

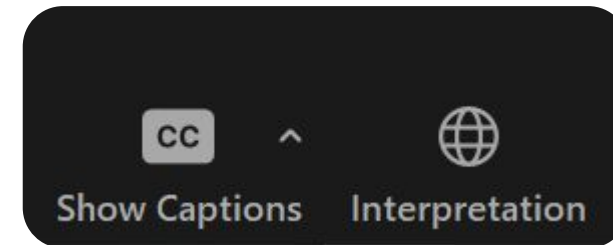
The Science Based Targets initiative

Global Launch: Financial Institutions
Net-Zero Standard - Consultation Draft

22nd August 2024

Housekeeping

- This webinar is being translated into Spanish - access using the button at the bottom of your screen.
- Ask questions in the Q&A box at the bottom of your screen.
- A recording will be published on SBTi's YouTube channel.
- The slides will be published on our website.



AGENDA

Introduction	5 min
Development of FINZ	10 min
FINZ Standard Overview	20 min
Next Steps: Consultation + Pilot	5 min
Questions and Answers	20 min

Today's Speakers



Nate Aden

**Head of
SBTi Financial
Standards**



Eoin White

**Research Lead,
SBTi Financial
Institutions**



Jana Mintenig

**FINZ Manager,
SBTi Financial
Institutions**

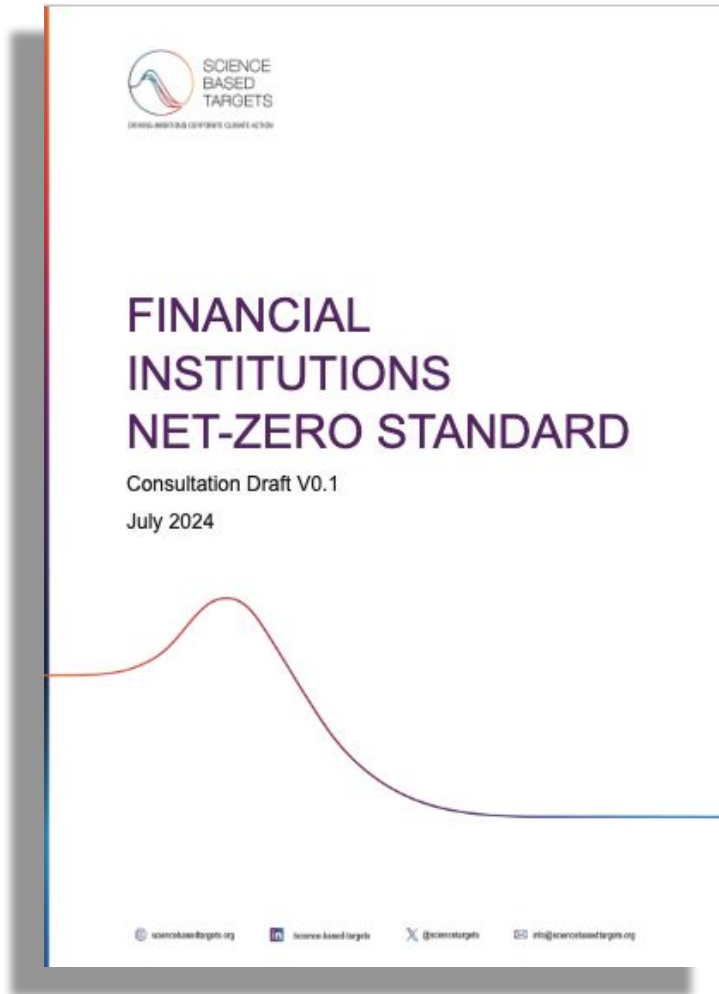


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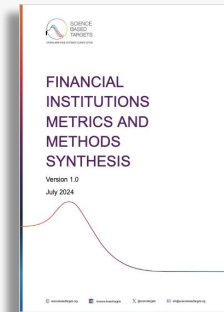
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Development of the FI Net-Zero Standard

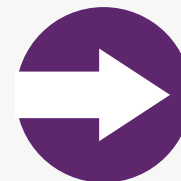
What has been published?



Informing the development of the FINZ Standard



Metrics & Methods Synthesis, released alongside the FINZ Standard

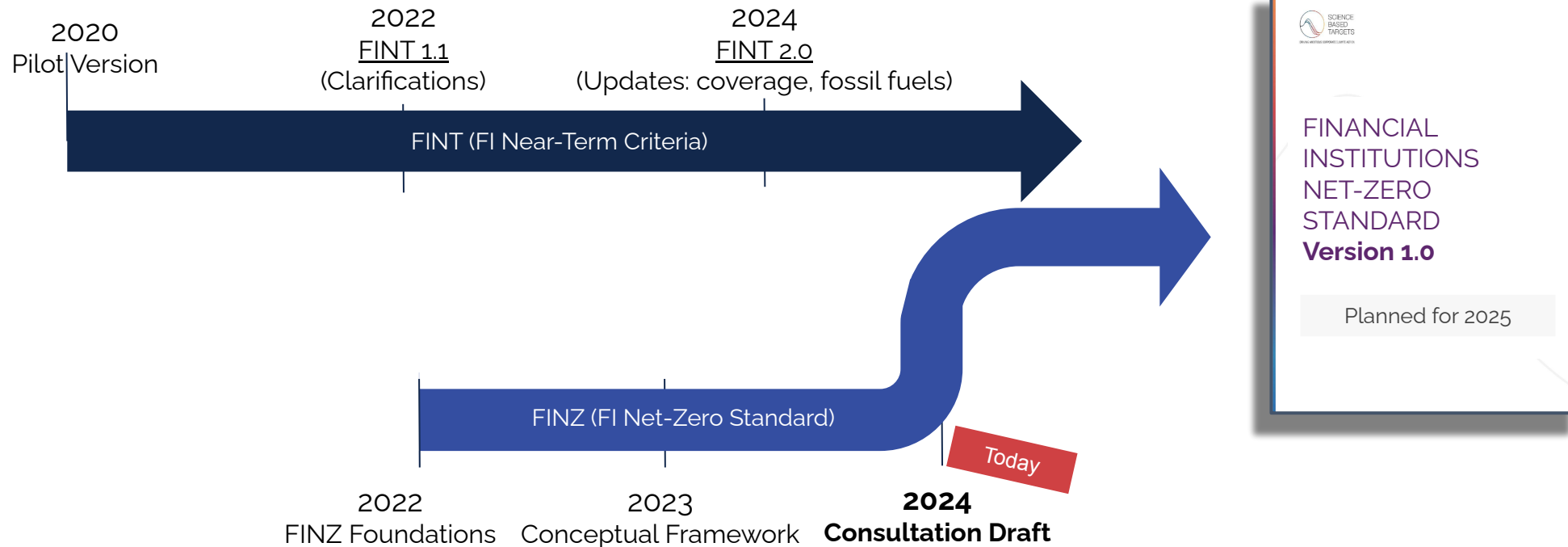


[Consultation survey](#) to collect feedback

Building on consultation summary from the draft published June 2023

Parallel development of near-term and net-zero work

- ▶ Increased **clarity, usability and ambition**
- ▶ **Fossil fuel-related criteria** - feedback on FINT will be used to inform FINZ



