# MAIN CHANGES DOCUMENT

Financial Institutions' Near-Term Criteria Version 2.0

May 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 that allow companies to set greenhouse gas emissions reduction targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at the latest.

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

# DISCLAIMER



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

“Science Based Targets initiative” and “SBTi” refer to the Science Based Targets initiative, a registered charity in England and Wales, number 1205768, and a limited company registered in England and Wales, number 14960097.

# CONTENTS

# 1. INTRODUCTION

## 1.1 About this document

This Main Changes Document accompanies, but is not part of, the Financial Institutions' Near-Term Criteria Version 2.0 (FINT Criteria V2). It aims to do the following:

- Summarize the development process, demonstrating how the previous version of Financial Institutions' Near-Term Criteria has been updated (where relevant).
- Outline the main issues and concerns raised during the process, and how these have been addressed.
- Summarize the key FINT Criteria V2 revisions.

## 1.2 Objectives for the development of FINT Criteria V2

The Science Based Targets initiative (SBTi) launched the FINT Criteria V2 project to address the first two points below but ultimately expanded it to address all of the following:

- Align criteria (e.g., scope 1 and 2 target requirements) with the SBTi Corporate Net-Zero Standard.
- Enhance clarity, actionability and usability regarding existing criteria, such as on coverage requirements and target language.
- Increase the minimum ambition of coverage requirements as well as Sectoral Decarbonization Approach (SDA) and Temperature Rating targets.
- Introduce criteria for the new Fossil Fuel Finance Targets (FFF) method option to disclose, halt, transition and phase out FIs' fossil fuel–related activities.

The primary intended audience for the FINT Criteria V2 comprises FIs such as banks, asset managers, asset owners, private equity firms and mortgage real estate investment trusts. The output that results from this project updates and replaces the SBTi Criteria and Recommendations for Financial Institutions April 2021 version.

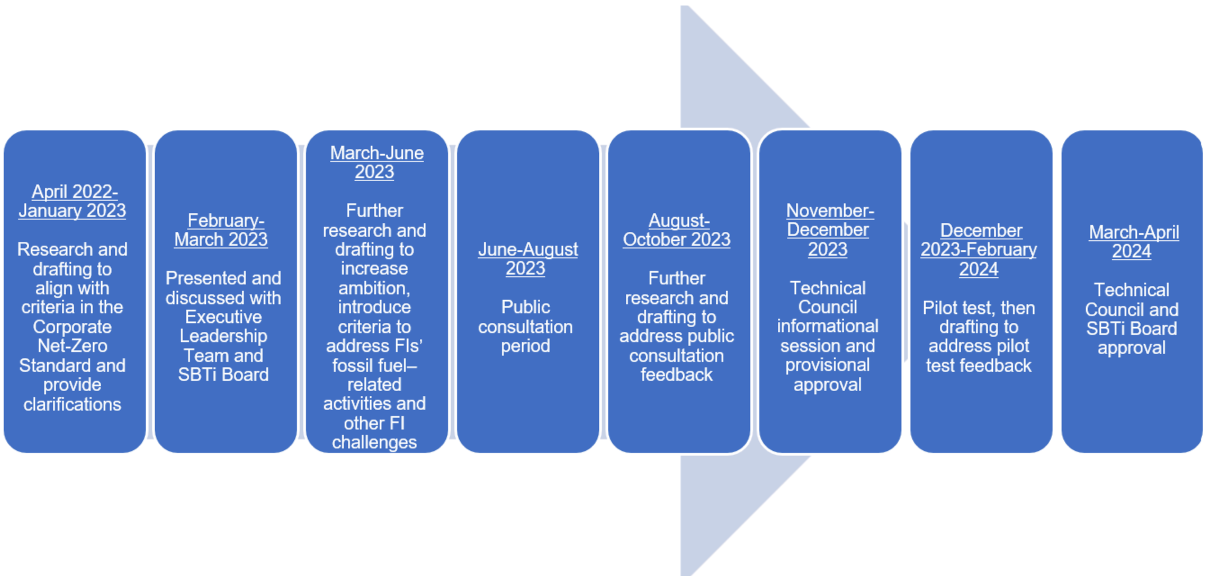
Overall, the FINT Criteria V2 project supports the SBTi in achieving its mission and vision by providing target-setting resources to FIs, which, as specified in the SBTi's theory of change, are essential for providing the needed capital and engagement to help companies transition to a 1.5 degrees Celsius (°C) pathway.

