Sierra Club and Public Citizen
Comments on SBTi Public Consultation
Financial Institutions Net-Zero Standard (FINZ)

The text outlined below demonstrates Sierra Club and Public Citizen's response to the SBTi public survey in October 2024.

Questions in Section 1: Entity-Level Organizational Commitments and Leadership

Section 1.3.1: Identification of boundaries of financial activities and Table 8, Annex A, p45

1. Is the revenue threshold of 5%, to trigger the application of FINZ, an appropriate value?

○ Strongly agree

◉ Agree

○ Neutral

○ Disagree

○ Strongly disagree

○ No opinion

○ N/A

Clear selection

2. Revenue in the insurance industry typically corresponds to the re/insurer's premiums level. Is the use of a 5% threshold for Gross Written Premium appropriate for insurance company identification?

- (●) Yes
- ( ) No
- ( ) No opinion
- ( ) N/A

Clear selection

3. In-scope financial activities and break down by level of influence. Is the split of activities by influence appropriate in the following tables?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No opinion	N/A
Table 2.1 Lending (p20)	●	○	○	○	○	○	○
Table 2.2 Asset Owner Investing and Asset Manager (including private equity firms) Investing (p20)	○	○	○	●	○	○	○
Table 2.3 Capital Market Activities (p21)	○	○	○	●	○	○	○
Table 2.4 Insurance Underwriting (p21)	○	○	○	●	○	○	○

Clear selection

Tables 2.1-2.4 (p20-p21):

3e. If you answered "disagree" or "strongly disagree" to one or more of the above questions, please list the financial activity for which you disagree and briefly explain why.

Your answer

- **For AO/AM/PE**, the following should also be considered in scope:
  - Investments in hedge funds: the current standard leaves out "any fund with non-transparent strategy." Part of the purpose of setting an SBTi target for financial institutions is to better understand its financial flows and the ways in

which they provide capital to projects, entities, and activities misaligned with 1.5C pathways. Private vehicles, like hedge funds (and private equity) are substantial investors in fossil fuels and, in many instances, are becoming lenders of last resort to close-to-decommissioned fossil fuel infrastructure. Understanding capital flows through hedge funds is therefore a key part of understanding a financial institution's baseline, especially since financing via hedge funds constitutes a non-insubstantial part of funding for investors (e.g., BlackRock had over $76 billion AUM in hedge funds at the end of 2023,[1] and such funding constitutes approximately 7% and 18% of public pension assets and large endowment assets, respectively[2]).

  - Sovereign bonds (especially as they relate to infrastructure investments): the proposed framework is cognizant of the ways in which new financing and underwriting activities may contribute to carbon lock-in and long-lived high emitting assets. By excluding sovereign bonds, especially those earmarked for infrastructure projects, investors may be missing relevant financing flows that would otherwise have significant impacts on their GHG totals (and real-world emissions).
  - Shareholder engagement providers and proxy service advisors: the proposed standard currently includes certain engagement activities, but fails to include engagement with the entities that influence stewardship activities, including proxy voting. While this relates less to asset allocation, it does relate to asset manager's ability to achieve their net-zero goals, as manyAMs, including those invested in passive strategies, will need to accelerate corporate engagements to transition portfolio companies.
- Additionally, **regarding the distinction between types of mandates and investing,** we note AO/AM are only responsible for engaging when it comes to passive investing, giving discretionary mandates for AO, and carrying out execution-only or advisory mandates for AM. This means AO/AM's will not be held accountable for a significant portion of their investments. This is highly problematic as:
  - AOs choose which type of mandates and investment style they want, and they also decide which AMs they trust and want to work with. They can either opt for an AM with a relevant policy on climate (for example a FINZ validation) or for mandates/strategies that require specific climate-related criteria. Therefore, an AO always retains significant control over how financial flows are allocated, both for new and existing stocks of clients, and irrespective of the type of mandate or investing strategy (passive/active). Similarly, in accepting to manage a given mandate, an AM can refuse mandates that are not in line with its target.
  - Passive investing is an active management choice and investors can choose to track indexes that allow them to meet their targets, and similarly engage the companies invested in via these products. AMs can decide to build only passive funds that satisfy certain climate criteria, or simply stop offering passive funds if they are not aligned. Given the size of passive portfolios, this could create a substantial loophole in the standards.
  - In light of the above, we recommend not making any distinction in the level of

1 https://www.institutionalinvestor.com/article/2djjr054qb4d8mt7f9ibk/corner-office/blackrocks-hedge-funds-see-assets-slip

2 https://blogs.cfainstitute.org/investor/2024/06/26/hedge-funds-a-poor-choice-for-most-long-term-investors/

responsibility between types of mandates and of investing.

