parent company's target must also include the emissions of the subsidiary if it falls within the parent company's organizational boundary given the chosen inventory consolidation approach.	For transparency and communication purposes, FIs should establish a net-zero target that addresses all emissions financed and facilitated by their group entities, including owned assets and assets managed on behalf of third parties. FIs must select a single GHGP consolidation approach (operational control, financial control or equity share) to determine its organizational boundary.
Setting Organizational Boundaries	FINZ-R1	An FI's organizational boundary, as defined by the GHGP Corporate Standard, should be consistent with the organizational boundary used in the FI's financial accounting and reporting procedures.	To enable better understanding of the scope of the financial activities that are included within the chosen organizational boundary, FIs should use the same boundaries for their emissions and target-setting as used for financial accounting.
Scope 1 and 2 GHG Emissions	FINZ-C2	FIs shall follow the SBTi Net-Zero Corporate Standard when establishing targets for scope 1 and 2 GHG emissions. FIs shall adhere to all "General Criteria" outlined in Section 7.2 of the SBTi Corporate Net-Zero Standard.	For their own operations, FIs are treated like companies in all other sectors and shall follow standard corporate net-zero criteria when addressing their scope 1 and 2 GHG emissions. The corporate net-zero criteria ensure that the ambition of both the near and long-term targets being established by FIs to cover their scope 1 and 2 emissions will be 1.5°C aligned.

Scope 3 GHG Emissions (category 1-14)	FINZ-C3	<p>Option A: FIs shall adhere to the SBTi Net-Zero Corporate Standard criteria and guidance when establishing targets for Scope 3 category 1-14 GHG emissions, including coverage, methods, and ambition criteria. Category 1-14 shall be addressed with separate targets regardless of its emissions magnitude relative to category 15+ (portfolio emissions).</p> <p>Option B: FIs shall determine the materiality of category 1-14 relative to cat 15. At least 67% of scope 3 emissions shall be covered, whether category 1-14 and/or category 15+.</p>	<p>Scope 3 category 1-14 emissions typically represent a very small portion of an FI's overall scope 3 emissions, with CDP estimating that Scope 3, category 15 financed emissions are 700 times greater than scope 3 category 1-14 emissions (CDP,2020)</p> <p>Option A ensures that FIs must always address their scope 3 category 1-14 emissions separately, regardless of their significance relative to their portfolio emissions. Option B, however, enables FIs to determine the materiality of scope 3 category 1-14 emissions relative to category 15+. If the emissions captured by an FI within its Portfolio Target Boundary (see below) represent 67% or greater of its <i>total</i> scope 3 emissions, then it need <i>not</i> disclose separate scope 3 category 1-14 emission targets.</p>
--	----------------	--	--

4.3. Portfolio Target Boundary Criteria

These criteria establish the types of financial activities that should be considered “in-scope” for net-zero targets. The portfolio target boundary is expected to increase over time with the evolution of accounting standards and target-setting methods, which will add to the list of in-scope activities. The portfolio target boundary provides the baseline for FIs setting targets and acts as the reference point for all indicators to be assessed and improved upon. To meet its long-term net-zero target, all in-scope financial activities defined within the portfolio target boundary should ultimately be net-zero aligned and result in net-zero emissions by 2050 at the latest. These criteria address both the categorization of different financial activities, and the phasing requirements of how additional financial activities should be incorporated over time into the portfolio target boundary.

Table 5. Portfolio target boundary draft criteria and description

Topic	Criteria	Description	Rationale
Portfolio Target Boundary	FINZ-C4	FIs shall establish a portfolio target boundary that includes all financial activities deemed “in-scope”, summarized in Table 3.	An FI's net-zero target is only credible if it seeks to address all the emissions it finances and facilitates. The portfolio target boundary for an FI is established by the SBTi using the Coverage Principles. They ensure the inclusion of any financial activity where an FI has influence and a suitable alignment method exists.

			A list of “in scope” activities will be incorporated into the FINZ framework. It is expected to cover all currently required or optional activities including lending (residential mortgages, corporate loans, project finance), and investment activities (corporate bonds, listed and private equity, private debt).
Greenhouse Gases Covered	FINZ-C5	Targets must cover all seven GHGs or classes of GHGs set by the United Nations Framework Convention on Climate Change (UNFCCC) Kyoto Protocol: carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF ₆), and nitrogen trifluoride (NF ₃) and should also include gases covered under the Montreal Protocol.	In line with best practice set out by the GHGP’s Corporate Standard, all Kyoto Protocol gases are required.
Portfolio Target Boundary Information	FINZ-C6	<p>FIs shall disclose contextual information necessary to understand how the portfolio target boundary has been established, including:</p> <ul style="list-style-type: none"> Share of financial activities included in the portfolio target boundary relative to all financial activities in the organizational boundary. The financial metric used to quantify this share e.g., AUM, on-balance assets, loan value, etc. Share of portfolio target boundary financial activities where emissions have been quantified. Emissions estimated per financial activity/asset class. Quality of the portfolio emission estimations using the PCAF quality score. 	<p>Information relevant to the establishment of the portfolio target boundary should be disclosed to understand the share of total financial activities that are currently captured within the scope of the targets.</p> <p>This can differ greatly across FIs, with some having a very high share of activities included, whereas others may have a low share if their financial services have not yet been addressed with suitable GHG accounting standards and/or target-setting methods (e.g., sovereign debt, derivatives, securitized products etc.).</p>
Portfolio Emissions Inventory Requirements	FINZ-C7	<p>As part of establishing an emissions inventory, FIs shall complete a scope 3 Category 15+ inventory for all in-scope financial activities within the portfolio target boundary, according to the minimum boundary of each financial activity set out by the relevant accounting standards. This shall include emissions for each in-scope financial activity.</p> <p>When establishing an emissions inventory, the FI shall:</p> <ul style="list-style-type: none"> Include Scope 1 and 2, for all portfolio holdings, and shall include Scope 3 for key sectors: automotive, oil and gas, and Forest, Land and Agriculture (FLAG). The emissions 	<p>Credible net-zero targets must be accompanied by a GHG emissions inventory for all in-scope financial activities. When establishing the emissions baseline within the portfolio target boundary, FIs shall follow the latest criteria and guidance of GHGP and PCAF. Emissions must be quantified across all in-scope activities where accounting standards exist. For transparency purposes FIs must report their financed and facilitated emissions separately and clearly identify the accounting methodology and assumptions used.</p> <p>FIs must quantify gross allocated emissions of portfolio companies and activities and should not include any emission reductions reported from the purchase of carbon credits by portfolio companies before</p>

		<p>inventory should where possible provide at least an estimate for the Scope 3 emissions for all other sectors.</p> <ul style="list-style-type: none"> • Not count the use of carbon credits purchased by portfolio companies. • Disclose financed and facilitated emissions separately. 	<p>companies have achieved levels of deep decarbonization established in the SBTi Corporate Net-Zero Standard.</p> <p>When establishing an emissions baseline within the portfolio target boundary, the FI may exclude a maximum of 5%, following the GHGP materiality considerations. The SBTi does not recognize emissions perceived to be “negligible” as a rationale for not reporting them. Even if emissions from certain financial activities or asset classes are perceived to be negligible, these emissions still must be estimated and reported in the reporting FIs portfolio GHG inventory.</p>
Portfolio Target Boundary Transparency and Quality	FINZ-R3	<p>Portfolio target boundary information established in Criterion C6 should:</p> <ul style="list-style-type: none"> • be subjected to limited third-party assurance (for all GHG emissions data); • be publicly available. 	<p>To enhance credibility and reliability of baseline data, it is recommended that all information required as part of C6 have at least a limited third-party assurance and be publicly available.</p>
Portfolio Target Boundary Expansion	FINZ-C8	<p>Option A: FIs shall update their targets to include additional financial activities/asset classes in the portfolio target boundary at the next target recalculation period or sooner.</p> <p>Option B: FIs shall update their targets to include additional financial activities/ asset classes in the portfolio target boundary within a 12-month period following the update of the SBTi resources to make the financial activity required.</p> <p>Option C: FIs shall update their targets to include additional financial activities/ asset classes in the portfolio target boundary within an 18-month period following the update of the SBTi resources to make the financial activity required.</p>	<p>FIs are expected to update targets on a regular basis and ensure their consistency with the latest SBTi criteria and guidance. As additional GHG accounting and target-setting methods are established for other financial activities (e.g., insurance underwriting, securities underwriting) and, hence, as more “in-scope” activities are added by the SBTi to the portfolio target boundary, FIs should update targets to incorporate these activities when relevant.</p> <p>As the net-zero claim must encompass all financial activities considered “in-scope”, the portfolio target boundary expansion criterion provides clarity on how additional asset classes/activities should be added over time. Option A would only require FIs to update targets based on their 5-year recalculation process whereas options B and C provide an independent timeline.</p>

4.4. Organization and Portfolio Boundary Consultation Questions

These questions are for reference only. If you wish to provide a response, please use the survey link in Section 1.5.

- 1) Currently in the SBTi finance NT framework, 3rd party asset management activities are optional for Banks. As part of FINZ C1, within net-zero targets, which approach do you believe is most appropriate for addressing asset management activities within Bank groups?
- 2) For FINZ C3, which of the proposed options for addressing scope 3 category 1-14 would you prefer?
- 3) For FINZ C7, how confident are you of being able to provide at least an emissions screening for all in-scope financial activities where GHG accounting standards have been developed. This includes financed emissions (investment and lending) and facilitated (e.g., insurance related activities)?
- 4) For FINZ C8, which of the proposed options do you think is most suitable for defining the boundary expansion process?

5. NET ZERO NEAR-TERM TARGET REQUIREMENTS

5.1. Background and Key Concepts

This section outlines the required criteria for setting near-term targets and focuses on the key target components, including the types of targets that need to be established, the ambition of those targets as well the options for establishing the boundary within and across different financial activities and asset classes.

5.1.1. Target-setting Boundaries and Climate Relevance

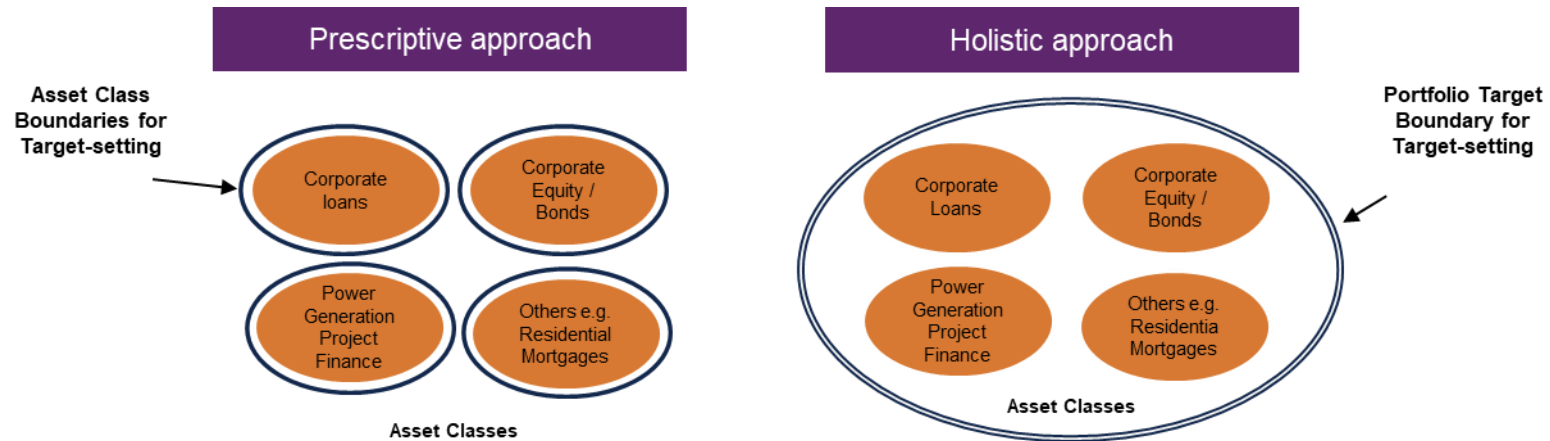
When establishing different targets at the portfolio level, two key questions must be answered to determine the scope and granularity of targets:

- 1) **How to establish target boundaries *across* different types of financial activities?** The FINZ framework aims to incorporate a range of different financial activities, from investing and lending to capital market activities and insurance underwriting. Different types of financial activities may be addressed with a series of different targets. The criteria establish how these targets should be designed and the level of transparency and disclosure required to understand which aspects of their portfolios are being targeted. The FINZ framework must define the acceptable level of aggregation across different types of financial activities e.g., whether on and off-balance sheet activities should be aggregated together for the purpose of defining target boundaries. The criteria proposed in this section address whether different financial activities should always be addressed with separate targets.
- 2) **How to establish target boundaries *within* financial activities?** A portfolio alignment approach to target-setting centers on increasing the alignment of all asset classes over time. Establishing how to increase this alignment over time first requires an understanding of the reference boundary against which the degree of alignment should be measured. In the NT Framework, the SBTi establishes near-term coverage and ambition requirements within each asset class but does not address the materiality of these asset classes relative to others in the portfolio. The FINZ framework will define the acceptable level of aggregation within different types of financial asset classes, and specifically whether targets should be set **per** required asset class or **across** all in-scope asset classes combined.