## 1.3 Development process of FINT Criteria V2

The SBTi first published its near-term criteria for FIs in 2020. After receiving significant feedback and synthesizing lessons learned, it began revising the criteria with the objectives listed above.

The SBTi began updating the existing criteria in April 2022. This preceded the SBTi Board's adoption of the Standard Operating Procedure (SOP) for Development of SBTi Standards on 14 December 2023, and its publication in April 2024. The research and drafting of this phase of the project was completed between April 2022 and January 2023. The project then expanded to include insights from a strategy review, and further research and drafting were completed from March 2023 to June 2023, again before the SBTi's SOP was established. The SBTi then published a draft of the FINT Criteria V2 in June 2023 for public consultation. The public consultation was held between June 15, 2023, and August 23, 2023, and followed by further research and drafting from August 2023 to October 2023.

*Figure 1: FINT Criteria V2 Development Process*




The development process of FINT Criteria V2 thereafter followed a streamlined version of the procedures outlined in the SOP because the project was already in an advanced stage of development when the SOP was formally adopted; however, the SBTi adhered to the procedures and processes where possible.

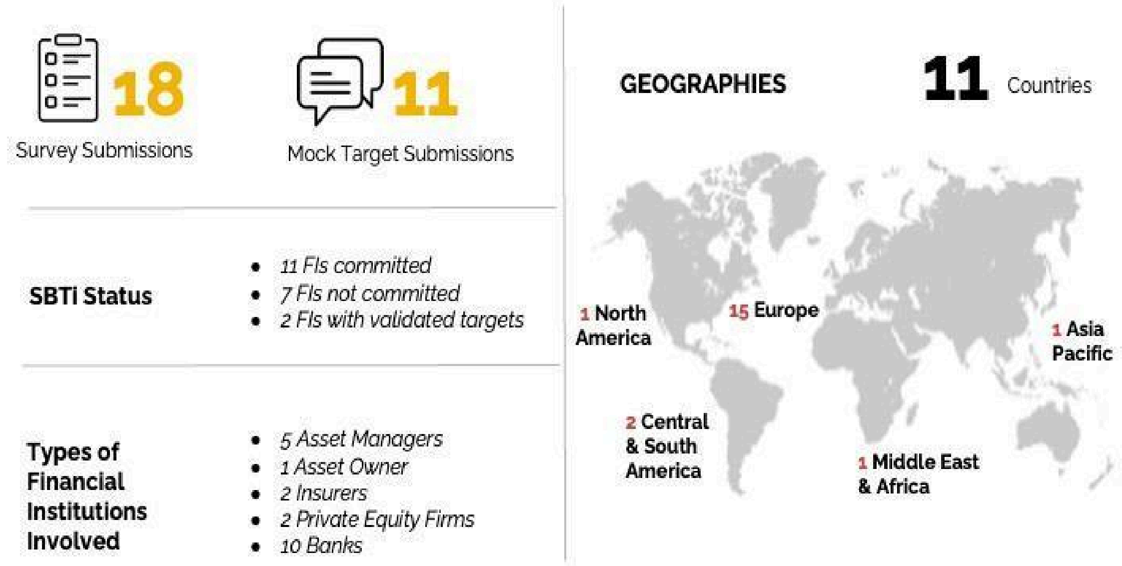
The version that was presented to the SBTi Board in December 2023 and approved by the Technical Council for pilot testing included the following main changes:

- Increase the minimum target ambition and shorten the time frame of **scope 1 and 2 targets** to align with the Corporate Net-Zero Standard.
- Update **Table 1 and Table 2** to provide more granular specifications on minimum coverage and target language requirements for improved clarity.
- Increase the minimum target ambition, shorten the time frame and require the same base years to be used for all **SDA targets** to align with the Corporate Net-Zero Standard; address calls for higher ambition from nongovernmental organizations (NGOs); and formalize new target options (i.e., to finance only renewable electricity projects or set a low emissions intensity maintenance target) to address FI challenges.
- Increase the minimum target ambition and require the same base years to be used for all **Temperature Rating targets** to align with the changes for SDA targets and address calls for higher ambition from NGOs.
- Allow flexibility in the calculation of **financed emissions for corporate loans** (i.e., option to use the loan outstanding or loan commitment amount as the numerator of the attribution factor) to address an FI challenge (e.g., volatility of the outstanding amount).

