SBTi Public Consultation Feedback Summary

Draft Near-Term Financial Sector Science Based Targets Guidance Version 2.0 and Draft Fossil Fuel Finance Position Paper

December 2023

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

PARTNER ORGANIZATIONS

CONTENTS

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1. Introduction

In June 2023, the Science Based Targets initiative (SBTi) released three draft resources for the financial sector for public consultation:

- SBTi Near-Term Financial Sector Science Based Targets Guidance V2 Consultation Draft and Near-Term Criteria and Recommendations for Financial Institutions V2 Consultation Draft.
- SBTi Financial Institutions Net-Zero (FINZ) Standard: Conceptual Framework and Initial Criteria Consultation Draft.
- SBTi Fossil Fuel Finance Position Paper Consultation Draft.

The primary objectives of the consultation were to:

- Gather feedback from external stakeholders on the clarity and feasibility of the three financial sector draft resources.
- Understand views on the SBTi's direction of travel regarding FIs.
- Engage directly and indirectly with external stakeholders to build support and identify areas of improvement.

The public consultation was open between June 15, 2023 and August 23, 2023. Five public webinars were held during this period to cover a range of time zones and included over 1,000 attendees who were presented the draft resources and participated in Q&A sessions. An online survey was completed by 201 individuals from a broad range of institutions and geographies. Feedback was also received through engagement with net-zero alliance groups, a closed-door webinar organized by NGOs, and one-to-one consultations requested by various NGOs and FIs.

This summary provides the quantitative results from the survey as well as an overview of qualitative feedback received through the public consultation period for the SBTi Near-Term Financial Sector Science Based Targets Guidance V2 and the Fossil Fuel Finance Position Paper consultation drafts.The FINZ feedback is summarized in a separate document.

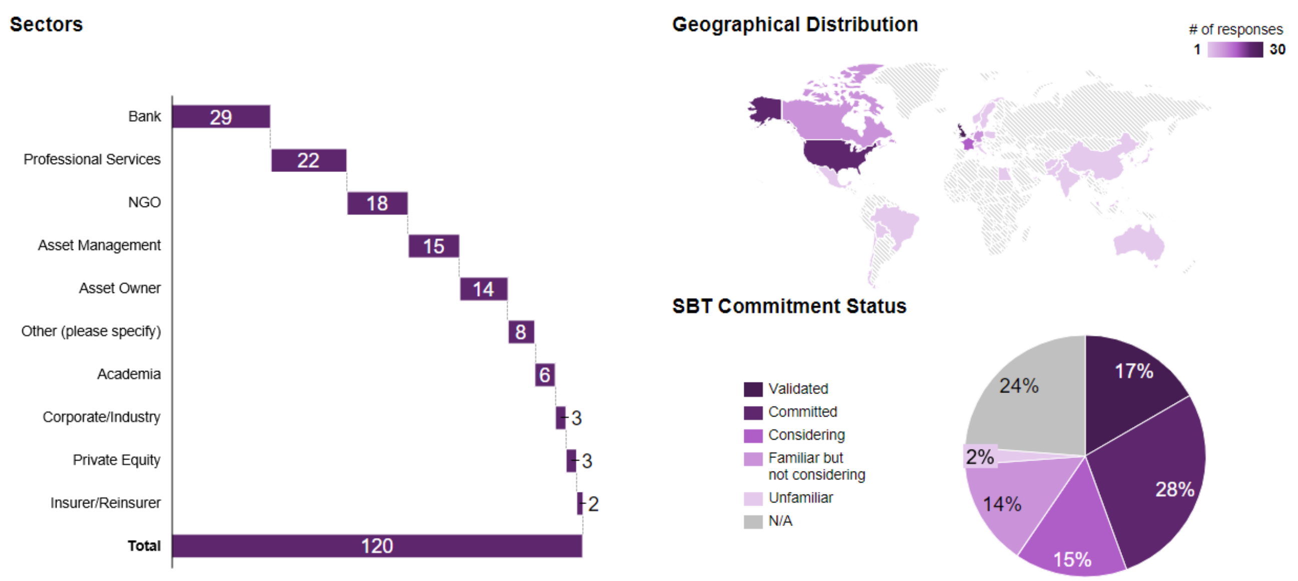
2. Near-Term Financial Sector Science Based Targets Guidance Version 2.0

The Near-Term Financial Sector Science Based Targets Guidance Version 2 (FINT V2) consultation draft updates the SBTi's existing near-term target framework for financial institutions (FIs) to align with criteria in the SBTi Corporate Net-Zero Standard, increase target ambition, and address challenges faced by FIs in setting science-based targets. In addition, clarifications have been made to improve interpretation and application, and to aid target setting.

The section of the consultation survey on FINT V2 asked if respondents agree with five proposed criteria changes, updates to Table 5.2 of the SBTi Finance Guidance (which provides minimum coverage requirements), two specific clarifications and the option to set a low emissions intensity maintenance target in certain instances. A text box was also included to collect additional comments on the consultation draft.

The FINT V2 section of the consultation survey was completed by 120 individuals from a range of institutions and geographies. A self-reported 43% of respondents were either committed to or were considering setting a near-term science-based target or science-based net-zero target while 17% had validated targets.

Figure 1: Overview of FINT V2 Consultation Survey Participants



2.1 High-Level Summary of Feedback on FINT V2

Additional details and statistics are provided in the individual summaries on each FINT V2 consultation question that follow this section.

There is wide agreement on the proposed time frame and ambition changes to scope 1+2 targets, which would bring the criteria in line with the SBTi Corporate Net-Zero Standard. There is also general agreement on increasing the ambition of Sectoral Decarbonization Approach and Temperature Rating targets, though some respondents from NGOs want even higher ambition while some respondents from FIs find the proposal challenging.

In terms of the SBTi Fossil Fuel Finance Position Paper, most respondents support the option to set targets based on the criteria in the paper; more agree (than disagree) that this approach would help address FI challenges with near-term target coverage requirements; a roughly equal number believe it would be feasible to set such targets (as those that do not). However, those who found the proposed target option too restrictive, premature, impractical, or requiring additional clarifications primarily consists of respondents from FIs.

Regarding Table 5.2 of the Near-Term Guidance, which outlines the minimum coverage requirements for different asset classes, there is general agreement that the proposed revisions make the requirements clearer, though some respondents from FIs would like further flexibility while respondents from NGOs would like stricter requirements. This finding also applies to the proposal to include the 95% and 67% minimum coverage requirements for loans to companies in the fossil fuel sector and for commercial real estate asset loans, respectively, within the 67% minimum coverage requirement for loans to companies in all sectors, other than electricity generation. In sum, nearly half of respondents agree with the proposal while over a quarter are neutral.

Regarding the flexibility to select the loan outstanding amount or loan commitment amount as the numerator of the attribution factor used to calculate financed emissions for corporate loans, over a third of respondents agree while nearly another third have no opinion. As some context, although The Partnership for Carbon Accounting Financials (PCAF) only uses loan outstanding amounts, several banks have asked to use loan commitment amounts since they are less volatile. Since using the loan commitment amount doesn't seem to always be more or less ambitious than using the loan outstanding amount in a portfolio of multiple loans (e.g., the mix of attribution factors AND each company's emissions intensity matters), the proposed change in FINT V2 aims to offer some flexibility without necessarily changing target ambition. Additionally, while the outstanding amount may represent how financing has contributed to emissions historically, bankers manage committed amounts and not outstandings.

Meanwhile, a narrow majority of respondents support the proposal to offer FIs the option to set a low emissions intensity maintenance target up to 2030 for electricity generation project finance portfolios and investment/lending portfolios of real estate assets while nearly a third have no opinion.

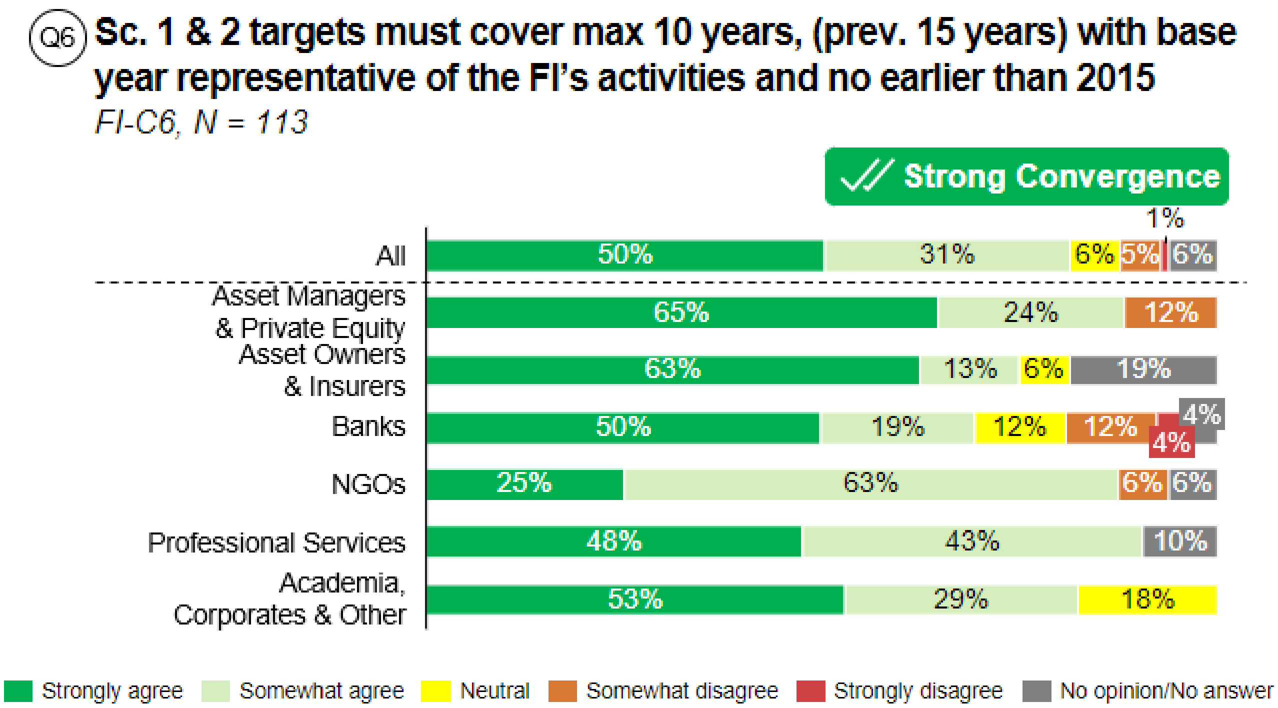
In terms of the SBTi's description of investments administered (on behalf of third parties) under advisory mandates, more respondents agree (than disagree) with the description while nearly half are neutral. This description is meant to help differentiate between investments managed under discretionary mandates, which are required to be covered by targets, and investments administered under advisory or execution-only mandates, which are optional or out of scope. Of those who disagree, several respondents from NGOs believe all asset management businesses should be required while several respondents from FIs believe the guidance lacks practicality given legal barriers.

2.2 FI-C6 (Base and Target Years)

Q6: For FI-C6 (Base and Target Years), do you agree with the proposed change in scope 1+2 timeframe criteria?

With ~81% who strongly or somewhat agree and ~12% who are neutral or have no opinion, there is wide agreement on the proposal to shorten the time frame of scope 1 and 2 targets from 5-15 years to 5-10 years. This proposed change would bring the criterion in line with the SBTi Corporate Net-Zero Standard.

