



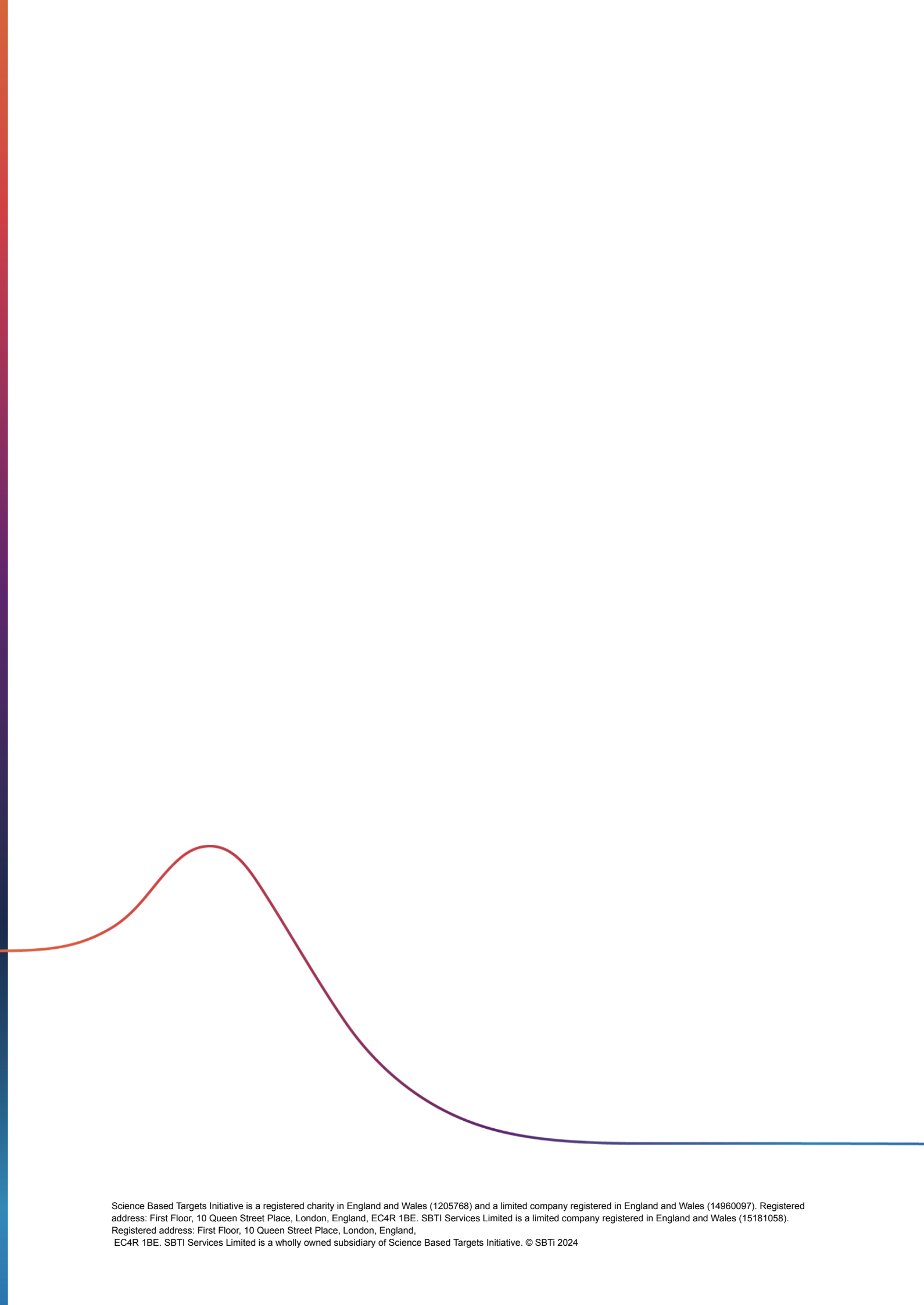
SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

# SBTi FINANCIAL INSTITUTIONS NET-ZERO CONCEPTUAL FRAMEWORK AND INITIAL CRITERIA CONSULTATION DRAFT

Public Consultation Feedback Summary

October 2023



## ABOUT SBTi

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

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

The SBTi is incorporated as a charity, with a subsidiary which will host our target validation services. Our partners are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

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

“Science Based Targets initiative” and “SBTi” refer to the Science Based Targets initiative, a private company registered in England number 14960097 and registered as a UK Charity number 1205768.

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# 1. BACKGROUND

## 1.1 Beginning the development of the Financial Institutions Net-Zero Standard

The Financial Institutions Net-Zero (FINZ) Standard project commenced in 2021 and has followed a rigorous multi-stakeholder consultative process. It has, prior to this public consultation in 2023, delivered the following:

- Publication of the [Foundations for Science-Based Net-Zero Target Setting in the Financial Sector](#) paper in April 2022.
- The establishment of an Expert Advisory Group (EAG), comprising a diverse group of around 50 experts including individuals from financial institutions (FIs), professional services, NGOs and academia.
- Six EAG meetings, where EAG members provided input to the development of the FINZ Standard.

## 1.2 Aiming for climate stabilization

This next phase of the FINZ Standard development comprises the publication of the [FINZ Standard Conceptual Framework and Initial Criteria Consultation Draft](#) (FINZ Consultation Draft).

The FINZ Consultation Draft focuses on three key outcomes necessary for the finance sector to contribute towards climate stabilization equal or below 1.5°C:

1. Support the growth of net-zero aligned activities and of a global net-zero aligned economy by financing and facilitating climate solutions such as renewable electricity generation and carbon removals.
2. Focus efforts on decarbonization of existing portfolio holdings through transition financing by incentivizing, engaging, and enabling clients to decarbonize, including through managed phase down and phase out of high-emitting assets.
3. Stop financial flows that support the development of new high-emitting assets that will increase emissions in the future (carbon lock-in) and that are not consistent with limiting global warming to 1.5°C.

## 1.3 FINZ Standard Conceptual Framework and Initial Criteria: Consultation Draft

On June 15, 2023, the SBTi launched its public consultation for the FINZ Consultation Draft, thereby launching a 60-day global public consultation (subsequently extended to 69 days to allow for additional responses) which included feedback via an online survey. This was a first consultation draft which is expected to be followed by a second consultation draft in 2024.

In support of achieving the above three outcomes, the FINZ Consultation Draft sets out broad proposed criteria, for primarily addressing Scope 3, category 15 emissions. These enable financial institutions (FIs) to establish near-term (2030) and long-term targets consistent with achieving net-zero emissions by 2050.

## 1.4 Survey objectives and content







The aims of the survey included:

- Gather input from external stakeholders on the clarity of the publication
- Understand views on the SBTi's direction of travel regarding Financial Institutions (FIs)
- Engage directly and indirectly with external stakeholders to build support and identify areas of improvement as well as the appropriate scope of the FINZ Consultation Draft.

This document provides a summary of the feedback received.

Comprising 24 questions, [the survey](#) covered the 6 components of the FINZ Consultation Draft illustrated in the figure below.

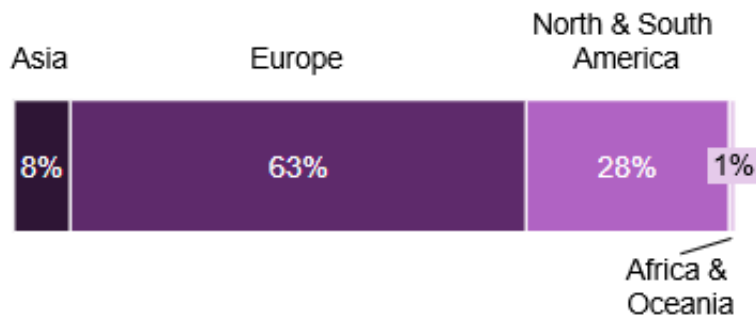
*Figure 1. Summary of questions included in the online consultation survey*

Part 1	Part 2	Part 3	Part 4	Part 5	Part 6
					
<b>Organization &amp; Portfolio Boundary</b>	<b>General Target Criteria</b>	<b>Near Term Target Criteria</b>	<b>Long-term Target Criteria</b>	<b>Portfolio Neutralization Criteria</b>	<b>Monitoring, Reporting &amp; Recalculation</b>
Determination of the scope of activities that must be addressed and the cadence with which they should be updated	Criteria to define how targets should be established across the scope of financial activities within the portfolio boundary	Criteria to address how FIs should set near-term targets to ensure that finance is directed appropriately, and the portfolio is 1.5C aligned	Criteria and minimum conditions that FIs must follow while setting long-term targets to align their financial activities to reach a state of net-zero	Criteria to define the way in which residual portfolio emissions should be neutralized by the net-zero target date and thereafter	Description of how targets should be formulated and how FIs are required to report on progress against targets
4 Qs	3 Qs	5 Qs	4 Qs	3 Qs	3 Qs

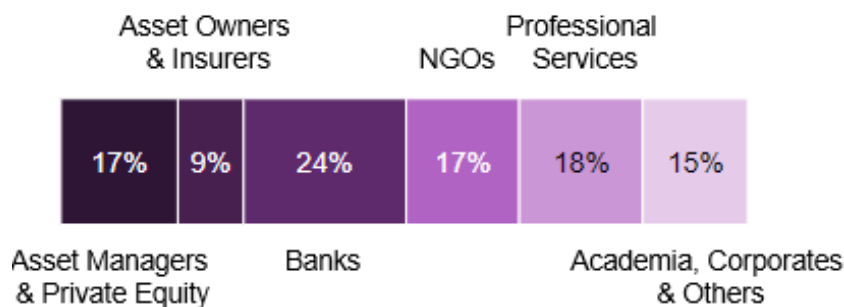
## 2. EXECUTIVE SUMMARY

In total, feedback was received from 139 respondents, across 34 countries and a wide variety of stakeholder groups, as outlined below:

### 2.1 Regional distribution



### 2.2 Stakeholder groups



We thank those who took the time to complete the survey. The results, including the detailed feedback, have provided a useful and in-depth insight into stakeholder views on the concepts set out in the FINZ Consultation Draft as well as the level of support for the proposed initial criteria. This will help to inform the SBTi's thinking as it moves towards its proposed FINZ Standard.

### 2.3 Areas of contention between stakeholder groups

Following an in-depth synthesis of the feedback, we observed the following key takeaways:

Not unexpectedly, there were a number of areas where the views of practitioners (i.e. the respondents representing FIs) differed markedly from non-practitioners such as NGOs. An example was in the area of Portfolio Neutralization (survey questions 38 & 39/FINZ Criteria C27 and C28). NGOs were strongly supportive of companies within an FI's portfolio taking responsibility for neutralizing their own emissions, rather than FIs neutralizing on their behalf, while also being opposed to FIs purchasing carbon credits to neutralize residual emissions.

FI respondents, on the other hand, were, on balance, in favor of being allowed to purchase carbon credits compared to the proposed alternative of financing or facilitating equivalent carbon removals. The SBTi recognizes these important areas as being contentious.