- Add a new **67% coverage floor** requirement and increase the minimum coverage requirement of fossil fuel corporate loans from 95% to 100% to raise the floor and address calls for stricter coverage requirements from NGOs.
- Add a new **5% materiality exclusion option** and flexibility to the calculation of the **67% minimum coverage requirement for corporate loans** to address FI coverage challenges.
- Add **the FFF method** as a new option for FIs to address their fossil fuel–related activities as the SDA will not be available until the Oil & Gas Sector Guidance is published and some FIs are unwilling to use the Temperature Rating method.

After provisional Technical Council approval, the SBTi used a pilot test version of the FINT Criteria V2 in a call to solicit pilot testers to undergo an intensive exercise to receive in depth feedback and test new criteria against FIs' portfolios. It released the call for pilot testers on November 24, 2023, and officially kicked off the pilot on December 19, 2023, with 28 FIs participating. The pilot test concluded at the end of February 2024 with 20 of those FIs submitting mock targets and/or providing feedback via a survey (since some FIs did both, the numbers in Figure 2 sum to either 20 or 29).

*Figure 2: Pilot Test Participants*




As a result of the feedback received from the pilot testing and further research, the SBTi incorporated seven additional suggested changes:

1. Add flexibility to the **67% coverage floor** requirement in FI-C15 to address FI challenges (with collecting financed emissions data and feasibility issues regarding coverage, influence and minimum target ambition for specific optional asset classes) while still raising the floor for overall coverage requirements.
    - Calculations can be based on financed emissions or a financial asset metric, but the metric needs to be applied consistently.
    - Asset management and residential mortgages can be excluded from the 67% floor if they are not material (40% or more).

    - Process tree added as Figure 1 in the Appendix for clarity.
    - Securities in the trading book and investments via fund of funds are optional (but still subject to the 67% coverage floor) while assets that have already been sold are out of scope.
2. Add definitions and coverage requirements of **asset management mandates** to FI-C15 and Table 1 as they were not previously written in the criteria, make existing definitions clearer and address feasibility issues from the pilot test submissions and previous target validations.
3. Recommend but not require that the same **base year** be used for all **SDA targets** to address an FI challenge (e.g., for those that have added sector targets with different base years over time) that likely has a limited impact on target ambition.
4. Amend the wording on accepting **third-party temperature scores** to align with current guidance and internal SBTi review, and address challenges (e.g., on data and the SBTi tool) brought up in pilot test submissions and previous target validations.
5. Provide more details on the **boundary of the FFF method** to establish clearer guidelines, and add flexibility to address feedback/challenges as well as safeguards to outline minimum requirements.
    - Add Table 2 to provide clearer guidelines on definitions and scope.
    - Refer to activities listed in Table 1 to define the applicable scope instead of broad terms such as “financial services” for clarity.
    - Revert company definitions to those in the Global Coal Exit List and Global Oil & Gas Exit List AND/OR those with over 10% of their revenue from the coal and oil & gas value chain to add flexibility.
    - Add minimum requirements for the value chain definition to contain at least the upstream segment of the oil and gas industry and exploration, extraction and the development or expansion of mines as well as power plants for the coal industry as a safeguard, and for coal to include at least thermal (metallurgical is recommended) to address FI challenges.
6. Change the requirement to disclose methane emissions separately from the **“Disclose” criteria of the FFF method** into a recommendation to address feedback (e.g., on data challenges) from the pilot test; methane emissions will still be included within the required disclosure of total greenhouse gas (GHG) emissions.
7. Rename “Arrest” criteria to **“Halt” criteria of the FFF method** to avoid divestment connotations and add an option where dedicated financing provided to companies falls under “Halt” criteria while other activities (e.g., for the purposes of engagement) fall under “Transition” criteria to address FI implementation challenges.

The Technical Council reviewed and approved the final Financial Institutions’ Near-Term Criteria Version 2.0 on March 22, 2024 and April 26, 2024. The SBTi Board approved it on March 28, 2024.

### 1.4 Scope of external consultations

The exposure draft of FINT Criteria V2 was open for public comment, as required by the SBTi SOP, from June 15, 2023, to August 23, 2023. The objectives of the public consultation were the following:

- Gather feedback from external stakeholders on the clarity and feasibility of the FINT Criteria V2.

- Understand views on the SBTi's direction of travel regarding FIs in relation to those regarding the other financial sector draft resources that were also out for public consultation.
- Engage directly and indirectly with external stakeholders to build support and identify areas of improvement.

The SBTi carried out several outreach activities during the development of FINT Criteria V2, including five public webinars that were hosted during the public consultation and attended by over 1,000 individuals. The webinars included an overview of the FINT Criteria V2 and a question-and-answer session. Feedback was also received through engagement with net-zero alliance groups, a closed-door webinar organized by NGOs and one-on-one consultations requested by various NGOs and FIs.