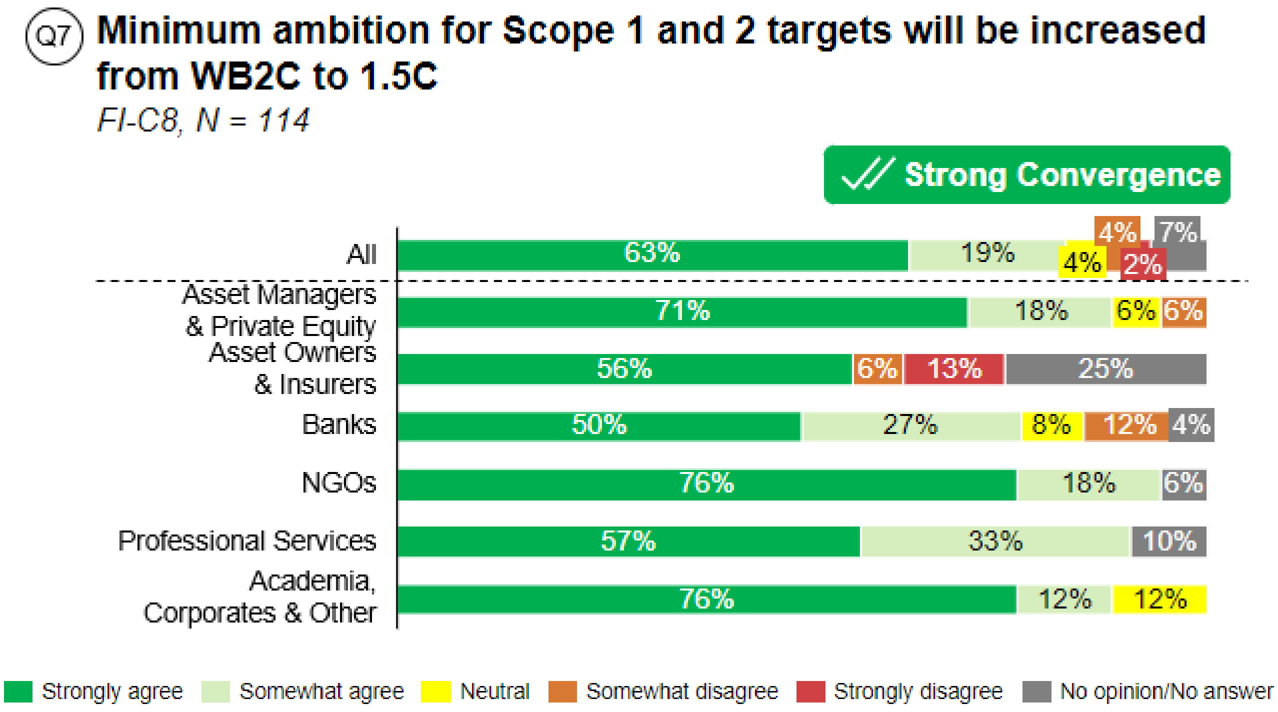
While respondents from NGOs widely agree with this proposed change, several raise concerns over the flexibility of choosing a baseline year as early as 2015 and its potential negative implications on forward-looking ambition. However, per FI-C7 and FI-C8, both the target time frame ambition (base year to target year) and the forward-looking ambition (most recent completed GHG inventory, which must not be earlier than two years prior to the year of submission, to target year) must meet the ambition criteria in FI-C8. In addition, FI-R3 recommends choosing the most recent year for which data are available as the base year.



2.3 FI-C8 (Level of Ambition)

Q7: For FI-C8 (Level of Ambition), do you agree with the proposed change in scope 1+2 ambition criteria?

There is also wide agreement on the proposal to increase the minimum ambition of scope 1 and 2 targets from well-below 2°C to 1.5°C alignment, with ~82% who strongly or somewhat agree and ~11% who are neutral or have no opinion. This proposed change would bring the criterion in line with the SBTi Corporate Net-Zero Standard as well as other net-zero alliances. In addition, a large majority of FIs with validated science-based targets have set scope 1 and 2 targets that are 1.5°C aligned.



2.4 FI-C17.1 (Sectoral Decarbonization Approach Targets)

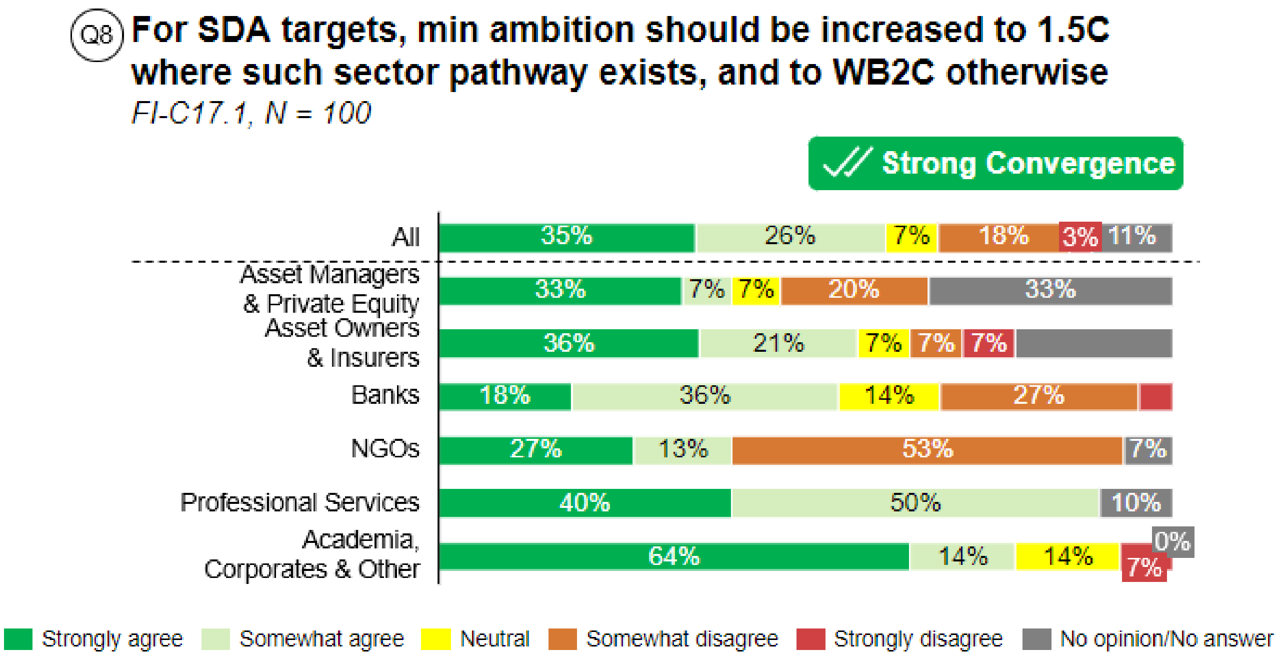
Q8: For FI-C17.1 (Sectoral Decarbonization Approach Targets), do you agree with the proposed change in SDA target ambition criteria?

The proposal to increase the minimum ambition of scope 3, category 15 targets using the Sectoral Decarbonization Approach (SDA) from well-below 2°C to 1.5°C alignment, where 1.5°C pathways are available, is generally accepted. Survey responses show ~61% strongly or somewhat agree while ~18% are neutral or have no opinion. This proposed change would result in a portfolio being covered by a 1.5°C aligned target (when available), which is the minimum ambition currently required for companies' scope 1 and 2 targets under the SBTi Corporate Net-Zero Standard.

The ~18% who somewhat disagree and ~3% who strongly disagree consists primarily of respondents from NGOs as well as banks and other FIs. Several respondents from NGOs comment that the minimum ambition should be 1.5°C alignment for all companies and targets regardless if a 1.5°C sector pathway is available. In fact, some respondents from NGOs suggest that the Absolute Contraction Approach (ACA) be used when no sectoral pathways are available. However, while the

ACA can be used by real-economy companies, the ACA is not currently a target option for financed emissions due in part to the issue that the absolute reduction of financed emissions is not the same as the absolute reduction of real-economy emissions. Some respondents from NGOs also stress that the SBTi "must continue to update its guidance and alignment to ensure that all scenarios and related assumptions are in line with 1.5°C" with one respondent commenting that while using a well-below 2°C pathway is not optimal, it is "quite acceptable considering it would be resolved by providing a sectorial 1.5°C pathway."

Meanwhile, some respondents from banks/FIs comment that changing requirements could reduce their ability to act on existing commitments and that 1.5°C targets are "challenging for FIs to achieve without the use of removal credits" or "in many cases infeasible." One respondent from a bank also remarks that the universe of acceptable 1.5°C scenarios should be expanded. It is important to note, however, that FIs may use any 1.5°C-aligned climate scenarios they would like for setting SDA targets as long as their physical intensity targets are equally or more ambitious than the minimum target ambition required by the relevant SBTi target setting tool(s).

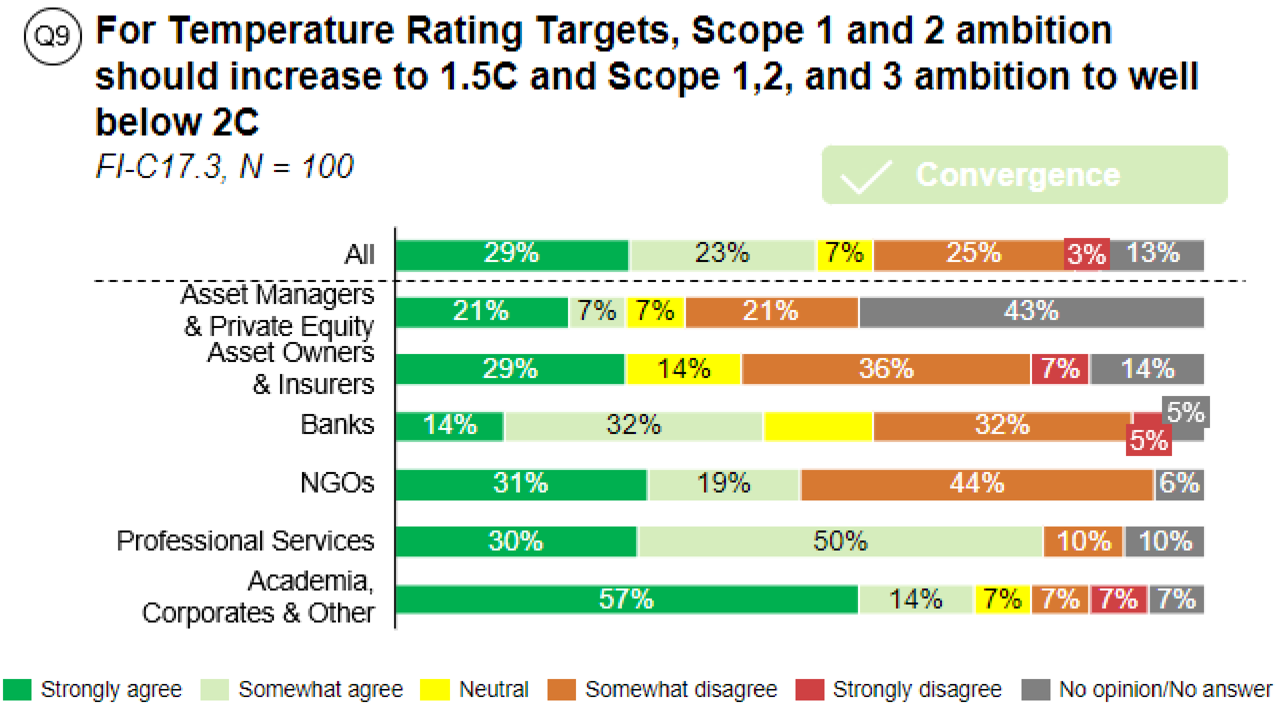


2.5 FI-C17.3 (Portfolio Temperature Rating Targets)

Q9: For FI-C17.3 (Portfolio Temperature Rating Targets), do you agree with the proposed change in Temperature Rating target ambition criteria?

A narrow majority of respondents support the proposal to increase the minimum ambition of scope 3, category 15 targets using the Temperature Rating Approach from well-below 2°C to 1.5°C alignment for portfolio scope 1 and 2 temperature scores, and from 2°C to well-below 2°C alignment for portfolio scope 1, 2 and 3 temperature scores. Specifically, ~52% strongly or somewhat agree while ~20% are neutral or have no opinion. This proposed change would reflect the current differentiation in required ambition for scope 1 and 2 vs. scope 1, 2 and 3 as well as reflect criteria in the SBTi Corporate Net-Zero Standard that require companies to set, at a minimum, 1.5°C aligned scope 1 and 2 targets and well-below 2°C aligned near-term scope 3 targets.

The ~25% who somewhat disagree and ~3% who strongly disagree consists primarily of respondents from FIs who have reservations about the maturity of temperature rating methodologies or would like to use other commercial data providers' temperature scoring solutions, as well as respondents from NGOs who believe that the minimum ambition should be 1.5°C alignment across all three scopes.