- **Capital market activity**
  - Advisory services have a direct impact on the financing of specific activities/projects by financial institutions, and notably for fossil fuels. Advisory services are also crucial for companies to buy and sell assets. They should therefore be included in the scope of covered financial activities.
- **Insurance/reinsurnace**
  - Surety bonds and Directors & Officers are left out of scope. This is problematic as both types of activities can be directly linked to companies' operations. We see no reason to sideline such activities and urge the SBTi to include them. As surety bonds are required and provided by insurers/reinsurers in certain markets to develop new fossil fuel projects, making it possible to develop these projects with a potential carbon lock-in over several decades, we believe it is appropriate to include them in the scope of the activities covered.
  - We also urge SBTI to bring in-scope insurance contracts bought by public entities. This opens the door for public energy companies to obtain insurance coverage for high-emitting assets.
  - Similarly, SBTi should include agriculture insurance for the private and public sector. Large agribusinesses, which may be engaged in deforestation or other land conversion activities may seek agriculture insurance. As deforestation and conversion financing are disallowed under the proposed SBTi framework, it would be consistent to also prohibit agriculture insurance to those same entities.

Annex A, Table 9, p47 (Breakdown investment activities value chain):

4. Is the breakdown of the investing value chain to determine level of engagement appropriate?

- ○ Strongly agree
- ◉ Agree
- ○ Neutral
- ○ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

Clear selection

Section 1.6: Climate transition plan

Recommendation 1.6.1 - Climate transition plan

5. Do you think that FINZ v0.1 should include having a transition plan as a requirement or recommendation?

- ◉ Requirement
- ○ Recommendation

Clear selection

Section 1.6: Climate transition plan

6. If you answered "Requirement" for question 5, please select which one of the following options you believe is the appropriate timeframe for the publication of a transition plan.

- ○ At target submission
- ◉ Within 12 months after target validation
- ○ Within 24 months after target validation
- ○ Other

Clear selection

Comment on Question 6:

- SBTi should require transition plans at target submission or within 12 months of target validation. Many of the larger financial institutions have had net-zero targets for years and many of them, nominally, have also developed transition plans (with or without a disclosed strategy). While a grace period may incentivize more institutions to commit to an SBTi target, it is worth considering a requirement that larger financial institutions with pre-existing (non-SBTi) climate commitments submit their existing transition plan with their application.

Section 1.7: Policies to drive climate alignment
The FINZ Standard is the first SBTi Standard to propose requirements on policies.

Requirement 1.7.1 - Fossil Fuel Policy:

7. To what extent do you agree that the policy requirements are appropriate to address the climate impact of fossil fuel financing?

- ◉ Strongly agree
- ○ Agree
- ○ Neutral
- ○ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

Clear selection

Requirement 1.7.1 - Fossil Fuel Policy:

8.To what extent do you agree that the policy requirements for fossil fuels are implementable?

- (x) Strongly agree
- ( ) Agree
- ( ) Neutral
- ( ) Disagree
- ( ) Strongly disagree
- ( ) No opinion
- ( ) N/A

Requirement 1.7.3 - No-deforestation and conversion free policy:

9. To what extent do you agree that the policy requirements for no deforestation and conversion are implementable?

- (x) Strongly agree
- ( ) Agree
- ( ) Neutral
- ( ) Disagree
- ( ) Strongly disagree
- ( ) No opinion
- ( ) N/A

Clear selection

Recommendation 1.7.4 - Policy for higher climate impact activities with limited influence:

10. Do you think the policy for higher climate impact activities with limited influence should be a recommendation or a requirement?

- ( ) Recommendation
- (x) Requirement

Clear selection

Recommendation 1.7.4 - Policy for higher climate impact activities with limited influence:

11. If this were to be a requirement, to what extent do you agree with the 40% threshold in the Policy for higher climate impact activities with limited influence?

- ○ Strongly agree
- ○ Agree
- ○ Neutral
- ◉ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