### 1.5 Overview of public consultation comments

Respondents to the public consultation were asked to submit comments through an online survey. The link to the survey was made available on the SBTi's "Financial Institutions" webpage. Respondents also submitted additional feedback via email.
The SBTi received a total of 120 public submissions from individuals and organizations in response to the FINT Criteria V2 survey while it received 146 responses for the *SBTi Fossil Fuel Finance Position Paper*. The submissions came from banks, professional services firms, NGOs, asset managers, asset owners, academia, corporate/industry, private equity firms and insurer/reinsurers. A summary of the public consultation feedback can be found in the *SBTi Public Consultation Feedback Summary* report.

### 1.6 Pilot testing

The SBTi conducted pilot testing from mid-December 2023 to the end of February 2024, with a public call for pilot testers published on the SBTi website to allow for expressions of interest from FIs on November 24, 2023. The intended aim of the pilot testing was to

- Demonstrate feasibility of the implementation of the FINT Criteria V2; and
- Facilitate refinement of FINT Criteria V2 prior to official publication.

Twenty-eight FIs applied for pilot testing, with 15 committing to set mock targets against the FINT Criteria V2 and 13 joining on an informational basis with the opportunity to provide feedback through a survey on the key changes in FINT Criteria V2. During the pilot testing, the SBTi hosted two webinars to socialize the updated criteria, held six question-and-answer sessions and undertook numerous bilateral calls/emails with pilot testers to enable understanding and uptake of the new criteria. The pilot test concluded with 20 FIs providing feedback, including 11 that submitted pilot test mock targets and 18 that gave survey responses (some FIs did both).

Findings from the pilot test supported the development of a revised version of the FINT Criteria V2, which was presented for review and approval in line with SBTi's Technical Governance.

# 2. SUMMARY OF KEY VERSION 2.0 REVISIONS

<table>
<tr><th>Version 1.1</th><th>Version 2.0</th></tr>
<tr><td><u>FI-C6</u>: Targets must cover a minimum of 5 years and a maximum of 15 years from the date the target is submitted to the SBTi for an official validation.</td><td><u>FI-C10</u>: Scope 1 and 2 targets must cover a minimum of five years and a maximum of 10 years from the date an FI submits its targets to the SBTi for an official validation. The choice of base year shall be representative of the FI's activities and shall be no earlier than 2015. Scope 1 and scope 2 targets must use the same base year.</td></tr>
<tr><td><u>FI-C8</u>: At a minimum, scope 1 and scope 2 targets will be consistent with the level of decarbonization required to keep global temperature increase to well-below 2°C compared to preindustrial temperatures, though financial institutions are encouraged to pursue greater efforts toward a 1.5°C trajectory. Both the target time frame ambition (base year to target year) and the forward-looking ambition (most recent year to target year) must meet this ambition criteria.<br><br><u>FI-C9</u>: Intensity targets for scope 1 and scope 2 emissions are only eligible when they lead to absolute emissions reduction targets in line with climate scenarios for keeping global warming to well-below 2°C or when they are modeled using an approved sector pathway. Absolute reductions must be at least as ambitious as the minimum of the range of emissions scenarios consistent with the well-below 2°C goal or aligned with the relevant sector reduction pathway within the Sectoral Decarbonization Approach.</td><td><u>FI-C12</u>: At a minimum, scope 1 and scope 2 absolute emissions reduction targets will be consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared with preindustrial temperatures. Both the target time frame ambition level (base year to target year) and the forward-looking ambition level (most recent year to target year) must meet this ambition criterion. Intensity targets for scope 1 and scope 2 emissions are eligible only when they are modeled using an approved 1.5°C sector pathway applicable to companies' business activities (e.g., scope 2 target using the Power Generation Sectoral Decarbonization Approach pathway).</td></tr>
<tr><td><u>FI-C16</u>: Financial institutions shall set targets on all "Required Activities" in the Required Activities and Methods Table (Table 1) following the minimum boundary coverage requirement.</td><td><u>FI-C15</u>: FIs are required to set one or more near-term targets for relevant activities in their portfolios according to Figure A-1, Table 1 and the following provisions:<ul><li><u>Relevant Activities</u>: FIs shall determine relevant activities based on either financed emissions or on an appropriate financial asset metric (such as loan value, invested value and/or assets under management). The selected approach must be consistently applied in determining the</li></ul></td></tr>
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| | 67% minimum coverage requirement and when considering the 5% materiality exclusion.<br>● Minimum Coverage: FIs must ensure that their targets collectively cover at least 67% of their Portfolio Target Boundary (PTB).<br>To calculate the minimum coverage, the denominator shall include the following:<br>○ All “Required Activities” in Table 1.<br>○ All “Optional Activities” in Table 1, subject to the following exclusion:<br>■ Any “Optional Activities” within the asset/investment/wealth management (AIWM) and consumer loan asset classes that make up less than 40% of all “Required Activities” and “Optional Activities” may be excluded from the PTB denominator.<br>To calculate the minimum coverage, the numerator shall include all “Required Activities” and/or “Optional Activities” that are covered by targets. FIs may set targets using any of the available methods specified in Table 1.<br>● Required Activities: FIs must ensure that their targets cover all “Required Activities” subject to the below 5% materiality exclusion option.<br>● Exclusion of Non-Material Activities: FIs may exclude specific sub-asset classes categorized under “Required Activities” from their targets, provided these sub-asset classes constitute less than 5% of the Portfolio Target Boundary. Exclusions must apply to entire sub-asset classes uniformly and may not exempt any activities related to fossil fuels.<br>● Asset/Investment/Wealth Management: The AIWM asset class applies to situations where FIs are managing investment funds on the behalf of third parties. Assets that are owned by an FI but managed by third-party asset managers are considered the FI’s own investments and not AIWM. For the purposes of target validation, FIs shall define and disclose the types of asset management businesses they are involved with, which must align with the following categories:<br>○ Discretionary mandates apply to situations where the FI is granted discretion by the third party to make investment decisions (e.g., fund, index or security selection) |