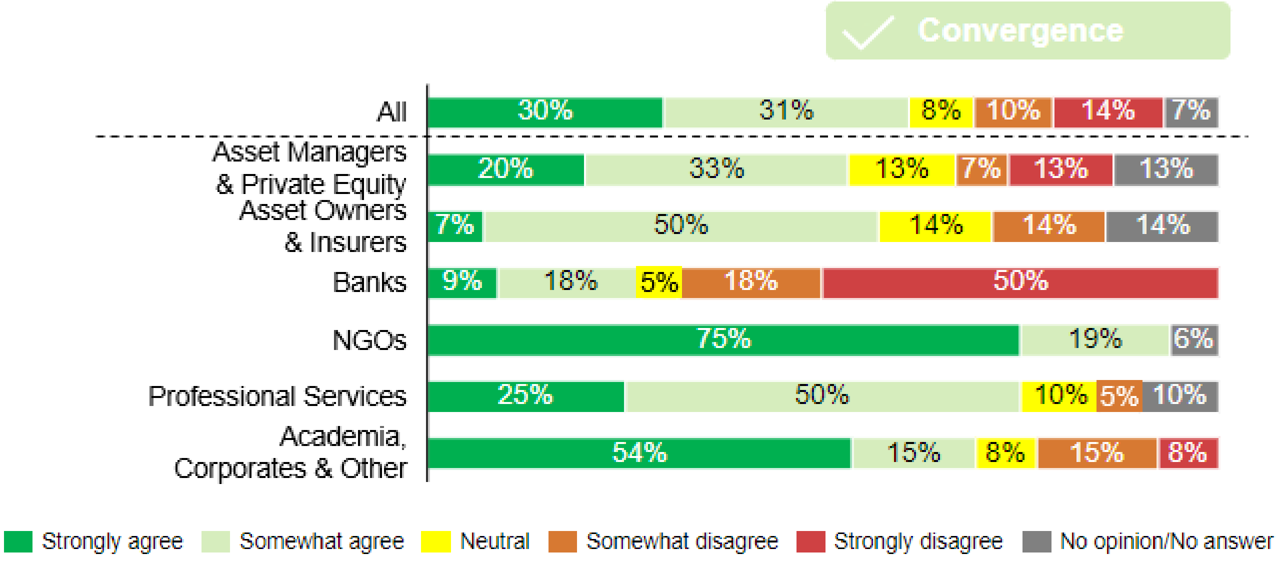
2.6 FI-C17.4 (Fossil Fuel Finance Targets)

Q10: For FI-C17.4 (Fossil Fuel Finance Targets); Section 5.4.4; Tables 5.1, 5.5, 6.1; and Section 6.1.4; do you agree with offering FIs the option to set targets based on the criteria from the Fossil Fuel Finance Position Paper?

Most respondents support the proposal to offer FIs the option to set targets based on the criteria from the SBTi Fossil Fuel Finance Position Paper, with ~61% who strongly or somewhat agree and ~15% who are neutral or have no opinion. The ~24% who somewhat or strongly disagree consists primarily of respondents from banks. Some respondents believe this proposed target option is too complex, is premature given that the SBTi Oil & Gas Guidance has not been published, or relates more to policy recommendations rather than target setting.

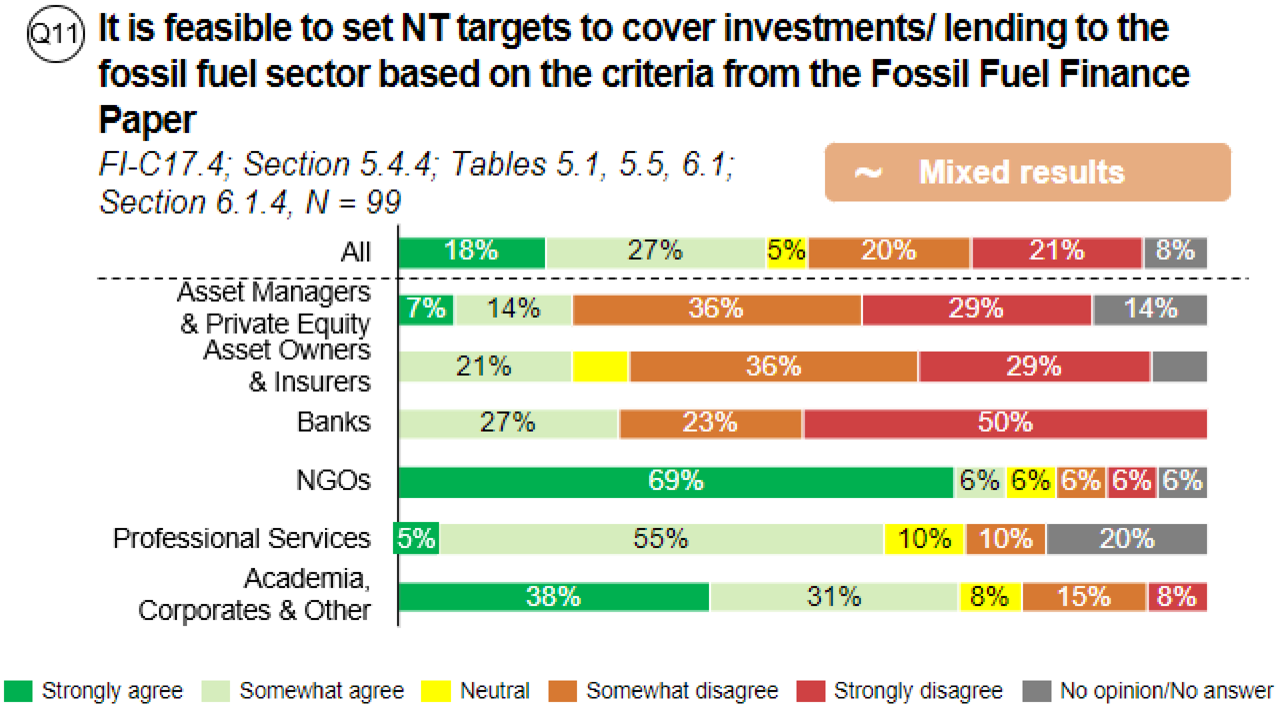
Q10 FIs should have the option to set targets based on the criteria from the Fossil Fuel Finance Position Paper

FI-C17.4; Section 5.4.4; Tables 5.1, 5.5, 6.1; Section 6.1.4, N = 100



Q11: For FI-C17.4 (Fossil Fuel Finance Targets); Section 5.4.4; Tables 5.1, 5.5, 6.1; and Section 6.1.4; do you agree that it is feasible to set near-term targets to cover investments and/or lending to the fossil fuel sector based on the criteria from the Fossil Fuel Finance Position Paper?

Although ~45% strongly or somewhat agree that it is feasible to set near-term targets to cover investments and/or lending to the fossil fuel sector based on the criteria from the Fossil Fuel Finance Position Paper, and ~13% are neutral or have no opinion, ~41% somewhat or strongly disagree. The latter group consists primarily of respondents from FIs who believe this proposed target option is not feasible due to the strict definition of a fossil fuel company and its value chain, is too restrictive, requires additional clarifications, or is impractical due to challenges with data availability or countries with less ambitious targets.

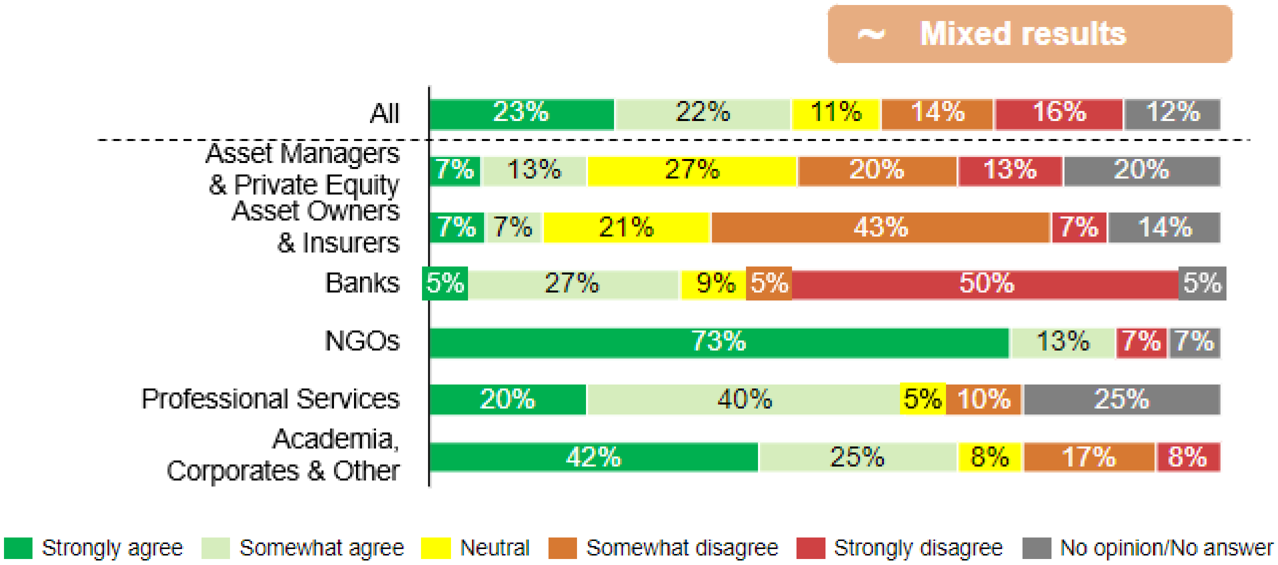


Q12: For FI-C17.4 (Fossil Fuel Finance Targets); Section 5.4.4; and Tables 5.1, 5.2, 5.5, 6.1; do you agree that the addition of a fourth target-setting method option (i.e., Fossil Fuel Finance targets) helps address FI challenges with near-term target coverage requirements and effectively address FIs' fossil fuel related activities? For additional text comments, please provide them in the upcoming comment box.

Nevertheless, more respondents (~45%) strongly or somewhat agree that the addition of a fourth target-setting method option (i.e., Fossil Fuel Finance Targets) helps address FI challenges with near-term target coverage requirements and effectively address FIs' fossil fuel related activities, or are neutral or have no opinion (~23%), than those who somewhat or strongly disagree (~30%). The latter group consists primarily of respondents from FIs who believe the proposed timelines, coverage, and applicability criteria are still unclear, challenging in practice, or not feasible.

Q12 Fossil Fuel Finance targets help address FIs' fossil fuel activities and their challenges with NT coverage requirements

FI-C17.4; Section 5.4.4; Tables 5.1, 5.2, 5.5, 6.1, N = 98



In summary (of Q10-12), most respondents support the option to set targets based on the criteria from the SBTi Fossil Fuel Finance Position Paper; more agree (than disagree) that this approach should help address FI challenges with near-term target coverage requirements; and a roughly equal number believe it should be feasible to set such targets (as those that do not). Since the Fossil Fuel Finance Targets criteria would only be applicable to FIs that choose to use this method to set targets under FINT V2, then the addition of this target-setting method option would not affect any FIs that disagree with the method and/or don't think it is feasible to use. Meanwhile, those that do find the method useful and feasible could potentially be able to use the method to address their fossil fuel related activities. In one respondent's words (from academia), "making the FF position paper part of the near-term standard also allows SBTi to road-test this policy before it becomes part of the FINZ standard."

A potential alternative option that the SBTi may consider is to revise the method in a two-step process where a subset of the criteria is incorporated in FINT V2 (whereas the current criteria for FIs do not contain any requirements on fossil fuel finance) as an interim step, with the proposed intention to then move toward a full set of criteria in subsequent updates that can go through additional public consultation and align further with the Oil & Gas Sector Guidance.