Option 1: FINZ V1.0 can be used to cover near and long-term targets,
or,

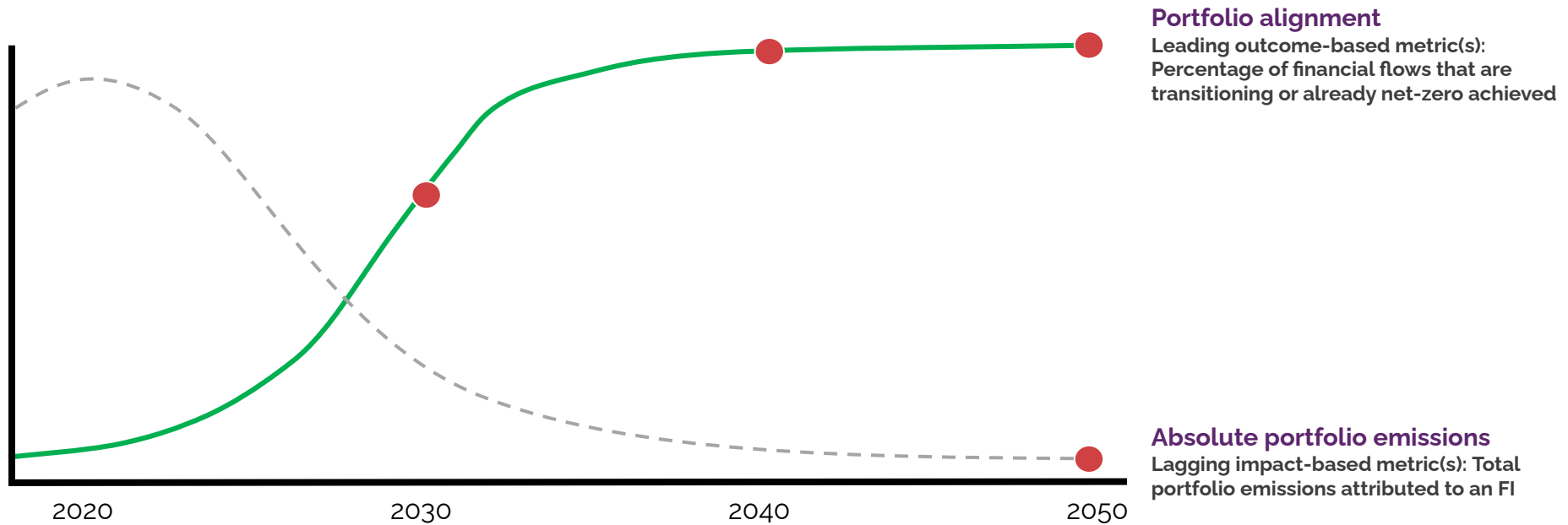
Option 2: FIs may use FINT to set near-term targets only

FINZ may eventually replace FINT entirely

- ▶ Update and expanded framework to **improve interoperability** with climate finance ecosystem
- ▶ Designed inline with the SBTi's **Standard Operating Procedure (SOP), bringing increased robustness.**

Driving near-term action for long-term net-zero

FIs must drive the transformation to global net-zero



What does the 1.5°C transition look like in the finance sector?