Clear selection

Question 12: comments on questions 7-11

Comments on questions 7 and 8

- Overall, we strongly support the fossil fuel financing framework set out by SBTi. By including it as a requirement of the SBTi framework, it ensures financial institutions are necessarily adopting strong policies to facilitate their alignment with the goals of the Paris Agreement as well as to minimize future contributions to long-lived high emitting assets. It also helps to minimize the greenwashing of “transition finance” by ensuring that financial activities cannot directly or indirectly be used to support the build out of new fossil fuel infrastructure.
- Nevertheless, there are still a few places where the policy could be strengthened:
    - Regarding coal phase-out, it should be made clear that “new financial flows” includes debt refinancing for companies undertaking new expansion and/or extension.
    - Regarding the definition of a coal company, it is necessary to look to absolute thresholds. For the absolute thresholds, we recommend relying on the same threshold as the Global Coal Exit List, namely 10 Mt of coal production or 5 GW of coal power production.
    - In a similar vein, as new expansion of oil and gas is incompatible with limiting warming to 1.5C degrees, a fossil fuel policy should also have requirements for phasing out financial activities related to oil and gas clients. This is especially necessary as financial institutions continue to attempt to justify the continued financing of new gas-related infrastructure well beyond the established timeline by which these assets need to be phased out.
    - Regarding the caveat of “unabated” fossil fuel projects, it must be made clear that “abatement” is not dependent on CCS, offsets, or as-yet-commercially-unproved emissions reduction technologies. Financial institutions’ fossil fuel policy must not include loopholes that enable continued financing for misaligned activities in the energy sector on the future (and perhaps misguided) promise of abatement.
    - Regarding the definition of “long lead time,” using a 5-year threshold still enables financial institutions to provide financing for long-lived high emitting fossil fuel assets until 2029. This will likely facilitate continued financing to long-lived high emitting assets, including shale gas and related LNG infrastructure with vast methane emissions. Such a loophole runs counter to the “large consensus” that new oil and gas field development (i.e., upstream development) is incompatible

with a 1.5C target.[3] While this provision may be understood as a way to help bring more financial institutions into the policy, it is neither science-based nor 1.5C aligned.
    - Lead times are also relevant to existing clients, as any financing, refinancing, underwriting, or advisory services to could help facilitate new development or expansion. For a policy to enable continued relations with companies that are strategically misaligned with 1.5C pathways, the policy should look to add provisions that require meaningful transition and/or phase down to be taking place for relations to continued. If existing clients refuse to transition/align with 1.5C pathways, there should be a time-bound cessation of financial activities to such clients, sooner than the proposed phase-out timeline. This applies to coal, oil, and gas.
- The proposed standard recommends the development of an underwriting policy for long-lived high-emitting assets; as with the rest of the fossil fuel financing policy, a fossil fuel underwriting policy should also be a **requirement*.* While the fossil fuel sector has gotten much attention, there are many other sectors for which financial activities need to align with 1.5C pathways. For entities in the sectors listed (e.g., utilities, transportation), emissions reduction is a necessary part of SBTi accreditation; financial flows must move in a similar direction for these sectors. Additionally, given that meeting an FI's net-zero goals will be, in part, dependent on the transition activities of these industries, a policy for engaging with them should be required.
    - In this vein, "non-zero emitting power generating capacity" is not clearly defined. Financial institutions use widely different definitions of what is "clean/sustainable" power, with many including polluting energies (see the "sustainable definition" criteria in the Sustainable Policy Tracker[4]). SBTi should clarify its definition, likely aligning with its definition of renewable energy as defined in the section that clarifies clean energy ratios.

Comments on question 9

- Overall, we strongly support the requirement of a deforestation and conversion-free policy as part of the SBTi commitment. And we support the scope of coverage.
- The proposed criteria do have strong points. However, we recommend including established best practices for addressing deforestation in the guidelines:
    - The policy should help highlight no-go zones for where FIs will not provide services for projects in or entities engaging activities in those areas. These areas should follow the 8 No Go Areas established by the Banks and Biodiversity initiative (https://banksandbiodiversity.org/endorse-the-banks-and-biodiversity-no-go-policy/)
    - The policy, as outlined, refers to deforestation and native vegetation conversion. No-deforestation policies, particularly those related to operations in the Global South, have included protections of peatlands and protections against workforce and local community exploitation (see "NDPE" policies). While not directly related to emissions generation, ensuring protection of workers, Indigenous communities, and other local stakeholders is a key part of a robust deforestation policy and a policy that encompasses just transition principles, and should, at the very least, be included in the guidelines.
    - As with the policies related to other sectors, it should be clear that such a policy should be drafted for project, entity, and group-level financing and should

[3] https://www.carbonbrief.org/new-fossil-fuels-incompatible-with-1-5c-goal-comprehensive-analysis-finds/
[4] https://sustainabilitypolicytracker.org/

encompass supply chains (e.g., as restaurants and food retailers are also key players in forest risk supply chains). For issues related to deforestation, best practice has been to curtail financing, as relevant, at a group level, given the ways in which companies in the industry are interconnected (for example, in 2018, it was discovered that Wilmar was bypassing its no-deforestation policy by continuing to trade palm oil from Gama, a company that was run by Wilmar senior executives.[5])

    - As with the fossil fuel policy, guidelines for a deforestation/conversion policy should include phase-out of financial activities and/or services to continually non-compliant companies, unless there is clear evidence of an effective due diligence and supply chain monitoring policy, with annual disclosures demonstrating year-over-year reductions in (supply chain) deforestation/conversion and/or procurement of non-sustainable forest risk commodities.
    - While there can be flexibility for determining the relevant universe, SBTi should have minimum criteria for ensuring what types of companies or industries are included in that list, and should include industries across the supply chain.