2.7 Table 5.2

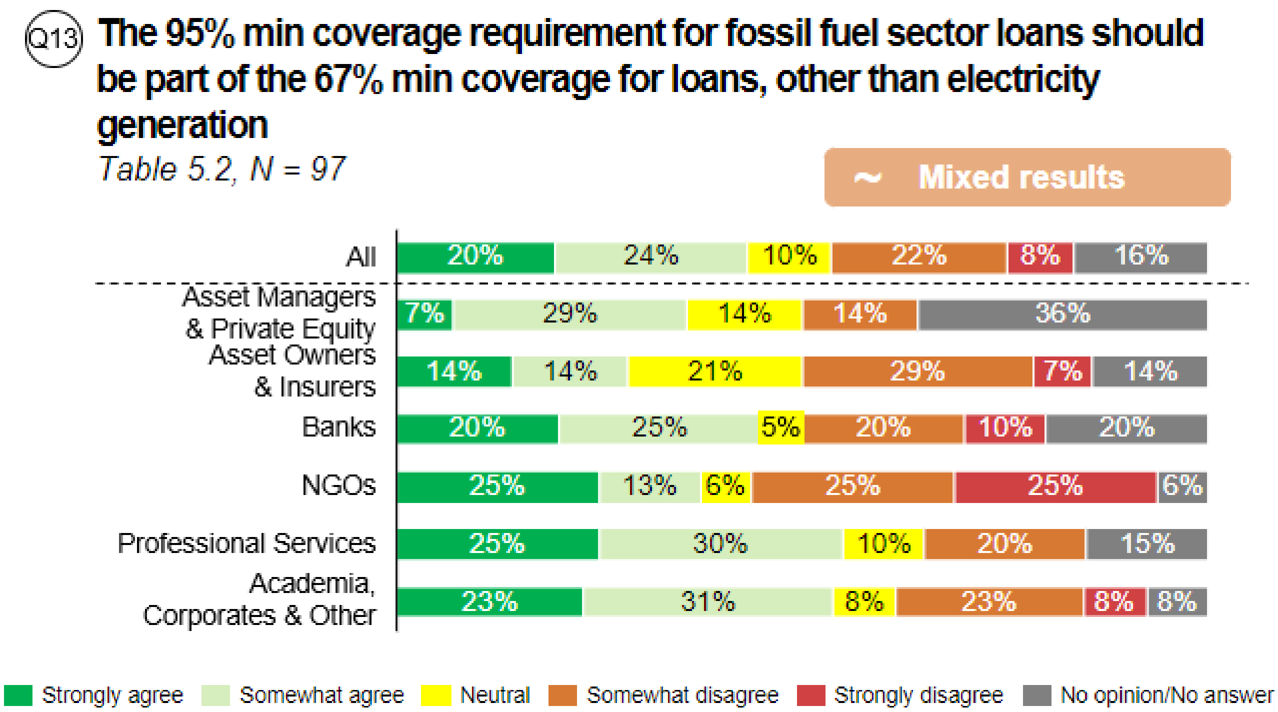
Q13: In Table 5.2 (Required, optional, and out-of-scope activities and applicable methods), do you agree with including the 95% minimum coverage requirement for loans to companies

in the fossil fuel sector within the 67% minimum coverage requirement for loans to companies in all sectors, other than electricity generation? For additional text comments, please provide them in the upcoming comment box.

Nearly half of respondents (~44%) strongly or somewhat agree with the proposal to include the 95% minimum coverage requirement for loans to companies in the fossil fuel sector within the 67% minimum coverage requirement for loans to companies in all sectors, other than electricity generation, while ~26% are neutral or have no opinion. This revision is proposed to help address FI challenges with meeting coverage requirements by taking into account portfolio differences.

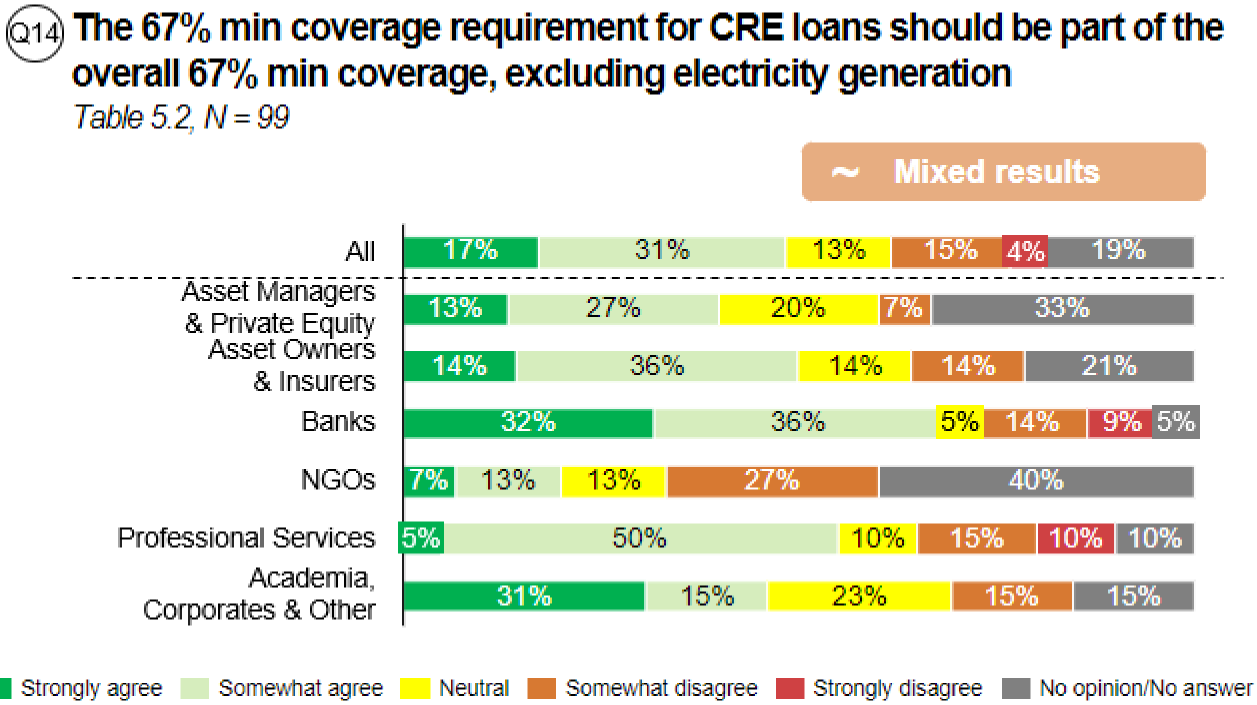
The ~22% who somewhat disagree and ~8% who strongly disagree consists primarily of respondents from NGOs who believe 100% of financing to fossil fuel companies should be covered and the 67% minimum coverage requirement should be significantly raised as they believe there is no rationale for this threshold level. As some background, an asset class–oriented approach was chosen for the FI near-term target framework to take into consideration the varying degree of data availability, market liquidity, and levels of ownership of different asset classes, with an initial project survey distributed in 2018 to FIs and other stakeholders who indicated that in the order of votes received, corporate loans, listed equity, project finance, real estate, and mortgages are asset classes considered most important for inclusion in the framework.

On the other hand, multiple respondents from FIs comment that the 67% minimum coverage requirement as "restrictive" and "very challenging" and would at least like the electricity generation sector, along with fossil fuel and real estate, to be included within this threshold.



Q14: In Table 5.2 (Required, optional, and out-of-scope activities and applicable methods), do you agree with including the 67% minimum coverage requirement for commercial real estate loans within the 67% minimum coverage requirement for loans to companies in all sectors, other than electricity generation? For additional text comments, please provide them in the upcoming comment box.

Nearly half of respondents (~48%) also strongly or somewhat agree with the proposal to include the 67% minimum coverage requirement for commercial real estate loans within the 67% minimum coverage requirement for loans to companies in all sectors, other than electricity generation, while ~32% are neutral or have no opinion. The ~15% who somewhat disagree and ~4% who strongly disagree consists primarily of respondents from NGOs, professional services, and banks, with comments along the lines of those for the previous question. This change, however, is proposed to also help address FI challenges with meeting coverage requirements by taking into account portfolio differences.



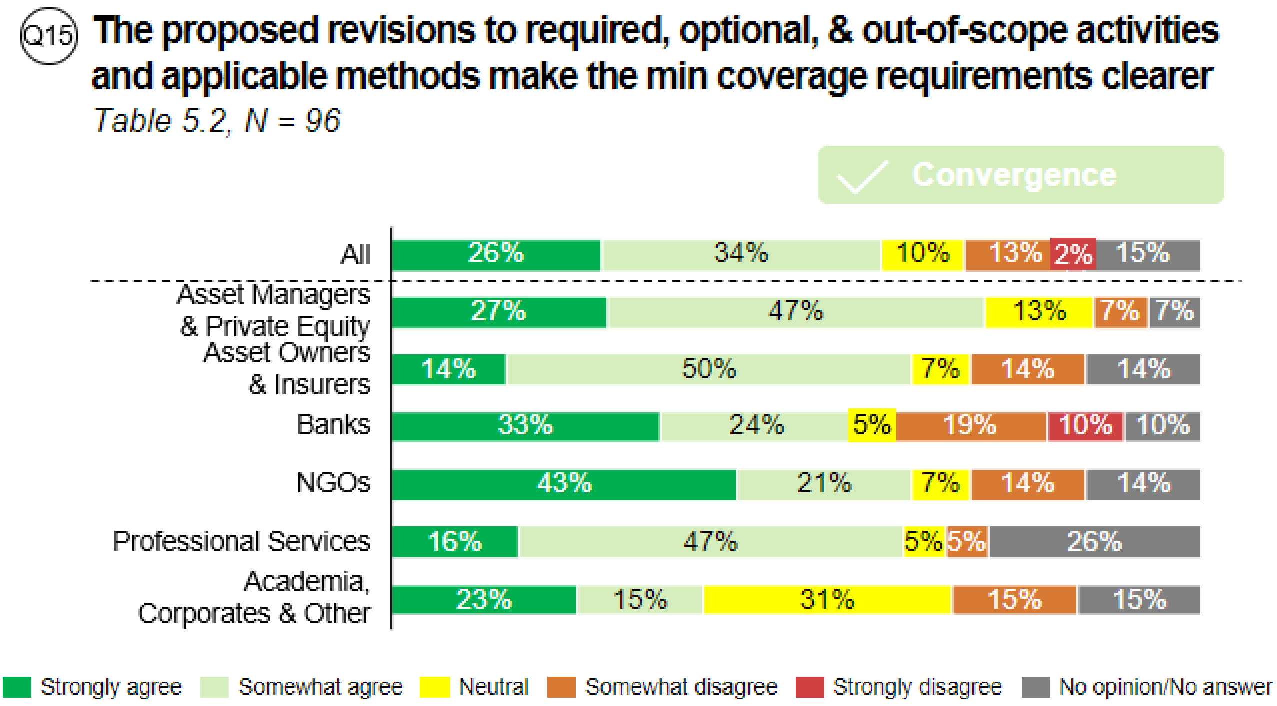
Q15: Do you agree that the proposed revisions to Table 5.2 (Required, optional, and out-of-scope activities and applicable methods) that are summarized in Appendix G make the minimum coverage requirements clearer? For additional text comments, please provide them in the upcoming comment box.

Q16: If you answered (strongly) agree or disagree for any of the last four questions and/or have separate feedback regarding the coverage requirements in the draft Version 2 of the Near-Term Financial Sector Science Based Targets Guidance, please provide any comments/explanation in the below comment box.

Table 5.2 has been revised with more granular specifications for each asset class, to help address the many questions that have been received on coverage requirements. There is general agreement that the proposed revisions to Table 5.2 make the minimum coverage requirements clearer, with ~60% that strongly or somewhat agree and ~25% that are neutral or have no opinion.

Comments were made by respondents from banks and other FIs who would like even further flexibility in coverage requirements as well as from respondents from NGOs who would like stricter coverage requirements. For example, many respondents from NGOs urge the SBTi to require coverage of scope 1-3 emissions for all sectors, make optional activities mandatory, and include facilitated services (e.g., advisory services, securities underwriting, insurance underwriting) in scope. On the latter point, it is important to note that emissions accounting and target-setting methods need to be available before activities can be in scope.

Meanwhile, some respondents from FIs suggest taking a purely sector-based approach or state that they would prefer the more holistic approach proposed in the FINZ Standard Conceptual Framework and Initial Criteria for FIs. It is important to note though that the FINT V2 is intended to be an interim update before the FINZ Standard is published.