Figure 8 demonstrates the two key approaches available for establishing boundaries and targets. A “**prescriptive approach**” has traditionally been undertaken in the absence of portfolio emissions data. A list of required, optional, and out of scope activities are defined, with targets being established for all required activities according to the coverage thresholds defined within each asset class. While this provides clear guidance on which asset classes must be covered, it does not address the materiality of these asset classes relative to each other.

A “**holistic approach**”, which is set out in the criteria below, proposes that portfolio targets are established across all required asset classes. Rather than being required to establish separate and distinct targets aimed at each separate asset class, a holistic approach enables FIs to better identify and focus attention on the most climate relevant asset classes.

Figure 8. Prescriptive and holistic approaches for establishing target boundaries



Overview	Minimum coverage and ambition thresholds are established <u>within each</u> in-scope asset class. Minimum coverage required for each asset class irrespective of size or GHG emissions.	Minimum coverage and ambition thresholds are established <u>across all</u> in-scope asset classes. Portfolio target boundary established to enable focus on most climate relevant high GHG asset classes / sectors.
Boundary	Required, optional, and out of scope status is defined for each asset class.	All in-scope asset classes are considered required, but a portfolio target boundary is introduced to determine materiality and disclosure requirements.
Materiality	No materiality considerations, as a GHG inventory baseline is not required to establish targets. This means that FIs cover all required asset classes, irrespective of their materiality.	GHG inventory is required to be established for all asset classes to determine climate relevance. Within the portfolio target boundary, FIs only need to focus on most climate relevant asset classes to achieve near-term targets.

Disclosure	Targets are set and disclosed for all required asset classes.	Targets required at the portfolio target boundary level, with optional granular targets for key sectors/asset classes.
Examples	Follows the near-term target-setting framework with specific coverage thresholds, such as: 67% of commercial real estate lending, and 67% of other corporate lending, optional to set targets on residential mortgages and 100% of listed equity and corporate bonds must be covered.	FIs must address specific climate relevant activities (e.g., power generation, fossil fuels), and then ensure a growing share of total financed emissions across all in-scope asset classes are aligned by 2030, meaning the FI has more flexibility to target their most climate relevant assets.

The holistic approach relies on the concept of climate relevance to identify and prioritize action across in-scope asset classes. Different financial activities have varying levels of climate relevance depending on the underlying assets involved. Information on the financial activities in the portfolio should inform decisions on their prioritization for alignment. **The SBTi is proposing, in the criteria set out below, to establish alignment targets across all asset classes within the same financial activity, and not within specific asset classes, giving FIs more flexibility to prioritize their actions on the parts of their portfolio that are most material.** Ultimately, FIs are expected to align a growing share of their climate relevant asset classes over time, consistent with the ambition thresholds established across the near- and long-term target timeframes.

Climate relevance is based on two components:

- **The relevance of the underlying asset class/sector to the climate:** certain sectors are critical to the climate transition, regardless of their share in a portfolio relative to other holdings. For example, power generation and fossil fuel activities should always be addressed first by FIs, given their contribution to global emissions and their importance for the wider energy transition. In addition to the underlying assets, certain financial instruments are more climate relevant than others if they are directly linked to enabling the creation of new high emitting assets (e.g., project financing and corporate lending). These activities should always be regarded as climate relevant even if they represent a small share relative to other asset classes in an FI portfolio. Table 6 proposes a list of “mandatory” activities that should always be considered climate relevant.
- **The relevance of the underlying asset class/sector to the portfolio:** climate relevance is also a function of the emissions profile of a portfolio. A specific asset class may not be related to a climate-critical sector, but if it represents the largest share of an FI’s emissions then it

should be considered climate relevant to the FI. For example, a bank with a very large SME lending portfolio, where the majority of its financed emissions result from this lending, should always consider this asset class to be climate relevant. FIs need to focus their attention on the activities that are responsible for the largest share of their emissions footprint. This may be concentrated in a few sectors or a few asset classes or may be spread more evenly across a larger range of asset classes. However, while it's important that those activities responsible for the greatest share of portfolio emissions be addressed first, all financial asset classes within the portfolio will eventually have to be aligned to 1.5°C pathways to meet the long-term net-zero target requirements.

Establishing a portfolio emissions GHG inventory enables a clear assessment of the climate relevance across all in-scope financial activities. Table 6 summarizes which activities should always be regarded as climate relevant and “mandatory” to address in near-term targets.

Table 6. Proposed mandatory activities

Activity	Rationale/Description
Power generation (all financial activities)	Given the importance of power generation activities to both current global emissions, and the importance of low carbon power for a net-zero economy, all financial activities associated with power generation activities must be aligned within the scope of all targets.
Fossil Fuels (all financial activities)	The production, refining, distribution and use of fossil fuels is the primary driver of global emissions. As such, all financial activities associated with fossil fuel activities must be aligned within the scope of all targets. A complete overview of the definition of a fossil fuel activity and the value chain considerations are established in the SBTi's fossil fuel financing policy.
Commercial real estate lending	The real estate sector is also a significant source of global emissions, with buildings accounting for 33% of today's global CO ₂ emissions, after taking into account both operational emissions and embodied emissions (IEA, 2022). FIs often wield significant influence through lending and direct investment in commercial real estate (non-residential mortgage activities) and hence its activities in this sector should be regarded as climate relevant. Most financial institutions who have established portfolio targets to date do address commercial real estate lending, and therefore it is recommended to be considered mandatory.
Directly held real estate	
New financial flows that will [or can reasonably be expected to] support the creation of high-emitting assets (e.g., energy infrastructure, industrial	All other primary project finance (debt or equity) or facilitation of specific activities that result in the creation of new long-lived carbon emitting assets should be aligned within the first targets. This includes direct project financing of energy and industrial infrastructure, and other assets (e.g., ship financing) where the financial flow is being used to support the development of assets that enable emissions to be generated over the long-term.

infrastructure, etc. across all financial activities)

5.1.2. Ambition and Target-setting Methods

Under a portfolio alignment approach, ambition is defined in two ways, 1) the degree of alignment across all in-scope asset classes, 2) the type of alignment that counts over time. The degree of alignment relates to the rate at which climate relevant financial activities should be aligned over time e.g., this can be formulated as X% of climate relevant activities aligned by 2030, and Y% by 2040, with Z% of climate relevant activities being net-zero aligned by 2050. The climate relevance of the underlying assets is used as the indicator to establish ambition thresholds between the baseline and net-zero target year. The type of alignment over time addresses the question of what types of alignment metrics should be recognized at different points in the transition, and how this should be captured when defining ambition thresholds.

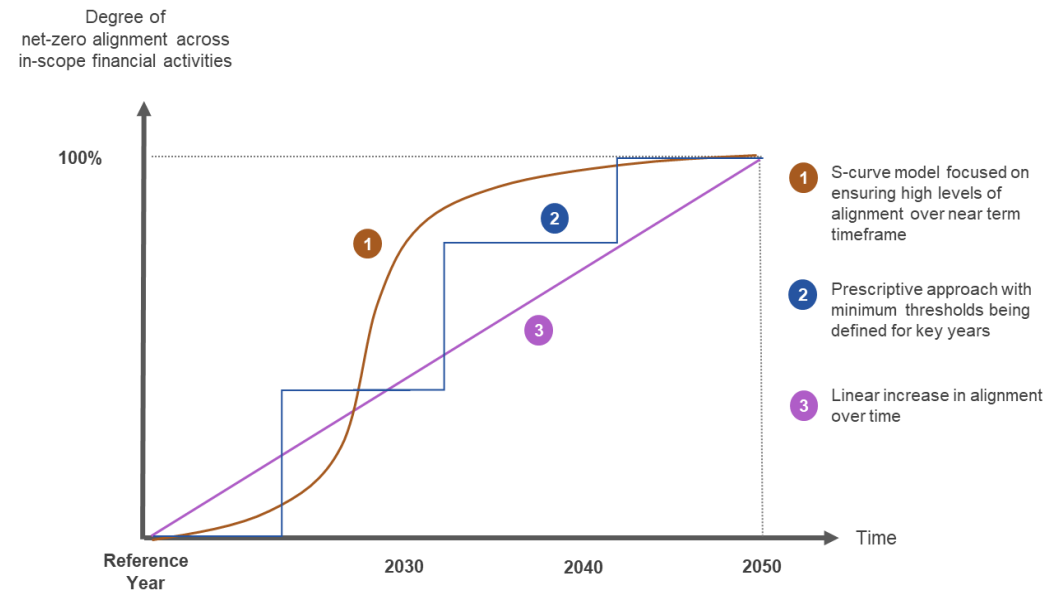
The final aspect of ambition is defined by the types of alignment metrics and associated target-setting methods that can be used to align different asset classes. Targets can be established at different levels of aggregation and can focus on alignment at the portfolio company level (e.g., through an ITR metric), alignment at the sector level (e.g., through an SDA-type metric) or alignment at the cross-sector portfolio level (e.g., through a total financed emissions reduction target). The types of alignment metrics and the appropriateness of different levels of aggregation are key to ensuring that the method an FI employs is consistent with the goals of the FINZ framework.

5.1.2.1. Degree of alignment over time

The degree of portfolio alignment over time represents the rate at which different climate relevant assets need to be aligned to 1.5°C pathways. It is the critical measure of the overall progress of an FI towards its long-term targets. Taking a holistic approach to coverage that defines both mandatory activities that should be always addressed, and emissions-based approach to defining the most material activities in the portfolio, means that the degree of alignment over time must be defined across the portfolio, rather than within each asset class. This requires developing new models to establish how FIs should align all of their in-scope asset classes in a manner that is consistent with 1.5°C low/no overshoot pathways. Figure 9 presents an illustration of how the alignment curve can be developed.

The rate of alignment cannot be defined in the same manner as with traditional science-based methods, as it represents how quickly an FI should seek to align all its in-scope financial activities with relevant 1.5°C low/no overshoot pathways. To meet the Paris Agreement goals, emissions must peak and then rapidly decline towards 2030. Translating this to an FI portfolio means that all climate relevant financial flows need to be aligned to 1.5°C pathways as soon as possible. The shape of the alignment curve should be consistent with this goal, meaning a substantial majority of climate-relevant activities need to be at least on a 1.5°C path by 2030 (i.e., declared their ambition), and then transitioning along 1.5°C pathways through 2040 and reaching their “end-state” of being net-zero aligned by 2050 at the latest. Near-term criteria are proposed for how the SBTi can establish these alignment thresholds.