Comments on questions 10 and 11

- The policy for higher impact activities with limited influence is relevant to the transition of financial institutions and the proposed 40% threshold appears especially high. (Though the proposed 40% threshold seems to parallel the SBTi policy of defining Scope 3 emissions as relevant if they constitute greater than 40% of total GHG emissions, that threshold is also unduly high.) Applying this policy systematically (requirement) and with no/low materiality thresholds would enable the standard to better integrate a do no significant harm logic and prevent financial institutions with validated targets continue to support climate-wrecking companies through their less scrutinized activities.
- We also want to highlight that the policy for “Climate-aligned policy for long-lived high emitting assets” should become a requirement. Indeed, this policy is essential to tackle locked-in emissions and decarbonize key sectors. It plays a role largely complementary to the policy for higher impact activities and – if carried out properly – could provide credibility to the transition plans adopted and related targets.

[5] https://www.greenpeace.org/international/publication/17241/rogue-trader-indonesia-deforestation-wilmar-gama/

Questions in Section 2: GHG Accounting - Exposure and Portfolio Emissions

Section 2.1: GHG emissions inventory

13a. GHG Emissions Inventory: To what extend do you agree with the staggered approach FINZ adopts where accounting of GHG emissions is concerned (i.e., to improve coverage and quality over time)?

○ Strongly agree

◉ Agree

○ Neutral

○ Disagree

○ Strongly disagree

○ No opinion

○ N/A

Clear selection

Question 13b - reasoning behind answer for 13a

- In an ideal world, it would be logical to have a full inventory at year 0, when the target is set and validated. However, we understand the SBTi may need to leave some flexibility to financial institutions to account for remaining GHG emission accounting gaps and difficulties. In this context, the requirement to have a provisional baseline accounting at year 0 followed by a full GHG inventory from 2030 onward is sensible if this inventory is comprehensive and without any remaining gaps.
- Regarding the scope for initial inventory, several industries are listed as a minimum for where Scope 3 emissions should be reported. We support the list but note that it should also include Scope 3 emissions related to forest, land, and agriculture-related emissions. SBTi launched guidance for FLAG-related emissions in 2022;[6] in the same year, GHG Protocol also published guidance for measuring agricultural emissions.[7] In other words, institutions have already had several years to work toward measuring and/or estimating emissions from these sectors. It is not necessary to wait until 2030 reporting for emissions from those sectors to be included. Failing to include FLAG-related emissions (or, minimally, forest risk commodity sectors) as part of the initial reporting means failing to address a key source of emissions for FIs.

[6] https://sciencebasedtargets.org/sectors/forest-land-and-agriculture
[7] https://ghgprotocol.org/agriculture-guidance

Section 2.3: Neutralization of portfolio residual emissions

14. For the neutralization of residual portfolio emissions in 2050, what share of carbon dioxide removals should come from technologies or projects with permanent carbon storage?

Technologies with permanent storage include Direct Air Carbon Capture and Storage (DACCS), Bioenergy Carbon Capture and Storage (BECCS), and Enhanced Rock Weathering. Technologies with temporary storage include afforestation, biochar burial and soil carbon sequestration.

- (●) <20%
- ( ) 21-40%
- ( ) 41-60%
- ( ) 61-80%
- ( ) 81-100%
- ( ) 100%
- ( ) No opinion

Questions in Section 3: Portfolio Climate-Alignment Targets

15. To what extent do you agree with the the following elements of Chapter 3, Portfolio Climate-Alignment Targets:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No opinion	N/A
a. The overall conceptual approach for setting climate-alignment targets.	◉	○	○	○	○	○	○
b. The appropriateness of the definitions in Table 12, p53: Definition of climate-aligned components.	○	◉	○	○	○	○	○
c. The approach under the FINZ Standard, where climate-alignment targets are grouped by financial activity type instead of asset class.	○	◉	○	○	○	○	○

15d. What third party sources of alignment classifications does your organization use or suggest?

Your answer

UN HLEG report: "Integrity Matters: NET ZERO COMMITMENTS BY BUSINESSES, FINANCIAL INSTITUTIONS, CITIES AND REGIONS"
https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

Question 15e. For 14a, b, c provide details on reasoning behind selection.
15a - GHG targets are not sufficient, so we support the notion of also including targets to increase the percentage of financial activities consistent with 1.5C pathways. Fundamentally, there are two ways to achieve portfolio alignment: design of portfolio and transitioning companies contained within the portfolio. There is logic behind both, but the priority must be on portfolio climate-alignment targets orienting toward real economy emissions reductions, as is outlined in the commitments for the Net-Zero Banking Alliance (NZBA), the Net Zero Asset Managers Initiative (NZAM), and the Net Zero Asset Owners Alliance (NZAOA).