## 2.4 Areas of greatest convergence

Notwithstanding the above, there were some areas that revealed broad consensus among all stakeholders. For example there was general-to-wide agreement for our proposed move towards a more holistic approach to target-setting within an FIs portfolio target boundary (Survey Q26/FINZ Section 5.3), rather than on an “asset class by asset class” basis as is currently specified in the near-term guidance v.1.1. Other areas where general or wide agreement was observed, included 5-yearly intervals for near-term targets (Survey Q29/FINZ Criteria C12) and the need for both alignment and emissions targets (with the exception of Bank respondents; see Survey Q34/FINZ Criteria C20). The level of support for the holistic and alignment/emissions approaches were particularly encouraging, both being of the more conceptual group of proposals contained in the FINZ Consultation Draft.

## 2.5 Evidence of discord between asset owners/insurers and other types of FIs

Among practitioners, the asset owners/insurers grouping showed the greatest disparity in their survey answers compared to the remaining FI cohort. For example, the asset owner/insurer feedback indicated a preference for alternative portfolio neutralization boundary definitions to those proposed in the FINZ Consultation Draft; this was different from other FIs (Survey Q40/FINZ Criteria C29). A difference was also found in the preferred approach to time-weighting ‘portfolio indicators’ - GHG emissions and target indicators (Survey Q41/FINZ Criteria C35). While it is difficult to draw conclusions from these disparities - for example, the number of asset owner/insurer respondents was relatively low ( $N=13$ ) compared to other FI groupings such as Bank ( $N=33$ ), this document considers why such disparities have occurred.

## 2.6 Limited geographical representation

From a geographical perspective, respondents from Europe (63%) and North America (24%) predominated. In fact, the highest ranked country by respondents was the United Kingdom ( $N=35$ , 25%). Meanwhile, responses from Africa ( $N=0$ ) and South America ( $N=4$ ) were low. As such, this has made drawing conclusions from responses by geography difficult. For example, each response from South America would have an outsized impact on the overall response from that continent or would have a minimal impact on the overall response if removed or combined with another geography (e.g., North and South America). Given these limitations in the geographical spread of responses, the SBTi Financial Standards team will seek to address this through broadening its stakeholder engagement plan.

## 2.7 Next steps

Following the survey and the analysis provided below, the next stage of our development towards version 1 of the Standard will involve:

- Reviewing the feedback provided in this Survey, together with our own research and thinking since the first Consultation Draft was published in June
- Evaluating the impact of this feedback/research on the Criteria and Concepts set out in the first FINZ Consultation Draft
- Re-drafting the Criteria to take into account this evaluation
- Presenting to all stakeholders for further review, a further consultation draft to be published in 2024.

A more in depth breakdown of the survey responses by stakeholder group is provided in the next section.

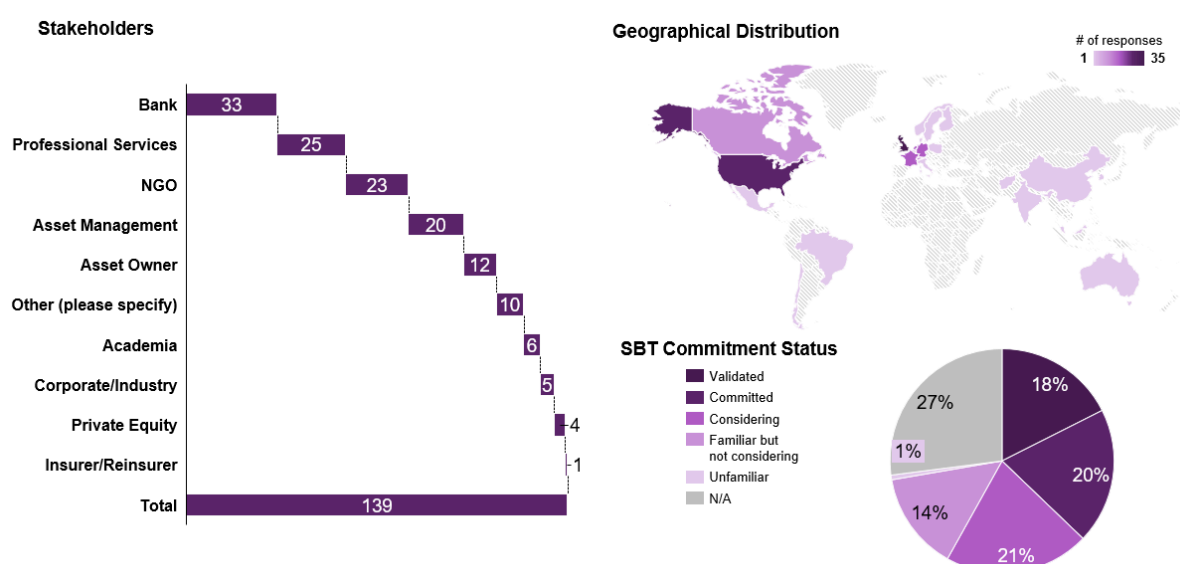
## 3. SURVEY FEEDBACK

### 3.1 Overall summary

With feedback received from 139 respondents, across 34 countries and from a wide variety of stakeholder groups, this document provides a summary of all stakeholder responses arranged as per the sections of the survey:

- Overview of number and geographical location of responses and science based target (SBT) commitment status
- Organization and Portfolio Boundary criteria
- Net Zero Near-Term Target Requirements - General Target Criteria
- Target Disclosure and Transparency Criteria – Near Term Target Criteria
- Long-term Target Criteria
- Portfolio Neutralization Criteria
- Monitoring, Reporting and Recalculation
- General Feedback

*Figure 2. Overview of number of FINZ respondents, stakeholders, geographical distribution and science based target (SBT) commitment status*



As the above illustration shows, SBTi received feedback from over 130 stakeholders across a wide variety of sectors, with banks being the most frequent contributor. In terms of SBT commitments, 59% of the total 139 respondents were either considering, had committed to or had validated SBTs. Globally the SBTi received responses primarily from the Global North. The Global South was however represented by responses from countries such as Malaysia, Brazil and Chile.

### 3.2 Responses to questions regarding FINZ Organization and Portfolio Boundary criteria

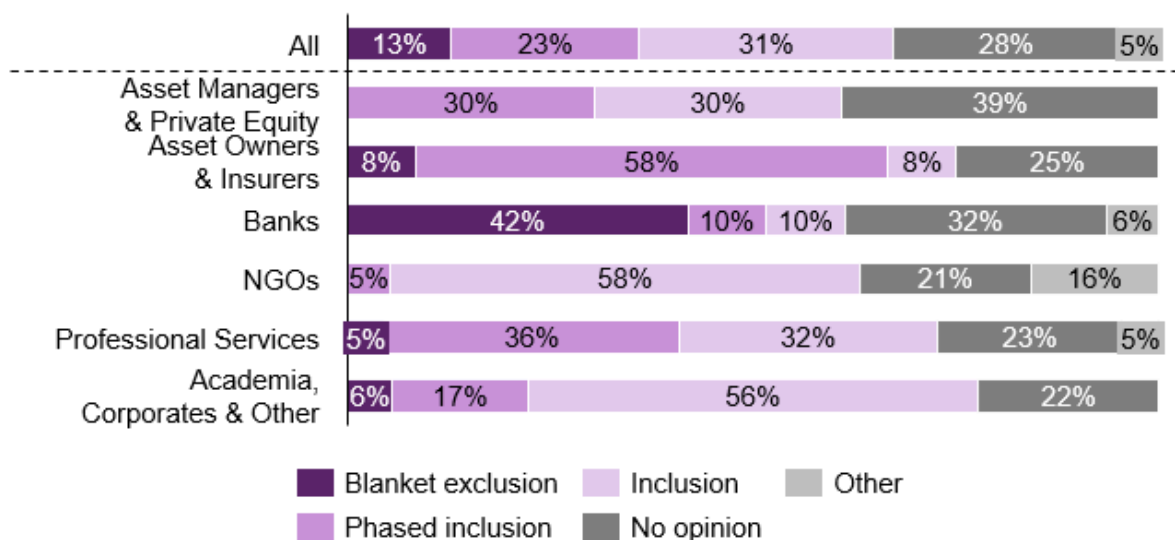
#### FINZ C1 - Organizational Boundary

Survey Question 22: Currently in the SBTi Finance Near-Term framework, third party asset management activities are optional for banks. As part of FINZ Criteria (C)1, within net-zero targets, which approach do you believe is most appropriate for addressing asset management activities within Bank groups?

Responses by Stakeholder Group

## Addressing asset management activities within Bank groups

FINZ C1, N = 125



- Overall, excluding those respondents with no opinion (N=35), 43% voted for including asset management activities within banking groups (i.e. those assets managed by third parties) when setting net-zero targets.
- While nearly half of respondents (42%) within the banking stakeholder group selected a blanket exclusion of financed and facilitated emissions associated with asset management activities when establishing the organizational boundary, across all stakeholder groups, only 13% believed this was the most appropriate option.
- In contrast, a narrow majority (58%) of NGOs chose the inclusion of asset management activities as most appropriate and 58% of asset owners and insurers selected phased inclusion.

### Common/Key Justifications for Responses

- Disparity across stakeholder groups was also evident where justification for responses were provided. For example, some banks supporting blanket exclusion expressed the view that inclusion, or a phased inclusion, would result in complexities, i.e. limited relevant guidance, immature methodologies or that banks had limited influence over such financial flows. However some asset managers stated that data availability is adequate and that, given the significance of asset management within banking groups and its associated emissions, it should be included in, or phased into, net zero targets.

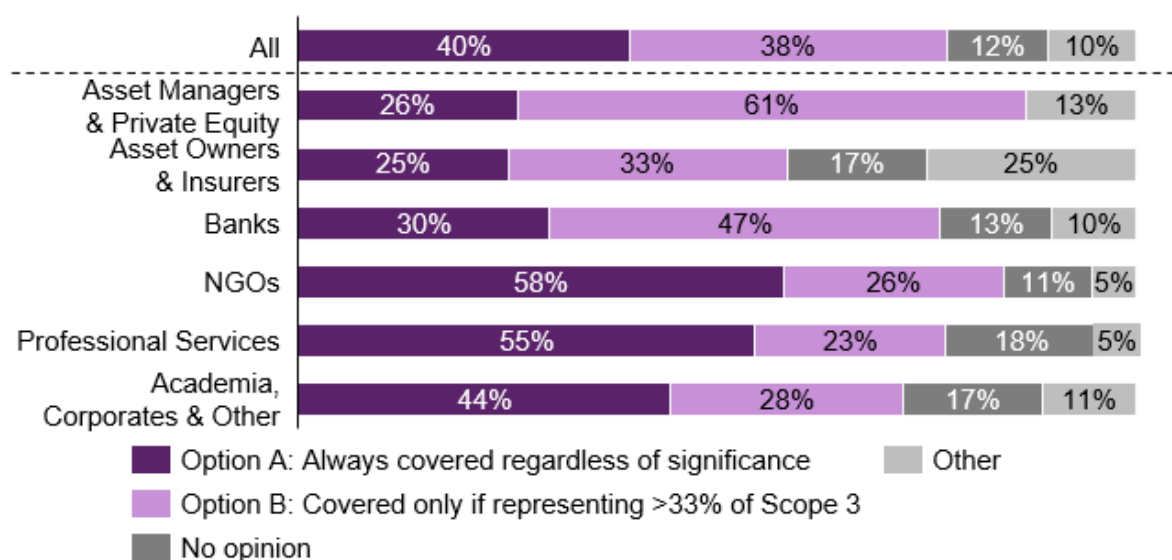
### FINZ C3 - Scope 3 Greenhouse Gas (GHG) emissions (category 1-14)

Survey Question 23: For FINZ C3, which of the proposed options for addressing scope 3 category 1-14 would you prefer?

