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## Sustainable Finance News Wrap-Up

- **In focus:** SBTi's updated Corporate Net Zero Standard v2.0 marks a strategic shift in the role it foresees for itself – not only as an ambition setter but a transformation partner, with greater emphasis on how companies will deliver on climate targets in practice. Against this backdrop, the new standard places more weight on transition plans, governance, capital allocation and operational decisions. It also introduces a more proportionate framework reflecting differing company capabilities and a greater focus on the delivery of near-term targets. In effect, the update reflects a more pragmatic attempt to close the gap between corporate climate ambition and decarbonisation execution. That said, SBTi's efforts to make the framework more business-relevant without weakening its credibility, while also navigating stakeholder pushback, corporate lobbying and difficult judgments over what constitutes "best effort", could prove a challenging balancing act.
- **Sustainable products update:**
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  - European Banking Authority brings climate risk into 2027 EU bank stress test.
  - SpaceX handed lowest possible ESG rating by MSCI.
  - Stegra has completed a EUR 1.4 billion capital raise to build Europe's largest green steel plant.
  - Sweden's AP2 has strengthened its sustainability requirements for external managers.
  - Extreme heat pushes Europe into red-alert conditions.

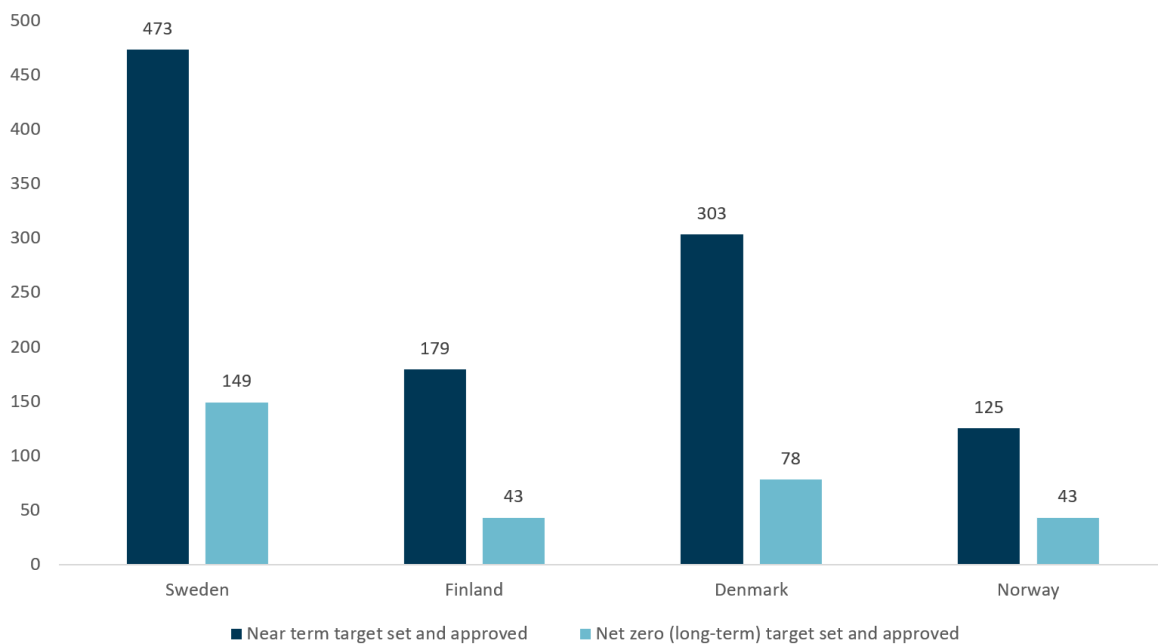
***This is the last sustainable finance monthly before the summer holidays. Thank you for reading over the first half of the year and enjoy your vacation. We will return in August.***

## ***In focus: First take on SBTi's updated Corporate Net Zero Standard***

Since its establishment in 2015, the Science Based Targets initiative (SBTi) has become the gold standard for voluntary corporate climate action. At its core, SBTi helps companies translate global climate ambitions into company-specific emissions reduction targets that are aligned with climate science. Accordingly, SBTi validated targets have become a strong signal for credible corporate climate action while also focusing decision-making within companies. As of mid-2026, more than 11,000 companies have validated targets against its voluntary frameworks, representing more than 40% of global market capitalisation. Of these, more than 1,000 headquartered in the Nordics.