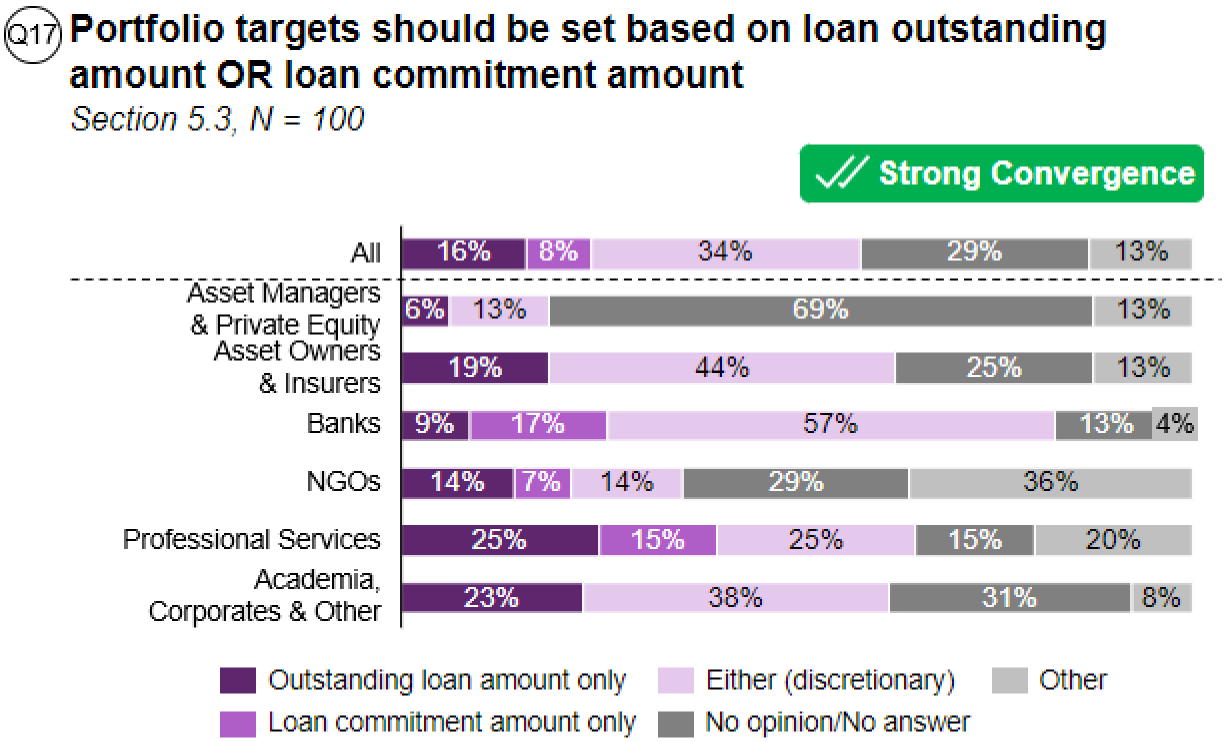


2.8 Loans

Q17: In Section 5.3 (Defining the Boundary of Portfolio Targets), do you believe that FIs should be able to set targets based on loan outstanding OR loan commitment amounts?

More respondents (~34%) believe that FIs should be able to set targets based on either loan outstanding or loan commitment amounts than those who believe only the former (~16%) or only the latter (~8%) should be used. Meanwhile, ~29% have no opinion while the remaining ~13% selected 'other' as their response (e.g., it should vary based on the type of FI).

Although the Global GHG Accounting and Reporting Standard for the Financial Industry developed by The Partnership for Carbon Accounting Financials (PCAF) uses loan outstanding amounts, as respondents that voted for "outstanding loan amount only" point out, to calculate attribution factors for financed emissions, several banks have asked if they can use loan commitment amounts instead since they are less volatile. While a number of respondents from NGOs suggest that targets "should be set on the one that provides the highest coverage," it is unclear whether one is always more or less ambitious than the other in a portfolio of multiple loans. That is, while the loan outstanding or commitment amount is used to derive the attribution factor to calculate a FI's share of emissions, the attribution factors and each of the emissions intensity of the companies that receive loans, together, determine the financed emissions intensity of a portfolio. In addition, one respondent from academia notes that while the outstanding amount represents how financing has contributed to emissions historically, bankers manage committed amounts and not outstandings, which is "thus more relevant to the way loans are written." This proposed change aims to offer some flexibility without necessarily lowering the target ambition.

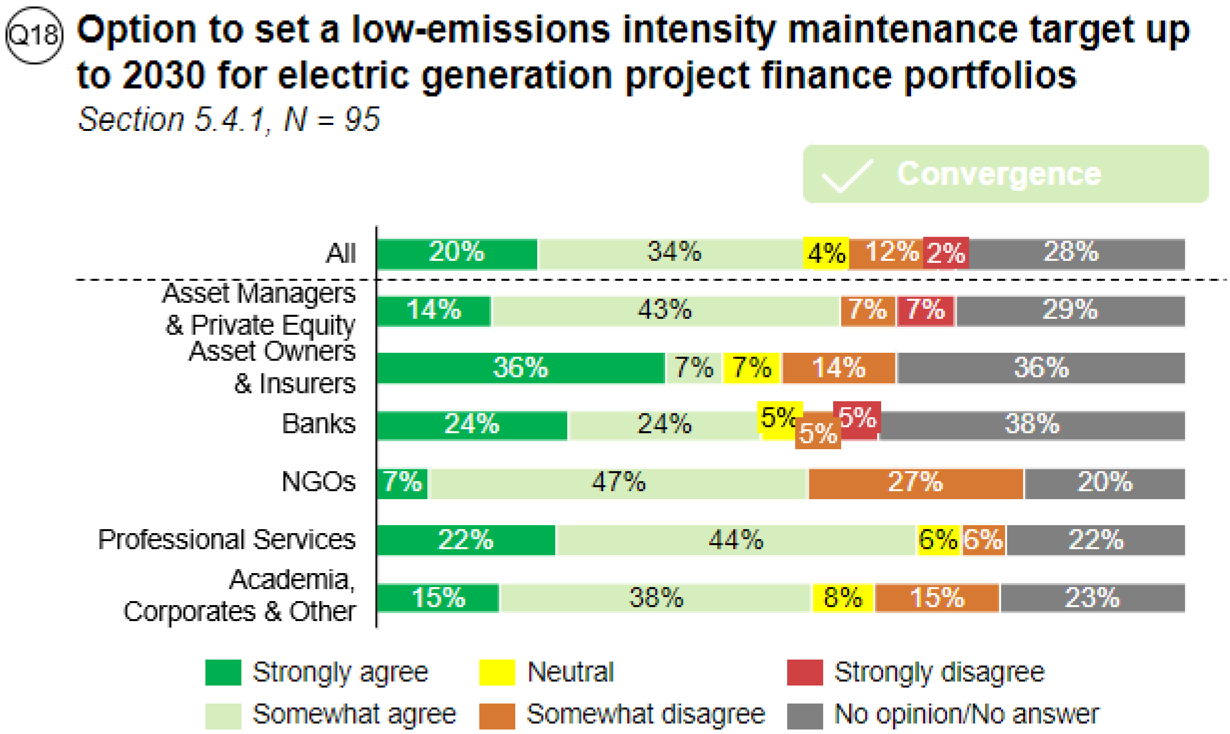


2.9 Low Emissions Intensity Maintenance Target

Q18: In Section 5.4.1 and Appendix B, do you agree with the option to set a low- emissions intensity maintenance target up to 2030 for electricity generation project finance portfolios?

A narrow majority of respondents support the proposal to offer FIs the option to set a low emissions intensity maintenance target up to 2030 for electricity generation project finance portfolios, with ~54% that strongly or somewhat agree and ~32% that are neutral or have no opinion. The ~12% who somewhat disagree and ~2% who strongly disagree consists primarily of respondents from NGOs who believe that this target option could potentially lead to FIs avoiding decarbonization until 2030. This change is proposed, however, to help accommodate a select group of FIs that meet all of the following conditions, which may be reflected in the large minority of respondents who are neutral or have no opinion:

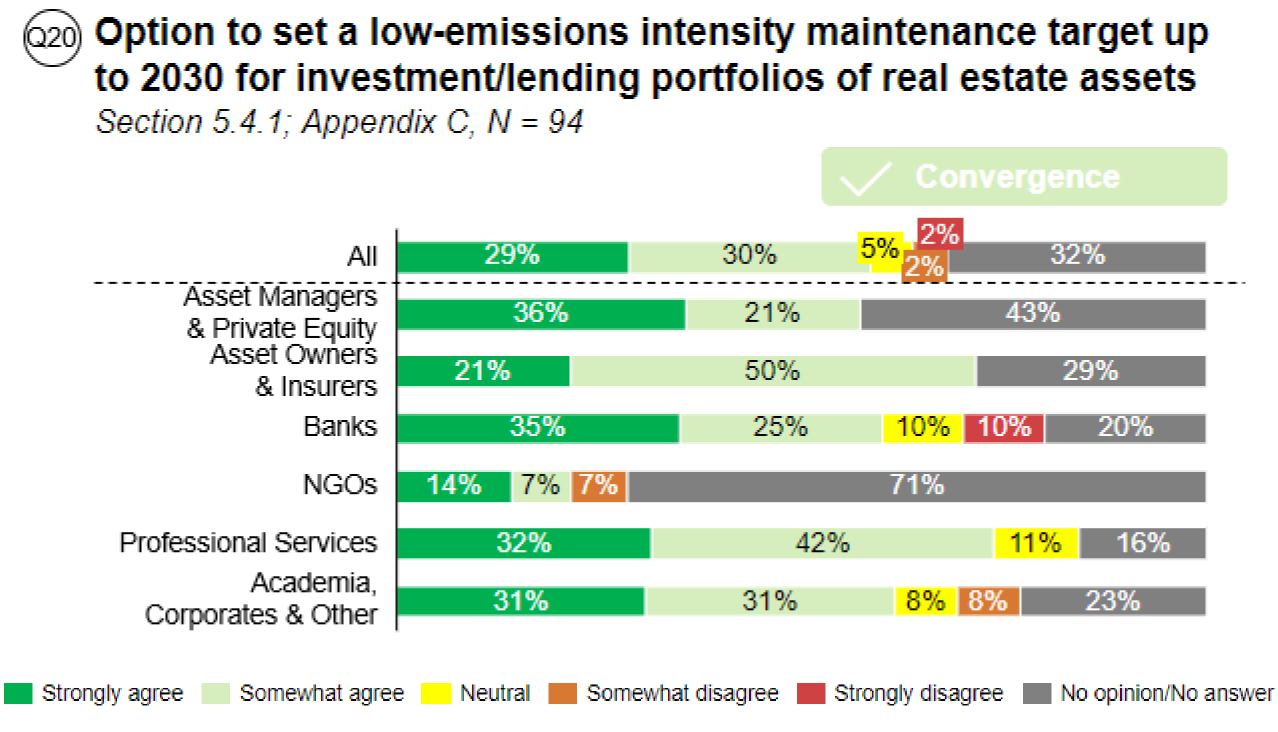
i. a portfolio emissions intensity that is at or below the 2030 sector intensity level in a 1.5°C aligned pathway for the power sector (100 gCO_2e/kWh), and
ii. at least 80% renewable or other zero-emissions electricity generation project financing, and
iii. a commitment to maintain the base year portfolio emissions intensity through 2030 and only finance 1.5°C aligned electricity generation projects,
    - where 1.5°C aligned financing for the power sector is defined as a commitment to only finance 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.



Q20: In Section 5.4.1 and Appendix C, do you agree with the option to set a low-emissions intensity maintenance target up to 2030 for investment/lending portfolios of real estate assets?

A narrow majority of respondents also support the proposal to offer FIs the option to set a low-emissions intensity maintenance target up to 2030 for investment/lending portfolios of real estate assets. Specifically, ~59% strongly or somewhat agree while ~37% are neutral or have no opinion. This change is proposed to help accommodate a select group of FIs that meet all of the following conditions, which may be reflected in the large minority of respondents who are neutral or have no opinion:

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 Carbon Risk Real Estate Monitor country level pathways when available, otherwise 19 kgCO_2e/m2 for service buildings and 10 kgCO_2e/m2 for residential buildings globally), and
ii. a commitment to maintain the base year portfolio emissions intensity through 2030 and only finance 1.5°C aligned real estate assets,
    - where 1.5°C aligned financing for the real estate sector is defined as a commitment to only finance new developments that are zero-carbon-ready (i.e., highest energy efficiency class based on local rating schemes and either uses renewable energy directly or uses 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.