Responses by Stakeholder Group

## Addressing Scope 3 Category 1 – 14 emissions

FINZ C3, N = 124



While Scope 3, category 1-14 emissions typically represent a very small portion of an FI's overall Scope 3 emissions, for it to make a Net-Zero claim, an FI must address these. FINZ C3 proposes two options for this.

- No clear consensus was observed from respondents between the coverage of Scope 3, categories 1-14 being required regardless of emissions materiality (Option A) or if it were to represent >33% of all Scope 3 (including Category 15) emissions (Option B).
- Practitioners generally preferred the inclusion of Scope 3, category 1-14 targets only if they represented >33% of all Scope 3 emissions. Most asset managers and private equity firms supported Option B, while more asset owners, insurers, and banks preferred Option B over Option A.
- Non-practitioners generally preferred the blanket inclusion of Scope 3, Category 1-14 emissions in targets (Option A). Specifically, a narrow majority of NGOs and professional services agreed and more respondents from academia, corporates, and other institution types agreed with Option A than not.

### Common/Key Justifications for Responses

- Respondents stated that while Scope 3 categories 1-14 might not always be significant for FIs, they can offer material insights to an FI's operational footprint even if Category 15 is viewed as the most crucial emission source.
- Respondents desire operational consistency with other corporations and call for alignment with the Corporate Standard in their support for Option A.

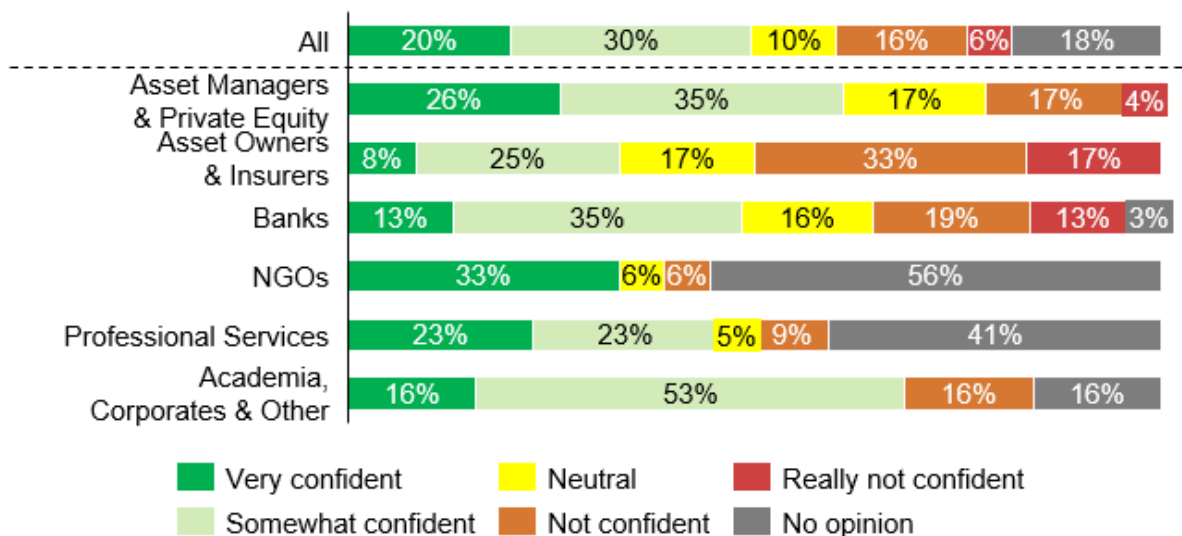
- Comprehensive reporting across all categories as a minimum was seen as essential for transparency and credibility, with a recurring suggestion to separate reporting of Category 15 from Categories 1-14.

### FINZ C7- Portfolio Emissions Inventory Requirements

Survey Question 24: 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).

#### Responses by Stakeholder Group

### Ability to provide an emissions screening for all in-scope financial activities where GHG accounting standards exist FINZ C7, N = 125



- Overall, more respondents agreed than disagreed they were confident that FIs would be able to provide an emissions screening for all in-scope financial activities where GHG accounting standards exist, with 20% reporting they were “Very confident” and 30% reporting that they were “Somewhat confident”.
- More respondents representing asset managers, private equity firms, academia, corporates and other institution types indicated their confidence than not.
- Asset owners and insurers were the only group where more respondents indicated that they were not confident in their ability to provide emissions screenings, with ~33% reporting that they were “Not confident” and ~17% reporting that they were “Really not confident”.

### FINZ C8 - Portfolio Target Boundary Expansion

Survey Question 25: For FINZ C8, which of the proposed options do you think is most suitable for defining the boundary expansion process?

#### Responses by Stakeholder Group

## Defining the boundary expansion process

FINZ C8, N = 126



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 specific financial activities over time, FIs should update targets to incorporate these activities when relevant. FINZ C8 set out three options for addressing this.

- The spread of response received was similar across all three distinct options, with an 18-month grace period (option C) receiving ~28%, a 12-month grace period (option B) receiving ~24%, and recalculation at the next target recalculation period or sooner (option A) also receiving ~24% of all responses.
- Additionally, ~3% of respondents were happy with any of the three options provided and ~6% indicated that none of the options provided were adequate.

### Common/Key Justifications for Responses

- Many respondents cited the hurdles posed by data quality issues, underscoring the need for consistent and reliable reporting in baselining any new asset classes covered under a boundary expansion.
- There was an expressed apprehension about the resource-intensive nature of target recalculations. Respondents felt that frequent restatements might jeopardize the credibility of mid- and long-term targets, highlighting the importance of institutions effectively managing boundary expansions in alignment with their in-house strategies.

### 3.3 Responses to questions regarding Net Zero Near-Term Target Requirements - General Target Criteria

#### FINZ Figure 8 (p34) Section 5.1.1. Target-setting Boundaries and Climate Relevance

Survey Question 26. In the Near-Term Framework, the SBTi defines specific coverage thresholds within each asset class (Section 5.3, Table 5.2) 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

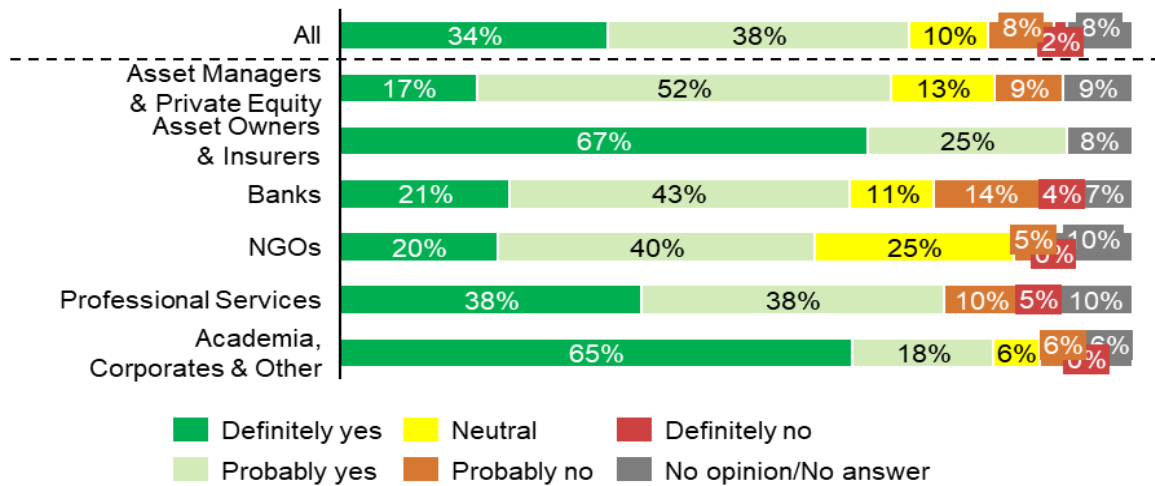


approach to defining boundaries across all asset classes in the FINZ Framework (Section 5.1.1. Figure 8)?

*Responses by Stakeholder Group*

**Holistic approach to defining boundaries across all asset classes**

Section 5.3, Table 5.2, N=121



This was an important departure from its existing Near-Term Guidance for the SBTi, which has a more prescriptive approach to target-setting. In the FINZ Consultation Draft, the SBTi is proposing a more flexible approach to setting targets across an FI’s portfolio, rather than on an “asset class by asset class” basis as currently specified.

- There was general agreement from respondents on the proposal for a more holistic approach to boundary definition
- Overall, more than 70% of all respondents were either definitely or probably supportive of such an approach, with 10% negative
- NGOs were less supportive than most respondent groups, being only 20% “Definitely yes” (although 60% in general agreement), which may be due to the perception that a target boundary set across combined rather than specific asset classes may allow FIs to focus on easier to align assets at the expense of higher GHG emitting asset classes.
- Asset managers were the lowest group in terms of responding “Definitely yes” (17%), although they are 72% in general agreement.

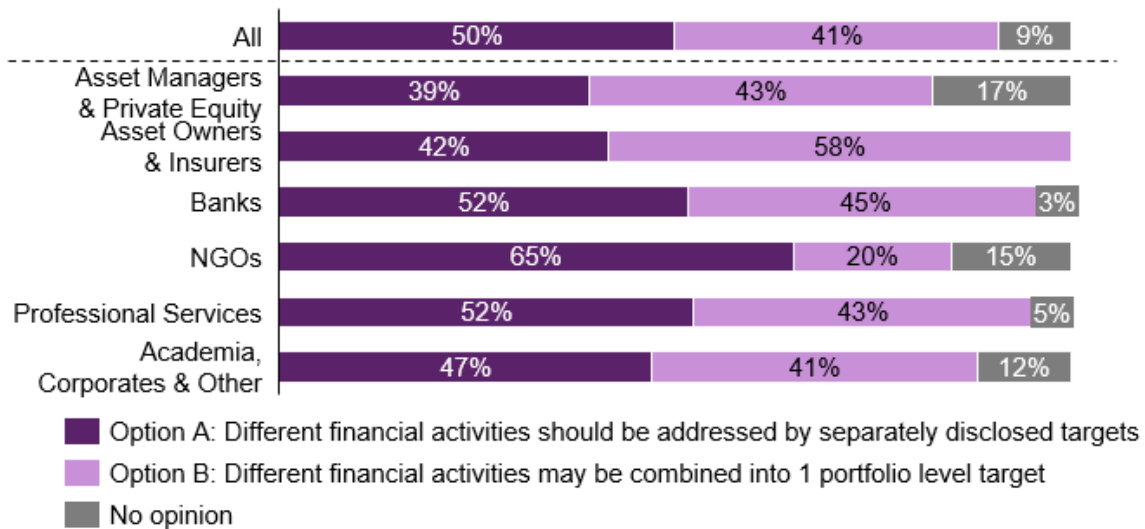
**FINZ C10 - Portfolio Target Boundary Grouping**

Survey Question 27: For FINZ C10, which option do you think is most suitable for establishing targets on different types of financial activities?