15b - Regarding definitions in Table 12

- For the most part, we agree with the definitions provided, and support that the definition of transition includes delivery of emissions, not just ambition as defined by public targets and plans.
- However, more work is needed on defining "transitioning." The definition does not seem consistent throughout the proposed standard, and unification must be made throughout the document to ensure consistent understanding and application of the designation "transitioning." For example, Table 12 encompasses ambition (targets and plans) and progress (delivery of emissions reductions), but Table 15 focuses almost exclusively on ambition when applying the designation "transitioning" to activities and entities in the time period "Before 2030." It is imperative that near-term definitions of "transitioning" encompass near-term emissions reduction; otherwise, it cannot be said that entities are meaningfully aligning. There are too many instances of companies setting targets and failing to meet them, designing strategies that implement the targets on a too-slow timeline, or backtracking on them entirely. As examples: Shell abandoned 2035 emissions targets;[8] top oil firms are failing on almost every metric of their climate pledges;[9] Bank of America rolled back its policies on financing coal mines and Arctic drilling;[10] and no company that committed to end deforestation in its supply chain by 2020 hit its public target.[11] Therefore, as regards this table, specification should be made that "transitioning," especially when applied before 2030, must necessarily encompass both ambition and progress components.
    - Importantly, progress on emissions reduction must be shown to be in alignment with 1.5C pathway, as emissions reductions that happen too slowly will not put either portfolio companies or the financial institutions in line with 1.5C pathways.

15c - Grouping by financial activity is coherent with the overall FINZ approach and the structure of the rest of the standard.

[8] https://www.carbonbrief.org/shell-abandons-2035-emissions-target-and-weakens-2030-goal/
[9] https://www.theguardian.com/us-news/article/2024/may/21/oil-companies-report-fossil-fuels-climate
[10] https://www.ran.org/press-releases/bank-of-america-removes-bans-on-coal-and-arctic-drilling/#:~:text=Bank%20of%20America's%20updated%20Environmental,through%20%E2%80%9Cenhanced%20due%20diligence.%E2%80%9D
[11] https://www.nytimes.com/2021/12/02/climate/companies-net-zero-deforestation.html

16. In Table 4, p36: Overview of portfolio climate-alignment goals split by climate impact and influence level for all financial activities, the SBTi proposes to have the ambition of targets be determined by the concepts of climate impact and influence and suggests a milestone approach to set targets. To what extent do you agree with:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No opinion	N/A
16a. The proposal of a milestone based approach for different parts of the portfolio?	◉	○	○	○	○	○	○
16b. The proposed milestones for "reasonable influence - higher climate impact" activities?	○	◉	○	○	○	○	○
16c. The proposed usage of milestones based on linear increase for "reasonable influence - lower climate impact" activities?	○	◉	○	○	○	○	○
16d. The proposed milestones for "limited influence - higher climate impact" activities (relevant for lending and insurance)?	○	○	○	◉	○	○	○
16e. The proposed milestones for "limited influence - lower climate impact" activities?	○	◉	○	○	○	○	○

16f. For "reasonable influence - higher climate impact activities", which of the following target milestones should we include?

- ○ Global target only
- ○ Target by regional breakdown only (OECD, NON-OECD)
- ◉ Choice between global or regional target]

Question 16g - provide any further comments for 16a-f

Comments on 16a - Target objectives should include land-use intensive sectors, in addition to emissions-intensive sectors. Emissions from agriculture and deforestation also have heavy emissions implications and should be counted in targets for "reasonable influence/ higher-climate impact."

Comments on 16b

- It is necessary to distinguish between the categories of "transition progress" and "net-zero achieved," in order to demonstrate the rate of progress and to ensure that portfolio companies are reaching the "achieved" status, rather than having the bulk of an FI's portfolio in "transitioning" assets.
- In addition, in the current Table, "Net-zero aligned" is targeted before 2050. It would be logical to aim for the "Net-zero aligned" share to grow much before that date, with a progressive increase over time. Many companies are already aiming to reach net zero emissions well before 2050 and doing so is necessary in several important sectors, including the power sector. Furthermore, this would provide credibility to the transition claims of companies by demonstrating the "transitioning" stage is only temporary.

Comments on 16d

- Near-term targets should be required, especially for higher climate impact assets, even if an FI is not expending as much time or energy on the transition of these assets compared to those where it has reasonable influence. Part of the reason this is important is to ensure that limited-influence assets are addressed over the entirely of the financial sector (e.g., this seeks to address a problem of each individual FI having limited influence, but collectively having reasonable or significant influence). As a parallel example, the no-deforestation policies of retail grocers was key to helping the palm oil and soy sectors transition away from destructive practices. While each entity has limited influence over the palm oil and soy supply chains, collectively they exerted reasonable influence that helped move the sector toward lower emissions.

