



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

FINANCIAL INSTITUTIONS NET-ZERO STANDARD - CONSULTATION DRAFT v0.1 PILOT TEST PARTICIPANT TERMS OF REFERENCE

10 July 2024

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).

DISCLAIMER

Although reasonable care was taken in the preparation of this document, the Science Based Targets initiative (SBTi) affirms that the document is provided without warranty, either expressed or implied, of accuracy, completeness or fitness for purpose. The SBTi hereby further disclaims any liability, direct or indirect, for damages or loss relating to the use of this document to the fullest extent permitted by law.

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.

The information (including data) contained in this document is not intended to constitute or form the basis of any advice (financial or otherwise).

The SBTi does not accept any liability for any claim or loss arising from any use of or reliance on any data or information.

“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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VERSION HISTORY

Version	Description	Release date	Effective dates
Version 1.0	<ul style="list-style-type: none">Issue for use, July, 2024	July 10, 2024	August 2024 through to the end of the pilot testing period.

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INTRODUCTION

About this document

This document outlines the Terms of Reference (“ToR”) for the companies participating in the pilot test for the Financial Institutions Net-Zero (FINZ) Standard - Consultation Draft v0.1 (“FINZ Standard Draft”). The project will be carried out according to the [Standard Operating Procedure \(SOP\) for Development of SBTi Standards](#).

ABOUT THE FINZ STANDARD PROJECT

Development of the FINZ Standard

The FINZ Standard project commenced in 2021. Since its inception, key milestones have included the publication of the Financial Institutions Net-Zero Foundations Paper, the publication of the FINZ Conceptual Framework and Initial Criteria Consultation Draft together with the corresponding public consultation. The FINZ Standard Draft forms the second consultation document, as required by the SOP for Development of SBTi Standards, and will be subject to public consultation and pilot testing. Following this process, all feedback will be considered and the FINZ Standard Draft adjusted as appropriate to form the final FINZ Standard Version 1.0, planned to be published in 2025.

Objectives

The objectives of the FINZ Standard Draft are to:

- Provide financial institutions (FIs) with a framework to address their Scope 3, Category 15 portfolio emissions, in a manner consistent with contributing to the goal of achieving net-zero emissions by 2050, and in line with 1.5°C low/no overshoot pathways at the global level.
- Provide both near and long-term target-setting options and serve as an update and potentially an eventual replacement of SBTi’s existing near-term criteria for FIs.
- Facilitate the scaling up of FIs’ climate ambitions, while focusing efforts on decarbonization of existing portfolio holdings by offering a broader range of metrics and tools by which FIs can measure, track and improve the alignment of their financial activities.

The expected impact outcome of this project is that FIs will have a framework to set science-based near-term and net-zero targets on their Scope 3 Category 15 emissions in a manner that is consistent with the temperature goals of the Paris Agreement.

The key output of this project is the publication of the FINZ Standard v1.0. The Standard will be supported by a Methods and Metrics Synthesis Paper.

The [Terms of Reference for the FINZ Standard v1.0 can be found here](#).

FINZ Standard Draft pilot test participation does not commit a participating financial institution to set SBTs. Participation may also be done on a confidential basis (please see below).

PILOT TEST GOVERNANCE

Pilot test participants will provide documented feedback as part of the development of the project. Participants in the pilot test do not have any decision-making authority over SBTi standards or standardized instruments, such as guidance, tools and methods.

Any potential strategic decisions or changes to SBTi standards will be subject to thorough consideration, consultation and approval through the SBTi governance structures. The SBTi's technical governance structure is detailed on the [SBTi website](#).

Antitrust

Members shall not engage in any discussion, activity or conduct that may infringe on any local or international antitrust or competition law. For example, the following shall not be discussed during any meeting of the pilot testing:

- Current or future prices, pricing strategies or price related information.
- Output, capacity, inventory levels or costs.
- Data related to market share.
- Current or future marketing strategies.

OBJECTIVES OF THE PILOT TEST

The objectives of the pilot test are to:

- Ensure the requirements, recommendations, and the related methods, metrics, and data sources in the FINZ Standard Draft are robust, clear and practical.
- Identify any challenges for implementing the FINZ Standard Draft across the financial sector.
- Inform the development of the FINZ Standard final draft before it is put forward to SBTi's Technical Council for approval.
- Test the feasibility of validating Financial Institutions against the Standard and the clarity of the written recommendations and requirements.