*Responses by Stakeholder Group*

## Establishing targets on different types of financial activities

FINZ C10, N = 122



This criteria addresses the question of how to group different financial activities for target-setting purposes.

- Overall, half of respondents supported (Option A) a separation of financial activities (e.g. lending/investing, insurance underwriting, capital market activities, etc.) for target setting purposes. Within stakeholder groups, a narrow majority of professional services (52%) and banks (52%) also supported this option, with NGOs (65%) in general agreement with the proposal.
- Strongest support for combining distinct financial activities into one single target (Option B) was evidenced by the Asset owners & insurers stakeholder group, where a narrow majority (58%) of respondents were in agreement with this proposal.

Figure 7 - Categorization and grouping of financial assets within portfolios into financial activities for target boundary setting purposes

Survey Question 28: The SBTi has proposed grouping different financial assets (see Section 4.1.1, Figure 7. Financial activities and asset classes) into financial activities to better define the range of on balance sheet (financed) and off-balance sheet (facilitated) 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?

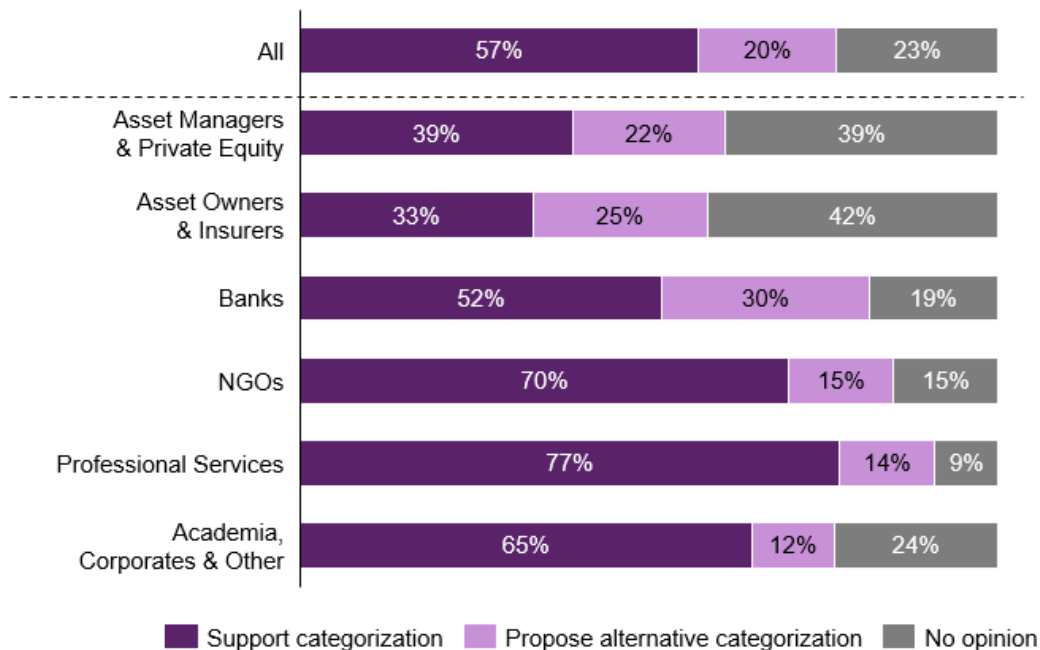
*Responses by Stakeholder Group*

**Figure 7**



## Proposed approach to grouping financial assets

Figure 7, N = 121



In section 4.1.1 of the FINZ Consultation Draft, Figure 7. 'Financial activities and asset classes' groups those financial activities considered as 'financed' (on a financial institution's balance sheet - e.g. investing and lending) and 'facilitated' (off a financial institution's balance sheet - e.g. managing, transacting and insurance). Within the financial activity grouping, Figure 7 also lists corresponding asset classes which make up those financial activities - e.g. for investing and lending financial activity group - asset classes such as listed/private equity.

- In response to the proposed grouping and categorization, overall, a narrow majority (57%) of respondents were in support, with the professional services stakeholder group representing the strongest positive result (77%).
- Asset owners and insurers showed least support for the grouping and categorization (33%), suggesting that greater clarity on the difference between investing in and managing different asset classes would be welcome.

### Common/Key Justifications for Responses

- Where proposed alternatives were provided these included: 'The current categorization makes sense from a financing perspective, but a subcategory that splits out the different ways of investing (e.g. direct investments, listed-private equity, etc.) should be provided; Capital markets activities should not be in the same grouping as brokerage and trading; There should be a subcategory under investing for direct and through 3rd party managers.'

### 3.4 Responses to questions regarding FINZ Target Disclosure and Transparency Criteria – Near Term Target Criteria

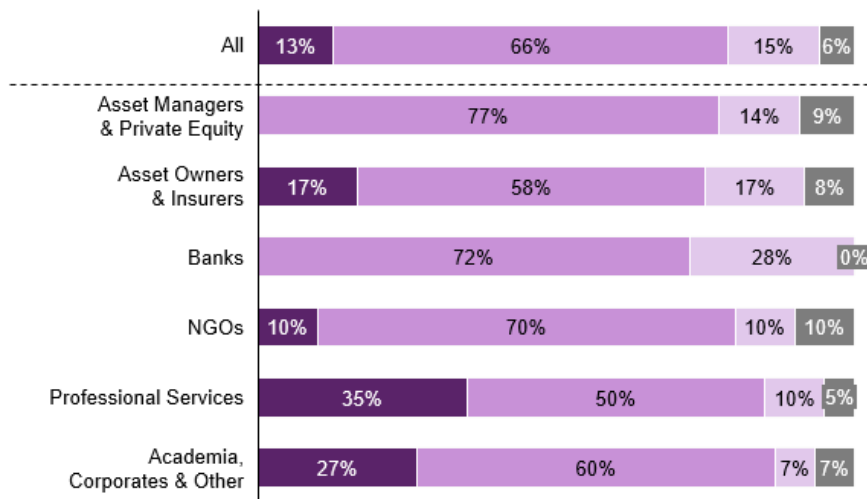
#### FINZ C12 - Near-term Target Timeframe

Survey Question 29: For FINZ C12, what is the most appropriate timeline for near-term target-setting?

Responses by Stakeholder Group

#### Appropriate timeline for near-term target-setting

FINZ C12, N = 118



- Option A: Target deadlines are within 5 years of the date of target submission to the SBTi
- Option B: Targets are uniformly set for 2030 and at 5-year intervals thereafter until long-term target year (at latest, 2050)
- Either
- No opinion

FINZ C12 addresses how FIs should establish near-term targets to ensure an FI's portfolio goals are 1.5°C aligned and consistent with reaching net-zero emissions before 2050.

- Overall 66% of respondents selected setting near-term targets for 2030 and at 5-year intervals after until the long term target date (2050 at the latest).
- This option also received the most support across all stakeholder groups. For example, half of professional services, 70% of NGOs and 77% of asset managers and private equity respondents selected this criteria as the preferred option.

## FINZ C14 - Near-term Coverage Requirements

Survey Question 30: For FINZ C14, when establishing a coverage boundary across all financial activities, and providing more discretion to FIs to take action on their most materially relevant activities first, what types of financial activities should be mandatory to align with near-term targets?

### Responses

#### Types of financial activities that should be mandatory to align with near-term targets

FINZ C14, N = 77



#### Principle-based

Activity-agnostic principles mentioned by participants

##### Key Participant Comments<sup>1</sup>

- Main principle should be materiality (could be in terms of emissions or revenue) (B, AM, PS, NGO, O, AC)
- Standardized and robust methodologies should exist e.g., approved by PCAF (B, PS)
- Consistency with other initiatives is important e.g., NZAOA (I, AO, NGO)
- Level of influence is important to consider (PS, B)

#### Activity-based

Specific asset classes/ activities mentioned by participants

##### Key Participant Comments<sup>1</sup>

- Listed equity (AO, NGO, PS, B, O, AM, I)
- Corporate bonds (AO, NGO, PS, B, O, AM, I)
- Real estate (NGO, B, I, AM)
- Capital markets activity (NGO, AM, PS, B)
- Insurance and reinsurance (NGO, I, PS, B)
- Debt brokerage (NGO)
- Transaction services (NGO)
- Advisory (NGO, AC)

#### Sector-based

Sector-based delineations mentioned by participants

##### Key Participant Comments<sup>1</sup>

- Electricity generation, in particular from the use of fossil fuels, must be addressed (AM, AO, PS, B)
- Activity associated with CRE and FLAG should also be included given emissions size (AM, B, NGO, PS)
- Other stated sectors include Metals & Mining, Steel, Cement, and Transport (AO, PS)

1. Justification may be mentioned multiple times from participants within the same sector; Abr.: AC: Academia, AM: Asset Managers, AO: Asset Owners, B: Banks, C: Corporate/Industry, I: Insurer/Reinsurer, NGO: NGO, O: Other, PE: Private Equity, PS: Professional Services

The term 'financial activities' was subject to wide interpretation by all respondents. Responses have therefore been arranged into three broad groups; Principle-based, Activity-based and Sector-based.

- Focussing on activity-based responses, where both asset classes and activities were mentioned, with the exception of the corporate sector, both listed equity and corporate bonds were suggested by all stakeholder groups and suggested 10-15 times. Real estate and capital markets were also frequently put forward (10-15 times) and by numerous stakeholder groups.
- Where stakeholders made sector-based recommendations, the most frequent response related to power generation, particularly from fossil fuels and that it must be addressed.

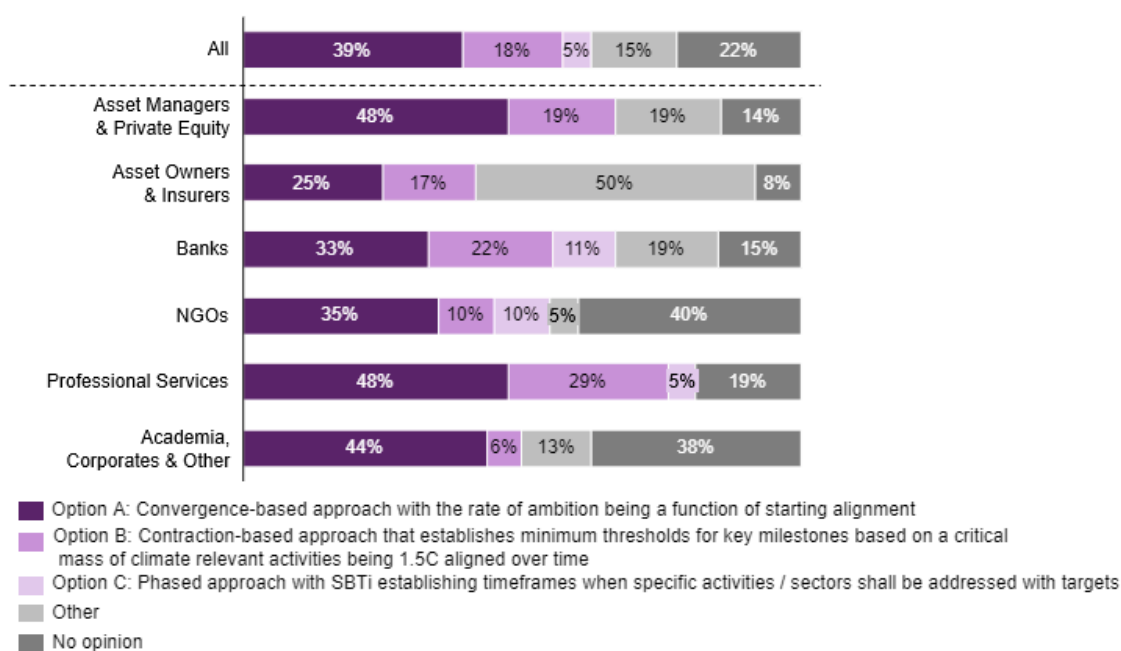
### FINZ C15 - Degree of Alignment Over Time

Survey Question 31: 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?