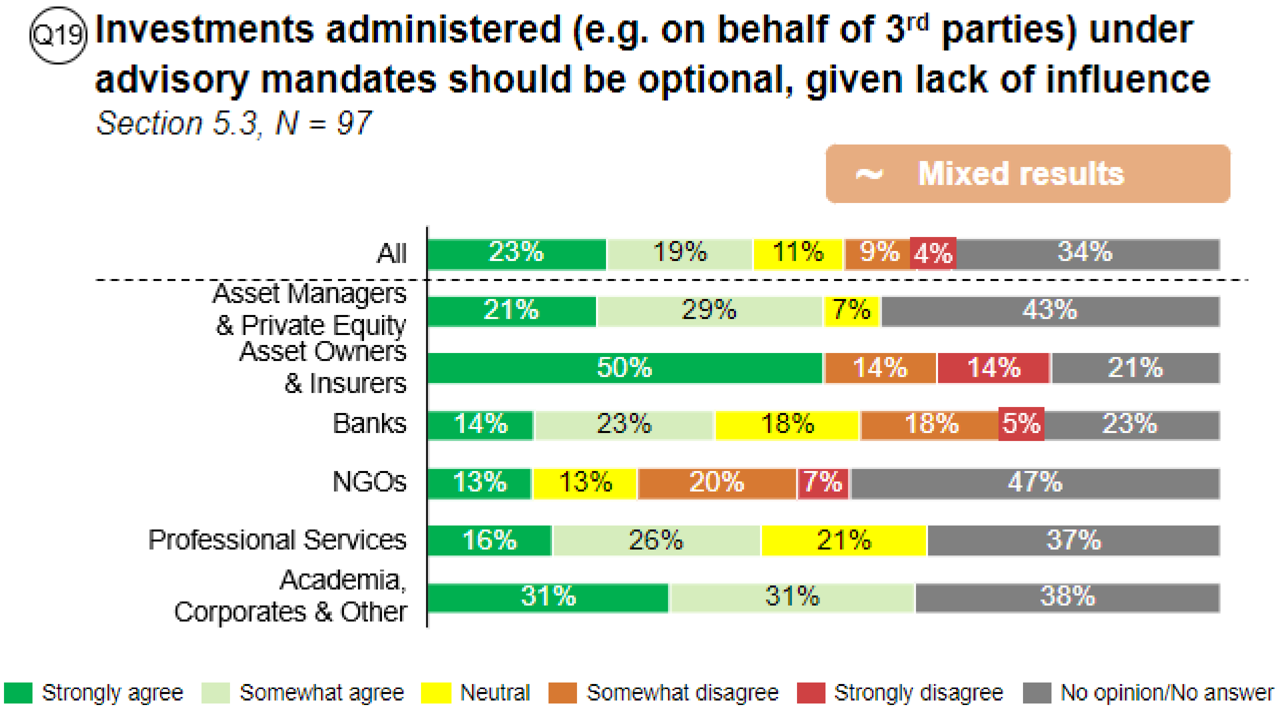


2.10 Advisory Mandates

Q19: In Section 5.3, do you agree with the SBTi description of investments administered (e.g., on behalf of third parties) under advisory mandates?

More respondents (~42%) strongly or somewhat agree with the SBTi description of investments administered (e.g., on behalf of third parties) under advisory mandates than those who somewhat or strongly disagree (~13%), with the remaining ~45% neutral or reporting no opinion. This definition is meant to help differentiate between investments managed under discretionary mandates, which are required to be covered by targets, and investments administered under advisory or execution-only mandates, which are optional or out of scope given a different level of influence.

Of those who disagree, several respondents from NGOs believe all asset management businesses (including those under advisory and execution-only mandates) should be required while several respondents from FIs believe the guidance needs further elaboration on definitions or “lacks practicality” given legal barriers, particularly in North America. In addition, a few respondents from NGOs and non-bank FIs note that the requirements should also apply to banks’ asset management activities.



2.11 Other Comments

Q21: A summary of revisions can be found in Appendix G of the draft Version 2. Do you have any other comments on the draft Version 2 of the Near-Term Financial Sector Science Based Targets Guidance?

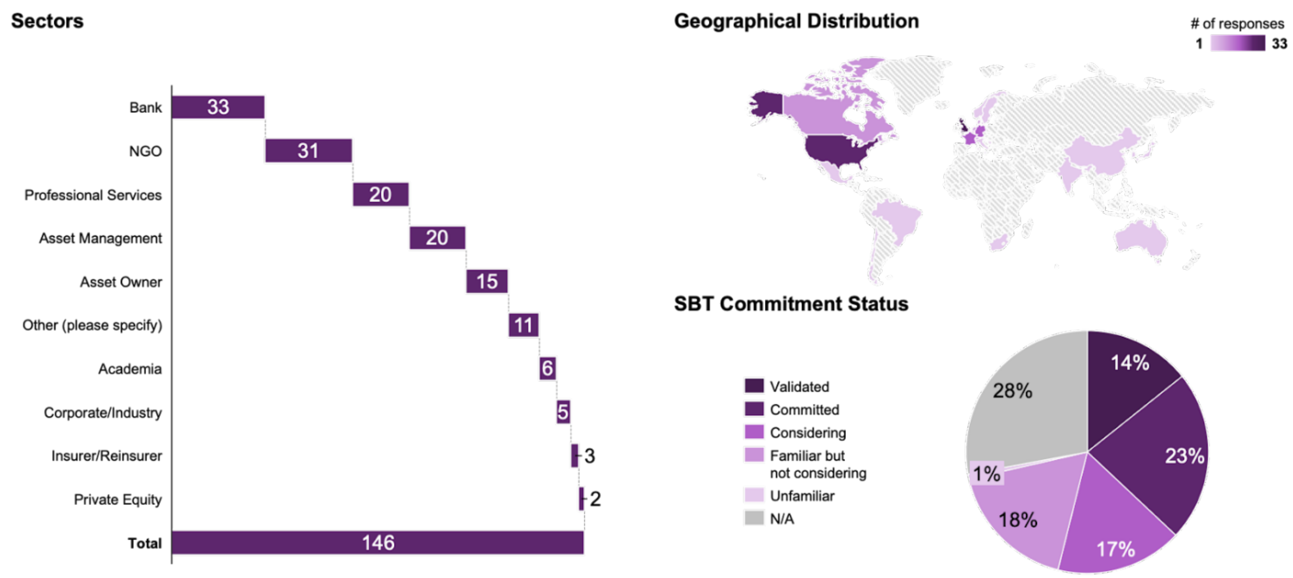
the comments that have been incorporated into the feedback summary for the previous consultation survey questions, there were several questions regarding how the FINT V2 and FINZ Standard would interact. More details can be found in the FINZ Consultation Draft FAQs.

3. Fossil Fuel Finance Position Paper

The Fossil Fuel Finance Position Paper (FFFPP) introduced initial thinking around SBTi's fossil fuel-specific requirements for FIs. Proposed criteria around the disclosure, arrest, transition, and phaseout of fossil fuel-related activities were introduced and integrated into the FINT V2 (as criteria under an optional interim method) and FINZ Standard Conceptual Framework and Initial Criteria for FIs (as criteria).

This section of the consultation survey (on the FFFPP) asked respondents for their opinions on different axioms of the proposed criteria along with an opportunity to provide justification to their responses via a long answer for a select number of questions. This section of the consultation survey (on the FFFPP) was completed by 146 individuals from a wide range of sectors representing a varied spread of geographies.

Figure 2: Overview of Fossil Fuel Finance Position Paper Consultation Survey Participants

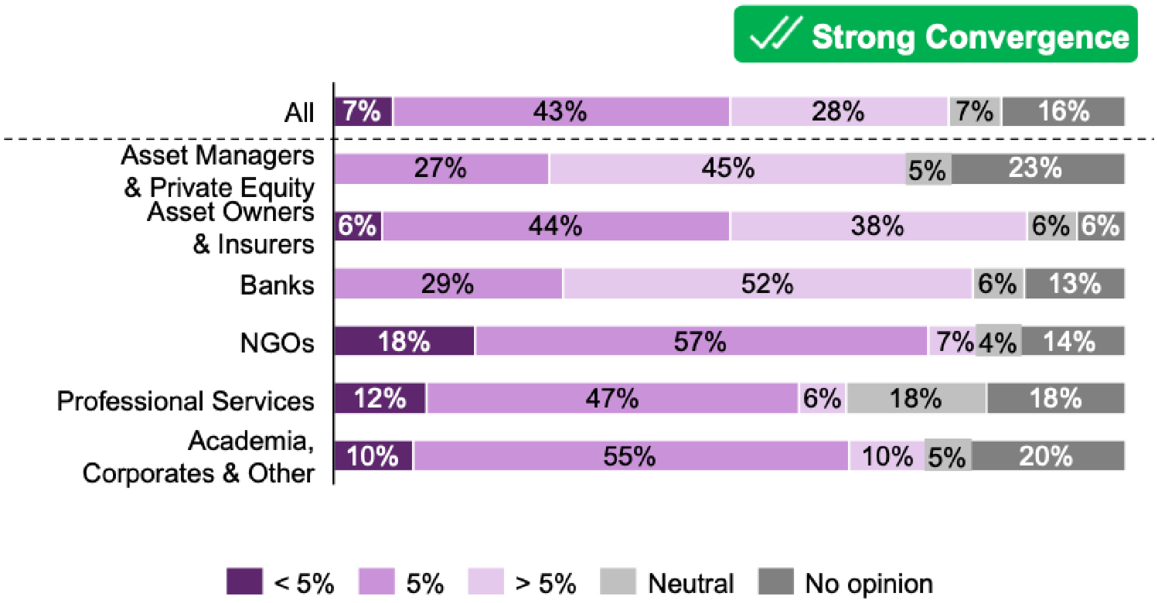


3.1 Definition of fossil fuel company

Q45: Is the 5% revenue threshold for defining a fossil fuel company the right threshold?

- ~43% of respondents agree with a 5% revenue threshold for defining a fossil fuel company while ~7% of respondents support a threshold below 5% and ~23% of respondents are neutral or have no opinion.
- While most respondents from non-FIs (i.e., NGOs, professional services, academia, corporates and other) support a 5% or below threshold, a narrow majority of respondents from banks and a large minority of respondents from other FIs prefer a threshold above 5%.

Q45 **Revenue threshold for defining a fossil fuel company**
N = 134



3.2 Differentiation of fossil fuel types

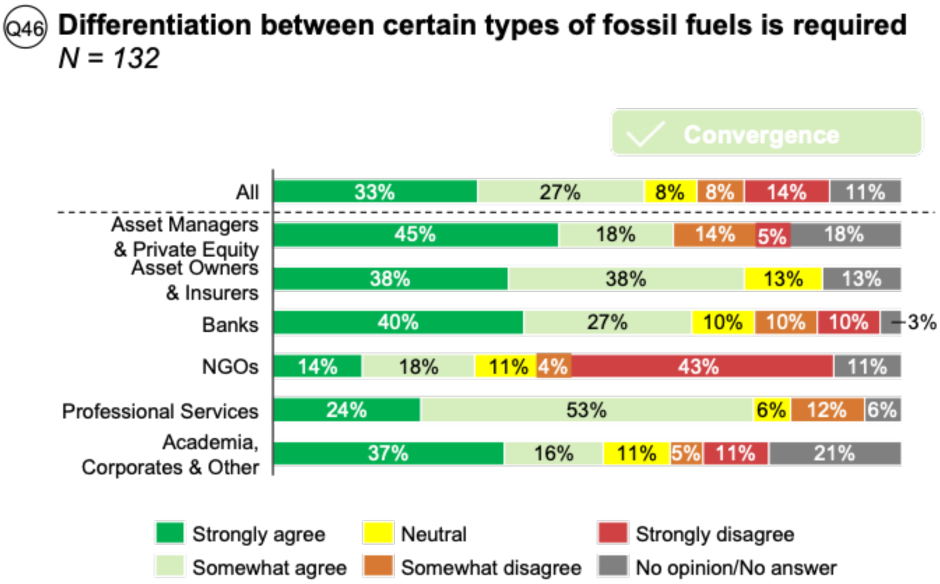
Q46: Do you agree the scope of this position paper should differentiate between certain types of fossil fuels (i.e. thermal/metallurgical coal, light/medium/heavy oil, wet/dry gas)?

- A narrow majority (~60%) of respondents agree that the scope of the Fossil Fuel Finance Position Paper should differentiate between certain types of fossil fuels while ~19% of respondents are neutral or have no opinion.
- Generally, there is divergence in preferences between practitioners and non-practitioners, with nearly half of respondents from NGOs disagreeing with differentiation, while respondents from FIs generally agree that there should be differentiation.

Common/Key justifications for responses

- A common justification for respondents who agree that differentiation between fuels is required is that different fossil fuels have distinct roles, impacts, and transition timelines. Recognizing these differences, such as the specific roles of natural gas and metallurgical coal, is vital for a just transition towards net-zero targets, according to these respondents.
- Respondents also called for clear guidelines, unified measurements, and consistent stances as essential to effectively manage and reduce fossil fuel consumption. These comments include requests to address inconsistencies in revenue thresholds, clarifying terms, and ensuring a unified method of attributing fossil fuel-related activities to entities.