Figure 9. Degree of net-zero alignment over time



The concept of climate relevance will be used to define the key steps along the alignment curve to ensure that the increasing share of a portfolio that is aligned over time is consistent with 1.5°C goals. The criteria proposed in this section present a number of options the SBTi is exploring to introduce more materiality considerations when defining which financial activities need to be aligned and by when. By clarifying the expected minimum % coverage thresholds at key milestones between the base year and the net-zero target year and linking these more directly to the climate relevance of activities, FIs have more long-term clarity over the manner in which they will be expected to transition their portfolios.

5.1.2.2. Type of Alignment

The portfolio alignment-based approach is ultimately a function of “what counts” as 1.5°C alignment and how this should be defined at different points in time. Section 2.3 highlighted that targets established with the FINZ framework aim to achieve 3 objectives: 1) stop support for the creation of new high emitting assets, 2) incentivize transition of entities and activities responsible for current portfolio emissions, and 3) scale up financial support for activities that are already aligned to a net-zero economy. While the first objective is addressed as part of the SBTi fossil fuel criteria (Section 8), the latter two objectives are addressed as part of the portfolio alignment targets. To incorporate both transition and net-zero aligned finance components in the framework, a maturity scale is introduced. The maturity scale enables the categorization of different states of alignment of the underlying entities and activities FIs are enabling with their financial services – not aligned; transitioning (aligned 1.5°C ambition or performance); and net-zero aligned. Table 7 provides an overview of these stages, which can apply to all financial activities and, equally, to the transition journey of a single entity within a portfolio. This framework builds upon other maturity scale approaches that have been developed as part of the Net Zero Investment Framework (IIGCC, 2021) and SMI's AMAO transition categorization framework (SMI, 2023), among others.¹ GFANZ has also identified four key financing strategies that define transition finance, which are closely aligned with the proposed maturity scale (GFANZ, 2022). These frameworks provide a valuable starting point for illustrating the different alignment stages, with the SBTi now aiming to clarify what metrics count for each of these alignment categories.

¹ To support inter-operability across peer initiatives, note the SBTi’s “aligned ambition” is equivalent to “aligning” within the IIGCC Net Zero Investment Framework, whereas SBTi’s “aligned performance” is consistent with the “aligned” category.

Table 7. Defining 1.5°C alignment using a maturity scale

	Not aligned	1.5°C Transition		Net-Zero aligned
		1.5°C aligned ambition	1.5°C aligned performance	Achieved 1.5°C end-state
Entity (unknown use of proceeds)	Financial flows linked to entities in the real economy that have no clear 1.5°C ambition.	Financial flows linked to entities that are covered by a clear 1.5°C aligned ambition (e.g., companies with credible 1.5°C aligned targets, or 1.5°C implied temperature rise score using credible methodologies).	Financial flows linked to entities that are demonstrating alignment to 1.5°C pathways (e.g., companies demonstrating credible decarbonization in line with 1.5°C pathways).	Financial flows linked to entities operating at a performance level consistent with a net-zero end-state (e.g., companies who have achieved a state of net-zero).
Activity (known use of proceeds)	Financial flows linked to activities that are not consistent with 1.5°C goals (e.g., fossil fuel exploration activities).	Financial flows linked to activities in the real economy that are covered by publicly available, credible transition plans or phaseout plans in line with 1.5°C pathways.	Financial flows linked to activities which are demonstrating transition or phaseout in line with 1.5°C pathways.	Financial flows linked to activities regarded as net-zero aligned under credible frameworks (e.g., climate taxonomies).

Portfolio alignment should consider both the transition of entities (their targets and eventually their performance), and the entities and activities that are already net-zero aligned (e.g., climate solutions). The maturity scale is designed to provide additional means for FIs to recognize their financing of entities and activities that are transitioning, and crucially to also recognize and support activities that are already net-zero aligned. All three alignment indicators can be used when establishing targets, with transition being the primary focus in the near-term, and net-zero aligned financing being the ultimate indicator for long-term targets. A complete set of metrics for these categories will be defined as part of the FINZ Standard.

A critical component of a portfolio alignment is incentivizing the support of entities and activities that are already aligned to a net-zero economy. The concept of net-zero aligned finance can be regarded as similar to “climate solutions” or “green finance”. Climate solutions can be defined as “Technologies, services, tools, or social and behavioral changes that directly contribute to the elimination, removal, or reduction of real-economy GHG emissions or that directly support the expansion of these solutions” (GFANZ, 2022). However, many activities which may appear to be net-zero aligned still generate emissions today (e.g., wind turbine or solar PV manufacturing). Ultimately, the emissions from these activities must be brought down to net-zero levels over time also, but in the near term, capital is required to support their growth. Selecting appropriate metrics, both emissions- and non-emissions-based will be key for ensuring that net-zero aligned activities, and other activities that enable wider economy decarbonization, are properly reflected and incentivized as part of net-zero targets.

5.1.2.3. Methods and Meta-Criteria

The maturity scale illustrates the potentially broad range of metrics needed to evaluate the alignment of portfolios. Once the metrics have been established at the entity and activity level, the next step is to determine how they should be aggregated and incorporated into near- and long-term targets. Targets are generally established at the portfolio (cross-sector) or sector level, with target indicators that are derived and aggregated from the underlying portfolio entities and activities. Entity and/or activity level targets can also be set for financial services with clearly delineated boundaries, such as for insurance underwriting. Alignment is then defined by measuring this aggregated indicator over time along a 1.5°C pathway. These target-setting indicators take two forms:

- 1) Target indicators that are **independent** of the alignment of the underlying entities/activities (e.g., absolute contraction of financed emissions is based on portfolio companies' current emissions and does not explicitly reflect alignment at the company level). These methods are primarily emissions-based.
- 2) Target indicators that are **dependent** on the alignment of the underlying entities/activities (e.g., implied temperature rise metrics are based on portfolio companies forward-looking alignment). Changes to the portfolio level indicator therefore rely on changes to an alignment indicator at the portfolio company level. These methods are primarily non-emissions-based and can be used to track alignment at the lowest level of aggregated data.

Figure 10. Examples of alignment metrics at different levels of aggregation

Aggregation level	Example Methods
Portfolio	<ul style="list-style-type: none"> • Absolute emissions reduction • Emissions Intensity reduction
Sector	<ul style="list-style-type: none"> • Physical intensity (e.g., Sectoral Decarbonization Approach [SDA]) • Sector climate alignment (e.g. Poseidon and Sustainable Steel Principles)
Entity / Activity	<ul style="list-style-type: none"> • Portfolio coverage e.g., % portfolio companies with SBTs • Temperature rise metrics

Figure 10 shows examples of how different methods assess alignment at different levels of aggregation. Further work is being conducted on evaluating the types of aggregation that are suitable for different financial activities. This may include combinations of metrics at both the entity and activity level, supported by sector and/or portfolio-level metrics. For example, banks traditionally establish targets at the aggregated sector level for key high-emitting

sectors within their lending portfolios, and in some cases complement these with additional targets on the level of alignment of the entities within the sector target boundary.

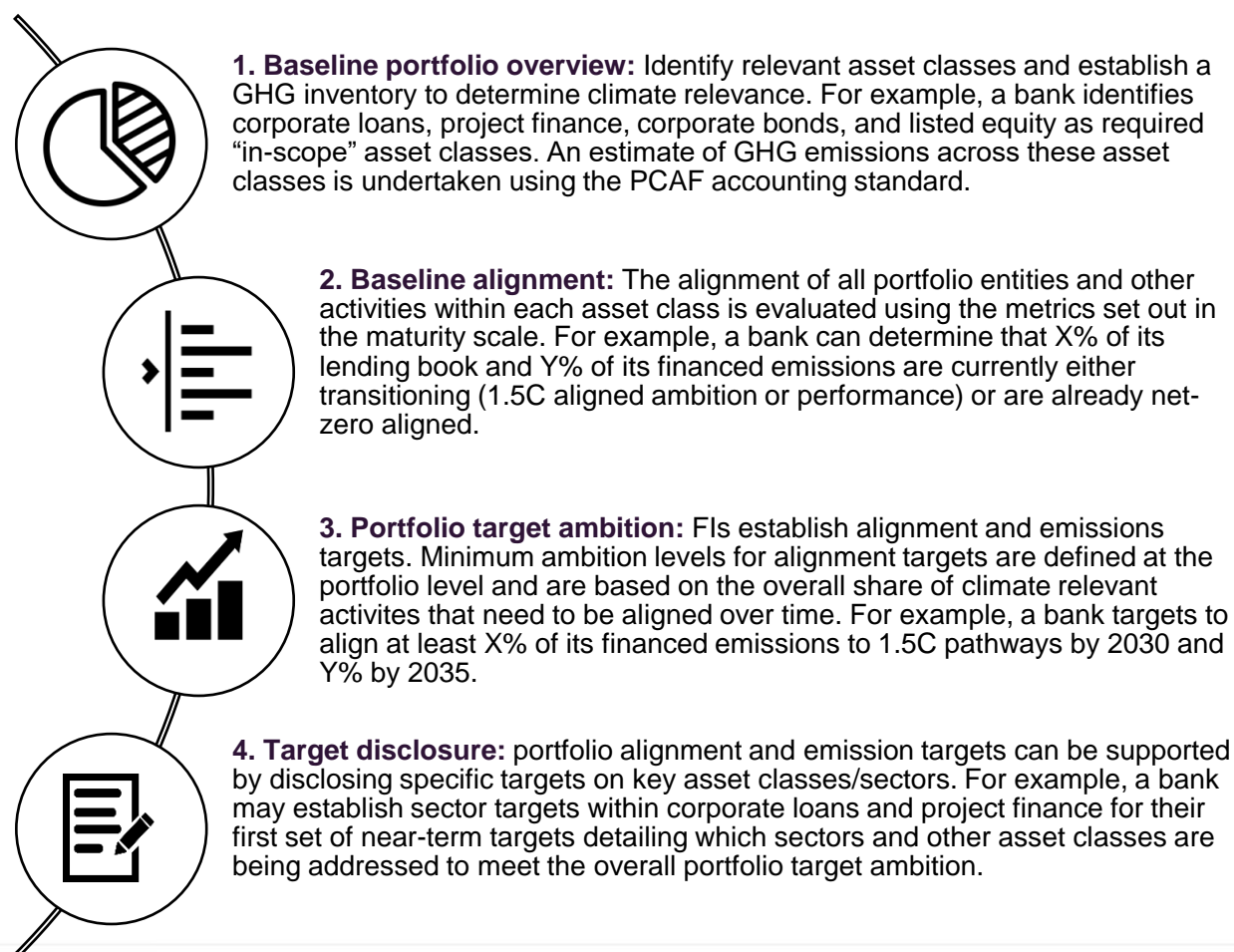
To evaluate target-setting metrics and methods a series of meta-criteria are in development. Meta-criteria are designed to be applied as part of a transparent process for the SBTi to approve methods/metrics for use in target-setting. They are used to evaluate alternative target-setting methods, and to re-evaluate existing methods to ensure their consistency and eligibility for use in net-zero target-setting. The meta-criteria enable the assessment of a metrics based on their ability to act as credible alignment indicators at the entity/activity level, and to determine the appropriate level of aggregation when using methods at the sector and portfolio level. The evaluation of metrics and methods will be undertaken in the next phase of the FINZ development process, with public road-testing of different approaches expected to inform final selection and incorporation for use as part of the FINZ framework.

5.1.3. Near-term Target Summary

The approach for near-term target-setting involves establishing criteria on each of the previous components, and can be summarized into four key steps (see Figure 11) that address the establishment of a baseline and the ambition and disclosure requirements:

- Identify the in-scope asset classes relevant for each financial activity. For lending and investment activities, this will refer to all asset classes which are considered “in-scope” (e.g., corporate loans, listed and private equity, corporate bonds, etc.). The first step in the process establishes a holistic approach to coverage, where the climate relevance of different asset classes is determined (see FINZ-C10 and C14).
- Quantify the baseline alignment and emission levels across all in-scope activities, with FI’s selecting appropriate metrics from the maturity scale to determine the level of alignment of their portfolio entities/activities (see FINZ-C16).
- Determine the minimum ambition at the portfolio level which describes the financial activities and asset classes that need to be aligned at different points in time. This follows the “degree of alignment” approach outlined in Section 5.1.2.1. and establishes portfolio wide targets against the minimum alignment thresholds at key milestones between the baseline and the net-zero target year (see FINZ-C15).
- Disclose targets on those asset classes/sectors that are a) one of the mandatory components outlined in Table 6, and b) needed to meet the overall emissions coverage goals established in the previous step. Depending on the composition of the portfolio, FIs may only need to disclose targets on a smaller number of climate relevant and high emitting sectors/asset classes (see FINZ-C18).