#### Responses by Stakeholder Group

#### Approach to defining rate of alignment over time

FINZ C15, N = 117



- This question produced mixed responses, both overall and, to a lesser extent, among specific respondent groups
- While there was no overall majority in favor of one particular course of action, overall, less than half (39%) of respondents selected Option A (convergence-based) as the most suitable approach to defining the rate of portfolio alignment over time. When omitting those respondents with no opinion (N=26), overall, 50% were in favor of it.
- Professional services, asset managers and private equity (both 48%) and academia (44%) were most in favor of Option A. Across stakeholder groups, results were mixed. For example, half (50%) of asset owners and insurers who responded,

selected Other, rather than Option A or B (contraction-based) or Option C (phased). And 40% of NGOs and 38% of academia, corporates and other had no opinion.

### Common/Key Justifications for Responses

- Where respondents provided further commentary regardless of their selected option (N=74), a recurring justification for supporting the convergence-approach was noted across all stakeholder groups (excluding asset owners and private equity) and comprised the following - ‘this considers the starting point, and, in doing so, rewards firms further ahead. It also demands a relatively higher rate of change for misaligned portfolios’. Another repeated argument from asset managers, private equity and professional services was that Option A provides flexibility.
- Asset managers and professional services, commenting directly on the contraction-based approach, highlighted that it was independent of an FI’s starting point and does not punish those with lower early levels of alignment.
- Again regardless of the selected option, a repeated suggestion as an alternative to a single option (A, B or C) was the provision of a mix of A and B, taking into account the starting point but gradually introducing thresholds.

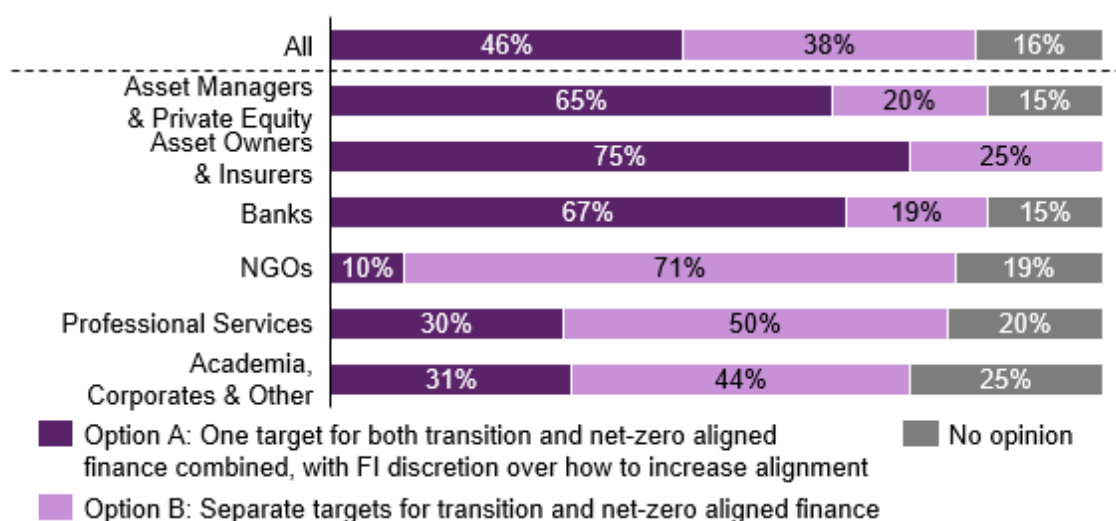
### FINZ C16 - Definition of Alignment

Survey Question 32: 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)?

#### Responses by Stakeholder Group

### Discretion on how to meet portfolio alignment targets

FINZ C16, N = 116



FINZ C16 outlines how FIs should incorporate 1.5°C alignment into near-term targets using the maturity scale as shown in the FINZ Consultation Draft (p39) Section 5.1.2.2, Table 7.

- Overall (46%) and within asset managers and private equity (65%), asset owners and insurers (75%) and banks (67%) stakeholder groups, there was general agreement that Option A - transition and net-zero aligned finance combined was the preferred proposal.
- Non-practitioners i.e. NGOs (71%) and professional services (50%), however, favored Option B (separate targets for transition and net-zero aligned finance), which was generally different from the responses from practitioners

### Common/Key Justifications for Responses

- Of the N=53 respondents who voted for Option A, N=15 respondents from all stakeholder groups indicated that a combined target would provide flexibility and simplicity, as it requires a single target.
- For those respondents who voted for Option B (N=33), N=4, from academia, professional services and asset ownership and management highlighted that separate targets would provide transparency and credibility.

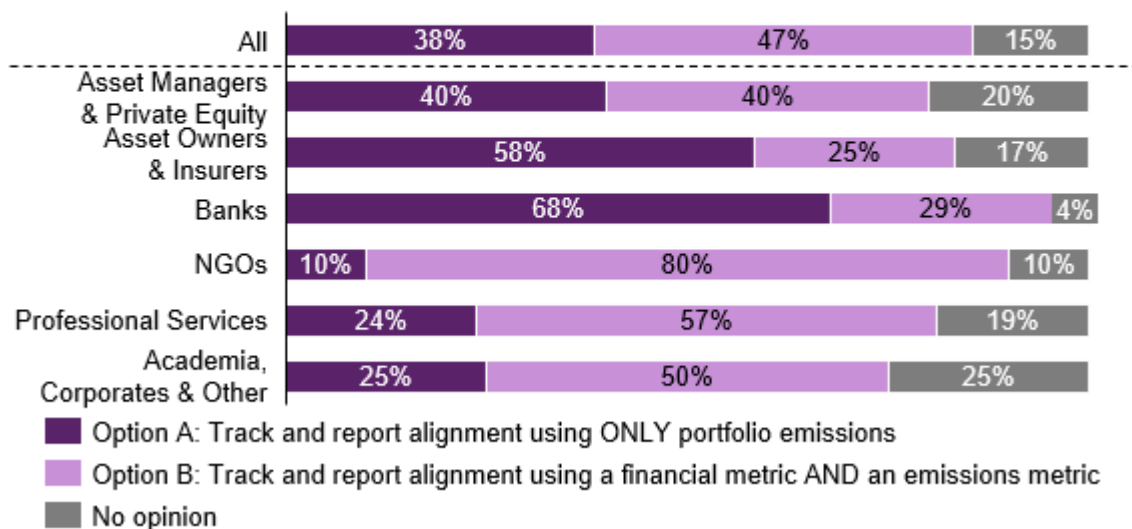
### FINZ C17 - Portfolio Alignment Metrics

Survey Question 33: 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?

#### Responses by Stakeholder Group

### Portfolio alignment metrics

FINZ C17, N = 117



FINZ C17 presents two proposals for how minimum portfolio alignment thresholds should be established.

- Just under half (47%) of all respondents selected Option B (financial and emissions metrics). Greatest support for this option was evidenced in the NGO, professional

services and academia, corporates and other stakeholder groups, where there was a narrow margin to wide agreement for this option.

- When omitting those respondents who had no opinion (N=17), overall, the proportion of those voting for Option B increased to (55%).
- It's notable that Banks exhibited the highest preference for portfolio emissions tracking and reporting; this is consistent with bank use of the SDA for existing near-term SBTs.

### Common/Key Justifications for Responses

- A common justification for selecting Option B across academia, asset owners, banks, NGOs and professional services was that this approach would ensure that an increasing share of financing/activities is targeted.

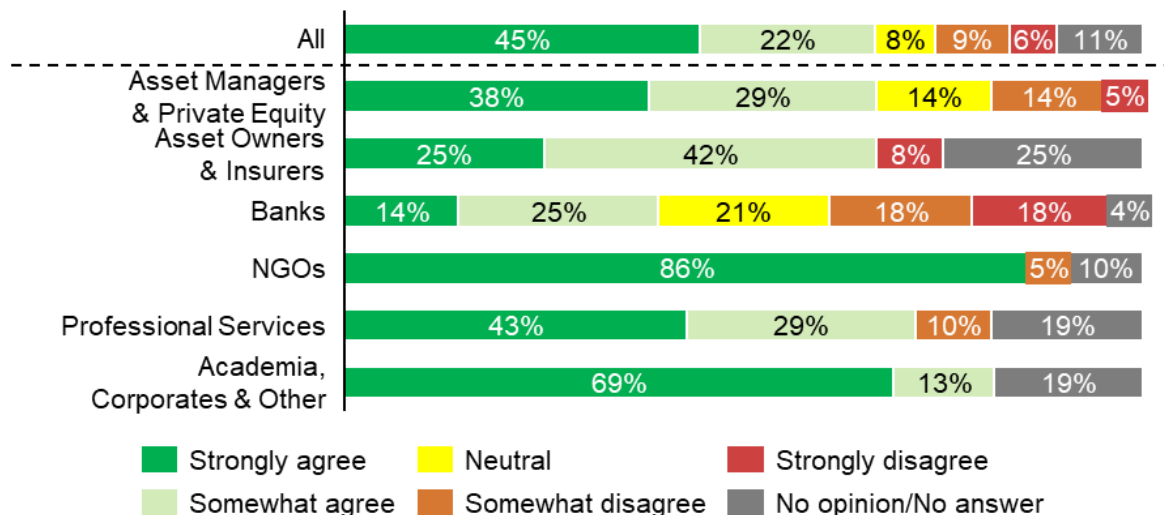
### 3.5 Responses to questions regarding FINZ Long-term Target Criteria

#### FINZ C20 - Net-Zero Targets

Survey Question 34: For FINZ C20, do you agree that long-term targets and subsequent net-zero claims need both proposed types of targets (i.e. portfolio alignment and portfolio emissions)?

Responses by Stakeholder Group

### Long-term targets needed for portfolio alignment and emissions FINZ C20, N = 119



- There was general agreement from respondents on the proposal for both alignment and portfolio emission reduction targets, with 67% of respondents either “Strongly” or “Somewhat agree[ing]” with this approach.
- NGOs plus Academia, Corporates & Other were the groups most in agreement with the joint-targeting approach, with 86% and 82% either “Strongly” or “Somewhat agree”[ing]. Bank respondents were the least favorable at 39%, but this group had the highest number of “neutral” responses at 21%.