The SBTi is not seeking feedback on the scientific underpinnings of the FINZ Standard Draft through this process. The purpose of the pilot test is to test clarity of the documentation, rather than the concepts and principles underpinning the criteria and recommendations within the FINZ Standard Draft.

The pilot test is independent of the SBTi official target validation process and will not lead to an approved target. All companies (regardless of participation in the pilot test) shall use the final FINZ Standard Version 1.0, respecting specified timelines, when it is published for official target validations. Financial Institutions must use valid and published versions of SBTi

standards and tools to set and submit targets for official target validation.¹ Targets set using draft pilot materials are not counted as part of an official target validation.

Though independent of the SBTi validation process, participation in the pilot test can support financial institutions' subsequent target validation against the finalized standard by providing companies with a detailed understanding of expected requirements for the forthcoming standard.

COMPOSITION OF THE PILOT TEST SAMPLE

FINZ Standard Draft pilot test companies derive 5% or more of their revenue from one or more of the following financial activities relevant to the scope of the Standard:

- Lending (LND)
- Asset Owner Investing (AOI)
- Asset Manager Investing (AMI)
- Insurance underwriting (INS)
- Capital Market activities (CMA).

The pilot test sample is selected to cover a diverse range of companies in terms of:

- Region
- Financial activity type (LND, AOI, AMI, INS, CMA)
- Emissions profile
- Business size and complexity.

The SBTi shall use best endeavors to achieve diversity among pilot test companies, however, the outcomes of the pilot test shall not be invalidated by its inability to achieve an optimum level of diversity.

SELECTION OF PILOT TEST COMPANIES

The SBTi will hold an open call for applications to join the FINZ Standard Draft pilot test through which any financial institution can apply. The project team may identify and invite companies to apply to participate in the pilot test based on their relevance to the scope of the FINZ Standard Draft.

Applications will be assessed through an evaluation of the needs of the SBTi FINZ Standard - Draft project team and based on particular sample size and diversity needed for the pilot.

Pilot test participants retain their position for the duration of the FINZ Standard Draft pilot test, but can also resign at any point. Pilot test participants shall inform the SBTi in writing if they would like to voluntarily terminate their participation before the pilot testing period is complete with a notice period of at least 10 working days, and follow the applicable termination requirements and measures specified below.

¹ Alternative methods or tools may be considered where this has been specified within SBTi standard requirements and will be assessed on a case by case basis prior to agreement.

The SBTi retains the right to terminate pilot test participation (e.g. due to breaching of applicable SBTi policies or regulations, any term in this document, project termination, etc.) with immediate effect.

In case of termination of participation in the pilot test, the following requirements and measures will apply:

- Pilot test participants shall agree to delete all materials provided to them by the SBTi during the pilot test and inform the SBTi when they have done so in writing.
- Pilot test participants shall then be removed from all further communications regarding the pilot test.
- Pilot test participants shall inform all parties that they previously informed of their participation in the pilot that they are no longer part of the pilot in writing.
- Pilot testing participants that resign or are terminated during the pilot testing period will not be recognized in final deliverables.

If participants resign or are terminated during the pilot, the SBTi may replace these participants with additional participants.

The SBTi will inform the pilot test companies about the finalization of the project, and the conclusion of the pilot test.

OBLIGATIONS AND TIMEFRAME

Timeframe

The FINZ Standard Draft pilot test will run for a minimum of 6 weeks, commencing mid-August.

Pilot test participants are expected to commit the resources needed to develop some or all FI science-based preliminary targets based on the FINZ Standard Draft requirements to complete the pilot testing during this period.

Pilot Participant Obligations

By agreeing to participate in the pilot test, participants are obligated to:

- Adhere to this ToR document.
- Submit some or all preliminary targets, target-modeling data, and other supporting evidence to SBTi for analysis.
- Provide detailed feedback through bilateral communications, office hours Q&A sessions, and/or survey form(s).
- Engage with the SBTi to clarify and address the issues raised.
- Comply with relevant antitrust and competition law(s).
- Optionally participate in the development of case studies to exemplify new recommendations and requirements.

SBTi Obligations

SBTi staff will:

- Provide the necessary resources to participants in the FINZ Standard Draft pilot test including recommendations and requirements, eligible metrics, methods, data sources, pathways, submission form, and criteria/requirement assessment indicators.
- Arrange the workshops, office hours Q&A sessions, one-to-one discussions, deep-dive interviews, and/or surveys as deemed necessary by the FINZ Standard Draft team.