Table 4, p36: Overview of portfolio climate-alignment goals split by climate impact and influence level for all financial activities:

17. To what extent do you agree with the milestone approach for the different financial activities?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No opinion	N/A
17a. Lending	◉	○	○	○	○	○	○
17b. Asset Owner Investing	◉	○	○	○	○	○	○
17c. Asset Manager (including private equity firms) Investing	◉	○	○	○	○	○	○
17d. Insurance Underwriting	◉	○	○	○	○	○	○

17e. Capital Market Activities (CMA): To what extent do you agree that the milestone approach would also work for CMA (for which targets are not currently proposed as part of the FINZ Standard)?

- ◉ Strongly agree
- ○ Agree
- ○ Neutral
- ○ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

Question 17f - comments on questions 17a-e

Comments on 17e - The choice not to include CMA in target and alignment requirements is not well-justified in the document. If CMA remains out of these outcomes FINZ will open a gap for important financial services. At the very least, FINZ should state more clearly that they will be included in the future and establish a clear timeline for it.

Annex C, Table 15, p55: Entity and activity-level data sources for portfolio climate-alignment targets provides a non-exhaustive list of the eligible metric types per timeframe that can be used to inform and measure the alignment.

18a. Are the metrics required for alignment at the different points in time for the different counterparty types appropriate?

- ○ Strongly agree
- ◉ Agree
- ○ Neutral
- ○ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

18b. Should SBTi specify a list of eligible metrics for the purpose of FINZ target development and assessment?

- ○ Strongly agree
- ◉ Agree
- ○ Neutral
- ○ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

18c. If you have answered “strongly agree” or “agree” to question 18b, does a broader set of metrics (rather than a narrow and more prescriptive set) make the Standard easier to implement?

- ◯ Strongly agree
- ◯ Agree
- ◯ Neutral
- ◉ Disagree
- ◯ Strongly disagree
- ◯ No opinion
- ◯ N/A

18d. To what extent do you agree that existing taxonomies (e.g., *EU Taxonomy for sustainable activities, Climate Bonds Taxonomy*, etc.), can serve as credible data sources for portfolio climate-alignment targets?

- ◯ Strongly agree
- ◉ Agree
- ◯ Neutral
- ◯ Disagree
- ◯ Strongly disagree
- ◯ No opinion
- ◯ N/A

18e. Table 15, p55 breaks down the sources for portfolio climate alignment into entity and activity level. Is this breakdown helpful?

- ○ Strongly agree
- ◉ Agree
- ○ Neutral
- ○ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

18f. Do you have suggestions on how the SBTi can cover the alignment of other activities (such as Forest, Land and Agriculture, etc.)? If so, please briefly describe which activities and how.

Question 18g - comments on 18a-e
Comments on 18d - Existing taxonomies can serve as useful data sources, though they are not perfect.

Comments on 18e -

- As noted earlier, the definition of "transitioning" needs to be strengthened so that it clearly requires proof that companies are reducing emissions. Whether or not an entity is meaningfully moving toward Paris-alignment cannot solely be determined by public targets or commitments; companies must be reducing emissions. This is especially true before 2030, and near-term emissions reductions are critical to meeting global climate goals. Progress toward emissions reductions should, therefore, be a required milestone in the "Before 2030" transitioning category.
- Additionally, before 2030, financial intermediaries and entities should all have both near-term and long-term (net-zero) targets to be qualified as "transitioning."
- However, it should be noted that emissions reduction is not entirely sufficient as a metric of transitioning (though it is key). It is important that financial intermediaries and entities also change key operational processes and business strategies to ensure long-term transitioning. A key part of this is demonstrating capex alignment with 1.5C pathways.
- SBTi should provide some degree of guidance for what, at a minimum, should be included in transition plans. We suggest that this should include: GHG targets, capex allocation, action plan, and the management of high emitting assets/activities.
- From 2030 to 2049, entities and financial activities may be classified as transitioning under a "credible taxonomy," but SBTi should clarify that fossil fuel-related activities are to be excluded (as some taxonomies support fossil fuel related activities).

- Without an understanding of what credible bodies might look like or require, the certification of transitioning financial activities by a credible body from 2030 to 2049 lacks clarity creates a potential loophole.
- The consideration of financial activities as transitioning based on benchmark values requires clearer definitions. We recommend that SBTi require that benchmarks align with a 1.5°C no/low overshoot scenario.
- The inclusion of scope 3 emissions for SMEs only at the “net-zero achieved” stage raises concerns about the practicality of assessing their transition.

19. Applicability to Capital Market Activities (CMA): To what extent do you agree that CMA should also be covered by a portfolio climate alignment target, similar to those applied to lending, investing, and insurance underwriting?