Figure 11. Summary of near-term criteria



5.2. General Target Criteria

These criteria provide information on how targets should be established across the scope of financial activities within the portfolio target boundary. It covers both the requirements for near and long-term targets in addition to how these targets can be grouped across different types of financial activities.

Table 8. General target draft criteria and description

Topic	Criteria	Description	Rationale
Target Requirements (near-term and long-term)	FINZ-C9	<p>FIs shall establish both near-term and long-term targets to align financial flows with pathways to net-zero by 2050. If the net-zero target year is 10 years or more from the date of submission, FIs shall set interim SBTs.</p> <p>FIs shall set near- and long-term targets following the criteria established in Section 5.3 and 6.2, respectively.</p>	<p>Near-term SBTs are necessary to ensure accountability and transparency regarding how FIs intend to reach their long-term targets. Net-zero targets, that are set 10 years or more in the future, need to be accompanied by near-term targets.</p> <p>Different types of targets may be required over the near- and long-term time periods, depending on the types of financial activities within the portfolio target boundary. When establishing these targets, FIs should adhere to the relevant criteria outlined in section 5.3 for near-term targets and section 6.2 for long-term targets.</p>
Portfolio Target Boundary Grouping	FINZ-C10	<p>Option A: FIs shall establish targets for all in-scope financial activities within the portfolio target boundary. Separate targets shall be established based on distinct financial activities e.g., lending/investing, insurance underwriting, capital market activities, etc.</p> <p>Option B: FIs shall establish targets for all in-scope financial activities within the portfolio target boundary. FIs may combine distinct financial activities e.g., investing/lending (financed emissions) and capital market activities (facilitated emissions) into one single target to determine overall alignment of all financial activities.</p>	<p>This criteria addresses the question of how to group different financial activities for target-setting purposes. Figure 7 describes the proposed grouping. This criterion proposes two approaches for how targets may be constructed and disclosed.</p> <p>Option A proposes that FIs apply a separate and distinct focus to different financial activities for the purpose of defining coverage (e.g., on and off-balance sheet items should not be aggregated). Option A ensures increased transparency and means FIs must address all separate activities regardless of materiality relative to the other activities. It also follows a principle that financed and facilitated emissions should not be aggregated.</p>

			Option B enables FIs to combine different financial activities into one single target for the purpose of meeting ambition thresholds and communicating overall progress. It enables materiality to be considered across different financial activities as well as within a given financial activity and that financed and facilitated emissions can be combined.
Portfolio Target Base Years	FINZ-C11	The base year for the above near- and long-term targets shall be set to be no more than two full reporting years prior to the year when the target is set.	Net-zero target baselines should be representative of the portfolio when the targets are established. FIs should therefore only use a recent base year when establishing the portfolio target boundary and target-setting metrics. As financial portfolios can change considerably over time—only the most up-to-date base years are deemed applicable.

5.3. Near-Term Targets Criteria

These near-term criteria address how FIs should establish near-term targets that ensure an FI's portfolio goals are 1.5°C aligned and consistent with reaching net-zero emissions before 2050.

Table 9. Near-term target draft criteria and description

Topic	Criteria	Description	Rationale
Near-term Target Timeframe	FINZ-C12	<p>Option A: FIs shall establish near-term targets at a maximum of 5 years from the date the target is submitted to the SBTi for an official validation, and at 5-year intervals after that until the long-term net-zero target year (2050 at the latest).</p> <p>Option B: FIs shall establish near-term targets for 2030 and at 5-year intervals after that until the long-term net-zero target year (2050 at the latest).</p>	<p>Most FIs establish targets at five-year intervals using 2025, 2030 etc. whereas the SBTi has traditionally enabled FIs to have more flexibility in defining a suitable target year.</p> <p>Option A enables more flexibility in the target-setting process for FIs, with FIs establishing targets up to five years from the submission date. Option B is introduced to make targets more comparable, using 2030 as the key near-term year based on its importance for climate scenarios.</p>
Near-term Target Types	FINZ-C13	FIs shall establish targets to align financial activities across its portfolio target boundary to be consistent with a 1.5°C pathway. The targets shall consist of the following components:	FI ambition is defined as the rate at which different asset classes are aligned to 1.5°C pathways in a manner that is also consistent with key milestones needed for the transition.

		<ul style="list-style-type: none"> Portfolio-wide alignment targets. Activity level targets aligned with the SBTi fossil fuel finance policy. <p>The portfolio-wide targets shall be complemented with additional asset class / sector targets as specified in Criterion C18.</p>	<p>Portfolio-wide targets also enable more flexibility when it comes to determining climate relevance and prioritizing which financial asset classes should be aligned first. In order to aid transparency, FIs should also disclose a more detailed breakdown of the targets being set at the sector and asset class level, as specified in Criterion C18.</p>
Emission-based Targets	FINZ-R4	<p>FIs may establish targets to address and reduce portfolio emissions, in absolute or intensity terms, across its portfolio target boundary to be consistent with a 1.5°C low/no overshoot pathway.</p>	<p>Both portfolio alignment and portfolio emissions targets can be established to track overall progress towards long-term net-zero goals. Over the near-term portfolio alignment goals are considered mandatory given that they directly focus on the alignment of portfolio holdings against 1.5°C pathways.</p> <p>Portfolio emission metrics represent “lagging” indicators of the overall emissions exposure. Portfolio emission targets, either in absolute or intensity terms, may be used to support alignment targets but are not considered sufficient on their own to evaluate the contribution of an FI’s actions to a 1.5°C transition.</p>
Near-term Coverage Requirements	FINZ-C14	<p>Subject to FINZ C10, the boundary of the portfolio alignment targets shall be established across all in-scope asset classes within a given financial activity.</p>	<p>A holistic approach to coverage is proposed to ensure that FIs address their most climate relevant asset classes. FIs should therefore establish targets to specifically address the most relevant asset classes and aim to increase the overall alignment of their portfolios over time. For example, within investing and lending activities, FIs would be expected to set a target across all required asset classes, rather than specific targets on each required asset class like listed equity, corporate bonds, corporate loans, etc.</p> <p>This criterion means that FIs can establish their alignment targets across all in-scope asset classes and use the ambition thresholds established as part of FINZ C15 to focus their efforts on aligning their most material flows, rather than having to establish specific targets across each in-scope asset class.</p>
Degree of Alignment over Time	FINZ-C15	<p>FIs shall set alignment targets around all in-scope financial activities to address climate-relevant assets / activities in a</p>	<p>This criterion focuses on the rate at which different financial activities in a portfolio must be aligned over time to be consistent with global 1.5°C goals. This implies that emissions must peak and then rapidly</p>

		<p>portfolio transitioning in line with 1.5°C pathways by different dates.</p> <p>Option A: a convergence-based approach enabling the FI to scale up 1.5°C alignment across climate relevant activities, with the rate of ambition being a function of their starting alignment.</p> <p>Option B: a contraction-based approach that establishes minimum thresholds for key milestones based on a critical mass of climate relevant activities being 1.5°C aligned over time (e.g., XX% of portfolio emissions within the portfolio target boundary are 1.5°C aligned by 2030, YY% by 2035 etc).</p> <p>Option C: a phased approach with the SBTi establishing timeframes by when specific climate relevant financial activities or sectors shall be addressed with targets.</p>	<p>decline towards to net-zero. Translating this to an FI portfolio means that a substantial majority of climate relevant activities need to be at least on a 1.5°C path by 2030 (i.e., declaring their ambition), and then transitioning along 1.5°C pathways through 2040 and reaching their “end-state” of being net-zero aligned by 2050 at the latest.</p> <p>Referring to Figure 9 above, three options are proposed for consultation:</p> <p>Option A defines a linear alignment curve as a function of the FI’s starting point, with all FI’s converging towards net-zero aligned finance by 2050. The convergence approach enables FIs who already have a higher share of aligned activities to have less steep pathways.</p> <p>Option B defines an alignment curve that is independent of the FI’s starting point and all FIs would have to meet specific minimum % thresholds over time, regardless of their starting point. The minimum thresholds established must be consistent with achieving a share of financial activities being aligned to 1.5°C pathways at each near-term target year.</p> <p>Option C: presents more of a prescriptive and phased approach to increasing 1.5°C alignment over time, with the SBTi establishing the types and amounts of activities that must be aligned by specific dates.</p>
<p>Definition of Alignment</p>	<p>FINZ-C16</p>	<p>Near-term targets shall incorporate 1.5°C alignment, defined using the three alignment options specified in the maturity scale: transition (1.5°C ambition, and 1.5°C performance) and net-zero aligned (1.5°C achieved).</p> <p>Ambition thresholds shall be established through:</p> <p>Option A: defining minimum portfolio ambition thresholds that include both transition and net-zero aligned finance combined, with FIs having discretion over how to increase alignment across the options in the maturity scale.</p>	<p>To address different stages of alignment and recognize both transition and net-zero aligned finance as part of near-term targets, FIs shall use the maturity scale approach to determine the alignment of their financial activities. To ensure consistency with 1.5°C goals required in the real economy, the maturity scale illustrates the type of alignment that should be “counted” towards FIs achieving their targets.</p> <p>Option A requires only one type of portfolio level target that includes both transition and net-zero aligned finance, meaning minimum ambition is established for both combined, with separate targets not being required for net-zero aligned financing.</p>

		<p>Option B: defining minimum portfolio ambition thresholds for both transition and net-zero aligned finance activities, separately, at rates consistent with 1.5°C.</p>	<p>Option B introduces an additional target on the net-zero aligned finance (e.g., green/climate solutions growth), with a specific minimum ambition level that ensures FIs are scaling up financial services to climate solutions and other activities that are already considered net-zero aligned.</p>
<p>Portfolio Alignment Metrics</p>	<p>FINZ-C17</p>	<p>Option A: FIs shall track and report alignment against minimum ambition thresholds using portfolio emissions.</p> <p>Option B: FIs shall track and report alignment within the portfolio target boundary using both a relevant financial metric and a portfolio emissions metric.</p>	<p>Ensuring FIs focus on their most climate relevant activities is critical for the robustness of near-term action. How FIs align their financial activities is based on two key parameters:</p> <ul style="list-style-type: none"> • Mandatory activities: key activities that must be aligned first due to their importance in the climate transition. • Build a critical mass over time: the remaining activities should be addressed such that FIs focus on the most material aspects of their portfolio. This materiality must at least consider the emissions profile of the portfolio. <p>Two proposals for how minimum alignment thresholds should be established are presented. Option A focuses on just portfolio emissions, meaning that near-term targets are tracked in terms of increasing levels of portfolio emissions being aligned over time. FIs could set their own priorities for which emission sources to address first. Highest impact would be created by engaging the highest emitters. For instance, if 40% of financed emissions came from 10% of a bank's lending portfolio, then transitioning that 10% would meet a substantial portion of the target.</p> <p>Under Option B, FIs would have to follow minimum ambition thresholds set in terms of both a relevant financial metric (e.g., AUM, loan value, etc.) and portfolio emissions, requiring both action in key climate relevant sectors and potentially a longer tail of less-climate relevant sectors. Option B ensures that FIs not only focus on the sources of the largest emissions in their portfolio but also target an increasing share of their financing using a representative financial metric. For instance, a bank would have to ensure an alignment of its highest emitting sources and meet alignment goals in financial terms, which may extend to a larger range of asset classes.</p>

5.4. Target Disclosure and Transparency Criteria

Disclosure criteria provide more information on how portfolio alignment targets address the range of financial activities present in any portfolio target boundary. Through the near-term target criteria, FIs have a certain amount of discretion on where to focus their actions to scale up alignment over time, but detailed disclosure is expected to ensure targets are sufficiently transparent.