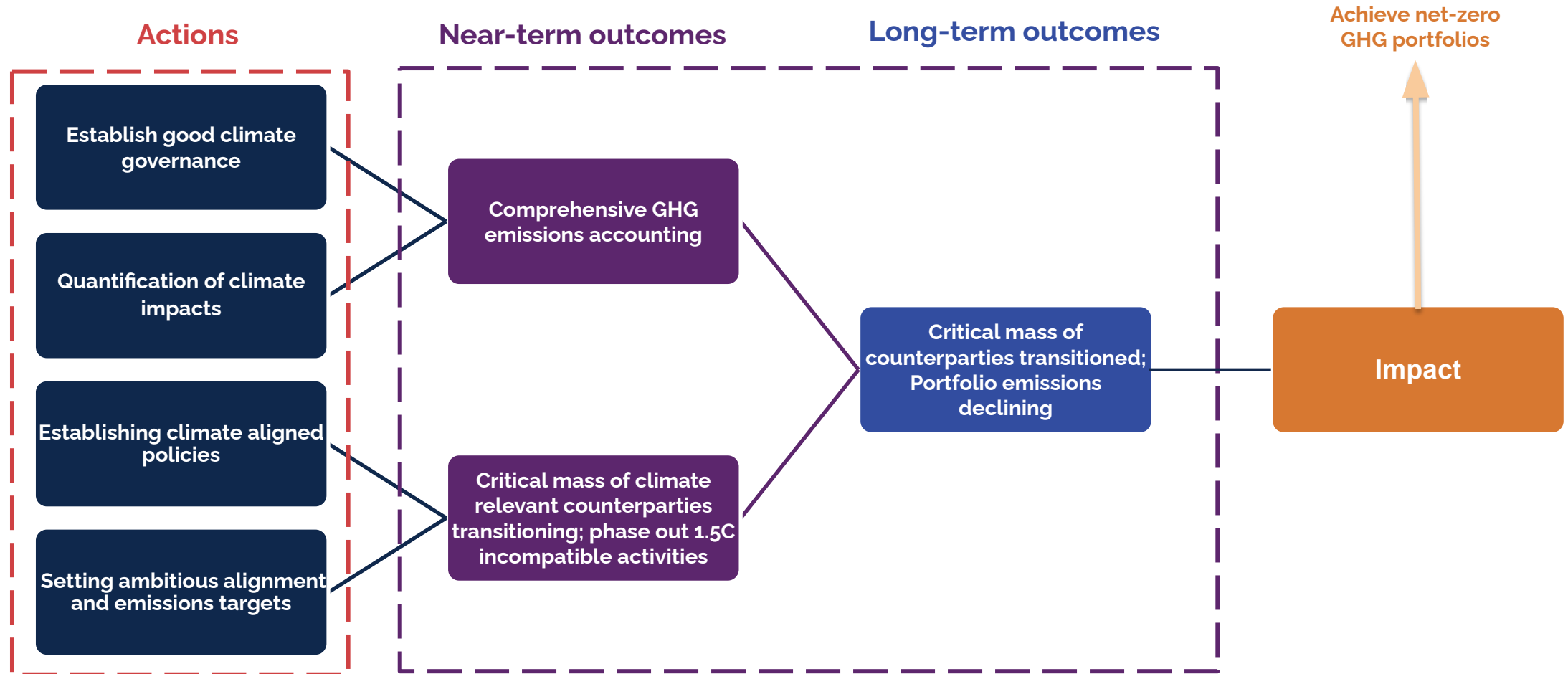


Stop financing and facilitating new GHG emitting assets

Align financial flows by ensuring counterparties have transitioned or are transitioning to net-zero

Ensure all counterparties have achieved net-zero, All remaining residual portfolio emissions are neutralized

Steps to drive progress towards a net-zero portfolio



Target-setting framework that combines *outcome* and *impact* based metrics to drive *1.5°C alignment* in the portfolio



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FINZ Standard in Detail

What does a validated FI look like?

Illustrative FINZ dashboard: Bank

Organization

Illustrative commercial bank




Portfolio Boundary

Revenue breakdown
 55% Lending
 32% Asset Management
 3% Capital Market Act.
 10% Other (out-of-scope)

Segmentation

Lending	Asset Management
Focus 30% Fossil fuels, power, Cement 40% Large Corporates	20% Residential Mortgage, SME 10% Other SMEs

Disclosure Metrics

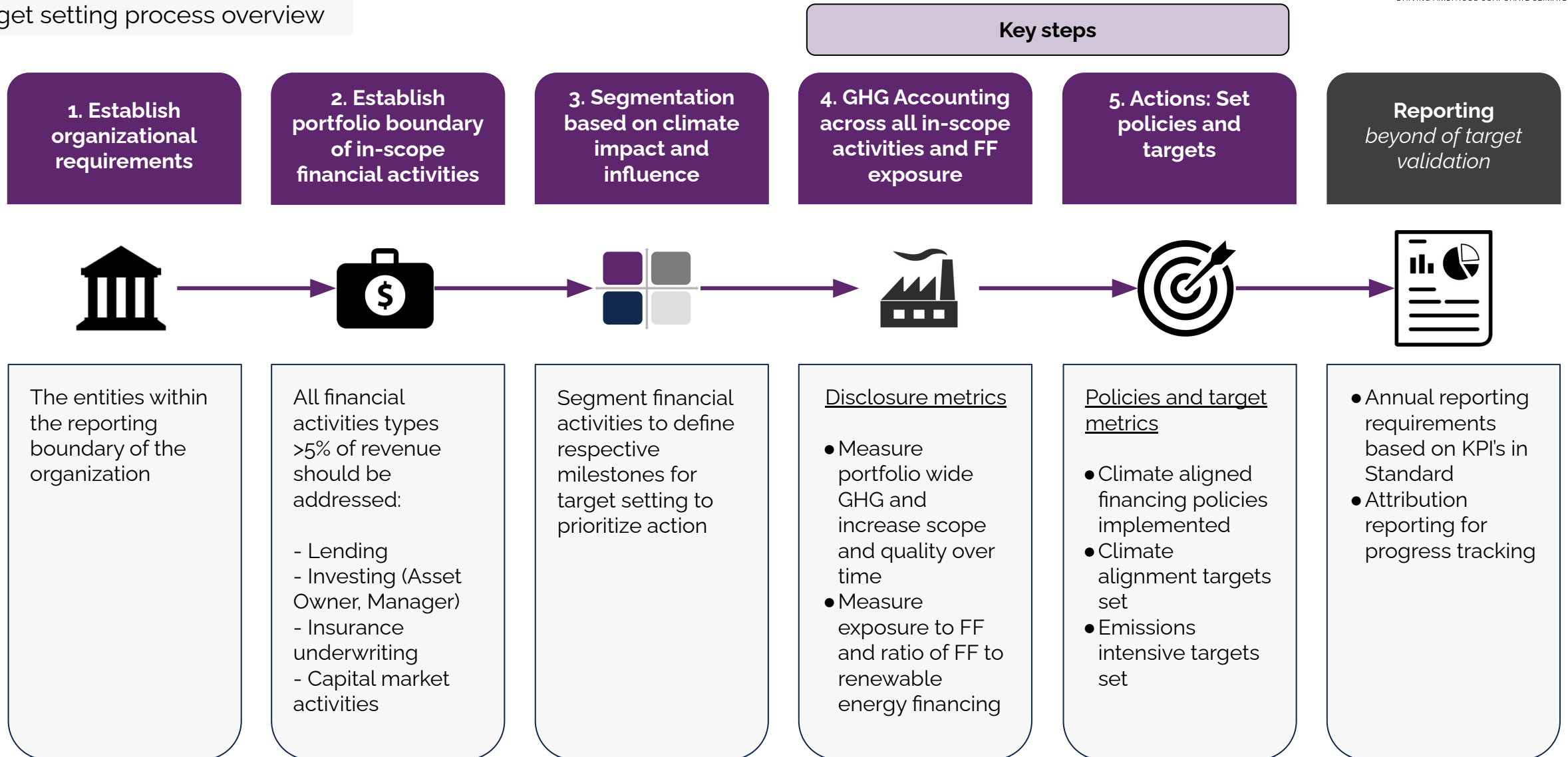
Lending	Asset Management
 Financed emissions S1 + 2: 25 MtCO _{2e} S1+2+3: 45 MtCO _{2e} Fossil fuel emissions: 10 MtCO _{2e}	 Financial Exposure to value chains of Oil + Gas : 22 bn USD Coal: 3 bn USD  Ratio Fossil fuel to Renewable financing 1 : 1.95