- For respondents who do not agree with the differentiation of fossil fuels, a key justification is that all fossil fuels have similar emissions profiles and risk to further increase global warming and should be treated equally as such in the scope of an ambitious climate target for FIs.



3.3 Differentiation of coal types

Q47: If SBTi should differentiate between different types of coal, which type(s) do you think these criteria should apply to?

- Generally, there is no consensus across organization types on what differentiation should be applied, if any, to types of coal under the policy, with ~42% of respondents supporting the criteria applying to all coal and ~34% of respondents supporting the criteria applying to just thermal coal.
- Respondents from NGOs are the staunchest supporters of not differentiating between types of coal, closely followed by respondents from professional services, while respondents from banks and asset owners & insurers strongly support the differentiation of thermal coal and metallurgical coal.

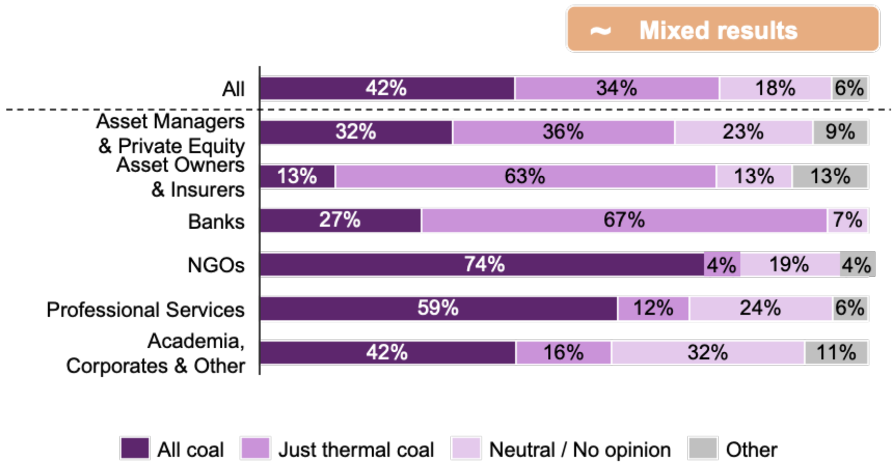
Common/Key justifications for responses

- Respondents who support distinguishing between different types of coal, specifically between thermal and metallurgical coal, cite their distinct uses and unique impacts towards sectoral transitions.
- Respondents who call for no differentiation between coal types raise concerns about potential loopholes if differentiation isn't done correctly. There's a belief that certain ambiguities, if applied broadly, might allow some coal types to escape necessary restrictions

or scrutiny. If coal types are to be differentiated, explicit guidance on the scope and applicability of each type is requested.

- Some respondents feel that there's an inconsistency in the treatment between coal and other fossil fuels (e.g., oil/gas), implying that if differentiations are made for coal, similar distinctions might be needed for other fuels for fairness and clarity.

Q47 **Types of coal that the criteria should apply to**
N = 131



3.4 Definition of abatement

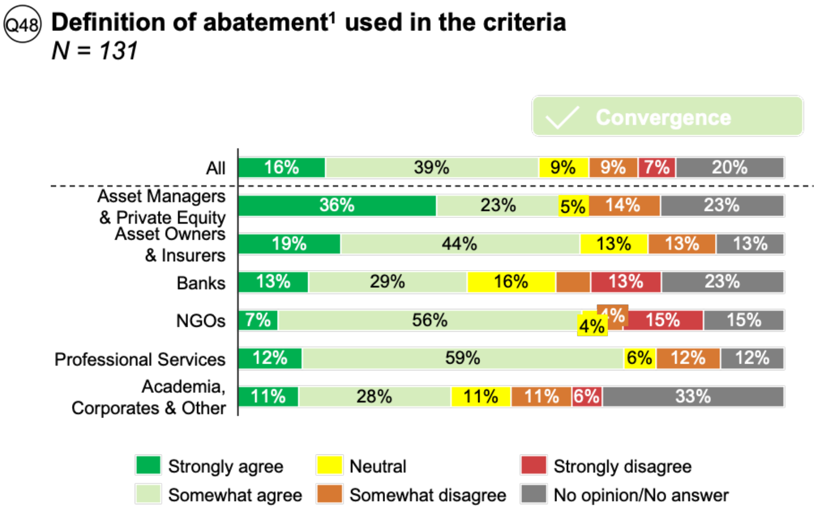
Q48: Do you agree the definition of "Abatement" used in these criteria is adequate?

- Overall, a narrow majority (~54%) of respondents agree that the definition of abatement stated is adequate while ~29% of respondents are neutral or have no opinion.
- There is a general convergence of views across types of institutions, with less than ~20% of respondents from each organization type disagreeing with the definition of abatement proposed.

Common/Key justifications for responses

- One common point of contention is the 90% threshold for abatement. Some stakeholders strongly support this threshold, while others argue that it might be too high or too difficult to achieve in practice. There are calls for stricter thresholds, such as 95%, as well as concerns that the 90% threshold could make it practically impossible for fossil fuel assets to be considered "abated." Additionally, some stakeholders seek clarification on whether the 90% threshold applies to Scope 1 and 2 emissions only or also includes value chain Scope 3 downstream combustion emissions.
- Several stakeholders express concerns about potential loopholes in the definition of abatement, particularly related to allowing abatement in upstream (extraction) fossil fuel projects. There is a call for clarity that abatement should not apply to exploration and

production levels, as permitting abatement at these levels could contradict the goal of reducing fossil fuel production. Furthermore, there is a perceived inconsistency in the treatment of different types of fossil fuels, with questions raised about whether all fossil fuels should be subject to abatement or none at all.

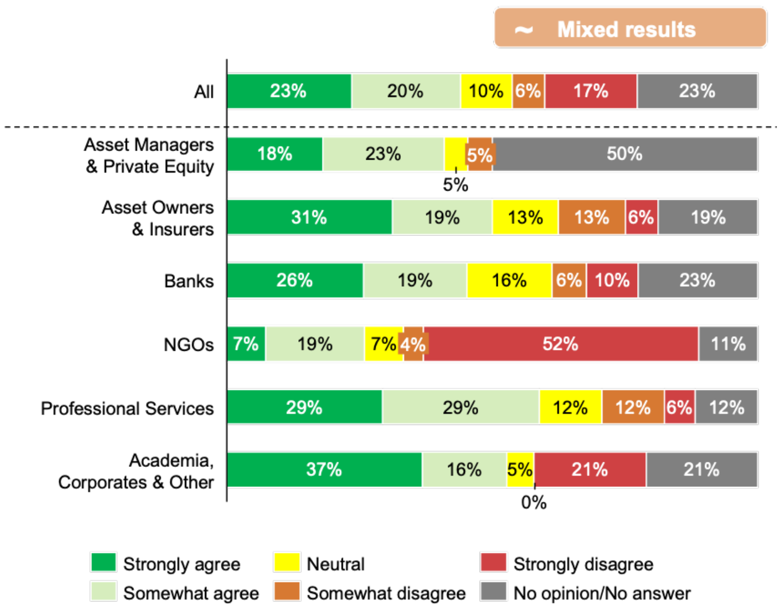


3.5 Abated fossil fuels

Q49: Do you agree abated fossil fuels should be included in FI SBTs?

- There are more respondents (~43%) who agree that abated fossil fuels should be included in FI science-based targets than those who disagree (~23%).
- A narrow majority (~56%) of respondents from NGOs do not support abated fossil fuels being included in FI science-based targets.
- Respondents from asset owners & insurers are the strongest supporters of including abated fossil fuels in FI science-based targets with half (~50%) in agreement.

Q49 **Abated fossil fuels should be included in FI SBTs**
N = 132



3.6 Coal phaseout

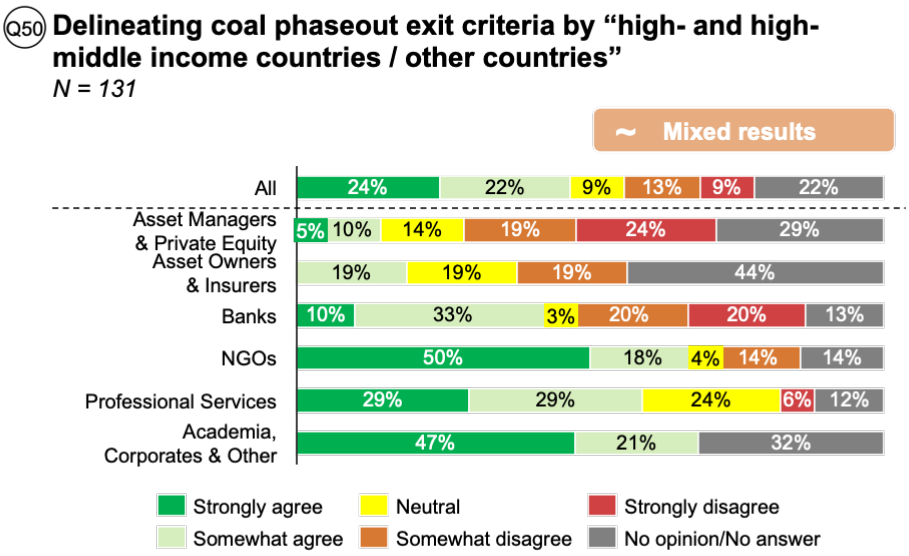
Q50: For exit criteria related to financial flows provided in support of the coal value chain, is "high- and high-middle income countries /other countries" list the right delineation for phase out of coal by 2030/2040 respectively?

- There are more respondents (~46%) who agree with the proposed coal phaseout geographic delineation of high- and high-middle income countries vs. other countries than those who disagree (~22%).
- There is a significant difference in consensus between practitioners and non-practitioners, with respondents from FIs providing a strong signal of opposition to the proposed split, while there is narrow majority or general agreement among respondents from non-FIs about the proposition.
- Out of the respondents who provided a preference, ~59% agree with the proposed geographic split.

Common/Key justifications for responses

- One common response argues that while the FFFPP differentiates between high- and low-income countries, it's essential to consider income disparities within a country's borders. This perspective highlights that within even high-income countries, there can be significant variations in income levels and living conditions among different regions or communities. For a fair and equitable transition away from coal, these internal differences should be taken into account. This response emphasizes the need for more nuanced criteria that consider both national and sub-national economic disparities.

- Another common justification advocates for applying stricter exit criteria uniformly across the globe, regardless of a country's income level. The argument here is that climate change does not distinguish between emissions sources, and stricter criteria would accelerate the global transition to cleaner energy sources. It is argued that such an approach would benefit all stakeholders in multiple ways, including improving air quality, reducing dependence on coal, lowering electricity prices, and ultimately helping combat climate change. However, it is emphasized that any such transition must also include provisions for a just transition for affected communities and workers.



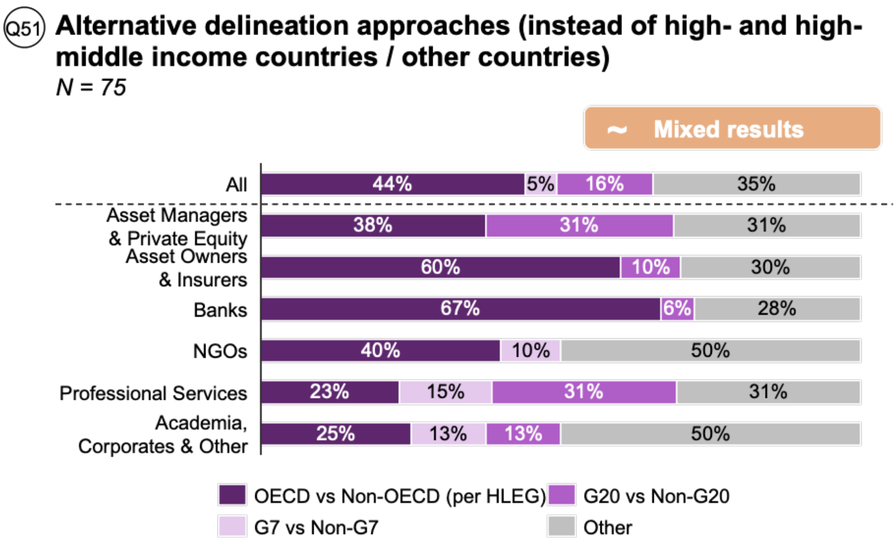
3.7 Delineation approaches for phaseout

Q51: If, in the previous question regarding high- and high-middle income countries/other countries delineation for phase out of coal by 2030/2040 respectively, please click on any alternative you believe should be considered in place of "high- and high-middle income countries /other countries"?