Table 10. Target disclosure and transparency draft criteria and description

Topic	Criteria	Description	Rationale
Target Disclosure Requirements	FINZ-C18	In addition to portfolio wide targets established as part of C13, FIs shall disclose: <ul style="list-style-type: none"> • Targets addressing all mandatory activities defined in Table 6, where relevant • Key sector and/or asset classes used to support the portfolio level alignment target. FIs are recommended to establish detailed sub-portfolio targets on individual activities that represent a significant share of portfolio emissions. • FIs shall also disclose which asset classes / financial activities are not specifically addressed as part of the target. 	In addition to the overall portfolio level alignment goal, FIs shall disclose a sufficient breakdown across different types of asset classes and across sectors. FIs shall also disclose the aspects of their portfolio that they are not intending to directly address in support of their overall near-term portfolio alignment goal. For example, a bank's trading book or an asset owner's private equity investments may not need to be aligned in the first targets given their potential lack of climate relevance compared to other asset classes, and therefore may not require their own specific target. This information should be disclosed so that the FI is transparent with how much of the overall business is being addressed by their targets, in financial and emissions terms if possible.
Disclosing Portfolio Alignment	FINZ-C19	FIs shall disclose: <ul style="list-style-type: none"> • A baseline of portfolio alignment in \$ terms using a relevant financial metric for the financial activities in the portfolio target boundary. • A baseline rate of portfolio alignment, in emission terms, using a relevant financial-linked emissions metric for the financial activities in the portfolio target boundary. 	For increased transparency, FIs shall disclose the baseline alignment across all in scope financial activities in both financial and GHG emission terms. This provides added transparency on the level of alignment across the entire portfolio (i.e., the % of total financing that are aligned to 1.5°C pathways, and crucially the % of total portfolio emissions that are aligned to 1.5°C pathways).

5.5. Consultation Questions

These questions are for reference only. If you wish to provide a response, please use the survey link in Section 1.5.

General Target Criteria

- 5) In the Near-Term Framework, the SBTi defines specific coverage thresholds within each asset class (Table 5.2 (SBTi 2022a)) but does not have coverage thresholds that apply across all asset classes (i.e., does not address the materiality of one asset class relative to others). Do you agree that the SBTi should move to this more holistic, activity-based approach to defining boundaries across all asset classes in the FINZ Framework (Figure 8)?
- 6) For FINZ C10: which option do you think is most suitable for establishing targets on different types of financial activities?
- 7) The SBTi has proposed grouping different financial assets (see Figure 7) into financial activities to better define the range of on and off-balance sheet activities that ultimately have to be addressed with net-zero targets. Do you support this categorization, or would you propose alternative means to categorize different financial activities?

Near-term targets

- 8) For FINZ C12, what is the most appropriate timeline for near-term target-setting?
- 9) For FINZ C14, when establishing a coverage boundary across all financial activities, and providing more discretion to FIs to address their most materially relevant activities first, what types of financial activities should be mandatory to align with near-term targets?
- 10) For FINZ C15, defining this rate of alignment over time, what is the most suitable approach for FIs to define near-term target-setting across their portfolios?
- 11) For FINZ C16, do you think FIs should have discretion on how they meet portfolio alignment targets (Option A) or is a separate target required for net-zero aligned finance, which would require the establishment of separate ambition thresholds for the categories of transition and net-zero aligned financing (Option B)?
- 12) For FINZ C17, which of the proposed options for establishing minimum alignment thresholds should the SBTi implement, Option A which focuses only on portfolio emissions, or Option B which would also establish minimum requirements in terms of a relevant financial metric for the portfolio.

6. NET-ZERO LONG-TERM TARGET REQUIREMENTS

6.1. Background and Key Concepts

This section indicates the minimum amount that FIs must align their financial activities to reach a state of net-zero. The range of acceptable target years for long-term targets is also established. Specific quantitative benchmarks (e.g., minimum emissions reduction for specific sectors and end-state alignment thresholds) will be defined along with a list of eligible science-based methodologies for road testing. This section includes both ambition and boundary coverage criteria specifying how much and which types of financial activities must be covered by long-term net-zero targets, in addition to specifying the minimum ambition requirements for those financial activities that must be included within the portfolio target boundary of net-zero targets.

Portfolio alignment approaches require FIs to increase the alignment of financial activities with 1.5°C pathways and reach an “end-state” where all entities and activities have reached a net-zero performance level. In a net-zero economy, some entities and activities may still have some unabated or residual emissions, so reaching a state where all financial activities are net-zero aligned does not automatically imply reaching zero emissions. The criteria and consultation questions also explore the requirements for unaligned activities in options where <100% of financial activities are net-zero aligned at the net-zero target year.

Box 4: net-zero aligned finance

A net-zero aligned financial flow is any financial flow that is linked to an entity or activity that has reached a level of performance that is consistent with a net-zero economy.

At the activity level, this can mean reaching a specific physical intensity of emissions per unit produced for certain industries (e.g. 0.11 tCO₂/tonne of steel). Section 3 of the SBTi Corporate Net-Zero Standard describes these thresholds in more detail. Non-emissions metrics such as those used in credible climate taxonomies may also be relevant for defining the net-zero aligned status of an activity.

At the entity level, this means companies having reduced their value chain emissions along a relevant 1.5°C pathway to reach a residual level of emissions.

6.2. Long-term Target Criteria

Table 11. Long-term target draft criteria and description

Topic	Criteria	Description	Rationale
Net-zero Targets	FINZ-C20	<p>When the FI's net-zero target is reached, financial flows shall be aligned by an amount consistent with global net-zero in scenarios that limit warming to 1.5°C. FIs shall establish:</p> <ul style="list-style-type: none"> A portfolio level alignment target across all in-scope financial activities A GHG emission reduction target across all in-scope financial activities. 	<p>The credibility of long-term net-zero goals rests on their ability to be consistent with the level of performance required in a net-zero economy, in addition to achieving a state of net-zero emissions.</p> <p>Both alignment and emission targets are required in the long-term to ensure that reaching a state of net-zero emissions in the portfolio is consistent with having the portfolio holdings reaching a net-zero performance level. The levels of ambition required for a portfolio level alignment target is further defined below.</p>
Net-zero Target Timeframe	FINZ-C21	<p>Net-zero targets shall have a target year no later than 2050.</p>	<p>To be consistent with global goals, FIs must use a target year no later than 2050. FIs can select any year before 2050 as their net-zero target year.</p>
Net-zero Target Ambition	FINZ-C22	<p>The level of ambition for long-term portfolio alignment targets must be consistent with one of the following options:</p> <p>Option A: FIs commit to reach 100% net-zero aligned finance by 2050 using a relevant financial metric within the portfolio target boundary.</p> <p>Option B: FIs commit to reach at least 95% net-zero aligned finance by 2050 using a relevant financial metric within the portfolio target boundary, with all mandatory assets (Table 6) also having reached net-zero aligned status.</p> <p>Option C: FIs commit to reach at least 90% net-zero aligned finance by 2050 using a relevant financial metric within the portfolio target boundary, with all mandatory assets (Table 6) also having reached net-zero aligned status.</p>	<p>It is critical for FIs' long-term ambition to be consistent with the requirements of a net-zero economy. In a net-zero world, all underlying activities enabled by the financial system would be net-zero aligned. A strict science-based interpretation would reveal 100% net-zero aligned finance by 2050 – this, however, does not factor such real-world issues as a just transition (ILO, 2016) and that regions/sectors may reach net-zero at different time horizons. This criterion also addresses the question of whether all asset classes need to be net-zero by 2050 e.g., in a sovereign bond portfolio, each country whose bond is held would be expected to reach net zero before 2050.</p> <p>The three options proposed all suggest different forms of ambition and requirements for which activities must be net-zero aligned, and if some types of financial flows do not yet need to be aligned by 2050.</p> <p>Option A represents the strictest implementation and requires all financial activities to be net-zero aligned by 2050. Option B employs a</p>

			5% materiality threshold to be consistent with the recommendations of GHGP. Option C is designed to be consistent with the SBTi Corporate Net-Zero Standard which requires a 90% boundary.
Net-zero Boundary (financial activities)	FINZ-C23	Long-term alignment targets shall be set against the portfolio target boundary and hence should include all in-scope financial activities.	All in-scope financial flows must be addressed by the FI's long-term targets, and that net-zero cannot be claimed if a portion of financial flows have not been covered.
Net-zero Boundary (Portfolio Emissions)	FINZ-C24	FIs shall reach net-zero GHG emissions across Scope 3 Category 15+ emissions. FIs must include both Scope 1 and 2, and Scope 3 GHG emissions of any underlying entity or activity, where relevant.	For FIs to be able to make a claim of having reached net-zero, all associated GHG emissions arising from the entities and activities they service should be accounted for. It is important that this extends to the Scope 3 emissions of underlying portfolio companies which can often represent the most important source of emissions of many companies.
Metric Eligibility	FINZ-C25	FIs shall select from an approved list of metrics to establish the net-zero alignment of different financial activities. <i>Note: A final list of alignment metrics will be established as part of the next phase of the FINZ development process.</i>	For a financial activity to reach a net-zero performance level, it must be evaluated using an appropriate metric given the types of underlying holdings. FIs shall select an appropriate metric for each financial activity and use these to determine their overall level of net-zero aligned finance.

6.3. Consultation Questions

These questions are for reference only. If you wish to provide a response, please use the survey link in Section 1.5.

- 13) For FINZ C20, do you agree that long-term targets and subsequent net-zero claims need both proposed types of targets (portfolio alignment and portfolio emissions)?
- 14) For FINZ C20 what, if any, other long-term targets should the SBTi require of FIs to ensure the credibility of their net-zero goals?
- 15) For FINZ C22, which option for alignment under do you agree with?
- 16) If, for FINZ C22, options B or C were selected in the previous question, what are the minimum conditions you would propose for the entities and activities that are not net-zero aligned?

7. PORTFOLIO NEUTRALIZATION

7.1. Background and Key Concepts

Achieving the long-term portfolio GHG emissions goal will require portfolios to reach net-zero emissions by 2050, which may require the use of portfolio neutralization (Box 5). Neutralization of emissions is a concept first defined in the SBTi Corporate Net-Zero Standard. For companies, this means neutralizing the impact of residual emissions at the net-zero target date and thereafter through permanent removal and storage of carbon.

The criteria proposed in this section reflect the primary objective of the FINZ framework: ensuring that net-zero targets, if achieved, result in financial flows not contributing to the accumulation of GHG emissions in the atmosphere. The SBTi's cross sector pathway (SBTi, 2021) indicates that while most companies will reduce emissions by at least 90% through their long-term science-based targets, some residual emissions may remain. Within a portfolio target boundary, this implies that residual emissions may remain even if financial institutions achieve 100% net-zero aligned finance. These emissions must ultimately be neutralized by the portfolio companies themselves, or the financial institution, to reach net-zero emissions and a state of no impact on the climate from GHG emissions.

The criteria below indicate that all residual portfolio emissions must be neutralized by the net-zero target year and thereafter by demonstrating permanent carbon removal and storage. Quality conditions, including social and environmental safeguards, that need to be met by carbon removal activities will be further established in the next phases of the framework development process. The ultimate ambition levels

Box 5. Portfolio Neutralization Approaches

Neutralization describes any measures that entities take to remove carbon from the atmosphere and permanently store it to counterbalance the impact of emissions that remain unabated. Neutralization at the portfolio level can be undertaken through two approaches:

- 1) By the FI undertaking direct removal of carbon from the atmosphere and permanently storing it to counterbalance the impact of portfolio emissions that remain unabated.
- 2) FIs provide financial services to entities or projects that account for carbon removals within their own GHG inventories. This can be achieved by two means:
 - FIs finance or facilitate removals within the boundary of a portfolio entity/activity e.g., FI finances a forestry company or activities which directly remove carbon from the atmosphere with these removals being used to balance residual portfolio emissions.
 - FIs finance or facilitate removals of a portfolio entity/activity, which undertook the removals through the purchase and retirement of carbon removal credits, with these removals being used to balance residual portfolio emissions.

established in Criterion FINZ C22 indicate how much neutralization would have to be undertaken at the portfolio level. FIs must first achieve this high level of portfolio alignment (e.g., $\geq 90\%$ of financial activities having reached a net-zero aligned status) before neutralization activities can result in an FI ultimately making a net-zero claim.