- (●) Strongly agree
- ( ) Agree
- ( ) Neutral
- ( ) Disagree
- ( ) Strongly disagree
- ( ) No opinion
- ( ) N/A

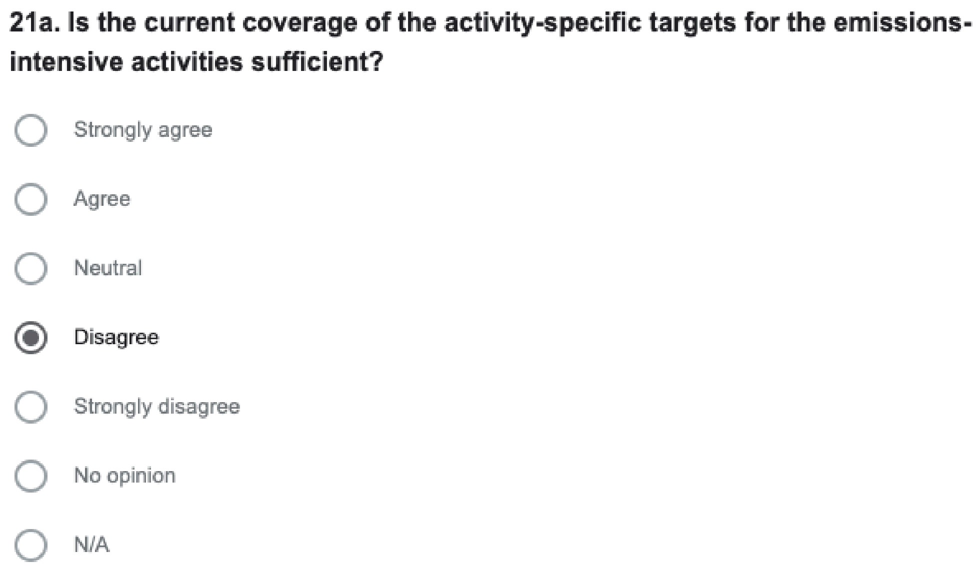
20. Insurance underwriting - metric applicability: To what extent do you agree that the same climate alignment metrics can be used for insurance underwriting and for other financial activities related to:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No opinion	N/A
20a. Commercial lines insurance?	●	○	○	○	○	○	○
20b. Personal lines insurance?	○	○	○	●	○	○	○

20c. Explain any disagree answers

Applying the same metrics to personal lines – without major changes and adaptations – seems largely unfeasible and illogical. However, specific criteria can be developed for some key personal lines. For example, motor vehicle insurance could consider the emissions of the vehicle and home insurance the energy performance of buildings. Further research will be needed to develop appropriate metrics, building on sectoral transition pathways and considering just transition concerns.

Questions in Section 4: Emissions-Intensive Sector Targets


21a. Is the current coverage of the activity-specific targets for the emissions-intensive activities sufficient?

Strongly agree

Agree

Neutral

Disagree

Strongly disagree

No opinion

N/A

Question 21b: comments on 21a
While the list is a good start, several key sectors are missing which should be included in this category:

- On the industrials side, the list should include paper/pulp, fertilizer, and chemicals manufacturing. The first and third are sectors that are highlighted in Climate Action 100+ as high emission sources; the second is highly emissions intensive given its reliance on shale gas as an input and high energy requirements.
- Agriculture, particularly as it relates to companies in forest risk commodity supply chains, should also be included in this category.

The FINZ Standard proposes that financial institutions cover at least 95% of all GHG emissions from their in-scope "reasonable influence - higher climate impact" financial activities with emissions-intensive sector targets. FIs are allowed to exclude specific activities from their targets, provided that the sum of these activities constitute less than 5% of their in-scope "reasonable influence - higher climate impact" activities' GHG emissions per financial activity. Exclusions are to apply to the entire activity uniformly and are not allowed for any activities related to fossil fuels.

22a. To what extent do you agree with this exclusion option?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion
- N/A

Question 22b: comments on 22a

It is arbitrary to exclude 5% of in-scope activities.

The 5% exclusion proposed is not coherent with the overall logic of the FINZ and undermines its credibility. The 5% exclusion arbitrarily enables financial institutions to sideline some of the activities that are identified as having the highest priority in the FINZ. We recommend removing the 5% exclusion and ensuring that "reasonable influence – higher climate impact" activities are fully covered (i.e., 100% of emissions from these activities should be covered).

Table 17, p60: Eligible activity-level metrics and pathways provides the list of eligible metrics and pathways used for determining relevant 1.5˚C benchmarks for key emissions-intensive activities.

23a. Is the list of eligible metrics and pathways in Table 17 well suited to determine relevant 1.5˚C benchmarks for the emission-intensive activities?