- Out of 131 respondents to Question 50 of the survey, 75 respondents (57%) followed up and provided their alternate preference of geographic split for the phaseout of coal in 2030 and 2040.
- OECD vs. non-OECD proved to be the most popular alternative delineation approach, with ~44% of votes, that was generally supported by respondents from banks and asset owners & insurers.
- Respondents from non-FIs and asset managers & private equity firms provided a more varied response, with write-ins (other) and some support for G20 vs non-G20.

Common/Key justifications for responses

- Some respondents argue that the delineation of phaseout timelines should be aligned with particular climate scenarios and should consider a country's role in emissions attribution. They emphasize the importance of convergence between different initiatives such as the SBTi, Net-Zero Asset Owner Alliance, and High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities in order to create consistency in approach. This perspective suggests that a country's income level might not be the most relevant factor for setting phaseout targets. Instead, it should depend on a country's contribution to emissions, both domestically and through imports, which could lead to more tailored and equitable targets.
- Another common response advocates for a universal and urgent phaseout of coal in all countries. It is argued that the scientific consensus supports the immediate transition away from coal due to the economic, health, and environmental benefits associated with renewable energy sources. This perspective contends that coal power has severe health and economic impacts, particularly in lower-income countries, and that a "just transition" should prioritize avoiding all coal investments globally as soon as possible. The focus here is on the global public health and environmental benefits rather than income-based delineations.



3.8 Fossil fuel value chain

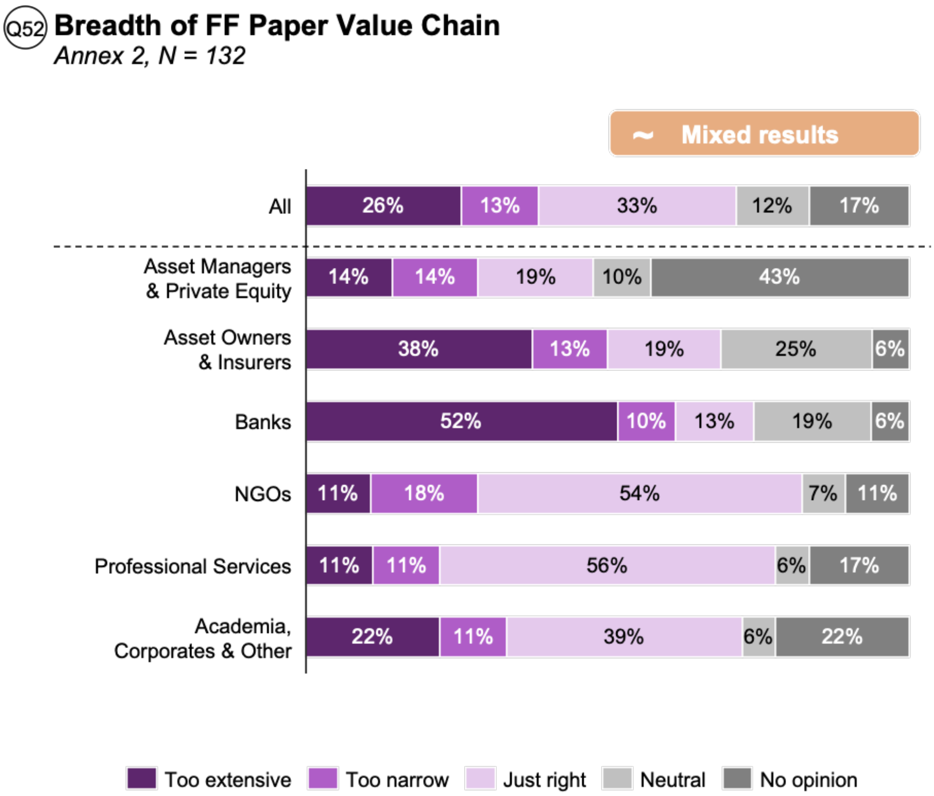
Q52: Referring to Annex 2, is the SBTi Fossil Fuel Finance Position Paper Value Chain too extensive or too narrow in scope for oil and gas?

- There is a spread of preferences expressed on the adequacy of the in-scope value chain for oil and gas, with the strongest signal from respondents indicating it is 'just right' at ~33% followed by 'too extensive' at ~26%, with another ~29% of respondents that are neutral or have no opinion.

- Not including the respondents who indicated that they do not have a preference, ~40% of respondents indicate the scope is ‘just right’ with ~31% indicating it is ‘too extensive’.
- A narrow majority of respondents from NGOs and professional services agree that the value chain is ‘just right’ while a narrow majority of respondents from banks indicate that the scope is ‘too extensive’.

Common/Key justifications for responses

- Many respondents express concerns about the broad scope of the value chain, encompassing upstream, midstream, and downstream activities. They argue that this broad scope could make it challenging to monitor and evaluate companies, particularly those with diversified operations. Some emphasize the difficulties in distinguishing between subsidiary companies and the lack of available data for comprehensive Scope 3 emissions calculations, given the broad range of activities included.
- Several respondents suggest a more focused approach, primarily targeting the most material parts of the value chain that have the greatest impact on emissions. They advocate for concentrating efforts on supply and demand activities, which are seen as critical drivers of emissions reduction. Some also recommend excluding certain activities, like trading and petrochemicals, or clarifying the definitions to align with industry standards and other initiatives.



3.9 Feasibility of requirements

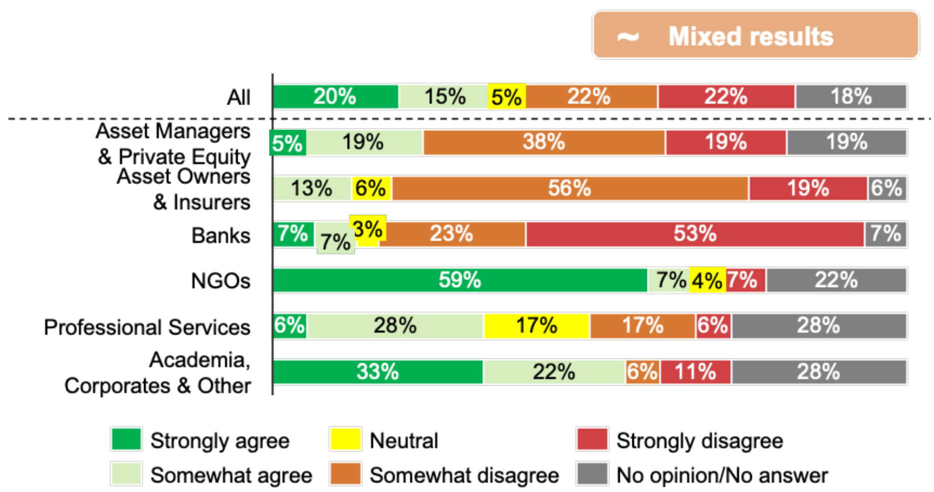
Q53: Are the requirements set out in Table 3 feasible for an FI to comply with?

- There are mixed results on the feasibility of requirements, with more respondents disagreeing that the requirements are feasible (~44%) than those who agree they are feasible (~35%).
- Most respondents from NGOs agree that the requirements provided are feasible, while most respondents from FIs disagree.
- Over a quarter of respondents from professional services, academia, corporates, and other institution types are neutral or have no opinion.

Common/Key justifications for responses

- Many respondents highlight the practical challenges associated with data availability and confidentiality when it comes to complying with the requirements. They argue that obtaining detailed information on financial flows, emissions, and transition plans for portfolio companies can be difficult due to a lack of mandatory standardized public reporting. These challenges could make it challenging for FIs to fully comply with the criteria, especially in the short term.
- Respondents emphasize the importance of clear, standardized terms and alignment with other established standards addressing financial institutions' fossil fuel related emissions. They argue for precise definitions of terms like "financial flows" and "transition plans" to ensure consistent reporting. They also suggest that the criteria should align with specific scenarios, providing financial institutions with a particular path to compliance. Clarity and alignment are seen as essential for effective fulfillment of requirements by financial institutions.

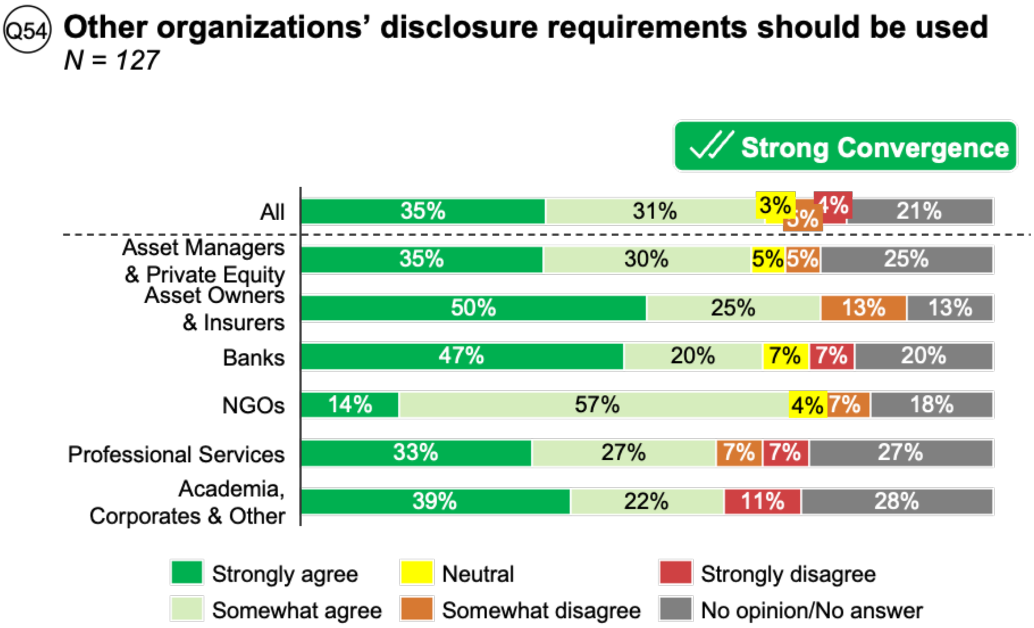
Q53 **Feasibility of requirements**
Table 3, N = 130



3.10 Disclosure requirements

Q54: Do you agree that other organizations' disclosure requirements (e.g., Taskforce for Climate Related Financial Disclosures) should be used provided they have sufficient granularity?

- There is general agreement across all types of institutions that disclosure requirements from other organizations should be utilized where appropriate.
- ~21% of all respondents are neutral or have no opinion.



3.11 Other comments

Q55: Do you have any other comments on the Draft Fossil Fuel Finance Position Paper?

The feedback predominantly emphasizes the need for a comprehensive and flexible approach to FIs' engagement with the energy sector, especially in relation to climate commitments and energy transitions. Many respondents raise concerns about the ambitiousness of the proposals, particularly the global coal phaseout and the disclosure of scope 3 emissions due to challenges in data quality and feasibility. There is also significant debate on the definitions related to "Clean Energy" with concerns about including nuclear energy, carbon capture (CCUS), and the environmental impact of biomass. Respondents stress the importance of data availability, with some suggesting that FIs shouldn't bear the reporting burden due to availability issues. A prevalent theme is the need for compatibility with other reporting standards like the TCFD and considering geopolitical implications, energy demand, and real-world renewable adoption pace. Suggestions include revisiting target wordings, offering technical support to FIs, and focusing on high-emitting countries while providing global flexibility.

4. Conclusions and Next Steps

Informed by the feedback received, SBTi has updated its Near-Term Criteria and Recommendations, and incorporated key aspects of the draft Fossil Fuel Finance Position Paper criteria. The SBTi has opened a new call for FIs to pilot its updated Near-Term Criteria and Recommendations V2. Findings from the pilot test will support the development of a final version of the document, which will be reviewed and approved in line with the SBTi's technical governance. FIs that wish to participate in the pilot are invited to read the Pilot Test version of the criteria and Terms of Reference and submit their interest before Friday 15 December 2023.

The consultation feedback report on the Financial Institutions Net Zero Standard will be released separately. The FINZ development standard will build on the SBTi Near-Term Financial Sector Science Based Targets Guidance V2 and is also expected to incorporate fossil fuel criteria, subject to the SBTi standard development process and governance.