Meetings

The SBTi will endeavor to arrange meetings with sufficient notice and hold meetings at a reasonable time of day so that as many participants as reasonably possible are able to attend. If participants cover a wide range of time zones, the SBTi may repeat meetings.

The SBTi will aim to provide preparatory materials at least 5 working days in advance of meetings where appropriate and feasible.

Meetings, including workshops and office hours Q&A sessions, shall not be conducted under Chatham House Rules, meaning that information presented at meetings and content of discussion cannot be shared externally even when not attributed to an individual or organization.

Confidentiality

Members shall not distribute materials that are not available in the public domain to any person or organization in advance of publication without explicit written permission of the SBTi. Members agree to treat as confidential any information provided to them by SBTi while participating in the pilot test.

No material obtained during the pilot can be used for any other purpose except for the purpose of the FINZ Standard Draft pilot.

Any information submitted by the participant to the SBTi will remain confidential in accordance with all relevant SBTi policies in carrying out the responsibilities outlined in this document, including but not limited to Conflicts of Interest Policy and all relevant and applicable data protection and data privacy regulations and legislation including GDPR.. The SBTi shall not disclose information and information shall only be used for the purpose of this pilot test. Information submitted by the participant to the company shall be deleted after processing of the pilot test feedback is finalized and within a maximum of one year after the pilot test is completed.

Language

All written and oral communication during the FINZ Standard Draft pilot, including but not limited to documents, meetings, emails and discussions, shall be conducted in the English language.

ACKNOWLEDGEMENT

Pilot test participation is voluntary. Pilot test participants do not receive any financial remuneration and the pilot test is independent of the SBTi official target validation process that would lead to an approved target.

Pilot test participants are not expected to provide funding to the SBTi. In instances where a pilot test participant is a funder of the SBTi, this will not confer any special status in the pilot test, project governance or oblige the funding organization to participate in the pilot test, nor will it confer any special status in official target validations once the FINZ Standard v0.1 has been finalized and implemented.

The SBTi may publicly acknowledge pilot test participants as contributors to the FINZ Standard Draft on the SBTi website and in project-related publications. However, this is not a requirement, nor is it a requirement for the participant to publicly state their participation or commit to set SBTi targets. Participants will have the option to declare their preferred level of confidentiality prior to the pilot test commencing.

COMMUNICATIONS

Pilot test participants shall not use the SBTi logo in any capacity relating to the pilot.

Pilot test participants and the SBTi shall use the following wording when communicating about pilot test participation and will not portray or imply any other association or collaboration between the participant and the SBTi:

- *Participant of the Science Based Targets initiative (SBTi) pilot test for the FINZ Standard Version 1.0 . OR*
- “[Participant name] participates in the Science Based Targets initiative’s (SBTi) pilot test of the FINZ Standard - Consultation Draft v0.1 for the development of the FINZ Standard Version 1.0. Pilot Test participants have an informative role only, and decisions on final technical resources will be made by the SBTi Technical Council and as per the [SBTi Standard Operating Procedure \(SOP\) for Development of Standards.](#)”

In circumstances in which a full description of the pilot test group is required, pilot test participants shall use the following wording:

- *The FINZ Standard - Consultation Draft v0.1 pilot test participants are a group of volunteer financial institutions from different regions across the world interested in setting science-based targets on their Scope 3 Category 15 emissions (from one or more of the different financial activity types covered by the FINZ Standard - Consultation Draft v0.1) that act in an informative capacity to the SBTi by testing the draft resources of the FINZ Standard - Consultation Draft v0.1 using real world data, during the development of the project.*

Members of the pilot test participants group must not conflate participation in the pilot test to SBTi target validation and must not use their role in the pilot test group to make claims about target validation decisions. Members of the pilot test group that have an existing SBTi validated target can continue to communicate their target based on the SBTi standards and guidance against which the targets were validated.

Pilot test participants should not comment publicly on the pilot test or act as a SBTi spokesperson on behalf of the pilot test as a whole or other pilot test participants.

Any media/journalist enquiries about the work of the pilot test should be forwarded to and managed via the SBTi Communications Department (communications@sciencebasedtargets.org). Any general enquiries regarding the pilot test should be sent to: fi_consultations@sciencebasedtargets.org.



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