### Common/Key Justifications for Responses

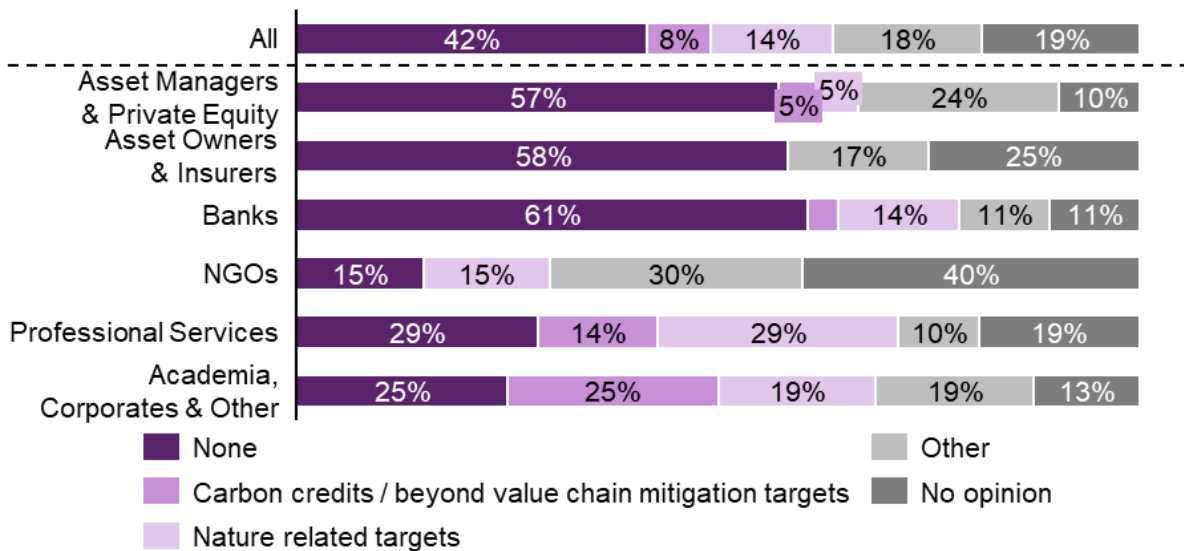
- For those who responded “Strongly disagree” or “Somewhat disagree” (N=12), there was no clear consensus on which targeting approach was preferable. For example, N=4 respondents preferred Portfolio Emissions targeting while N=5 favored the Alignment approach.
- There was an understanding from respondents that, whilst alignment is important in determining direction of travel toward net-zero, emission reduction targets were still important as an indicator as FI portfolios approach net-zero.

Survey Question 35: 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?

Responses by Stakeholder Group

### Types of other long-term targets needed to ensure credibility

FINZ C20, N = 118



- While there was no overall majority in favor of one particular course of action, “No further targets” was selected as the answer most respondents agreed with, compared to the other targets suggested (Carbon credits/BVCM, Nature-related targets and Other) combined i.e. disregarding “No opinion”
- The FI respondents were most in favor of no other long-term targets

### Common/Key Justifications for Responses

- NGOs were least in favor of no other long-term targets, but of the NGO respondents (N=22), none favored Carbon credits/BVCM as an option for this question.

### FINZ C22 - Net-Zero Target Ambition

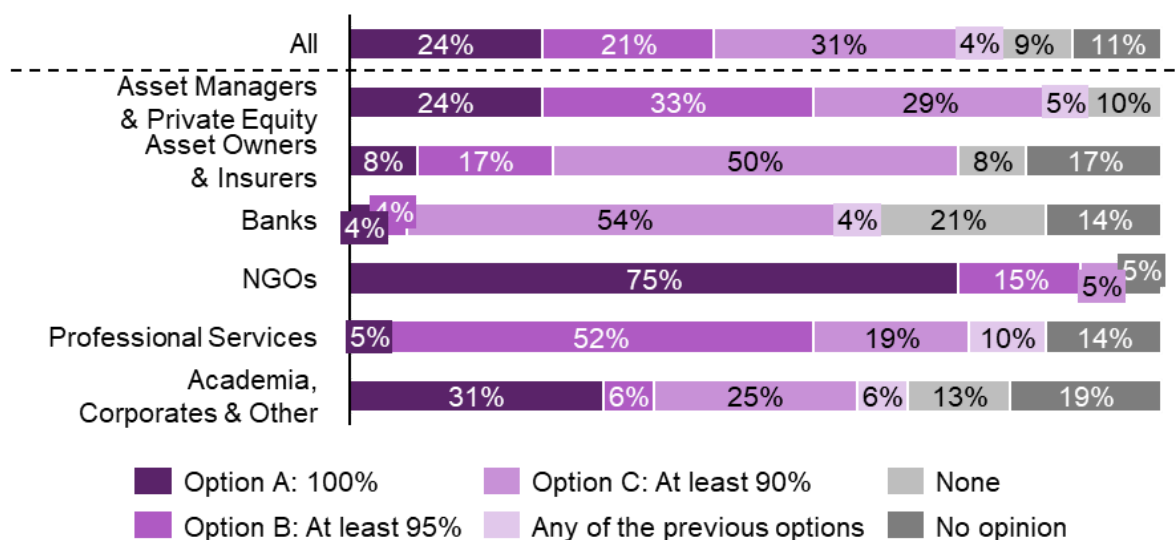
Survey Question 36: For FINZ C22, which option for alignment do you agree with?



## Responses by Stakeholder Group

### Options for alignment, % of net-zero aligned finance by 2050

FINZ C22, N = 118



It is critical for FIs' long-term ambition to be consistent with the requirements of a net-zero economy. To support this, FINZ C22 outlined three options, proposing the level of ambition in terms of percentage of net-zero aligned finance for consultation.

- There was no clear consensus among respondents as to the appropriate level of net-zero alignment by 2050, although Option C (at least 90%) was the favored option overall.
- By stakeholder type, NGO respondents generally agreed in favoring Option A (100%) at 75%, with a narrow majority of banks (54%) favoring Option C and professional service respondents Option B (52%).

#### Common/Key Justifications for Responses

- A number of respondents (N=7) explained that Option C was consistent with *the SBTi Corporate Net-Zero Standard*, while a smaller number (N=2) stated that Option B (95%) aligned with GHG Protocol requirements.

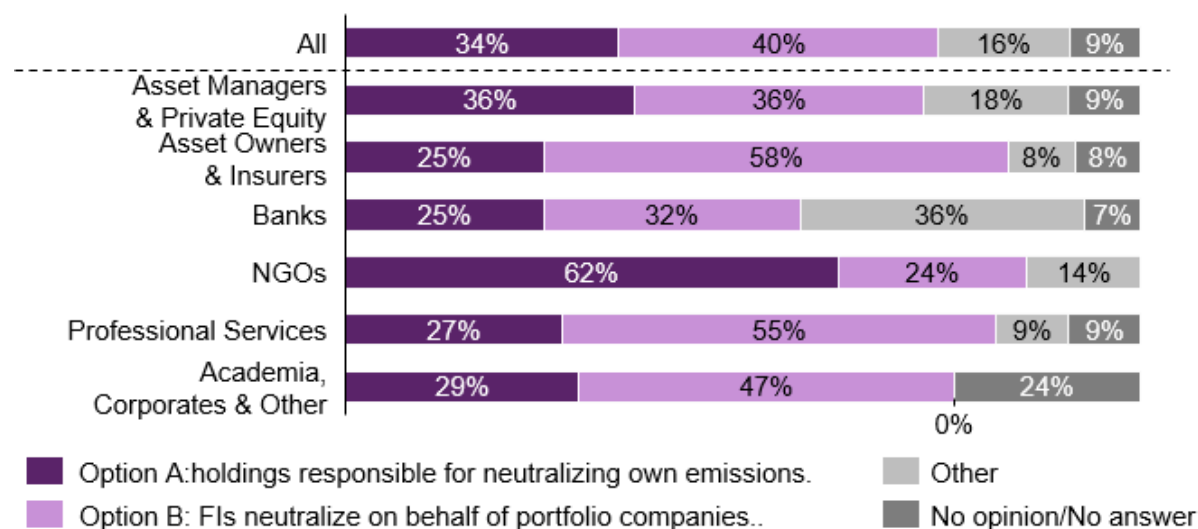
Survey Question 37: For FINZ C22, if Options B or C were selected in the previous question, what are the minimum conditions you would propose for the entities and activities that are not net-zero aligned?

## Responses by Stakeholder Group



## The role of FIs in neutralizing residual portfolio emissions

FINZ C27, N = 122



- There is no clear majority for either option. However, NGOs clearly lean towards option A, while Asset Owners & Insurers together with the “Other” group lean towards option B.

### Common/Key Justifications for Responses

- Of the N=122 respondents to this question, two thirds (N=83) chose to comment on their response. Where responsibility for neutralization would rest with the portfolio holdings had been selected, a variety of responses were provided. Respondents emphasized that portfolio companies should bear primary responsibility for neutralizing their own emissions, promoting accountability and incentivizing emission reductions as well stressing the need for portfolio companies to decarbonize their own operations pointing to a “polluter pays” policy.
- Some respondents also believed an FI's net-zero status should depend on its holdings achieving net-zero status, discouraging FI-led neutralization efforts but also highlighted Concerns about potential confusion and inefficiency if both companies and FIs attempt to neutralize emissions, stating that this could lead to "double neutralization" and inadequate funding for emission reductions.
- Among the comments from stakeholders supporting option B, some saw this as offering incentives for portfolio managers to consider emissions costs and encouraging financial institutions (FIs) to share the responsibility for neutralizing emissions with their portfolio companies. Option B was also perceived as providing flexibility, promoting a portfolio approach to net-zero targets, and potentially accelerating investments in cleaner, negative emissions companies. It was also seen as encouraging the transition to a more sustainable economy.
- Respondents stressed that the ultimate goal is to neutralize residual emissions, regardless of whether it's done by FIs or portfolio companies, with a strong emphasis on verification and scientific rigor.
- Some respondents suggest that both options could be applied

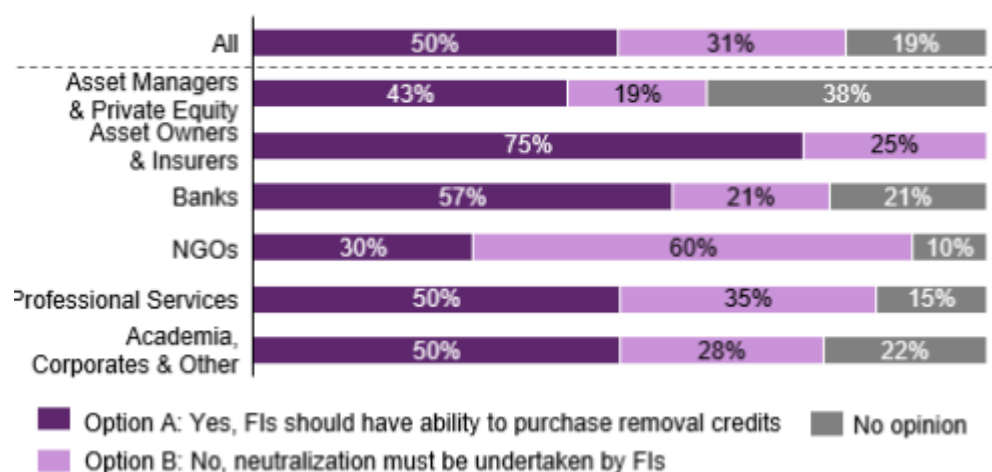
## FINZ C28 - Portfolio Neutralization Eligibility

Survey Question 39: 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.)?

