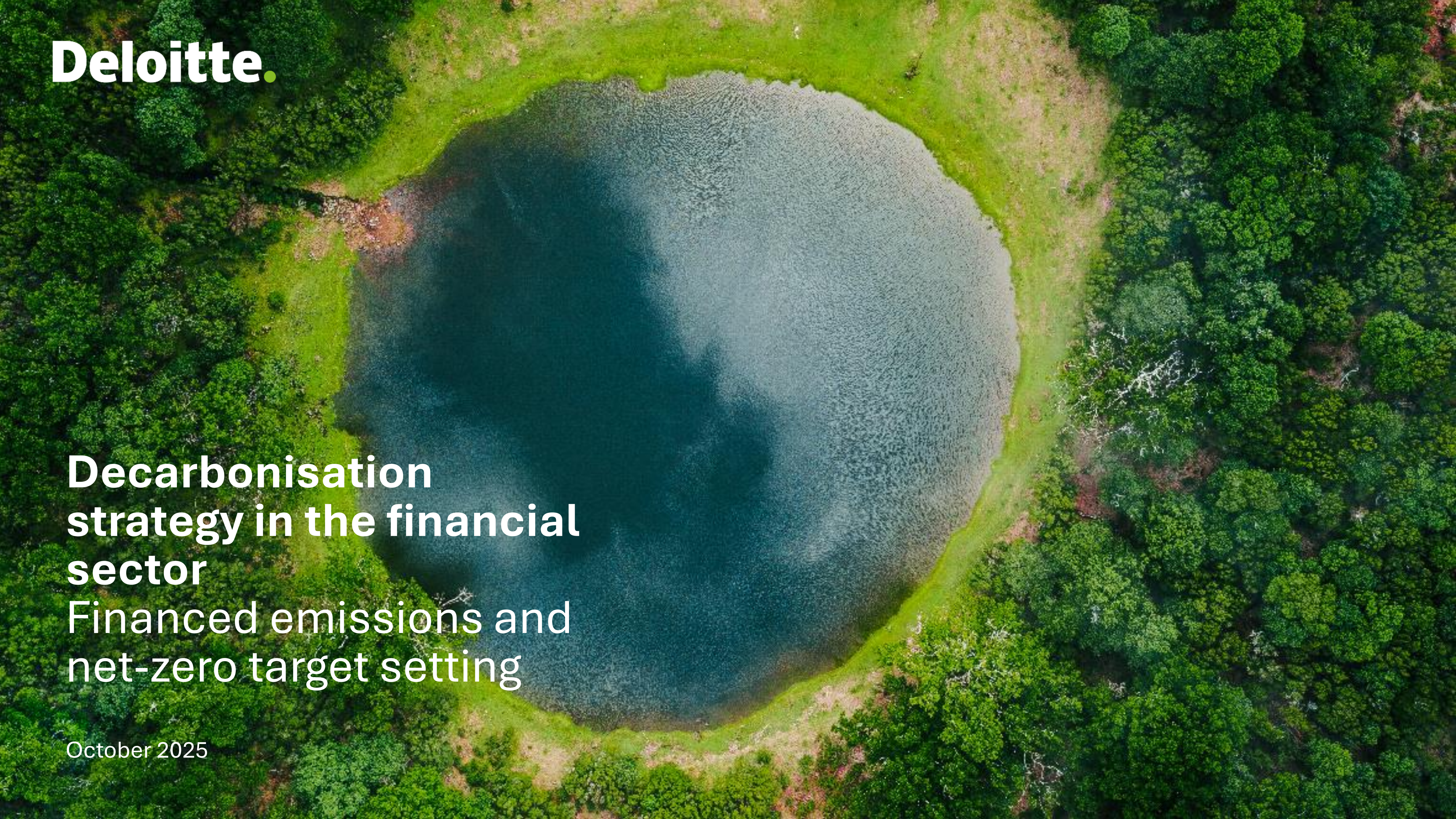


Decarbonisation strategy in the financial sector

Financed emissions and net-zero target setting

October 2025

Decarbonisation strategy in the financial sector

What is the situation?

Financial institutions are embedding climate commitments into their core business strategies, aligning with global frameworks and continuing to meet the targets of the Paris Agreement. These efforts reflect a broader industry shift toward managing climate-related risks and enabling the transition to a low-carbon economy.

The Science Based Targets Initiative, recently published a new standard[1] for the decarbonisation of financial institutions, and in this overview, we explore the key updates, examine the challenges financial institutions encounter on their decarbonisation journey, and outline our approach to navigating the process.

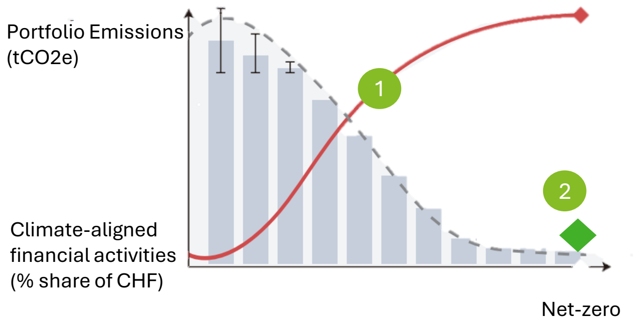
Overview of the SBTi Financial Institutions Net-Zero Standard

The SBTi Financial Institutions Net-Zero Standard guides financial institutions toward achieving net-zero emissions by mid-century, primarily through reducing portfolio greenhouse gas emissions (Scope 3 Cat. 15 - Investments) and actively accelerating investments in climate-aligned financial activities, as illustrated in the graph.

This approach differs from the traditional method of target setting, where instead of focusing on carbon targets, the new SBTi standard emphasises climate-alignment targets.

This new standard improves on previous frameworks by introducing a relevant, intuitive, and easy-to-calculate central indicator: the share of capital directed towards green, transition, or climate solution activities. It also emphasises the prioritisation of financial activities based on the climate impact of the sectors financed and the degree of influence exerted by the type of financing. In addition, it sets clearer financing policies, including a firm stance against funding new fossil fuel projects or activities linked to deforestation.

In alignment with the SBTi Financial Institutions Standard, financial institutions are also encouraged to use the SBTi Corporate Standard to address their operational emissions.



1 **Portfolio climate alignment**
Leading metric to increase the share of financial supporting climate solutions and counterparties that are in transition or at a net-zero state

2 **Portfolio emissions**
Lagging metric to reduce aggregate portfolio GHG emissions to zero or near-zero levels by 2050 and ensure that any residual emissions are neutralised by individual counterparties

[1] SBTi Financial Institutions Net-Zero Standard, July 2025

What are the key challenges?

Financial institutions are expected to lead on decarbonisation, even amid fragmented regulations. They face data gaps and attribution challenges in measuring financed emissions, while integrating climate goals into core decisions requires a shift in governance. Ensuring transparency and credibility is essential to avoid greenwashing and maintain trust. Key challenges include:

Data Gaps & Attribution Complexity:
Accurately measuring financed emissions requires granular, high-quality data from investees and counterparties. Many institutions struggle with incomplete disclosures, inconsistent methodologies, and the challenge of attributing emissions across complex financial instruments.

Integration into Core Decision-Making:
Embedding net-zero targets into investment, lending, and underwriting decisions demands a shift in governance, risk appetite, and performance metrics. This often requires retooling legacy systems and retraining teams.

Credibility & Greenwashing Risk:
Stakeholders are increasingly scrutinising net-zero claims. Institutions must ensure that their strategies are science-based, transparent, and backed by credible interim targets to avoid accusations of greenwashing.

Our approach

Evaluation of current state

- Data collection
- Scope analysis: segmentation of the financial activities
- Gap analysis between existing documents and requested base-year indicators, policies and target indicators

Climate alignment methodology

- Choice of third-party methodologies to define the “net-zero state”, “transitioning” and “climate solution” categories used in the climate alignment metric

Baseline assessment

Calculation of:

- GHG inventory
- Share of clean energy to fossil fuel financial exposure
- Climate alignment of entities / projects / assets
- Deforestation exposure assessment by 2030

Policies, targets and key levers

- Drafting of public fossil fuels, no-deforestation and real estate policies
- Setting short-term (Portfolio climate-alignment targets and / or sector targets) and long-term targets
- Definition of key levers to reach the targets

Submission and communication

- Internal validation of targets and associated governance
- Submission and communication of targets

How can Deloitte help?

We can provide services to support you through every step, including:

- Calculation of base year financed emissions
- Gap analysis of existing policies and drafting of missing policies
- Preparation of SBTi targets to obtain approval from the SBTi committee
- Writing reports to communicate on SBTi targets
- Renewal process of targets
- After validation of SBTi targets, development of levers to achieve those targets

Client stories

Deloitte has helped financial institutions identify critical challenges and navigate the complexities of building effective, forward-looking climate strategies.

1. We reviewed groups’ decarbonisation trajectories through nine internal interviews, producing a structured feedback loop, external communication plan, and methodological input to the SBTi.

2. We built scenario modeling tools that allowed our client to assess how strategic investment choices, such as asset reallocation, sector tilts, or divestment timing, would shape their portfolio’s decarbonisation pathway. Delivered via an interactive Power BI dashboard, the solution enabled portfolio managers to explore multiple routes to achieving net-zero targets.

3. We built trajectory tools for real estate, corporate loans, and securities, integrating footprint data, SBTi targets, and financial-carbon projections to simulate decarbonisation levers. We refined lending criteria to align with credit scoring and delivered an action plan for residential real estate with annual credit targets to support climate-aligned growth.

Connect with us

Any questions? We look forward to help you on your sustainability journey

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