The 2021 launch of the first voluntary Corporate Net Zero Standard (CNZS v1.0) established the first rigorous net zero framework for corporate climate action to 2050. The CNZS 1 standard requires companies to set near-term targets, to account for scope 3 emissions and to set 2050 target to obtain a net zero validation. Fast forward nearly five years, and the much-awaited second version of the Corporate Net Zero Standard 2.0 (CNZS 2.0) was finally released on June 11, following consultations in March and November 2025.

### **Companies with validated SBTi targets in the Nordics**

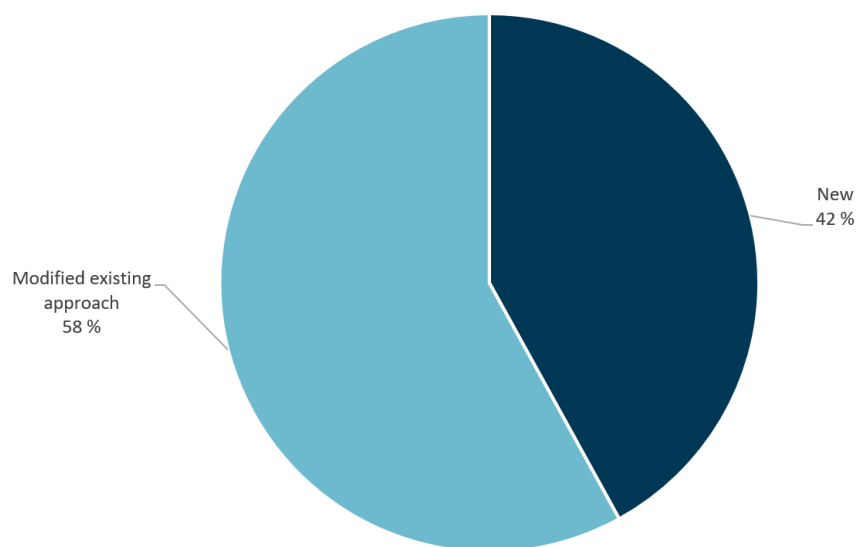


*Note: Targets set means that the company has already developed its near-term emissions (and where applicable long-term) reduction targets, submitted them to SBTi, and successfully passed the validation process. SBTi has confirmed that the targets are aligned with its methodology and climate science requirements. Setting near-term targets only has been possible through applying SBTi Near-Term Criteria instead of the CNZS 1. Setting targets with near-term criteria and CNZS will remain possible until February 2028 – when CNZS 2.0 becomes mandatory. More information on the individual firms is available in the [SBTi Target dashboard](#). Source: SBTi.*

## CNZS 2.0 moves from ambition to implementation focus

In short, CNZS 2.0 represents a significant strategic shift in the role SBTi foresees for itself – namely that it will no longer only be an “ambition setter” but rather seeks to become a “transformation partner”. As such, it places greater emphasis on implementation, requiring companies to demonstrate how targets will be achieved through transition plans, governance structures, capital allocation and operational decisions. This entails a rising focus in closing the gap between climate ambition and decarbonisation execution – with a 2025 review based on CDP disclosure data estimating that 67% of companies with validated SBTi targets were on track with their scope 1 and 2 targets, and 54% on track with scope 3 targets.

### From CNZS 1.3.1 to 2.0: Ratio of new sections vs modifications



*Source: SBTi*

### The new standard introduces a proportional approach to company expectations...

Another key development in CNZS 2.0 is the introduction of a tiered approach to corporate expectations in greater alignment with business capabilities. Such tiering is based on metrics such as whether a company is based in a high-income country or not, the size of turnover and number of employees (see table below). Generally, larger companies (Category A) are subject to the most demanding requirements, including mandatory Scope 3 targets, transition plans and enhanced reporting obligations. Smaller companies (Category B) benefit from a more flexible approach with more optionality, reflecting their more limited resources and influence across value chains. The result is a more proportionate framework that aims to balance climate ambition with practical implementation.