*Responses by stakeholder group*

### Options for neutralization of portfolio emissions

FINZ C28, N = 119



- Half of the total number of respondents support FIs being able to purchase removal credits.
- Asset owners and insurers (75%) clearly lean towards Option A, while NGOs (60%) lean towards option B. Among the remaining stakeholder groups, Option A was preferred, although among asset managers and private equity, this option was chosen in less than half of replies and a notable percentage (38%) had no opinion.

### Common/Key justifications for responses

- Respondents who favored Option A generally supported the use of carbon removal credits alongside direct financing/facilitating activities to neutralize residual emissions. They emphasized the importance of flexibility, transparency, and avoiding double counting. Some also suggested a combination of Options A and B for added flexibility:
  - Many emphasized that using carbon removal credits can provide greater transparency and assurance that emissions are effectively removed, avoiding potential issues with double counting.
  - Respondents encouraged FIs to invest in companies specializing in carbon removal projects, promoting the development of credible credits and supporting negative emissions solutions.
- Among those that favored Option B, the arguments were, in summary:
  - Respondents argued that financial institutions (FIs) should directly finance or facilitate carbon removals to neutralize residual portfolio emissions, emphasizing the importance of FIs taking responsibility for their emissions,

- Many expressed reservations about relying on carbon removal credits, citing concerns about their reliability, lack of regulation, and potential for double counting. They emphasized that using credits may not lead to meaningful emissions reductions by portfolio companies,
- Respondents favored Option B because it provides a clear and measurable accountability mechanism for FIs, ensuring that they actively contribute to emissions reductions rather than relying on offsetting measures like carbon credits. Some also raised concerns about the complexity and practicality of Option A.

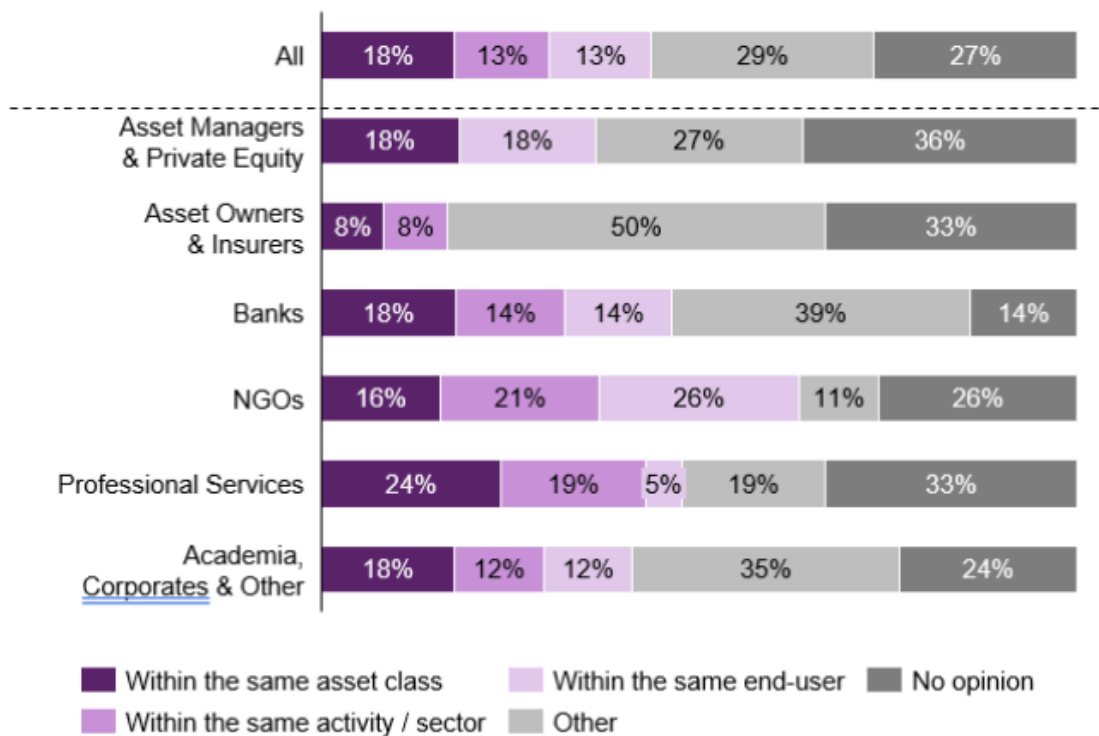
### FINZ C28 - Portfolio Neutralization Boundary

Survey Question 40: For Criteria FINZ C29, how should the boundary of neutralization be defined?

#### Responses by Stakeholder Group

### Defining the boundary of neutralization

FINZ C29, N = 119



The primary purpose of portfolio neutralization is to ensure that all portfolio residual emissions from underlying holdings are neutralized. FINZ C28 proposes three mechanisms FIs could adopt, independently, or combined to achieve this.

- Within all stakeholder groups, except NGOs, from a narrow majority of, to most respondents supported either Other or No opinion. Half of asset owners and insurers answered that some other boundary definition should be devised.

### Common/Key Justifications for Responses

- Overall, respondents who selected “Other” favored flexibility and a holistic approach to neutralization, allowing financial institutions to balance emissions and removals across different types of financial asset classes within their portfolios. They emphasized the importance of transparency and avoiding unnecessary complexity in the neutralization process:
  - Respondents stressed the need for flexibility and transparency in setting boundaries, avoiding unnecessary complexity, and allowing institutions to pursue removal opportunities wherever they exist, regardless of asset class or sector.
  - Some mentioned the importance of sourcing neutralization from credible and abundant sources, focusing on achieving net-zero emissions rather than changing financial market structures.
- Some comments from those that favored defining the boundary within the same asset class were:
  - It offers more flexibility and allows for a more targeted approach. Respondents believe it provides greater consistency and comparability in measuring and tracking emissions reductions.
  - Respondents noted that financial institutions have diverse portfolios, and aligning neutralization efforts within the same asset class makes sense in practical scenarios.
  - There were also suggestions that asset class categorization is the most relevant for disclosing reduction targets, and therefore, neutralization boundaries should align with these categories.
- Defining within the same activity or sector was supported by the following arguments:
  - Respondents believe this approach ensures that neutralization efforts align with the specific sector or activity in which the emissions are generated.
  - This option provides greater flexibility and allows for innovation, especially as some asset classes may be more saturated than others. It enables financial institutions to tailor their neutralization efforts to the sectors they are involved in.
  - Respondents noted that defining the boundary by asset class may not have a direct implication for the real economy, while focusing on the same activity or sector ensures alignment with the sectors generating emissions.
- In general, the respondents who preferred defining the boundary of neutralization within the same end-user argued that its purpose is to maintain responsibility for emissions with the entities causing those emissions and to align with real-world accountability:
  - Respondents believe that defining the boundary of neutralization within the same end-user ensures that the emitter or entity responsible for the emissions carries the weight of neutralization. This approach holds the end-user accountable for their emissions.
  - Neutralization at the end-user level is seen as a way to align responsibility for emissions with the entities or end-users causing those emissions. This approach avoids situations where consumers or unrelated parties neutralize emissions generated by companies or sovereigns.
  - Some respondents emphasized that the most crucial factor is ensuring effective neutralization, regardless of whether it occurs within the same asset class, sector, or end-user.

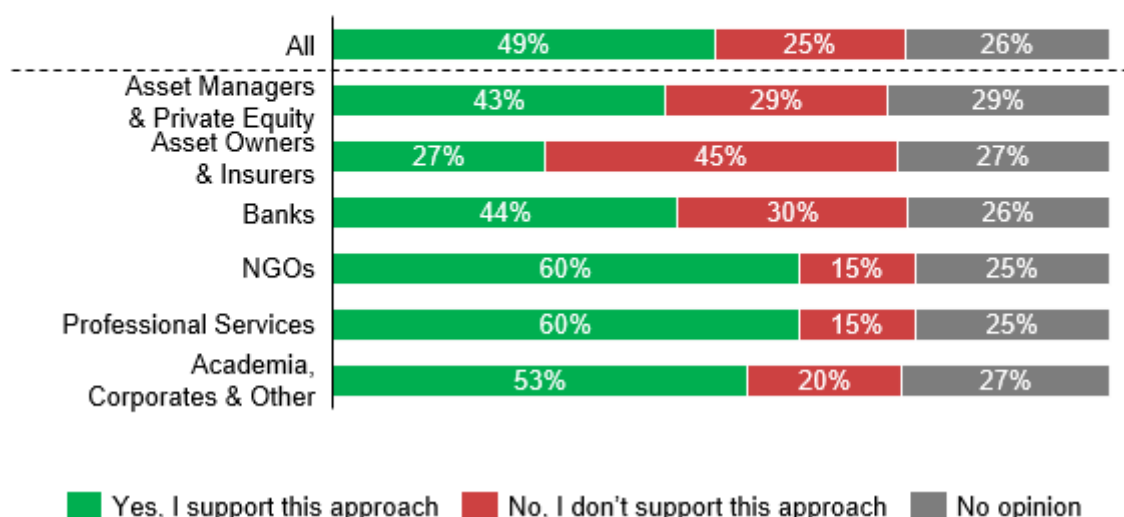
### 3.7 Responses to questions regarding FINZ Monitoring, Reporting and Recalculation

#### FINZ C35 - Measurement

Survey Question 41: For FINZ C35, would you support using an annual time-weighted approach to measure the portfolio indicators (GHG emissions and target indicators)?

*Responses by Stakeholder Group*

#### Annual time-weighted approach to measure portfolio indicators FINZ C35, N = 114



To ensure transparency and standardization of measuring FIs' performance against targets, FINZ C35 requires that FIs measure the base-year and reporting year and proposes two approaches on how to capture the point in time for the reporting year. Option A - the same date as the annual report or balance sheet for the reporting year and currently used by FIs to report near-term targets. Option B - an annual time-weighted average that represents actual portfolio holdings/value over the reporting year.

- In response to the new proposed approach (Option B), overall, just under half (49%) of all respondents were in support of this. If "No opinion" responses (N=30) are omitted, the proportion of those in support of Option B increased to 67% (general agreement).

#### Common/Key Justifications for Responses

- While respondents were provided with the opportunity to provide reasoning as to why they did or didn't support the annual time-weighted approach. SBTi can't readily rely on the survey results due to the phrasing of the multiple choice answers and how in some instances this was interpreted. Therefore in the interests of fairness we will not be publishing the results.