One of the challenges associated with neutralization targets is how to treat the relationship between removals undertaken by FIs and their portfolio companies. Emissions in Scopes 1 and 2, as well as removals in Scope 3, may be counted by more than one business actor, which complicates the goal of ensuring that all GHG emissions are uniquely neutralized. Box 5 provides an overview of the two approaches that could be used to neutralize emissions at the portfolio level. Consultation questions are included for readers to suggest feedback on the SBTi's preliminary criteria to address this challenge. While these criteria lay out the high-level conditions that need to be met by neutralization targets, they do not resolve specific accounting details. Due to the challenge of developing criteria while accounting guidance is still ongoing, further refinement of the criteria in this section may be needed in the future. Specific quantitative benchmarks (e.g., carbon removal phase-in benchmarks), and a list of options that are eligible to adhere to criteria where intermediate standards, services, or instruments are used, will be established as part of framework development process.

7.2. Portfolio Neutralization Criteria

Table 12. Portfolio neutralization draft criteria and description

Topic	Criteria	Description	Rationale
Portfolio Neutralization Requirements	FINZ-C26	FIs shall ensure neutralization of all residual portfolio GHG emission sources by the net-zero target year and thereafter.	All residual portfolio emissions must be neutralized by the net-zero target year and thereafter. This criterion reflects the guiding principle that FIs should achieve a state in which their financing results in no net impact from GHGs on the atmosphere.
Portfolio Neutralization Responsibility	FINZ-C27	To reach the long-term net-zero GHG target, all residual portfolio emissions must be uniquely neutralized once FIs have achieved their long-term portfolio alignment target. Option A: Portfolio holdings (entities and activities) shall neutralize their own residual emissions and FIs cannot reach their long-term	For any portfolio to reach a state of net-zero emissions, residual portfolio emissions must be uniquely neutralized, either by the portfolio company or by the FI. Options A and B present two approaches for determining who takes responsibility for the residual emissions and their ultimate neutralization. The key principle of neutralization is that emissions in the portfolio should be "uniquely

		<p>net-zero GHG target until all these holdings have effectively and uniquely neutralized their own residual emissions.</p> <p>Option B: FIs shall neutralize the residual emissions on behalf of all portfolio holdings (entities and activities) that have not already been uniquely neutralized by the holdings themselves.</p>	<p>neutralized” by either the portfolio company or the FI or a combination of both.</p> <p>To illustrate the options proposed under this criterion, consider an FI investing in the equity of a steel company:</p> <p>Under Option A of the criteria, the steel company would be responsible for neutralizing its residual emissions through removals in its scope 1 emissions or a uniquely retired removal credit. The FI could not report its portfolio emissions as net-zero until the company has neutralized them.</p> <p>Under Option B, the FI must neutralize the residual emissions allocated to its portfolio from its investment in the steel company by investing in a company with sufficient negative emissions to balance the steel company’s residual emissions or through other forms of neutralization (e.g., purchasing and uniquely retiring a removal credit, if the steel company does not neutralize its residual emissions itself).</p>
<p>Portfolio Neutralization Eligibility</p>	<p>FINZ-C28</p>	<p>In cases where FIs may neutralize emissions of underlying holdings, FIs shall only use mechanisms for neutralization that prevent double counting of carbon removals and that guarantee that one tonne of CO₂ permanently removed is only counterbalancing one tonne of residual emission still being released into the atmosphere.</p> <p>Option A: FIs shall pursue portfolio level neutralization to reach net-zero emissions by undertaking measures to remove carbon from the atmosphere and permanently store it within or beyond the value chain (e.g., through the purchase and retirement of removal credits).</p> <p>Option B: FIs shall pursue portfolio level neutralization to reach net-zero emissions by balancing allocated positive residual emissions of one holding against allocated negative emissions of another holding.</p>	<p>The primary purpose of portfolio level neutralization is to ensure that all portfolio residual emissions from underlying holdings are neutralized. Neutralization, as undertaken by the FI, involves a financial flow to an entity or an activity involved in carbon removal activities, through:</p> <ul style="list-style-type: none"> a) directly purchasing the output of an activity that permanently removes and stores carbon (e.g., by uniquely claiming the removal through the purchase and retiring of a removal credit); b) increasing exposure to a carbon removal activity within a given financial activity, with the associated negative emissions being allocated to the financial flow using standard GHG accounting practices. Only negative emissions that can be uniquely applied to the FI may count towards neutralization.

		<p>Option C: through a combination of A and B.</p>	<p>To illustrate the options being proposed in this criterion, consider the following example:</p> <p>An FI has a listed equity portfolio with two companies, company A and company B. Company A has achieved its long-term SBT and neutralized its unabated emissions. Company B has residual emissions.</p> <p>Company B can neutralize its emissions, and then both company B and the FI can count those as neutralized. Alternatively, the FI may neutralize those emissions directly and both company B and the FI can count them as neutralized.</p> <p>The criteria as proposed under Option A would mean that the FI neutralizes company B's residual emissions via uniquely removing carbon from the atmosphere and permanently storing it. This is a unique neutralization and both company B and FI can count it.</p> <p>Under Option B, the FI could expand its portfolio and make an equity investment into a carbon removal company (e.g., direct air carbon capture and storage company, company C), which certifies removals as a removal credit and retires at least equivalent amount to the residual emissions of company B.</p> <p>It's important to note Option B would only be valid if Company C's removals were not sold to another company, thus double-counting the removal. For example, if Company C sold credits to another company (Company D), the FI could not claim it has uniquely neutralized the emissions of Company B through its investment in Company C, given that Company D has purchased those same removals as a form of credit and claimed the removals as part of its own GHG inventory.</p>
<p>Portfolio Neutralization Boundary</p>	<p>FINZ-C29</p>	<p>Option A: Neutralization shall be undertaken within the same financial asset class where residual emissions remain i.e., the asset class with the residual emissions should be the one where removals should be accounted (e.g., positive residual emissions should be neutralized by negative emissions within an equity investment portfolio target boundary).</p>	<p>This criterion presents two options on how neutralization can be conducted across different types of financial asset classes, and specifically refers to neutralization undertaken by increasing exposure to a carbon removal activity within the FI's portfolio.</p>

		<p>Option B: Neutralization of residual emissions shall be undertaken across all in-scope financial asset classes with residual emissions and removals being balanced across different types of financial asset class.</p>	<p>Option A proposes that neutralization should only be conducted within the same financial asset class or activity, whereas Option B would enable FIs to neutralize emissions across a range of asset classes within their portfolio target boundary.</p> <p>Guidelines for the credibility and applicability of neutralization efforts will be elaborated on in upcoming guidance from the separate SBTi workstreams.</p>
<p>Net-zero Claims</p>	<p>FINZ-C30</p>	<p>FIs shall achieve both the long-term net-zero aligned finance target and the emissions reduction target target(s) at the long-term target year in order to make a net-zero claim.</p>	<p>For FIs to make net-zero claims, both their long-term alignment target and their long-term GHG targets must be met. This prevents FIs claiming net-zero by simply reaching net-zero emissions within their portfolios without sufficiently aligning their financial activities.</p>

7.3. Consultation Questions

These questions are for reference only. If you wish to provide a response, please use the survey link in Section 1.5.

- 17) For FINZ C27, which of the proposed options do you think best reflects the role of FIs in neutralizing residual portfolio emissions?
- 18) For FINZ C28, do you agree that residual portfolio emissions could also be neutralized through the purchase and retirement of carbon removal credits by FIs, or only through the use of an FI's financial activities (lending, investing, underwriting etc.)?
- 19) For FINZ C29, how do you think the boundary of neutralization should be defined?

8. FOSSIL FUEL FINANCE

A key outcome of setting net-zero targets is for the financial sector to address its fossil fuel finance activities clearly and credibly. For any FI to have 1.5°C aligned net-zero targets, they must first avoid making the problem worse i.e., immediately stop any activities that support the development of new fossil fuel assets that enhance the stock of carbon emitting sources and create carbon lock-in. The SBTi has developed a [Fossil Fuel Finance position paper](#) which FIs shall follow when establishing their net-zero targets. It is suggested this paper should be referred to while reviewing the criteria set out below. Adhering to the requirements of the fossil fuel finance criteria is expected to be a minimum requirement when establishing net-zero targets.

8.1. Fossil Fuel Finance Criteria

FIs shall **disclose, arrest, transition and phaseout** fossil fuel-related assets and activities in their portfolios according to the following:

Table 13. Fossil Fuel Finance draft criteria and description

Topic	Criteria	Description	Rationale
Fossil Fuel Disclosure	FINZ-C31	<p>The financial institution shall publicly disclose information on an annual basis to provide a sufficient level of transparency to aid stakeholders' understanding of (i) the GHG impact of the financial services provided; and (ii) action being taken to reduce/eliminate emissions from fossil fuel activities at a group level and with subsidiary level granularity. The following datapoints shall be disclosed annually for all fossil fuel activities covered:</p> <ul style="list-style-type: none"> • Absolute emissions (scope 1+2+3) per GHG from fossil fuel exposures across all financial flows. • Aggregated financial exposures (monetary amounts and Final Investment Decisions) across all financing and facilitation activities. • Forward-looking transition plans of fossil fuel portfolio companies (compliant with C32 criteria below). 	<p>Preventing the continued development of new fossil fuel infrastructure is one of the goals of the SBTi FINZ framework. This criterion is necessary to add further visibility on the extent of fossil fuel financing activities FIs are currently supporting via their financial services.</p>

<p>Fossil Fuel Arrest</p>	<p>FINZ-C32</p>	<p>FIs shall implement the immediate cessation of new financial flows via a public commitment according to Table 14 below. This includes the cessation of all:</p> <ul style="list-style-type: none"> • New financial flows to the coal value chain (see Fossil Fuel Finance Policy Paper, Annex 2. Fossil Fuel Value Chain) for both companies and projects, with the exception of new financing for permanent decommissioning of production activities and capacity. • New financial flows to all unabated oil and gas value chain-associated activities at the project level; plus, new financial flows provided to companies that are involved in expanding production and/or adding capacity to any applicable oil and gas value chain-associated activities. 	<p>Aligned with the latest climate science, FIs must immediately end financial support for activities that are expanding new fossil fuel reserves.</p>
<p>Fossil Fuel Transition</p>	<p>FINZ-C33</p>	<p>FIs shall establish targets for all financial flows to existing fossil fuel activities at the company/project level and shall also establish targets at the portfolio level:</p> <ul style="list-style-type: none"> • Company level: to engage fossil fuel counterparty companies to transition along 1.5°C pathways by establishing 2030 quantitative public targets, including absolute, intensity, and capex metrics that cover the scope 1, 2, and 3 emissions of the fossil fuel companies²; also set clear commitments for no new expansion and the 	<p>FIs can address their fossil fuel portfolios at two levels: at the portfolio level through steering and reallocation, and at the company level through active engagement with portfolio companies.</p>

² FIs are responsible for publishing fossil fuel company-level absolute, intensity, and capex targets that are demonstrably aligned with a specific published 1.5° pathway as part of their SBT. As with the SBTi's sector-based [Pathways to Net-Zero](#) analysis, the IEA Net-Zero scenario provides a minimum ambition threshold. As target-setting methods and practices evolve, SBTi will provide additional guidance. At this point the requirement is for FIs to publish the targets to demonstrate emerging practices. For reference, FIs are recommended to consult the CA100+ Oil and Gas Company Assessment data:

<https://www.climateaction100.org/company/oil-natural-gas/>.