### Summary of Category A and B company thresholds

| Thresholds and conditions   | Geography             | Company category |
|---|-----------------------|------------------|
| Meets at least one of the following:<br>– Net turnover: ≥ €450 million<br>– FTE: ≥ 1,000  | Any country           | Category A       |
| Scope 1 and 2 emissions are ≥ 10,000 tCO <sub>2</sub> e, or at least two of the following:<br>– Balance sheet: ≥ €25 million<br>– Net turnover: ≥ €50 million<br>– FTE: ≥ 250 | High-income countries | Category A       |
| Does not meet the Category A criteria above   | Any country           | Category B       |

Source: SBTi

#### ...And a new way of looking at climate targets

Another key change in CNZS 2.0 is a focus on five-year cycles of near-term targets that will require third-party assurance at the end of the cycle. Companies are to set two or more near-term targets and can choose to set an overarching net zero target (see table below). The rationale is that it is difficult for companies to commit to targets 20 years in the future. In many cases, there is significant uncertainty over when or whether technical solutions are available or commercially viable, both for decarbonising own operations and related value chains. The CNZS 2.0 hence represents a shift in focusing on actual decarbonisation efforts in the nearer term, as opposed to long-term aspirations.

#### CNZS 2.0: An overview of target types and requirements.

|  | Scope 1                            | Scope 2                    | Scope 3                           |
|--|------------------------------------|----------------------------|-----------------------------------|
| <b>Near-term targets</b><br>(5-year targets)   | Required for all companies         | Required for all companies | Required for Category A companies |
| <b>Long-term targets</b><br>(targets to reach residual emissions levels by 2050 at the latest)   | Dependent on target-setting method | Optional for all companies | Optional for all companies        |
| <b>Net-zero targets</b> combine scope 1, 2, and 3 near-term and long-term targets, together with the neutralization of residual emissions at the net-zero target year. Net-zero targets are optional for all companies. <sup>1</sup> |                                    |                            |                                   |

Source: SBTi

Furthermore, companies that fail to meet climate targets they have committed to can keep their SBTi validation if they convincingly show that they have used “every lever” within their control, are transparent about challenges, and plan for how to overcome them. The result of this “best effort” approach is that the new standard is

less of a binary pass/fail mechanism, but rather one of “continuous cycle” and recalibration of efforts. This pragmatic approach should cover for political and economic uncertainties and perhaps is therefore more palatable to companies. It may, however, also leave SBTi exposed to difficult discussions on what is good enough, and therefore also criticism due to its role as the de facto corporate climate action watchdog.

### Starting a validation process moves from public commitment to internal buy-in

The mechanics of validating SBTi targets has also been changed. The previous requirements for companies to publicly commit to net-zero through SBTi has been replaced with requiring internal approval from the “highest governing body” before SBTi validation submission. This is to ensure strong leadership oversight, support and accountability for transition plans, while also taking away potential reputational and legal risks associated with committing to net zero publicly ahead of such plans being substantiated. This should help reduce reputational risk for companies wanting to explore an SBTi validation, while also embedding such a process more closely to decision making. It should also make the standard more business-relevant – with an emphasis for larger category A clients facing more stringent criteria – as it anchors an SBTi validation firmly in business decisions through board-level oversight of climate targets and transition plan implementation.

### Other items to keep an eye on

CNZS 2.0 also contains several other items that will be of high relevance to companies with SBTi target validation aspirations, some of these are:

- **Scope 1 and 2 unbundling:** Scope 1 and 2 emissions targets have now been unbundled, meaning that companies will have to decarbonise both their own emissions (scope 1) and purchased energy (scope 2) – as opposed to rely on one or the other to meet a bundled target.
- **Green electricity time matching:** SBTi also, in the end, took a voluntary approach to time matching the generation of clean energy and when such energy is consumed (to address scope 2 emissions). There was an expectation that companies would need to show time-stamped electricity attribute certificates that corresponded with the hour of electricity consumption throughout the year – but this is now voluntary. The move faced criticism, such as the outcome being the result of big-tech lobbying. This again highlights SBTi’s difficulties in balancing pragmatism with setting tough market standards.
- **Scope 3 focuses on material sources:** CNZS 2.0 also moves away from a one-size-fits-all approach to Scope 3. Instead, the new standard focuses on the most material emission sources, requiring companies to cover Scope 3 categories that individually represent at least 5% of their total Scope 3 emissions. Whereas under CNZS 1 a SBTi validated target had to capture 67% of scope 3 emissions, under CNZS 2.0 companies are likely to have to capture more. It does, however, provide flexibility in how companies drive reductions across their value chains – ranging from emission reductions, supplier engagement or category specific actions.
- **Introduction of high-integrity carbon credits:** A voluntary recognition framework for companies that support climate action beyond their own value chains through high-integrity carbon credits and climate finance has also been introduced. However, these mechanisms are explicitly positioned as complementary to, not replacements for, direct emissions reductions. The

role of carbon offsets has long been a tricky one for SBTi, with ex-CEO of SBTi Luiz Amaral stepping down in 2024 over a clash of the use of carbon offsets to compensate for direct and indirect emissions.

## ***Sustainable products update***

SBTi Corporate Net-Zero Standard v2.0: Implications for sustainability-linked instruments

***SBTi's updated guidance gives companies and banks a clearer framework for using science-based targets as the basis for sustainability-linked structures.***

Climate targets feature in around nine out of ten sustainability-linked loans and bonds, and most are based on SBTi-approved targets. The launch of the Corporate Net-Zero Standard v2.0 (CNZS v2.0) is therefore highly relevant for the sustainable loan and bond markets, and merits a closer look at how it may affect the sustainability-linked instruments.

Although market practice under the new standard is not yet established, we set out below our initial assessment of how CNZS v2.0 may influence KPI quality, target ambition and reporting.

- **SL Principle 1 – Selection of KPIs**

The credibility of sustainability-linked structures depends heavily on KPIs that are material, relevant and clearly defined. We believe that CNZS v2.0 will improve these features in sustainability-linked instruments.

First, CNZS v2.0 requires companies to set separate targets for each emissions scope. This should result in more precise climate KPIs and reduce the ability to mask weak Scope 1 performance within combined Scope 1 and 2 KPIs. Under the current SBTi structure, companies may meet combined Scope 1 and 2 targets through buying certificates addressing Scope 2 emissions rather than through direct operational emissions reductions. This is a clear improvement.

Second, for Scope 1, CNZS v2.0 requires that the baseline to be calculated based on location-based intensity factors rather than market-based intensity factors. At the same time, CNZS v2.0 introduces a 'hierarchy of reduction measures' that prioritises actual emissions reductions (e.g. through energy savings) over reductions achieved through market-based instruments. This will further incentivise operational emissions reductions over certificates.

CNZS v2.0 also gives clearer guidance on Scope 3 emissions by introducing a 5% inclusion threshold for individual Scope 3 sub-categories. This should make the scope of relevant emissions clearer and reduce the use of Scope 3 KPIs that cover only a limited share of total Scope 3 emissions. At the same time, the standard gives companies a clearer basis for excluding emissions over which they have limited

control. Again, we believe this will deliver better KPIs and therefore also better sustainability-linked financing structures.

- **SL Principle 2 – Calibration of Sustainability Performance Targets**

Version 2.0 provides a more standardised and easy-to-understand approach to target setting, built around the principle that all medium-term targets shall be defined in 5-year cycles, and shall align with a long-term net-zero target no later than 2050.

Because net-zero targets may use a 2050 target year, some observers have argued that the approach could permit less ambitious near-term targets than the current expectation of halving emissions by 2030 or achieving a 4.2% linear annual reduction.

In our view, however, the new target-setting approach will lead to more realistic targets. We have seen too many SBTi targets being wholly unrealistic and not suitable for real-life reduction strategies. We think it will be better with well-defined targets, underpinned by solid definitions, that have a higher likelihood of delivering real-life outcomes.

Despite having a quite lengthy title, the document “Corporate Net-Zero Standard Version 2.0: Methods, Metrics and Pathways” provides very clear guidance on defining reduction pathways. This will be a very useful tool for banks and companies when setting annual target trajectories in sustainability-linked structures.

The stricter hierarchy for prioritising emissions reductions should also lead to more meaningful reductions, even where headline reduction targets remain broadly unchanged.

The five-year target renewal cycle, requiring companies to update near-term targets every five years, might conflict with the 6-7 year horizon used in many SL-structures. Also, many sustainability-linked loan agreements require targets to be amended if the borrower later publishes more ambitious targets than those in the loan agreement. More frequent target updates could therefore trigger amendments to SLL structures. For longer-dated sustainability-linked bonds, where SPTs are harder to amend, targets may diverge from the issuer’s latest public climate targets.

- **Principles 4 and 5 – Reporting and verification**

CNZS v2.0 introduces annual reporting and verification requirements. This aligns well with the Sustainability-Linked Loan Principles, although it may have limited practical impact for companies that already report annually on material sustainability KPIs.

Overall, SBTi’s updated guidance gives companies and banks a clearer framework for using science-based targets as the basis for sustainability-linked structures.

## ***In brief:***

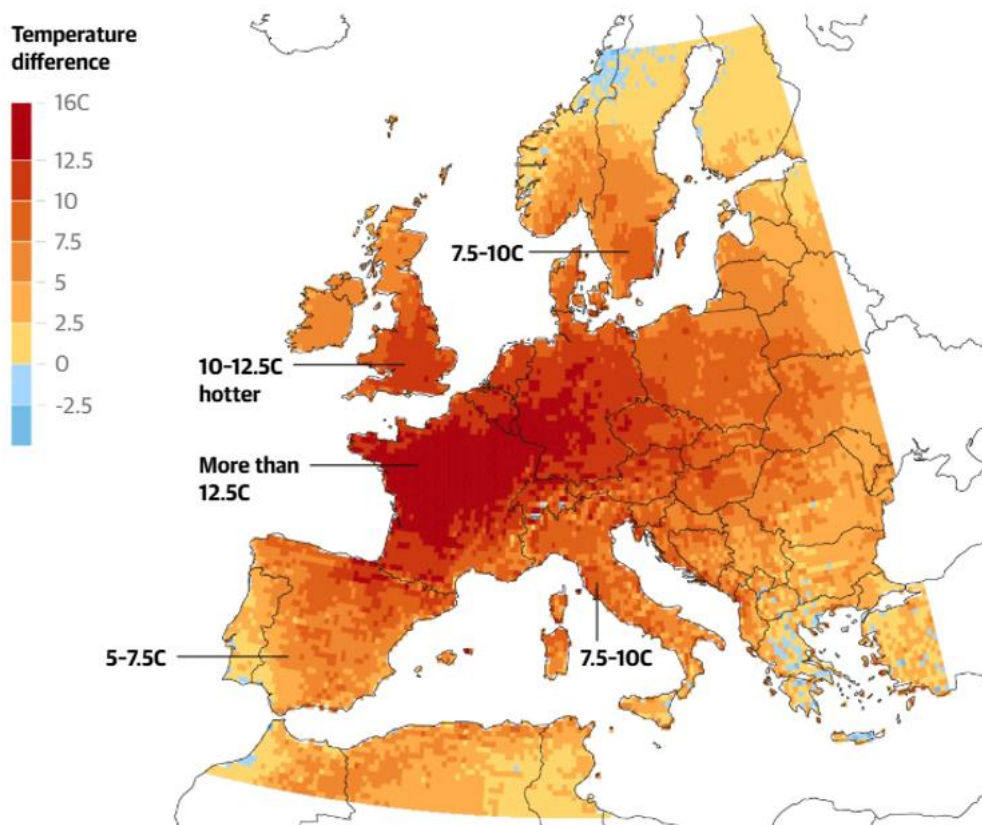
- **Summer note & upcoming ETS milestone.** As we head into the summer break, we would like to take the opportunity to thank you for following our updates over the past months. Before signing off, we would also like to highlight an important date to keep on your radar: 15 July, when the European Commission is expected to present its legislative proposals following the review of the EU Emissions Trading System (ETS). While details remain to be confirmed, it is likely to address key aspects such as alignment with the EU's 2040 climate target, carbon price stability, the future of free allocation, the integration of carbon removals, and potential adjustments to the scope and design of the system. The review is widely seen as a pivotal step in balancing climate ambition with industrial competitiveness. We have covered the ETS and its development in previous newsletter, where we outlined key trends and implications. We will return after the summer with a closer look at what the proposed changes could mean in practice. Wishing you a relaxing and enjoyable summer.
- **ISO launches net zero transition planning standard for financial institutions.** The standard, ISO 32212, is aimed at enabling banks, insurers, and investors to develop, maintain and integrate climate transition into their activities. It provides a framework for how financial institutions can set objectives and targets, assess climate-related risks and opportunities, and embed transition planning into lending, investment, insurance and client engagement decisions. ISO says the standard is intended to support the financial sector in mobilising and reallocating capital towards decarbonisation and climate adaptation, while also helping institutions manage risks and capture opportunities linked to the transition to a net zero economy. The guidance also references other widely accepted methodologies, including the Science Based Targets initiative's net zero standard.
- **European Banking Authority brings climate risk into 2027 EU bank stress test.** Under the draft methodology, banks will be asked to report exposures to both transition risks and physical risks, including a scenario involving a sudden tightening of climate policy in a fossil-fuel dependent economy, and a flood scenario affecting multiple European countries. The climate assessment will be run through a dedicated module and will not affect the core test results, but the EBA says it marks an important step in embedding climate into prudential supervision.
- **SpaceX handed lowest possible ESG rating by MSCI.** The company received a triple C assessment, with MSCI citing high exposure to ESG risks and weak management of those risks. The rating places SpaceX in the same lowest tier that MSCI assigned to the Russian state following the 2022 invasion of Ukraine. According to MSCI, it leaves SpaceX "lagging its industry based on its high exposure and failure to manage significant ESG risks".
- **Stegra has completed a EUR 1.4 billion capital raise to build Europe's largest green steel plant.** The funding, led by a Wallenberg Investments-backed consortium with support from existing investors and lenders, enables the company to continue construction of what is positioned as Europe's first hydrogen-based steel plant. Stegra's process is designed to produce low-carbon steel using green hydrogen and renewable electricity, with the plant ultimately targeting annual production of 5 million tonnes. The company said

construction activities are now ramping up, although the overall project timeline remains under review.

- **Sweden's AP2 has strengthened its sustainability requirements for external managers.** With a particular focus across private markets, at a time when its exposure is increasing following the integration of AP6. This has led to a higher allocation to private equity and places greater importance on aligning external managers with the fund's sustainability expectations. The updated approach emphasises clearer and more measurable sustainability expectations, including alignment with net zero ambitions, credible climate transition plans, and improved transparency such as Scope 1–3 emissions reporting. In parallel, AP2 has strengthened its focus on biodiversity and human rights, including efforts to manage deforestation risks and align with the UN Guiding Principles on Business and Human Rights. Overall, sustainability is increasingly embedded across the full manager lifecycle, from due diligence to ongoing monitoring and engagement.
- **Extreme heat pushes Europe into red-alert conditions.** The UK Met Office has issued a rare red heat warning as temperatures are expected to reach up to 39 degrees Celsius in southern England, potentially setting a new June record. Across Europe, the heatwave has also triggered the highest alerts in countries including France and Italy, with temperatures above 40 degrees Celsius recoded in Paris. Authorities have warned of serious impacts on health, transport, energy and water systems, while schools and rail services are already facing disruption.

### Graph of the month:

Average daily max temperature, 22-28 June 2026 relative to a 1991-2020 baseline



The Guardian graphic. Source: ERA5, World Weather Attribution

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