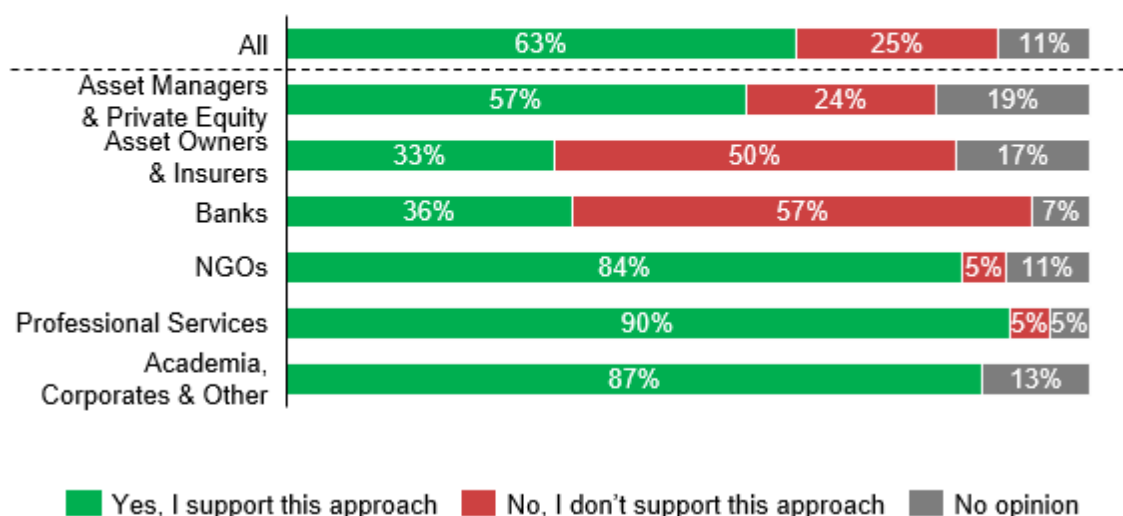
## FINZ C39 - Reporting Format

Survey Question 42: 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?

Responses by Stakeholder Group

### Support for mandatory attribution reporting

FINZ C39, N = 115



FINZ C39 requires that FIs publicly report information pertaining to the progress against validated targets and proposes that this be conducted using either Option A - a *mandatory* attribution approach, or Option B - that it is *recommended* FIs adopt this approach.

- Overall, there was general agreement that the attribution approach be mandated. The NGO, professional services and academia, corporates and other stakeholder groups also mostly supported this, with a narrow majority of asset managers and private equity also in favor of this proposal.

#### Common/Key Justifications for Responses

- Of the respondents who supported a mandatory approach and provided comments (N=50), N=23 stated that by requiring FIs to adopt an attribution approach, this would improve transparency.
- Recurring comments relating to challenges with mandating the attribution reporting approach, were received from asset managers and banks and included a lack of standardized guidance. Similarly some asset managers, professional services organizations and asset owners indicated that this would create an additional burden for FIs and present operational challenges.



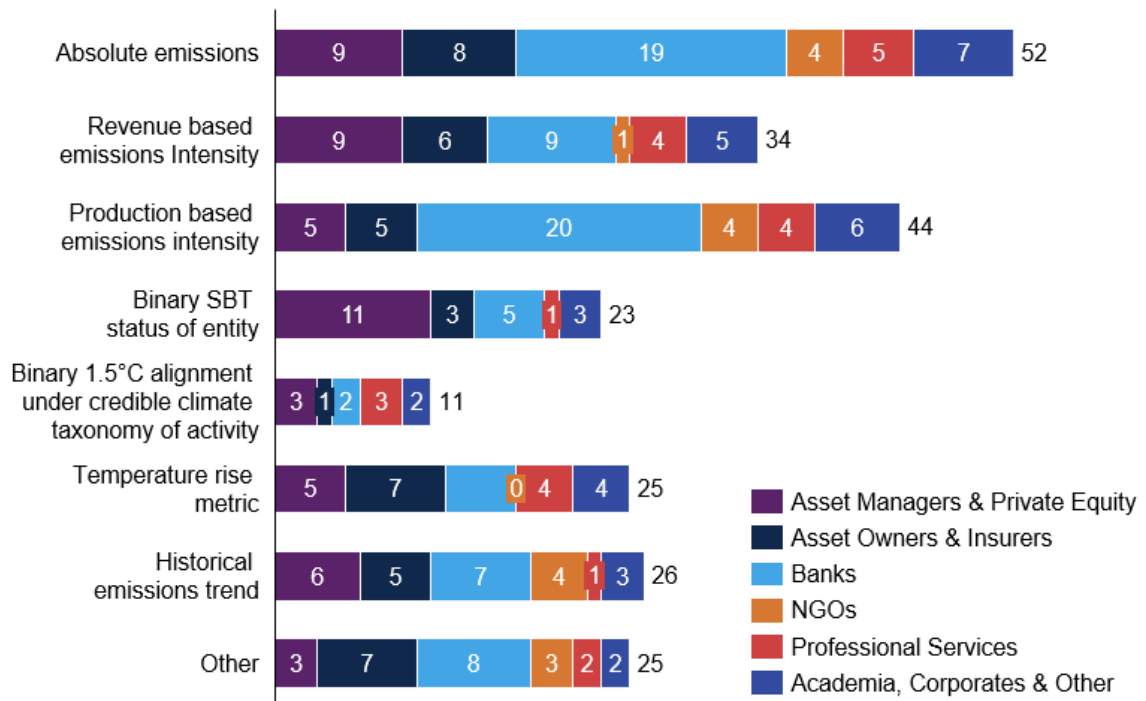
### 3.8 Responses to questions regarding Metrics

Survey Question 43: In the context of portfolio alignment approaches, what metrics does your firm currently employ to evaluate alignment at the sector/portfolio level? Please select all that apply.

Responses by metric type

#### Metrics used to evaluate alignment at the sector/portfolio level

N = 79



- In terms of metric types, emissions based metrics are most frequently used to evaluate alignment at the sector/portfolio level, with absolute emissions being the most common.

### 3.9 General Feedback

Survey Question 44: Do you have any other comments on the Consultation Draft of the SBTi Financial Institutions Net-Zero (FINZ) Standard Conceptual Framework and Initial Criteria for Financial Institutions V1?

In addition to asking for input on specific topics, the survey was also used to solicit wider, non-prescriptive feedback on the FINZ Consultation Draft. A number of respondents (*N=48 out of 139 participants in the FINZ Consultation survey*) provided this. The following provides a synthesis of key themes (categorized as themes or topics identified in *N=5* or more respondents' feedback) that emerged:

Theme/Topic	Summary of Feedback and Examples (with respondent type <sup>1</sup> )
<p><b>Prescriptive vs Holistic approach</b></p> <p>In addition to the “prescriptive approach”, the FINZ Consultation Draft proposes an alternative way to establish boundaries and targets. 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</p>	<p>In response to the proposed approach, there were generally positive comments. There were, however, concerns that, by providing FIs with flexibility to choose which assets/activities to target, this could lead to accusations of greenwashing. The holistic approach would, therefore, need to be accompanied by clear requirements for mandatory assets such as steel or fossil fuels.</p> <p>“Only holistic targets can guarantee a consistent approach and an ultimate alignment [at] the entire portfolio level” (NGO).</p> <p>“[T]here is the possibility that by allowing less stringent guidance on individual asset classes, FIs could set targets with low ambition for certain, more "difficult-to-align" asset classes while fully aligning the easier-to-align asset classes” (NGO).</p> <p>“One option is to recommend flexibility for short-term SBTs by allowing financial institutions to choose between both approaches (prescriptive or holistic) when establishing target boundaries and require an approach based on financed emissions for long-term net zero</p>

	targets” (PS).
<p><b>Portfolio Alignment Approach</b></p> <p>This proposed approach would seek to focus FIs’ attention on aligning portfolios to a net-zero end-goal, with portfolios classified as “Aligned”, “Aligning”, etc., depending upon the level of maturity reached. This is a different approach to the emissions reduction approach undertaken in the SBTi’s Near-Term Guidance</p>	<p>Whilst positive comments on the alignment proposal set out in the FINZ Consultation Draft were received, there were some concerns expressed that measuring alignment may be inconsistently applied among FIs in reviewing their portfolios, and that such an indicator would therefore require clear definition to avoid possibly over-stating portfolio alignment among some FIs.</p> <p>“Overall, we understand the move towards portfolio alignment and agree this is a good direction of travel - this would form the core of a transition plan for a FI” (B).</p> <p>“Temperature alignment lack[s] maturity to be integrated systematically in asset management” (AO).</p> <p>“In practice, the various providers that do these complex calculations for a company against a decarbonization curve/target activity metrics may come up with different states of alignment for the same company” (NGO).</p>
<p><b>Data availability</b></p> <p>The FINZ Consultation Draft (FINZ C7) proposes that a Scope 3, category 15 emissions inventory should be completed for an FI’s in-scope portfolio target boundary when submitting targets for validation</p>	<p>There was consistent feedback on the question of data availability for FIs and (in particular) the requirement to complete a Scope 3, category 15+ inventory for all in-scope financial activities within the portfolio target boundary. FI respondents felt that this was currently difficult:</p> <p>“...outside of FI’s, requiring Scope 3 data poses challenges, as this data is rarely available or reliable” (B)</p> <p>“Must be careful in the integration of Scope 3 since data is lacking[, e]specially in the private sector” (AO)</p>

	<p>However, other responses were in favor of the requirement:</p> <p>“In our view, it should be made clear FIs are expected to pro-actively work towards portfolio boundary target expansion, by investing in the development of methodologies (e.g., providing resources to PCAF or investing in in-house data collection)” (NGO)</p>
<p><b>Convergence with other standard-setters</b></p>	<p>A consistent theme in the survey feedback generally (i.e. not just for the FINZ work) was the need for consistency of the criteria and methods with those of other standard-setters, which was also reflected in <a href="#">survey feedback</a> on the FINZ Foundations paper:</p> <p>“It would be good to add references to other relevant guidance/standards eg by GFANZ and the ISO IWA 42 since alignment between standards, frameworks and guidance is essential for concerted action in the same direction” (PS)</p>
<p><b>Flexibility</b></p>	<p>The need for greater flexibility was highlighted in the commentary, both in terms of respondents supporting the holistic approach proposed in the FINZ Consultation Draft but also in requesting FIs are generally allowed greater flexibility in their approaches to reaching net-zero:</p> <p>“Overall, SBTi should allow flexibility on how FIs meet their targets as an overly rigid approach would discourage SBTi adoption” (B)</p> <p>“Overall: the proposed approach would benefit from embedding in it a higher degree of flexibility given the emerging rules and regulations in this space as well as the fast-pace in which climate science and technology are evolving” (I)</p>

<b>Other notable feedback</b>	Also highlighted on more than one occasion in the general commentary was the request to include (or acknowledge) <b>avoided emissions</b> within the target-setting framework and criticism that the FINZ conceptual framework and criteria, as set out, was <b>too bank-centric</b> and/or not appropriate for most FIs targeting net-zero.
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SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