- ○ Strongly agree
- ○ Agree
- ○ Neutral
- ◉ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

Question 23b: comments on 23a

We see a few significant problems with the list of eligible metrics in Table 17:

- The list focuses on physical intensity metrics, largely ignoring absolute emissions (except for fossil fuels). However, reductions in intensity-only metrics can lead to increases in absolute emissions, notably when production volumes increase. At the company level, financial institutions should ensure absolute emission reductions.
- The term "zero emission generation" is ill-defined. Financial institutions use widely differing definitions for "clean/sustainable" power, with many including polluting energies such as fossil gas (see the "sustainable definition" criteria in the Sustainable Policy Tracker from Reclaim Finance). For example, Citi refers to "clean technology and renewable energy," which includes technologies that extend the use of fossil fuels (CCUS, hydrogen, "renewable natural gas") and other unsustainable solutions (biomass, nuclear). Similarly, Deutsche Bank includes fossil gas and biomass as "environmentally sustainable Energy." It is essential to set a clear definition to avoid inconsistent commitments. SBTi should exclude all fossil fuel methods and biomass from its definition of zero emitting power generation.
- SBTi should cabin the volume of negative emissions in the scenarios listed (IPCC no/low overshot, SBTi pathways, etc.). Reliance on negative emissions can drastically modify the outcomes of the scenario. Scenarios with massive negative emissions typically make more room for fossil fuels. By doing so, these scenarios expose us to new risks. Realistic negative emission potential is constrained, and gambling on a massive deployment could easily result in a emission overshoot. This is the reason why many prominent frameworks mention the need to have "limited negative

emissions" in scenarios (see the analysis made in Reclaim Finance's Transition plan report for examples). A definition of such "limited negative emissions" can be derived from the work of the IPCC. IISD did this in previous reports, notably filtering scenarios using reasonable ranges (see Navigating Energy Transitions).

23c. Should SBTi specify a list of eligible third-party metrics providers?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion
- N/A

23d. If you have answered "strongly agree" or "agree" to question 23c, should this list comprise a broad or limited suite of metrics providers?

- i. Broad
- ii. Limited

24a. In the case of insurance, to what extent do you believe that the proposed metrics and existing 1.5°C pathways are suited for commercial lines insurance?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree
- No opinion
- N/A

24c. In the case of insurance, to what extent do you believe that the proposed metrics and existing 1.5˚C pathways are suited for personal lines insurance?

- ( ) Strongly agree
- (●) Agree
- ( ) Neutral
- ( ) Disagree
- ( ) Strongly disagree
- ( ) No opinion
- ( ) N/A

Table 5, p38: The SBTi proposes to differentiate the milestones for emissions-intensive sector targets based on climate impact and influence.

25. To what extent do agree with:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No opinion	N/A
25a. that proposal overall?	(●)	( )	( )	( )	( )	( )	( )
25bi. Lending - For lending for mortgages?	(●)	( )	( )	( )	( )	( )	( )
25bii. Lending - For lending for motor vehicle loans?	(●)	( )	( )	( )	( )	( )	( )
25ci. Insurance - For personal lines insurance for homeowners?	( )	( )	( )	( )	( )	( )	( )
25cii. Insurance - For personal lines insurance for motor?	( )	( )	( )	( )	( )	( )	( )

26. SBTi proposes that the emissions-intensive targets are applicable to four financial activity types: Lending, Asset Owner Investing, Asset Manager Investing, Insurance Underwriting. To what extent do you agree that exposure to emissions-intensive sectors in each of these financial activities should be covered by targets:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No opinion	N/A
26a. Lending	◉	○	○	○	○	○	○
26b. Asset Owner Investing	◉	○	○	○	○	○	○
26c. Asset Manager (including private equity firms) Investing	◉	○	○	○	○	○	○
26d. Insurance Underwriting	◉	○	○	○	○	○	○

26e. Capital Market Activities (Note: CMA targets are currently not required as part of the FINZ Standard): To what extent do you agree that setting emissions-intensive targets would also work for CMA?

- ◉ Strongly agree
- ○ Agree
- ○ Neutral
- ○ Disagree
- ○ Strongly disagree
- ○ No opinion
- ○ N/A

Questions in Section 5: Reporting

Question 27a

Table 7, p40 provides a summary of reporting requirements.

27b. Reporting on alignment: On what level of granularity is reporting of alignment appropriate? Please select all you consider appropriate.

- [x] 27bi. Financial activity (Lending (LND), Asset Manager Investing, Asset Owner Investing, Insurance Underwriting)
- [x] 27bii. Financial activity and segmentation
- [ ] 27biii. Financial activity and asset class / lines of business based (LND - Corporate Loans; LND - Residential Mortgage; etc.)
- [x] 27biv. Additional breakdown by alignment definition (i.e., ask for both percentage of transitioning vs. net-zero achieved)

Table 7 currently *recommends* FIs to annually report key information related to progress against long-term net-zero target, detailing drivers of change in portfolio emissions, i.e. through emissions attribution reporting.

27c. To what extent do you agree that this should be a *requirement*?

- (●) Strongly agree
- ( ) Agree
- ( ) Neutral
- ( ) Disagree
- ( ) Strongly disagree
- ( ) No opinion
- ( ) N/A