For FIs' fossil fuel related capex targets, it is recommended that FIs consider increasing their ratio of financial support for clean energy assets every year at the portfolio level, aiming for a ratio of 9:1 (clean energy supply and end use efficiency to transitioning fossil) by 2030 at the latest (IEA, 2022b). The 9:1 combines end use and efficiency at 4:1 as well as supply at 5:1 investment ratios. For the fossil fuel denominator, activities should be in line with the criteria set out in Table 14 below.

		<p>phasing down/out of production along approved 1.5°C pathways with low/no overshoot.³</p> <ul style="list-style-type: none"> Portfolio level: no new or increased portfolio exposure in terms of financed and facilitated emissions from fossil fuel activities that are not clearly aligned with a 1.5°C transition. <p>Additionally, a transition of activities to reduce methane emissions from all fossil fuels by at least 75% by 2030⁴ is required as a milestone for near-term targets.</p>	
Fossil Fuel Phaseout	FINZ-C34	<p>FIs shall commit to phasing out all financial activities linked to unaligned companies and projects according to the timeframe and regional criteria disclosed in Table 14 below.</p> <p>For the engagement of fossil fuel companies currently receiving financial flows, FIs shall phaseout at the latest after two years if the engagement efforts fail to bring the project/company into alignment (or at the next roll-over date after this two-year period, if applicable). The FI engagement period should begin as soon as the science based target is published.</p>	<p>In addition to transitioning their portfolios, FIs must also set clear deadlines for the phase out of unabated fossil fuel activities within their portfolios.</p>

Table 14. Fossil Fuel Finance draft criteria per fuel and finance type

		Project	Company
Coal	New financial flows	No new financial flow shall be provided to any part of the coal value chain (see Fossil Fuel Finance Policy Paper, Annex 2.	No new (or increased) financial flows shall be provided to coal companies involved in any part of the coal value chain (see Fossil Fuel Finance Policy

³ The SBTi specifies approved 1.5° pathways in the [Pathways to Net-Zero](#) publication.

⁴ Cutting oil and gas methane by 75% is one of the most impactful measures to reduce GHG emissions to 2030 in line with 1.5° stabilization (IEA, 2022b).

		Fossil Fuel Value Chain) with the exception of new financing for permanent decommissioning.	Paper, Annex 2. Fossil Fuel Value Chain), with the exception of new financing for permanent decommissioning.
	Existing financial flows	Phase out all existing financial flows for coal projects: for projects in high- and high-middle income countries ⁵ , exit by the end of 2030 at the latest; all others, reduce exposure by 50% by 2030 and exit by the end of 2040 at the latest.	For companies who are active in high- and high-middle income countries, exit by the end of 2030; all others, exit by the end of 2040.
	New financial flows	No financial flows to support new unabated upstream, midstream, and downstream oil projects (see Fossil Fuel Finance Policy Paper, Annex 2. Fossil Fuel Value Chain).	No new (or increased) financial flows if the company is planning new unabated capacity additions across the oil value chain
Oil	Existing financial flows	For projects located in the wealthiest group of 'producer nations' (Group 1; Calverley & Anderson, 2022, Appendix 2), output of oil and gas needs to be cut by 74% by 2030, with complete phase out by 2034. For the middle-income group with medium capacity (Groups 2, 3, & 4; Calverley & Anderson, 2022, Appendix 2), for a just transition, a 28% cut by 2030 is required, and a zero-production year of 2043. For the poorest group with lowest capacity (Group 5; Calverley & Anderson, 2022, Appendix 2), a 14% cut is required by 2030, with all production ending by 2050.	For companies operating in the wealthiest group of 'producer nations' (Group 1; Calverley & Anderson, 2022, Appendix 2), output of oil and gas needs to be cut by 74% by 2030, with complete phase out by 2034. For the middle-income group with medium capacity (Groups 2, 3, & 4; Calverley & Anderson, 2022, Appendix 2) for a just transition, a 28% cut by 2030 is required, and a zero-production year of 2043. For the poorest group with lowest capacity (Group 5; Calverley & Anderson, 2022, Appendix 2), a 14% cut is required by 2030, with all production ending by 2050.
Gas	New financial flows	No new financial flows to new unabated upstream, midstream, and downstream gas projects (see Annex 2. Fossil Fuel Value Chain). This includes no financial flows to new unabated baseload natural gas-fired power generation or in infrastructure using natural gas as a fuel to produce hydrogen.	No new (or increased) financial flows if the company is planning new unabated capacity additions across the gas value chain
	Existing financial flows	For projects located in the wealthiest group of 'producer nations' (see above), output of oil and gas needs to be cut by 74% by 2030, with complete phase out by 2034. For the middle-income group with medium capacity (see above) for a	For companies operating in the wealthiest group of 'producer nations' (see above), output of oil and gas needs to be cut by 74% by 2030, with complete phase out by 2034. For the middle-income group with medium capacity (see above) for a just transition, a 28% cut by 2030 is required, and a zero-

⁵ High and high-middle countries are defined as per the [World Bank's guidelines on income](#)

	<p>just transition, a 28% cut by 2030 is required, and a zero-production year of 2043. For the poorest group with lowest capacity (see above), a 14% cut is required by 2030, with all production ending by 2050.</p>	<p>production year of 2043. For the poorest group with lowest capacity (see above), a 14% cut is required by 2030, with all production ending by 2050.</p>
--	---	--

A list of Consultation Questions is contained in the [Fossil Fuel Finance Position Paper](#) and it should be used to provide feedback on the SBTi proposals in respect of fossil fuel finance.

9. MONITORING, REPORTING AND RECALCULATION

9.1. Background and Key Concepts

Net-zero targets involve several interlocking components that demonstrate leadership, separately and in combination. While FIs are free to decide the best way to express their targets in promotional work, both stakeholders and companies benefit from public access to standardized information on targets and environmental performance. This section specifies how targets need to be formulated and how FIs are required to report on progress against targets. The criteria in this section specify SBTi-approved target wording, which reflects important target information that must be made publicly available. The criteria also indicate that FIs are required to annually publish progress against targets and specific details related to monitoring, reporting, and verification. Forthcoming resources by the SBTi may provide FIs with practical recommendations and avenues to publish net-zero target details.

9.2. Criteria

Table 15. Monitoring, reporting, and recalculation draft criteria and description

Topic	Criteria	Description	Rationale
Measurement	FINZ-C35	<p>FIs shall measure the base-year and reporting year portfolio using one of the following approaches:</p> <p>Option A: at a point in time that should be the same date as the FI annual report or balance sheet for the reporting year.</p> <p>Option B: as an annual time-weighted average to represent the actual portfolio holdings or value over the reporting year (in a calendar or financial year).</p>	<p>FIs must establish a baseline by measuring the current status of their portfolio in terms of emissions and alignment metrics. Two approaches may be used to measure this starting baseline.</p> <p>Option A is how FIs currently report using the SBTi Near-Term Framework, using a snapshot in time to reflect the composition of their portfolio. While this is standard reporting practice for FI balance sheet and AUM, it can give a misleading view as to the actual alignment of a portfolio.</p>

			Option B provides a much more in-depth overview of the portfolio composition over the course of a reporting year.
Target Formulation	FINZ-C36	<p>FIs shall publicly set a net-zero target as well as separate supporting targets that clearly indicate the magnitude of portfolio alignment that will be achieved by the net-zero target year (e.g., 2050).</p> <p>If a near-term SBT is required, FIs shall publicly set an SBT meeting all SBTi Criteria established in the near-term targets section.</p>	<p>When establishing targets, FIs must disclose both the long-term portfolio alignment and long-term GHG goals, in addition to a public net-zero commitment. All long-term targets must be supported by near-term targets when relevant.</p>
Reporting Frequency	FINZ-C37	<p>On an annual basis, FIs shall publicly report progress against published targets.</p>	<p>This criterion requires FIs to publicly report their progress. This shall include all targets set by the institution.</p>
Reporting Completeness	FINZ-C38	<p>FIs shall publicly report on an annual basis the following information pertaining to progress against published targets:</p> <ol style="list-style-type: none"> 1. Complete GHG inventory covering all in-scope financial activities addressed by the targets, 2. Complete disclosure of target indicators associated with each validated target. 	<p>This criterion requires FIs to annually report a GHG inventory covering all in-scope financial activities and an overview of the target indicators needed to assess progress against each target.</p>
Reporting Format	FINZ-C39	<p>FIs shall publicly report information pertaining to progress against validated targets, including separately reporting portfolio emissions and portfolio removals in the annual GHG inventory:</p> <p>Option A: FIs are required to report on any changes in the target indicators and portfolio emissions using an attribution approach.</p> <p>Option B: FIs are recommended to report any changes in the target indicators and portfolio emissions using an attribution approach.</p>	<p>FIs must annually report key information related to progress against targets, detailing drivers of changes in portfolio emissions, from changes in the underlying assets/activities or changes in portfolio composition. Evaluating the real-world impact of net-zero targets and the contribution of the financial institution can be partly undertaken by understanding how and why a change in the target indicator occurred.</p> <p>An attribution approach requires FIs to disclose why the target indicators have changed and whether this change is due to decarbonization of existing assets or from changes due to portfolio reallocation. Portfolio attribution approaches enable a better ex-post evaluation of the real-world impact of the FI's action in disclosing progress against the targets.</p> <p>The SBTi recommends that FIs report and attribute changes in emissions and progress on target indicators using 3 levels of detail:</p> <ul style="list-style-type: none"> - Changes in actual underlying emissions and target indicators.

			<ul style="list-style-type: none"> - Changes due to re-allocation within portfolios. - Changes due to technical elements, such as data quality improvements, reporting, and GHG quantification methodology changes, etc.
Mandatory Target Recalculation	FINZ-C40	Targets shall be reviewed, and, if necessary, recalculated and revalidated, at a minimum, every five years. FIs with an approved target that requires recalculation must follow the most recently applicable criteria at the time of resubmission.	To ensure consistency with the most recent climate science and best practices, targets must be reviewed and recalculated at least every 5 years. The 5-year timeframe proposed here represents the minimum time period for which targets should be reviewed and, if necessary, recalculated. Other significant changes to the organizational or portfolio target boundary that may require a more immediate recalculation are addressed in FINZ C41.
Triggered Target Recalculation	FINZ-C41	<p>Targets shall be recalculated and reset, as needed, to reflect significant changes that would compromise the relevance and consistency of the existing target. Targets should be recalculated as soon as possible to reflect significant changes to remain relevant to the current institutional structure and operations. FIs shall re-baseline if, at any time, structural changes prompt a change of 5% or greater to their overall emissions inventory. In that case, they then recalculate their targets (after re-baselining) to check that the ambition and coverage is still sufficient. The following list includes example changes that shall trigger a target recalculation:</p> <ul style="list-style-type: none"> • Exclusions in the inventory or portfolio target boundary change significantly increase and/or exceed allowable exclusion limits. • Significant changes in institutional structure and activities (e.g., acquisitions, divestitures, mergers, insourcing or outsourcing, shifts in product or service offerings, changes in proportion of investments by asset classes, addition of new products covered by available methods, major updates in the latest climate science) that would affect the financial institution's portfolio target boundary or ambition. • Significant changes in data used to calculate the targets such as changes in growth projections and discovery of 	Corporate boundaries can change due to a number of different reasons, many of which may impact on the established SBTs. This criterion refers primarily to changes in organizational boundary that cause significant changes to the portfolio target boundary (e.g., through merger, acquisition or disposals).

		<p>significant errors or several cumulative errors that are collectively significant.</p> <ul style="list-style-type: none"> Other significant changes to projections/assumptions used with science-based target-setting methods. 	
Target Validity	FINZ-C42	<p>FIs with approved targets must announce their target publicly on the SBTi website within six months of the approval date. Targets unannounced after six months will have to go through the approval process again unless a different publication time frame is agreed with the SBTi.</p>	<p>FIs have discretion when to publish their targets up to 6 months after the approval date. All approved targets are publicly displayed in the SBTi's database.</p>

9.3. Consultation Questions

These questions are for reference only. If you wish to provide a response, please use the survey link in Section 1.5.