Action Metrics

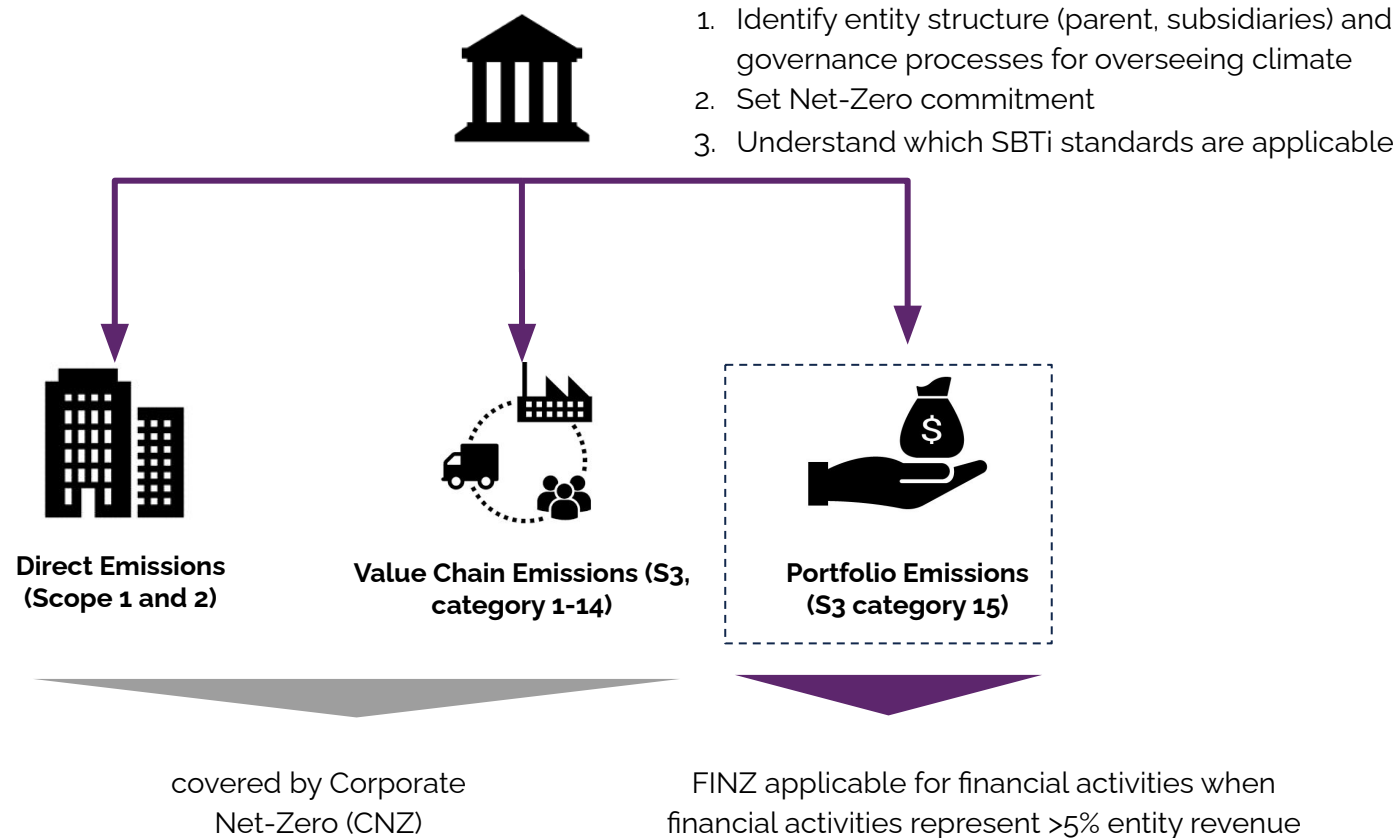
Policy	Climate Alignment Target	Emissions-intensive target
<ul style="list-style-type: none"> ● No deforestation and conversion policy ● No new fossil fuel financing policy 	<p>Near-term target: By 2030 60% of its lending activities will be climate aligned*. This includes:</p> <ul style="list-style-type: none"> - 95% climate alignment of any fossil fuel related activities, as well as Power, Cement and CRE activities; - Linear increase of 4% per year for all large corporates <p>Long-term target: By 2040 at least 95% transitioning and by 2050 at least 95% net-zero achieved.</p>	<p>By 2030 the following sector activities reach 1.5°C-aligned sector benchmarks;</p> <ul style="list-style-type: none"> - Power: 0.138 tCO₂/Mwh - Cement: 0.446 tCO₂/t - CRE: 7.339 kgCO₂/m²
	<p>Near-term target: By 2030 70% of its asset management activities will be climate aligned*. This includes:</p> <ul style="list-style-type: none"> - 95% climate alignment of any fossil fuel related activities, as well as Power and CRE activities; - Linear increase of 5% per year for all large corporates <p>Long-term target: By 2040 at least 95% transitioning and by 2050 at least 95% net-zero achieved.</p>	<p>By 2030 the following sector activities reach 1.5°C-aligned sector benchmarks;</p> <ul style="list-style-type: none"> - Power: 0.138 tCO₂/Mwh - CRE: 7.339 kgCO₂/m²
<i>Capital Markets Activities: not required (<5% revenue)</i>		

5 steps proposed to set SBTs

Target setting process overview



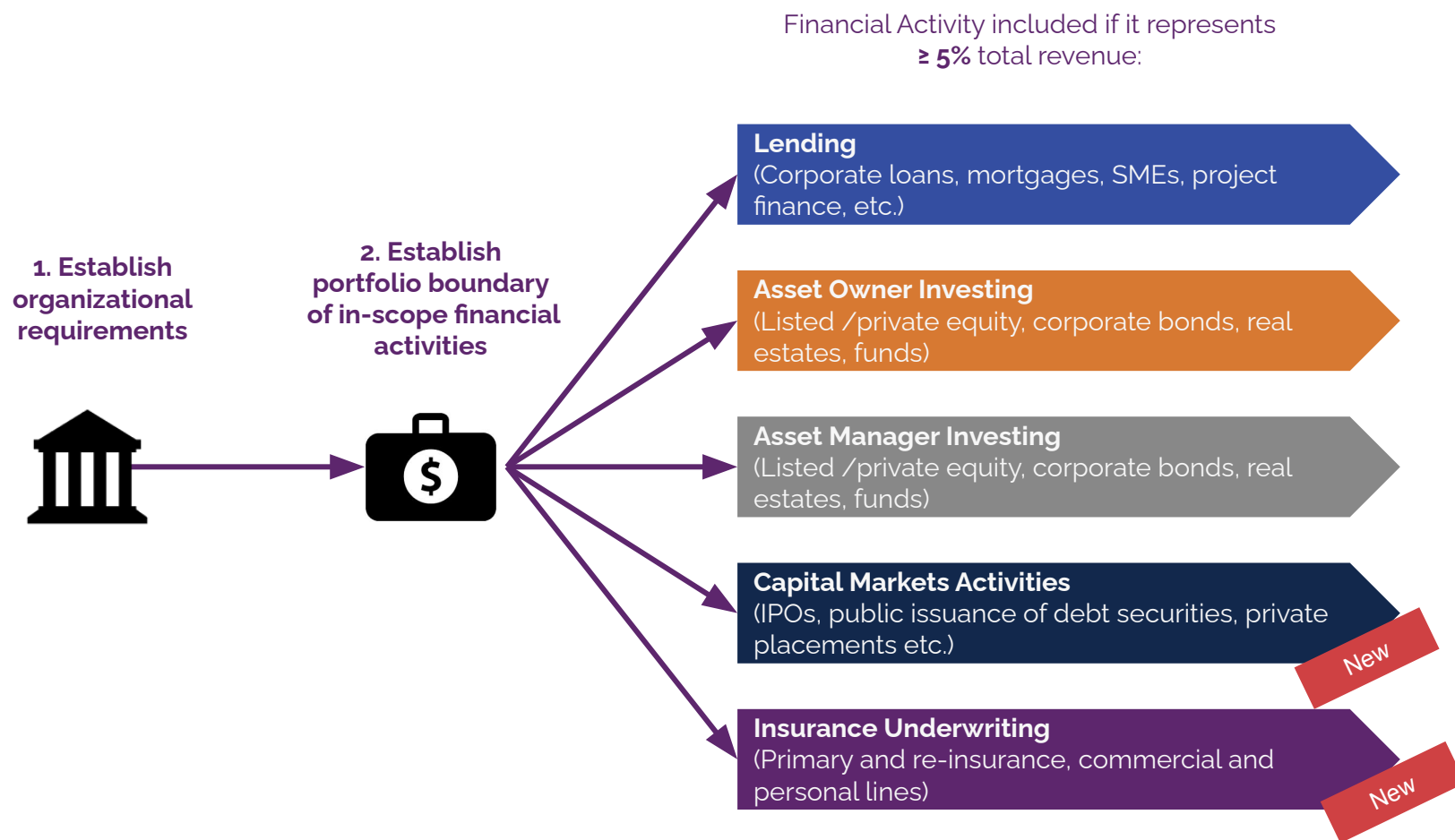
Step 1: Net-Zero commitment and establish organizational boundary



Purpose of step 1

- **Transparency** of the entity's activities applying to set targets
- **Consistent approach** across entities (i.e. common trigger for all SBTi standards based on revenue threshold)
- Approach in line with responsibilities within organization

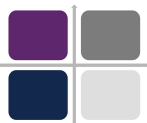
Step 2: Portfolio boundary is defined based on an exhaustive list of in-scope activities



Purpose of step 2:

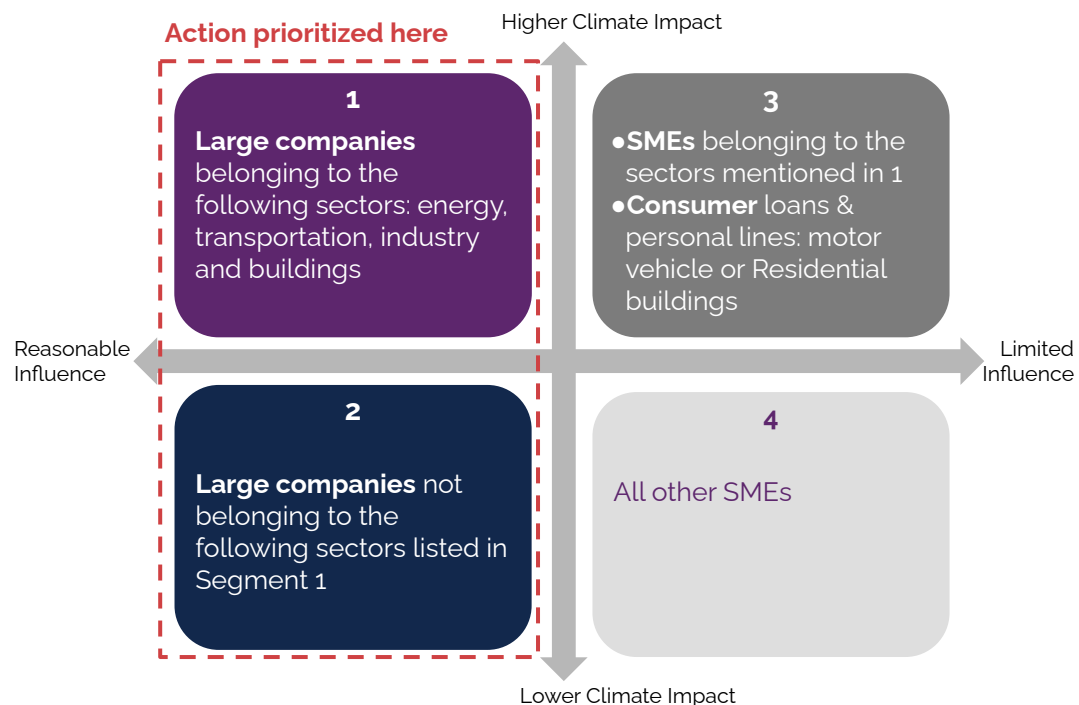
- Exhaustive list of activities to be covered based on 5% revenue trigger
- **Simplified and more holistic** approach for identifying portfolio boundary compared to previous versions
- **Extended scope** (i.e. insurance underwriting and capital market activities) to allow target setting for more entities

Step 3: Depending on the financial activity the segmentation focuses on different questions



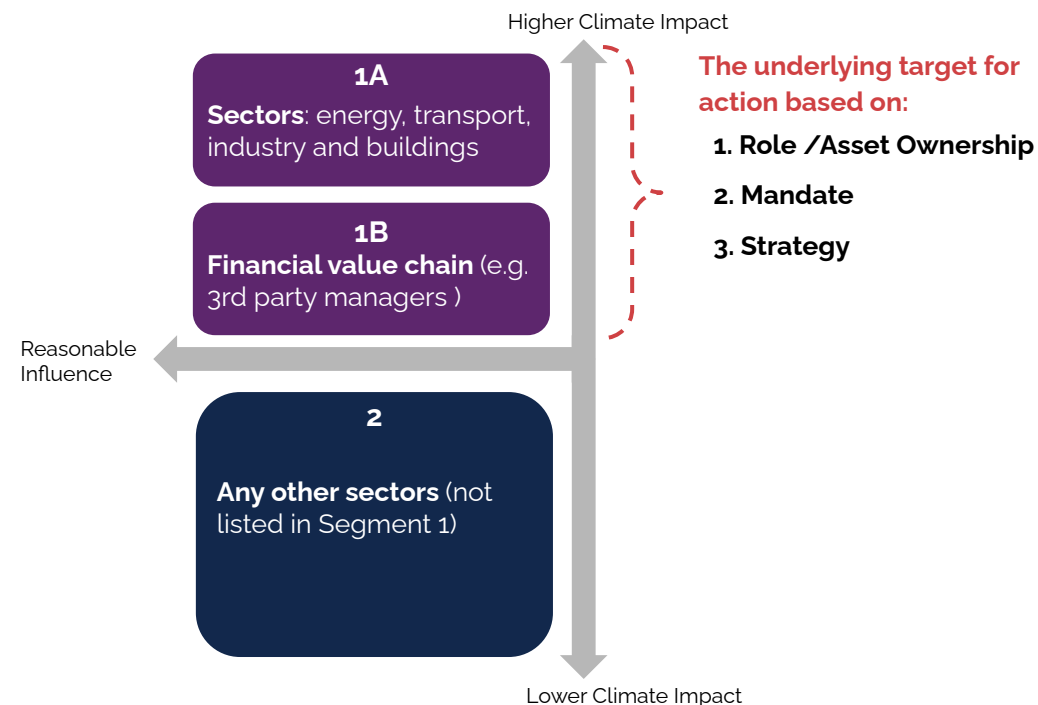
Case 1: Lending, Insurance Underwriting

Segmentation identifies **four groups** with **priority on 1 and 2**



Case 2 Asset Owner/Manager Investing, Capital Markets

Segmentation centers around **whom to target** (underlying real economy entity or value chain)



Step 4: FINZ proposes three types of disclosure metrics to establish the climate impact of portfolio



Purpose of step 4:

- Increase overall **scope and quality** of Scope 3 GHG data
- Create incentives for underlying real economy companies to increase data quality
- Focus on fossil fuel related activities, i.e. focusing on **most critical activity** for Net-Zero globally



Portfolio GHG Disclosure

- Measures absolute GHG for high emitting activities
- Increase scope and quality of data over time
- For fossil fuels: measure methane emissions separately



Fossil Fuel Exposure

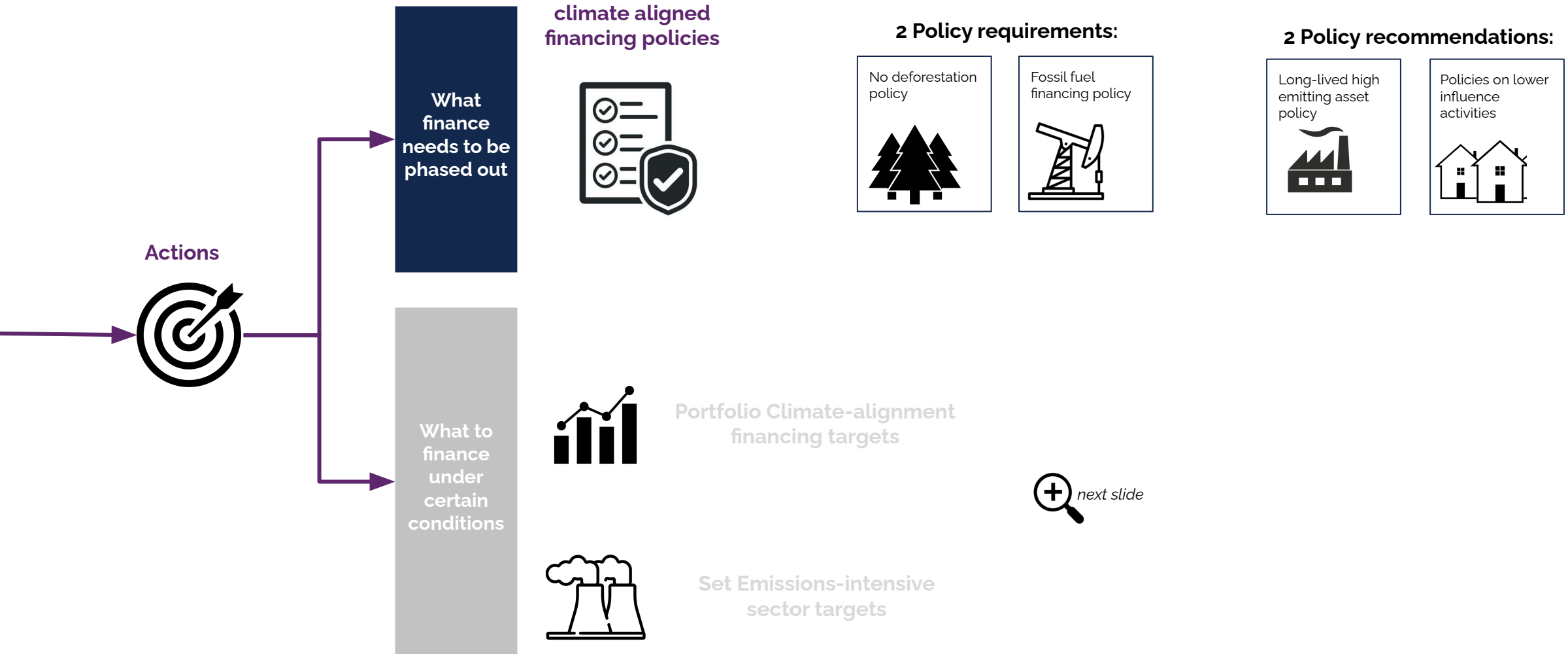
- Measures financial exposure to coal
- Measures financial exposure to oil and natural gas



Fossil Fuel to Renewable Ratio

- Measure the ratio between fossil fuel and renewable energy financing

Step 5 - Policies: FINZ proposes policies as immediate action items

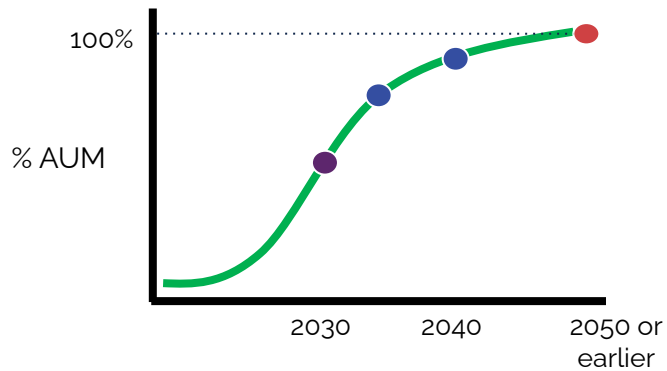


Step 5 - Targets: FINZ proposes two types of targets for near- and long-term dimension

Targets with near-term and long-term dimension



Establish Portfolio
Climate-alignment financing
targets

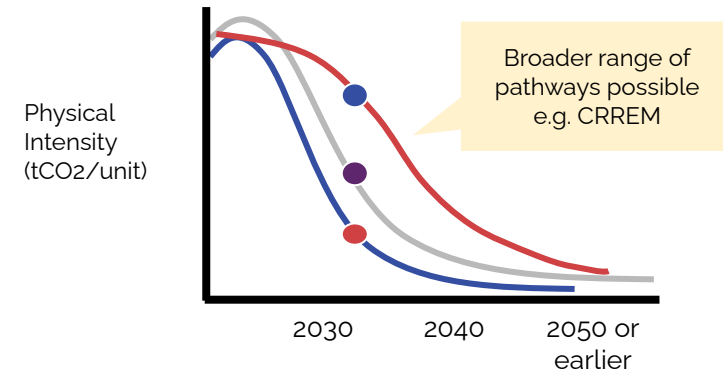


Near term: By 2030: 95% of high climate impact transitioning with linear increase of all large entities to meet 95% transitioning by 2040.

Long-term: By 2050: reach 95% of \$ net-zero achieved.



Set Emissions-intensive
sector targets



Near term: By 2030: Reach sector-benchmarks (i.e. intensity targets) for all emissions-intensive sector activities

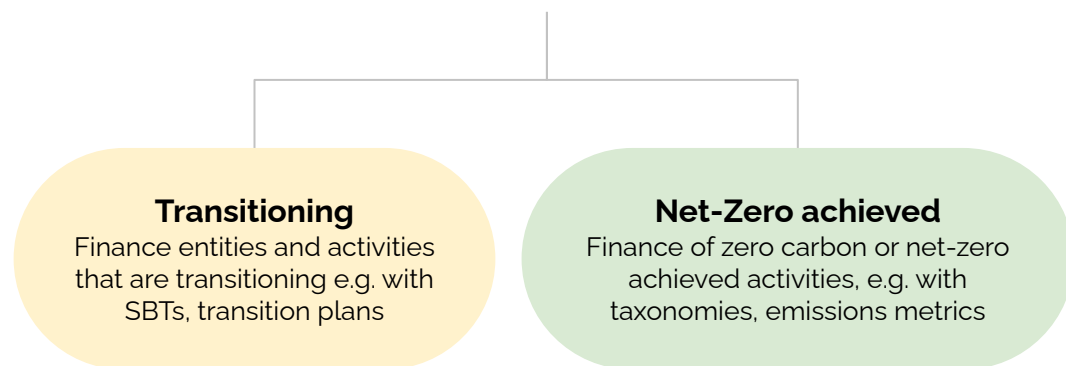
Long-term:

By 2040: Reach sector-benchmarks (new: homeowners + motor)

By 2050: Reach sector-benchmarks

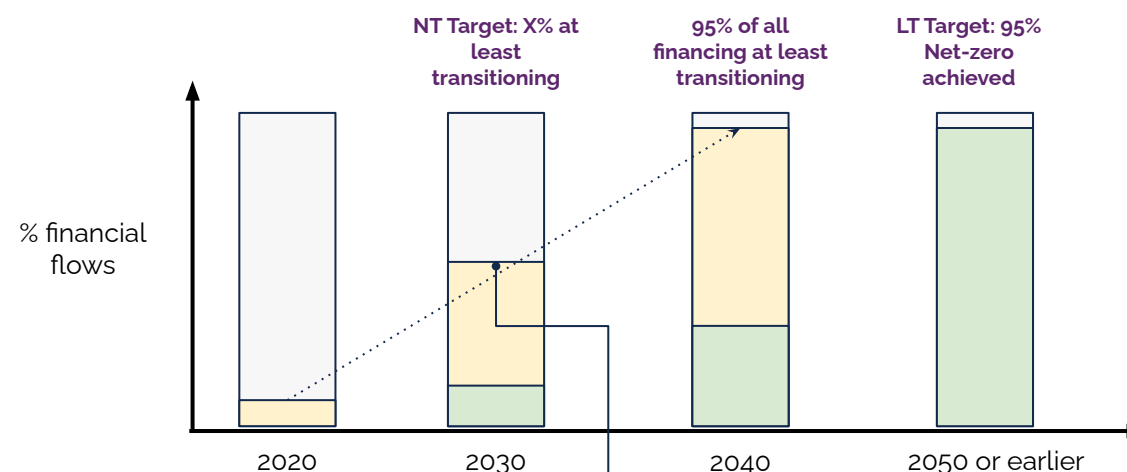
Focus: Climate alignment targets rely on distinct definitions and milestones approach to determine level of ambition

1 **Definition** the % of **climate-aligned** is calculated based on two types of inputs



How to assess climate-alignment: overarching target to be calculated using a broader set of metrics (to be further evaluated and tested during consultation)

2 **Level of Ambition** determined based on **5 milestones** following the segmentation guidance of step 4. End goal of reaching 95% net-zero achieved \$



Linear-growth in alignment, with 95% of transitioning of large corporates

When comparing FINZ to previous FI work (especially FINT v2) differences can be clustered into five sections



1 **Scope**
FINZ **extends the scope of the framework** adding insurance and capital market activities

2 **Coverage**
Holistic and **simplified coverage** approach. 100% boundary to in-scope activities is applied

3 **Prioritization**
Enables action to be focused on **highest climate impact** and most influential financial activities.

4 **Alignment Metrics & Methods**
Consolidates alignment into portfolio level financing target, **expands the range of eligible** methodologies to increase interoperability

5 **Timeframe**
Includes both near-term and long-term target established at **key milestone years** (2030, 2035, 2040, 2050)



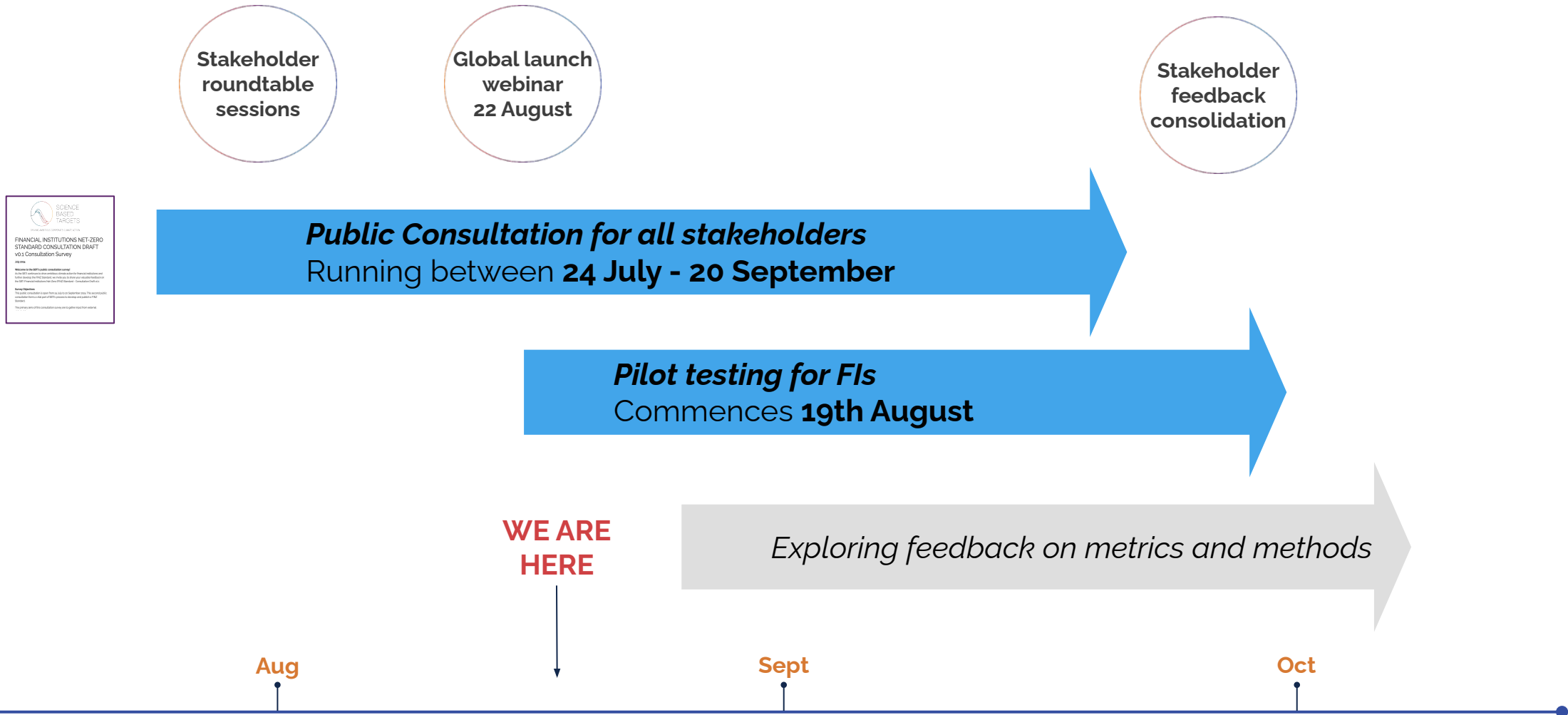
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Next steps

You are invited to engage and provide feedback

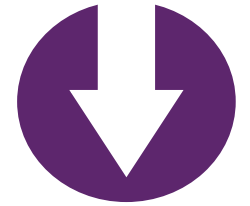
Timeline for FINZ Standard Consultation Draft v0.1




All stakeholders are invited to provide feedback via the consultation survey

Focus areas of the FINZ Consultation Overview

- **Entity level-commitments and leadership**
 - Appropriateness of portfolio boundaries and **financial activity segmentation**
 - Inclusion of climate of transition plans and
 - Proposed **policy level requirements**
- **GHG accounting: Exposure and portfolio emissions**
 - Gradual Improvement in the quality and coverage of GHG accounting over time
 - **Neutralization** of portfolio residual emissions
- **Portfolio climate-alignment targets**
 - Conceptual **milestone approach** to climate-alignment targets overall
 - Climate impact and influence to determine target ambition
 - Appropriateness of suggested metrics
- **Emissions-intensive sector targets**
 - **Coverage** for suggested activity-specific targets for emissions-intensive activities
 - Fitness of **eligible activity-level metrics** and pathways
- **Reporting**
 - **Appropriateness and granularity** of reporting requirements



Consultation survey to collect feedback on the draft - please fill it out (open until 20th September 2024)



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FINANCIAL INSTITUTIONS NET-ZERO
STANDARD CONSULTATION DRAFT
v0.1 Consultation Survey
July 2024

Welcome to the SBTi's public consultation survey!
As the SBTi continues to drive ambitious climate action for financial institutions and further develop the FINZ Standard, we invite you to share your valuable feedback on the SBTi Financial Institutions Net-Zero (FINZ) Standard - Consultation Draft v0.1

Survey Objectives
This public consultation is open from 24 July to 20 September 2024. This second public consultation forms a vital part of SBTi's process to develop and publish a FINZ Standard.

The primary aims of this consultation survey are to gather input from external stakeholders on:

- The clarity of FINZ Standard - Consultation Draft v0.1
- Specific approaches to:
 - Evidencing entity-level commitments and leadership
 - Determining and identifying exposure and portfolio emissions
 - Portfolio climate alignment target
 - Emissions-intensive sector targets
 - Reporting
- Understand views of the SBTi's direction of travel regarding financial institutions
- Engage directly and indirectly with external stakeholders to build support and identify areas of improvement.

THANK YOU

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