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| | without seeking prior approval from that third party.<br>○ Advisory mandates apply to situations where the FI provides recommendations and makes investments on behalf of the third party that are subject to that third party's instructions or approval.<br>■ This includes situations where the FI selects funds for third parties to choose from but thereafter has no control over investment decisions (e.g., fund, index or security selection).<br>○ Execution-only mandates apply to situations where the FI only executes investment instructions and has no control over investment decisions. |
| Not applicable | FI-C16: The choice of base year shall be representative of the FI's activities and shall be no earlier than 2015. Targets that have already been achieved by the date they are submitted to the SBTi are not acceptable. The SBTi uses the year the target is submitted to the initiative (or the most recent data) to assess forward-looking ambition. The most recent data must not be from earlier than two years prior to the year of submission. |
| FI-C17.1 (Boundary): Financial institutions shall set SDA targets on their real estate and electricity generation–related activities as specified in the Required Activities and Methods Table (Table 1)...<br><br>FI-C17.1 (Ambition): Portfolio SDA targets must meet minimum ambition indicated by sector-specific methods for well-below 2°C pathways.<br><br>FI-C17.1 (Time frame): Portfolio SDA targets must cover a minimum of 5 years and a maximum of 15 years from the date the financial institution's target is submitted to the SBTi for an official validation. Financial institutions are further encouraged to develop long-term targets up to 2050 in addition to the required midterm targets.<br><br>FI-C17.1 (Scope of Borrower and/or Investee Targets): Targets on scope | FI-C17.1 (Boundary): FIs shall set SDA targets for their real estate assets as well as electricity generation project finance as specified in Table 1...<br><br>FI-C17.1 (Ambition): Portfolio SDA targets must meet the minimum ambition level indicated by sector-specific methods for 1.5°C pathways. When a 1.5°C pathway for a sector is not available, a well-below-2°C pathway may be used instead. FIs may use any 1.5°C-aligned climate scenarios as long as their physical intensity targets are of equal or greater ambition than the minimum target ambition level required by the relevant SBTi tool.<br><br>FIs that already finance only renewable electricity projects (which may also include projects and assets such as energy storage and other directly related energy infrastructure) in the base year may set targets to continue doing so through 2030.<br><br>Separately, FIs that meet all the following conditions may set an emissions intensity maintenance target up to 2030 for an electricity generation project finance portfolio: |

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| 1 and 2 emissions are required for real estate and electricity generation related activities as defined by SDA methods (if relevant). For other Required Activities in the Table 5-2, FIs shall set targets on emissions scopes as required by the relevant SBTi sector-specific guidance. | i. A portfolio emissions intensity that is at or below the 2030 sector intensity level in a 1.5°C-aligned pathway for the power sector (100 $gCO_2e/kWh$).<br>ii. At least 80% renewable or other zero-emission electricity generation project financing.<br>iii. A commitment to maintain the base-year portfolio emissions intensity through 2030 and finance only 1.5°C-aligned electricity generation projects,<br>o where 1.5°C-aligned financing for the power sector is defined as a commitment to finance only new capacity from zero-emission sources and/or additional exposure to existing capacity if the infrastructure has an emissions reduction plan consistent with limiting warming to 1.5°C with no or limited overshoot.<br><br>FIs that meet the following conditions may set an emissions intensity maintenance target up to 2030 for an investment or lending portfolio of real estate assets:<br><br>i. A portfolio emissions intensity that is at or below the 2030 sector intensity level in a 1.5°C-aligned pathway for the real estate sector (based on SBTi sector-specific guidance).<br>ii. A commitment to maintain the base-year portfolio emissions intensity through 2030 and finance only 1.5°C-aligned real estate assets,<br>o where 1.5°C-aligned financing for the real estate sector is defined as a commitment to finance only new developments that are zero-carbon-ready (i.e., highest energy efficiency class based on local rating schemes and uses either renewable energy directly or an energy supply that will be fully decarbonized by 2050, such as electricity or district heat) and/or existing developments if they have an emissions reduction plan consistent with limiting warming to 1.5°C with no or limited overshoot.<br><br><u>FI-C17.1 (Time Frame)</u>: Portfolio SDA targets must cover a minimum of five years and a maximum of |

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| | 10 years from the date the targets are submitted to the SBTi for an official validation. The SBTi recommends that the same base year be used for all SDA targets and that the most recent year be used as the base year. The SBTi encourages FIs to develop additional long-term targets in accordance with the SBTi FI Net-Zero Standard upon its publication.<br><br>FI-C17.1 (Scope of Borrower and/or Investee Targets): FIs shall set targets for emissions scopes as required by the relevant SBTi sector-specific guidance. |
| FI-C17.2 (Target Level of Ambition): Financial institutions shall commit to having a portion of their borrowers and/or investees set their own approved science-based targets such that the financial institution is on a linear path to 100 percent portfolio coverage by 2040 (using a weighting approach in the SBT Finance Tool)...<br><br>FI-C17.2 (Time frame): Financial institutions' portfolio coverage targets must be fulfilled within a maximum of five years from the date the FI's target is submitted to the SBTi for validation. Fulfillment of portfolio coverage targets mean that borrowers' and/or investees' SBTs have been approved by SBTi. | FI-C17.2 (Ambition): FIs shall commit to having a portion of their borrowers and/or investees set their own SBTi-validated science-based targets such that they are on a linear path to 100% portfolio coverage by 2040 (using a weighting approach). Fulfillment of portfolio coverage targets means that the SBTi has approved the borrowers' and/or investees' SBTs.<br><br>FI-C17.2 (Weighting Approach): FIs shall use one of the weighting approaches in the SBTi Finance Tool (listed in Appendix D of the Financial Sector Near-Term SBT Explanatory Document) consistently throughout the target period. As the Portfolio Coverage (PC) method is binary, FIs may replace the outcome from the Temperature Rating method for the companies (i.e., TS in the formula) with the outcome of the PC assessment: 1 if the company has an SBTi-approved target or 0 if the company does not have an SBTi-approved target. This means that FIs may use the same weighting methods for both Temperature Rating and Portfolio Coverage; they must simply replace TS with PC in the formula.<br><br>FI-C17.2 (Time Frame): The target year of FIs' Portfolio Coverage targets must be any year up to 2030 inclusive or within a maximum of five years from the date the targets are submitted to the SBTi for an official validation. FIs may also set a second, longer-term 100% Portfolio Coverage target but only if it is in addition to one that meets the aforementioned time frame. The same base year shall be used for all Portfolio Coverage targets, and the SBTi recommends choosing the most recent year as the base year. |
| FI-C17.3 (Target Level of Ambition): Financial institutions shall align their | FI-C17.3 (Ambition): FIs shall align their portfolio scope 1 and 2 temperature scores with a minimum |

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| portfolio scope 1 + 2 temperature score with a well-below 2°C scenario and in addition align their portfolio scope 1 + 2 + 3 temperature score with a minimum 2°C scenario by 2040…<br><br>FI-C17.3 (Time frame): Portfolio alignment targets must be fulfilled within a maximum of five years from the date the targets are submitted to the SBTi for an official validation. | 1.5°C scenario and in addition align their portfolio scope 1, 2 and 3 temperature scores with a minimum well-below-2°C scenario by 2040. Alignment with more ambitious scenarios such as 1.5°C across all scopes is highly encouraged. FIs shall commit to reducing their portfolio temperature scores such that they are on a linear path to the stated goal by 2040. FIs shall set separate targets for scopes 1 and 2 and for scopes 1, 2 and 3.<br><br>FI-C17.3 (Methodology): FIs shall calculate company-specific temperature scores and portfolio temperature alignment levels according to the published temperature rating methodology used by the SBTi. Temperature scores may be calculated using the SBTi open-source tool or other third-party temperature scores produced according to this method.<br><br>FI-C17.3 (Data Consistency): FIs shall use the same source of temperature scores consistently throughout the target period or re-baseline if the source of temperature scores changes during the target period.<br><br>FI-C17.3 (Weighting Approach): FIs shall use one of the weighting approaches in the SBTi Finance Tool (listed in Appendix D of the Financial Sector Near-Term SBT Explanatory Document) consistently throughout the target period.<br><br>FI-C17.3 (Time Frame): The target year of FIs' Portfolio Temperature Rating targets must be any year up to 2030 inclusive or within a maximum of five years from the date the targets are submitted to the SBTi for an official validation. The same base year shall be used for all Temperature Rating targets, and the SBTi recommends choosing the most recent year as the base year. The SBTi encourages FIs to develop long-term targets in accordance with the SBTi FI Net-Zero Standard upon its publication. |
| Not applicable | FI-C17.4 and Table 2: Addition of the Fossil Fuel Finance Targets criteria as an option to address FIs' financial activities in the fossil fuel sector. |
| FI-R10: Phaseout of Thermal Coal Investments<br>FI-R11: Disclosure of Fossil Fuel Investments and Lending | FI-R11: Transition of Fossil Fuel Support<br>FI-R12: Renewable to Fossil Fuel Ratio |
| Table 1 (as introduced in Version 2.0): | |

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| ● Added more granular specifications (e.g., by sector, listed vs. private companies, corporates vs. small- and medium-sized enterprises [SMEs], short- vs. long-term loans, direct investments vs. via funds) and footnotes, such as for separate real estate and asset/investment/wealth management asset classes.<br>● Raised the coverage requirement for the fossil fuel sector to 100% for all project finance, corporate loans, equity, and fixed income, and similarly for the electricity generation sector (except for short-term loans, which are optional).<br>● Added that FIs may select the loan outstanding amount, loan commitment amount, or exposure at default as the numerator of the attribution factor used to calculate financed emissions for corporate loans but shall make the choice only once during the target period.<br>● Added flexibility to the calculation of the 67% minimum coverage requirement for long-term loans to listed companies in “all other sectors” but with a requirement that any Portfolio Coverage and/or Temperature Rating target(s) that are set on corporate loans must have 100% coverage within the FI’s target boundary.<br>● For corporate loans, coverage may be based on loan value or financed emissions. If using financed emissions, the scope 1, 2 and 3 emissions of portfolio companies in the automotive and fossil fuel sectors shall be included in the calculation while the scope 1 and 2 emissions of portfolio companies in all other sectors shall be included.<br>● Required either the SBTi definition or the relevant national/regional regulatory definition(s) to be used to determine the applicable coverage requirements for SMEs. Meanwhile, for target validation, companies may set targets through the streamlined validation route if they meet the SBTi definition of an SME or they may choose to set targets through the standard validation route.<br>● Clarified that the coverage requirements apply to all securities in the banking book while securities in the trading book are optional and assets that have already been sold are out of scope.<br>● Updated that all FIs shall cover their private equity investments based on the requirements provided in the SBTi Private Equity Sector Science-Based Target Guidance (e.g., targets are currently required only if the FI has a board seat in the portfolio company, among other conditions).<br>● Clarified that cash equivalents may include commercial paper, certificates of deposit, time deposits, banker’s acceptance, and short-term repurchase agreements. |
| Table 3 (as introduced in Version 2.0):<br>● Added an updated target language template, including for the following:<br>o Renewable electricity procurement targets<br>o Scope 3, Category 1-14 targets<br>o Headline target for scope 3 portfolio targets<br>o Low emissions intensity maintenance target for real estate assets<br>o Renewable electricity financing and low emissions intensity maintenance target for electricity generation project finance<br>o Fossil fuel finance targets |

In addition to the above, the SBTi made other revisions to the FINT Criteria V2 to align with the order/wording of the Corporate Net-Zero Standard and provide clarifications.

| Location in V2 | Revisions |
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| Title | Added “Near-Term” to the title to better differentiate from the FI Net-Zero Standard, which is currently under development. |
| Version # | Changed to 2.0. |

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| FI-C1 | ● Reordered from FI-C5.<br>● Renamed from “Subsidiaries” to “Organizational Boundary.”<br>● Switched the order of the first two sentences.<br>● Added “Targets may be submitted at a subsidiary level if the subsidiary is a legal entity. Multiple subsidiaries within a group may submit targets but must do so separately and their target language must explicitly state the specific target-setting entity.” |
| FI-R1 | Added “The SBTi strongly recommends that an FI’s organizational boundary, as defined by the GHGP [Greenhouse Gas Protocol], is consistent with the organizational boundary used in the FI’s financial accounting and reporting procedures. FIs should use the same organizational boundary year-on-year.” |
| FI-C2 | Reordered from FI-C3. |
| FI-C3 | ● Reordered from FI-C1.<br>● Updated the number references for the criteria/recommendations. |
| FI-C4 | ● Reordered from FI-C2.<br>● Renamed from “Significance Thresholds” to “Scope 1 and 2 Allowable Exclusions.” |
| FI-R2 | ● Reordered from FI-C9.<br>● Added “When submitting scope 3, categories 1-14 targets for validation, FIs must include a complete emissions inventory following the minimum boundary for each scope 3 category in conformance with the GHGP Scope 3 Standard.”<br>● Listed some relevant corporate criteria. |
| FI-C5 | ● Reordered from FI-C10.<br>● Added “FIs will need to check the relevant SBTi sector webpage(s) for the most up-to-date information.” |
| FI-C6 | ● Reordered from FI-C13.<br>● Added “FIs that set renewable electricity procurement targets must select market-based accounting as the mechanism for setting and tracking progress toward their SBTs.” |
| FI-C7 | Reordered from FI-C4. |
| FI-C8 | ● Reordered from FI-C11.<br>● Renamed from “Offsets” to “Carbon Credits.” |
| FI-C9 | Reordered from FI-C12. |
| FI-R3 | ● Updated with language from the SBTi FLAG (forest, land and agriculture) sector guidance.<br>● Added recommendation to set a Portfolio Coverage target on companies with FLAG-related emissions that total 20% or more of overall emissions across scopes. |
| FI-R4 | Added from Corporate Net-Zero Standard. |
| FI-C11 | Reordered from FI-C7. |
| FI-R5 | Reordered from FI-R3. |
| FI-R6 | ● Reordered from FI-R4.<br>● Updated time frame in line with FI-C10 change.<br>● Replaced last two sentences with “Long-term targets for FIs will only be validated in accordance with the SBTi FI Net-Zero Standard upon its publication.” |

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| FI-R8 | Reordered from FI-R6. |
| FI-C13 | • Reordered from FI-C14.<br>• Referred to the RE100 Technical Criteria and the Scope 2 Quality Criteria in the GHGP Scope 2 Guidance for options for actively sourcing renewable electricity.<br>• Noted requirement for FIs with zero scope 1 emissions and a renewable energy procurement target to also set a target to maintain zero scope 1 emissions. |
| FI-R9 | Reordered from FI-R7. |
| FI-R10 | • Reordered from FI-R8.<br>• Updated ambition in line with FI-C12 change. |
| FI-C14 | Reordered from FI-C15. |
| FI-C18 | Added more guidance on how to calculate the Scope 3 Portfolio Targets – Headline Target. |
| FI-C19 | Added “The summary shall focus on future actions, rather than past achievements.” |
| FI-20 | Added “FIs should also annually disclose a full GHG emissions inventory for their portfolios, covering all activities for which a GHG accounting method is available at the time of target submission (i.e., all Required Activities and Optional Activities per Table 1).” |
| FI-R13 | Reordered from FI-R12. |
| FI-C21 | Specified within five years “from the date of target approval.” |
| FI-C22 | • Added “Target language must be agreed upon in order for the target submission to be validated.”<br>• Added “FIs must use the same target language in their own communications as on the SBTi website but are welcome to add additional details in their own communications. Disclaimers in the target language published on the SBTi website may include links to only the FI’s website or its own publications.” |
| FI-R14 | Added “Targets should be recalculated as soon as possible to reflect significant changes to remain relevant to the current institutional structure and operations. FIs should re-baseline anytime structural changes prompt a change of 5% or greater to their overall (i.e., scope 1, 2 and 3) emissions inventory and then recalculate their targets (after re-baselining) to check that the ambition and coverage are still sufficient.” |
| FI-R15 | Reordered from FI-R14. |
| Appendix | Added Figure 1 on the Portfolio Target Boundary. |

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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