- 20) For FINZ C35, would you support using an annual time-weighted approach to measure the portfolio indicators (GHG emissions and target indicators)?
- 21) For FINZ C39 would you support requiring attribution reporting of portfolio indicators (GHG emissions and target indicators) so FIs disclose more detail on the reasons for changes in emissions and target indicators?
- 22) In the context of portfolio alignment approaches, what metrics does your firm currently employ to evaluate alignment at the sector/portfolio level?

ANNEX 1: GLOSSARY

For terms used in the fossil fuel finance section, please refer to the external Fossil Fuel Finance Policy Paper for a full glossary of applicable terms.

Term	Definition	Further Comments
1.5°C Pathway(s)	A pathway of emissions of greenhouse gases and other climate forcers that provides an approximately one-in-two to two-in-three chance, given current knowledge of the climate response, of global warming either remaining below 1.5°C or returning to 1.5°C by around 2100 following an overshoot. SBTi uses a scenario envelope approach described in its "Pathways to Net-Zero" document (SBTi, 2021), that is based on the use of no/low overshoot 1.5°C scenarios.	
Removals	Measures that companies and financial institutions take to remove carbon from the atmosphere and permanently store it within or beyond the value chain. Examples include, but are not limited to: <ul style="list-style-type: none"> • DAC and storage • Bioenergy with carbon capture and storage (BECCS) • Improved soil management • Improved forest management • Land restoration 	Also see: Portfolio neutralization
Climate relevance	An approach to identify and prioritize action across all in-scope financial activities. Climate relevance is based on identifying underlying asset classes/sectors considered important due to their adverse effect on the climate (e.g., power generation, fossil fuel production and use) and/or those financial activities generating a large proportion of GHG emissions within a given portfolio.	Also see: Portfolio target boundary
CO ₂ -equivalent (CO ₂ e)	The amount of CO ₂ that would cause the same integrated radiative forcing (a measure for the strength of climate change drivers) over a given time horizon as an emitted amount of another GHG or mixture of GHGs. Conversion factors vary based on the underlying assumptions and as science advances.	
Coverage principles	A set of guiding principles used to determine which financial activities and asset classes should be considered in-scope within the target portfolio boundary for near-term, and long-term net zero, targets. For a financial activity or asset class to	Also see: Portfolio target boundary, Financial activities, Financial asset classes

	be considered in-scope, the FI must be considered to have some influence over the activity/asset class, in addition to both a credible GHG accounting framework and target-setting method being available.	
Facilitated emissions	GHG emissions associated with financial activities that in some way assist in the financing of companies, projects, or other actors that result in the generation of GHG emissions e.g., insurance or reinsurance services, providing access to financing through the capital markets, or provide other financial services to mitigate operational risk and/or make a corporate venture economically feasible. These are emissions that may not be directly connected to an investment/loan that is on the balance sheet of a FI.	Also see: Financed emissions, Portfolio emissions
Financed emissions	GHG emissions from an FI's financial flows using its own funds for lending to or investing in equity or debt, such that the loans or investments are accounted for as an asset on its balance sheet.	Also see: Facilitated emissions, Portfolio emissions
Financial activities	Activities undertaken by financial institutions to provide financial services to their counterparties including, but not exclusive to, investing, lending, managing, transacting, and insurance underwriting. In this consultation draft it is used as a collective term to refer to a group of activities that may be composed of several underlying asset classes.	Also see: Financial asset classes, Financial flows
Financial asset class	A group of financial instruments with similar financial characteristics.	Also see: Financial activities
Financial flows	All financial provisions and services provided by a company or financial institution to a counterparty. Examples include loans, debt or equity investments, insurance services, capital market services such as securities underwriting etc.	Also see: Financial activities
Financial Institutions	The SBTi defines financial institutions as companies whose business involves the dealing of financial and monetary transactions, including deposits, loans, investments, currency exchange, insurance. If 5% or more of a company's revenue or assets comes from activities such as those described above, they are considered to be financial institutions.	
Fossil fuel finance	Financial flows for known and unknown use of proceeds activities at both the entity level (e.g., as an equity interest or bond of an oil and gas company) and the project level (e.g., financing or facilitation provided for a specific project such as a new oil pipeline)	

Long-term science-based target	Portfolio alignment and emission reduction targets in line with what the latest climate science deems is necessary to reach net-zero at the global or sector level in 1.5°C pathways before 2050.	Also see: Near-term science-based target
Maturity scale	A set of parameters by which portfolio holdings are evaluated against different stages of alignment. The maturity scale is established at both the entity and activity level. The maturity scale is designed to provide additional means for FIs to recognize their financing of entities and activities that are transitioning (defining 1.5C ambition and performance), and recognize and support activities that are already net-zero aligned.	
Near-term science-based target	Portfolio alignment and portfolio emission reduction targets in line with what the latest climate science deems necessary to limit warming to 1.5°C above pre-industrial levels and are achieved within a 5 to 10-year timeframe from the date of submission to the SBTi.	Also see: Long-term science-based target
Net-zero aligned finance	A net-zero aligned financial flow is any financial flow that is linked to an entity or activity that has reached a level of performance that is consistent with a net-zero economy, defined using specific metrics at the entity and activity level.	Also see: Long-term science-based target, maturity scale
Net-zero emissions	Net-zero emissions are achieved when anthropogenic emissions of GHGs to the atmosphere are balanced by anthropogenic removals over a specified period. Where multiple GHGs are involved, the quantification of net-zero emissions depends on the climate metric chosen to compare emissions of different gases (such as global warming potential, global temperature change potential, chosen time horizon, and others).	
The Paris Agreement	Stated by the United Nations Framework Convention on Climate Change (UNFCCC), the Paris agreement is a “legally binding international treaty on climate change. It was adopted by 196 Parties at the Conference of the Parties (COP) 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well-below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.”	
Portfolio	A portfolio is a collection of financial investments like stocks, bonds, commodities, cash, and for the purpose of the net-zero standard represents the sum of all financial activities that generate financed and facilitated emissions.	Also see: Portfolio emissions, Financial activities
Portfolio alignment	The process by which an FI aligns their financial flows, so they are consistent with the actions needed to decarbonize the real economy. Portfolio alignment represents the degree and type of alignment of needed over time for an FI to reach its near-term and long-term science-based targets and includes targeting the managed phase out of high-emitting assets, supporting the decarbonization of their portfolio holdings, and scaling up financial flows to net-zero aligned activities.	Also see: Maturity scale, Portfolio emissions, Near-term science-based target, Long-term science-based target

Portfolio
emissions

All Scope 3, Category 15+ greenhouse gas emissions attributed to financial institutions' on- and off-balance sheet activities such as lending, investing, underwriting, securitization, advisory services etc.

Also see: Financed emissions,
Facilitated emissions

ANNEX 2. REFERENCES

- Calverley, D., & Anderson, K. (2022). *Phaseout Pathways for Fossil Fuel Production Within Paris-compliant Carbon Budgets*. <https://research.manchester.ac.uk/en/publications/phaseout-pathways-for-fossil-fuel-production-within-paris-complia>
- Carbon Disclosure Project. (2020). *The Time to Green Finance. CDP Financial Services Disclosure Report 2020*. <https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/741/original/CDP-Financial-Services-Disclosure-Report-2020.pdf?1619537981>
- Chang, A., Anderson, C., & Aden, N. (2021). *Pathways to Net-Zero* [Technical Summary]. SBTi. <https://sciencebasedtargets.org/resources/files/Pathway-to-Net-Zero.pdf>
- Glasgow Financial Alliance for Net Zero. (2022). *Financial Institutions Net-zero Transition Plans: Fundamentals, Recommendations, and Guidance*. <https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf>
- International Energy Agency. (2022). *World Energy Outlook 2022*. <https://www.iea.org/reports/world-energy-outlook-2022>
- Oil and Gas. (2023). Science Based Targets initiative. Retrieved June 12, 2023, from <https://sciencebasedtargets.org/sectors/oil-and-gas>
- Oil & Natural Gas Corporations Company Assessments. (2020). Climate Action 100+. <https://www.climateaction100.org/company/oil-natural-gas/>
- Paris Aligned Investment Initiative. (2021). *Net Zero Investment Framework*. https://www.parisalignedassetowners.org/media/2021/10/Net_Zero_Investment_Framework_final.pdf
- Partnership for Carbon Accounting Financials. (2022a). *Capital Market Instruments Discussion Paper*. <https://carbonaccountingfinancials.com/files/downloads/pcaf-capital-market-instruments-proposed-methodology-2022.pdf>
- Partnership for Carbon Accounting Financials. (2022b). *The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition*. <https://ghgprotocol.org/global-ghg-accounting-and-reporting-standard-financial-industry>
- Partnership for Carbon Accounting Financials. (2022c). *The Global GHG Accounting and Reporting Standard Part C: Insurance-Associated Emissions. First Edition*. <https://carbonaccountingfinancials.com/en/newsitem/pcaf-launches-the-global-ghg-accounting-and-reporting-standard-for-insurance-associated-emissions>
- Science Based Targets initiative. (2021). *SBTi Corporate Net-Zero Standard*. <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>
- Science Based Targets initiative. (2022a). *Financial Sector Science-Based Targets Guidance. Version 1.1*. <https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf>

Science Based Targets initiative. (2022b). *Foundations for Science Based Net-Zero Target Setting in the Financial Sector*. <https://sciencebasedtargets.org/resources/files/SBTi-Finance-Net-Zero-Foundations-paper.pdf>

Sustainable Markets Initiative Asset Manager and Asset Owner Task Force. (2023). *Transition Categorization Framework*. <https://a.storyblok.com/f/109506/x/6675975ef4/smi-transition-categorisation-framework.pdf>

The Institutional Investors Group on Climate Change. *Net Zero Investment Framework Implementation Guide*. <https://www.iigcc.org/download/net-zero-investment-framework-implementation-guide/?wpdmml=4425&refresh=647e1f497f6891685987145>

The Net Zero Asset Managers initiative. (2021). *Commitment – The Net Zero Asset Managers initiative*. Retrieved June 9, 2023, from <https://www.netzeroassetmanagers.org/commitment/>

United Nations Environment Programme. (2021). *Guidelines for Climate Target Setting for Banks*. <https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-Guidelines-for-Climate-Change-Target-Setting.pdf>

United Nations Environment Programme. (2022a). *Guidelines for Climate Target Setting, Supporting Notes*. <https://www.unepfi.org/wordpress/wp-content/uploads/2022/08/Supporting-Notes-for-Guidelines-for-Climate-Target-Setting.pdf>

United Nations Environment Programme. (2022b). *Net-Zero Banking Alliance Transition Finance Guide*. <https://www.unepfi.org/industries/banking/net-zero-banking-alliance-transition-finance-guide/>

United Nations Environment Programme. (2023a). *UN-convened Net-Zero Asset Owner Alliance Target Setting Protocol Third Edition*. <https://www.unepfi.org/wordpress/wp-content/uploads/2023/01/AOA-Target-Setting-Protocol-Third-edition.pdf>

United Nations Environment Programme. (2023b). *UN-convened Net-Zero Insurance Alliance Target Setting Protocol Version 1.0*. <https://www.unepfi.org/wordpress/wp-content/uploads/2023/01/NZIA-Target-Setting-Protocol-Version-1.0.pdf>

United Nations Framework Convention on Climate Change. (2016). *Paris Agreement*. <https://unfccc.int/process-and-meetings/the-paris-agreement>

United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. (2022). *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions*. <https://www.un.org/en/climatechange/high-level-expert-group>

World Bank. (2021). *World Bank Country and Lending Groups* [Data set]. <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

World Business Council for Sustainable Development, & World Resources Institute. (2004). *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. Revised Edition*. <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

World Business Council for Sustainable Development, & World Resources Institute. (2011). *The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard*.



PARTNER ORGANIZATIONS



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf