SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Corporate Net-Zero Standard V2.0 Consultation Draft

Explanatory guide

April, 2025

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

About the Science Based Targets initiative (SBTi)

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance that allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and **reach net-zero by 2050** at the latest.

About this document

This document serves as an additional explanatory guide to the draft Corporate Net-Zero Standard V2.0. The guide is intended to be a supplement to the draft standard to provide stakeholders with additional technical explanations and examples of key proposed changes.

The guide is not intended to cover all proposed changes in the draft standard exhaustively. Readers are advised to refer to the full draft standard as the authoritative source in the case of any inconsistency and when providing input to the consultation process.

SCIENCE BASED TARGETS

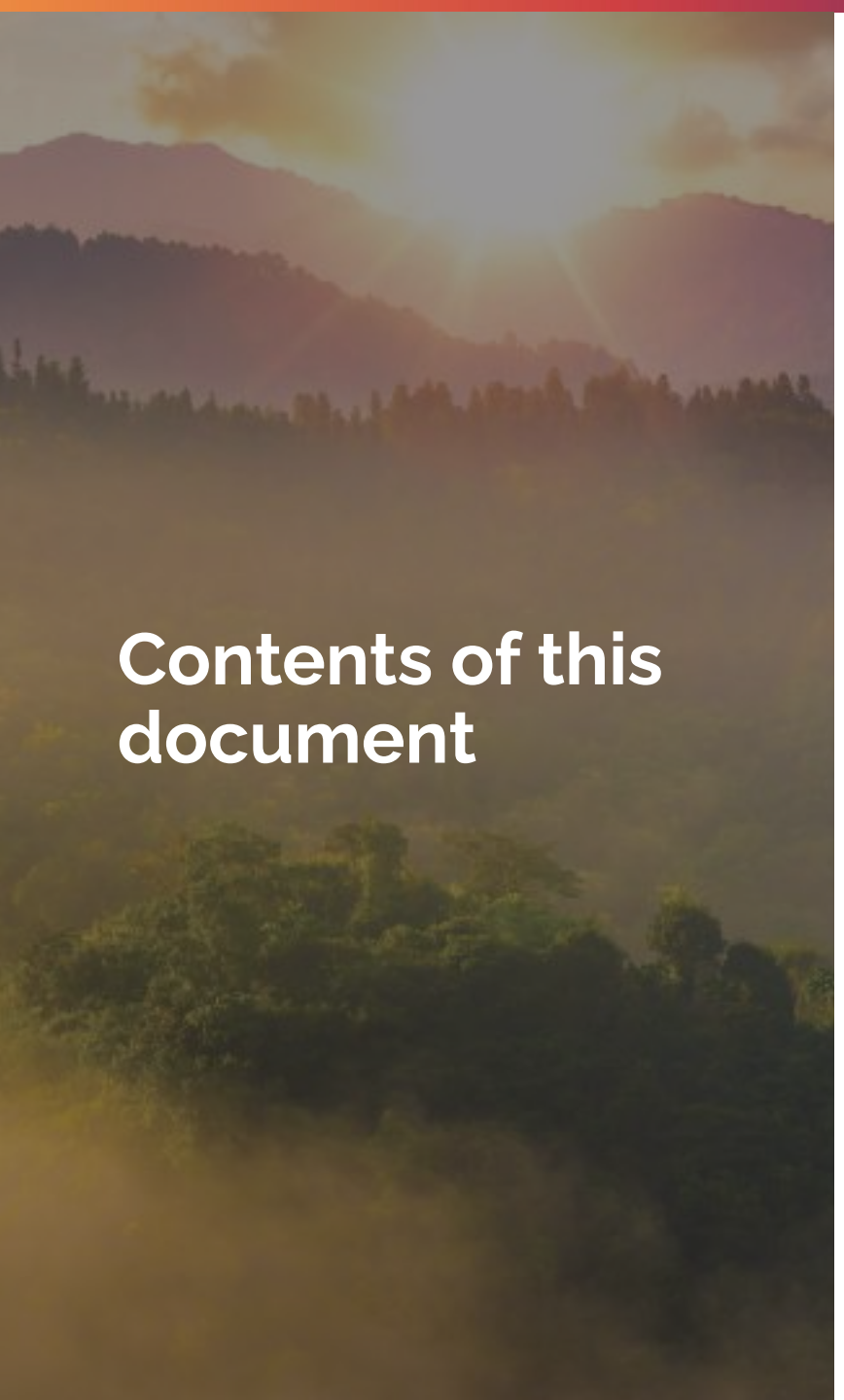
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

DISCLAIMER

All proposed changes or modifications to the SBTi standards discussed herein are speculative and subject to the process outlined in the SBTi's *Standard Operating Procedure for Development of SBTi Standards*. This includes, but is not limited to: research, public consultation and pilot testing, evaluation and approval by the SBTi Technical Council, and final adoption by the SBTi Board.



Contents of this document

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Section

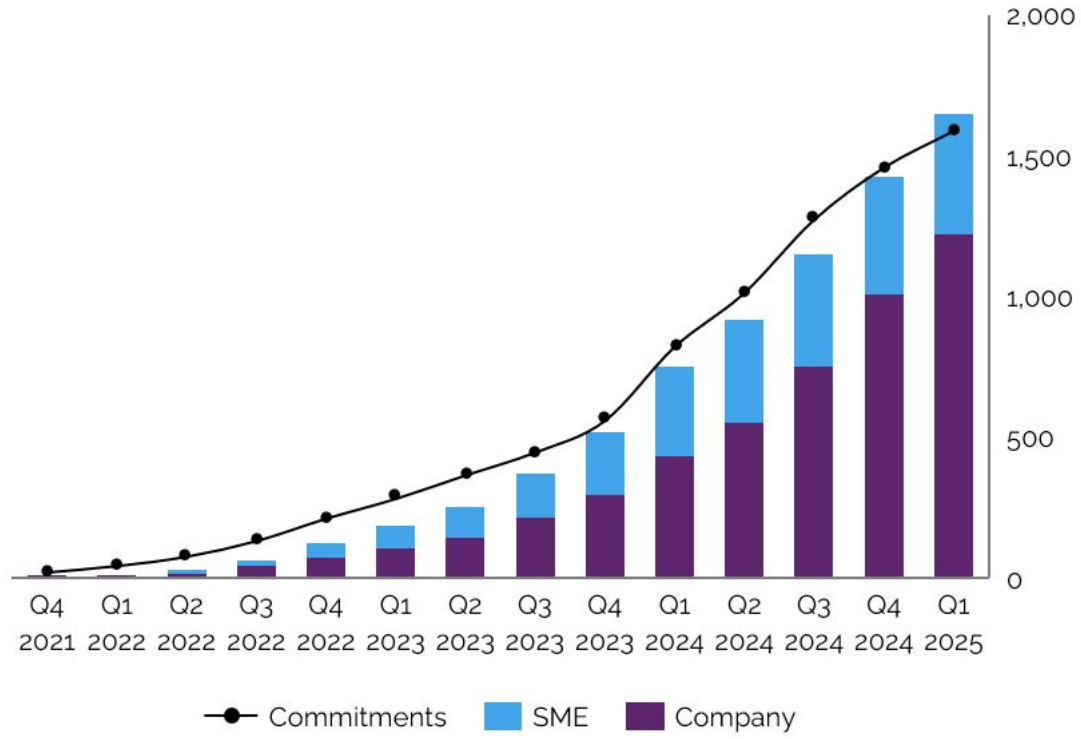
1. Overview of SBTi and the Corporate Net-Zero Standard V2.0 consultation process

SBTi is revising its flagship Corporate Net-Zero Standard (CNZS)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi has mobilized businesses globally to set credible, science-based climate targets

Cumulative net-zero targets and commitments published since the launch of the Corporate Net-Zero Standard



The CNZS is now undergoing its first major revision after minor updates in 2022 and 2023

Version 2.0 will become SBTi's flagship standard, replacing the current CNZS Version 1.2 and the Corporate Near-Term Criteria

Note: Graphic includes net-zero targets and net-zero commitments. It does not include near-term commitments. As of April 2, 2025, there are 1652 companies with net-zero targets and 1590 companies with active net-zero commitments.

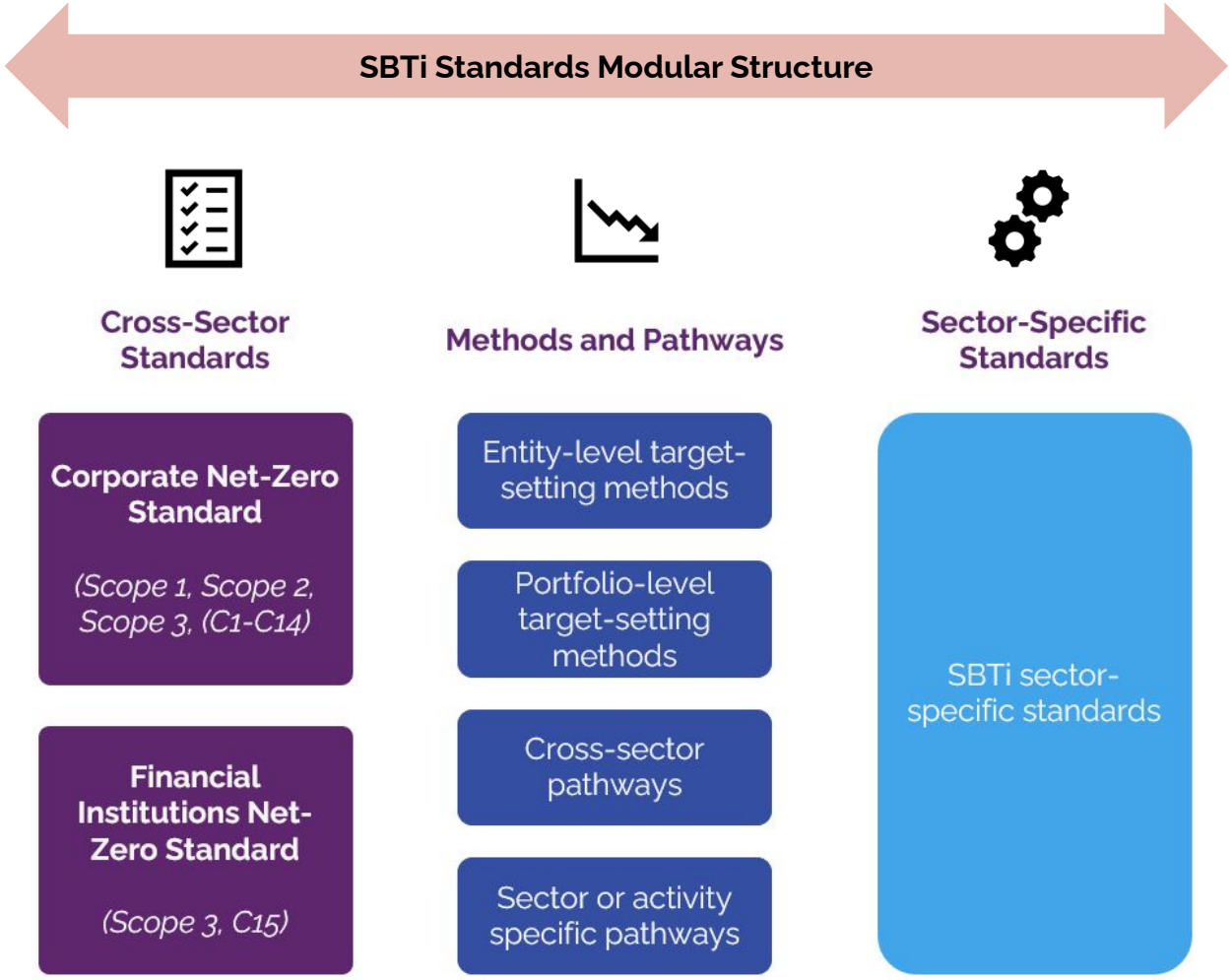
The Corporate Net-Zero Standard is a core element of SBTi's Standards Modular Structure

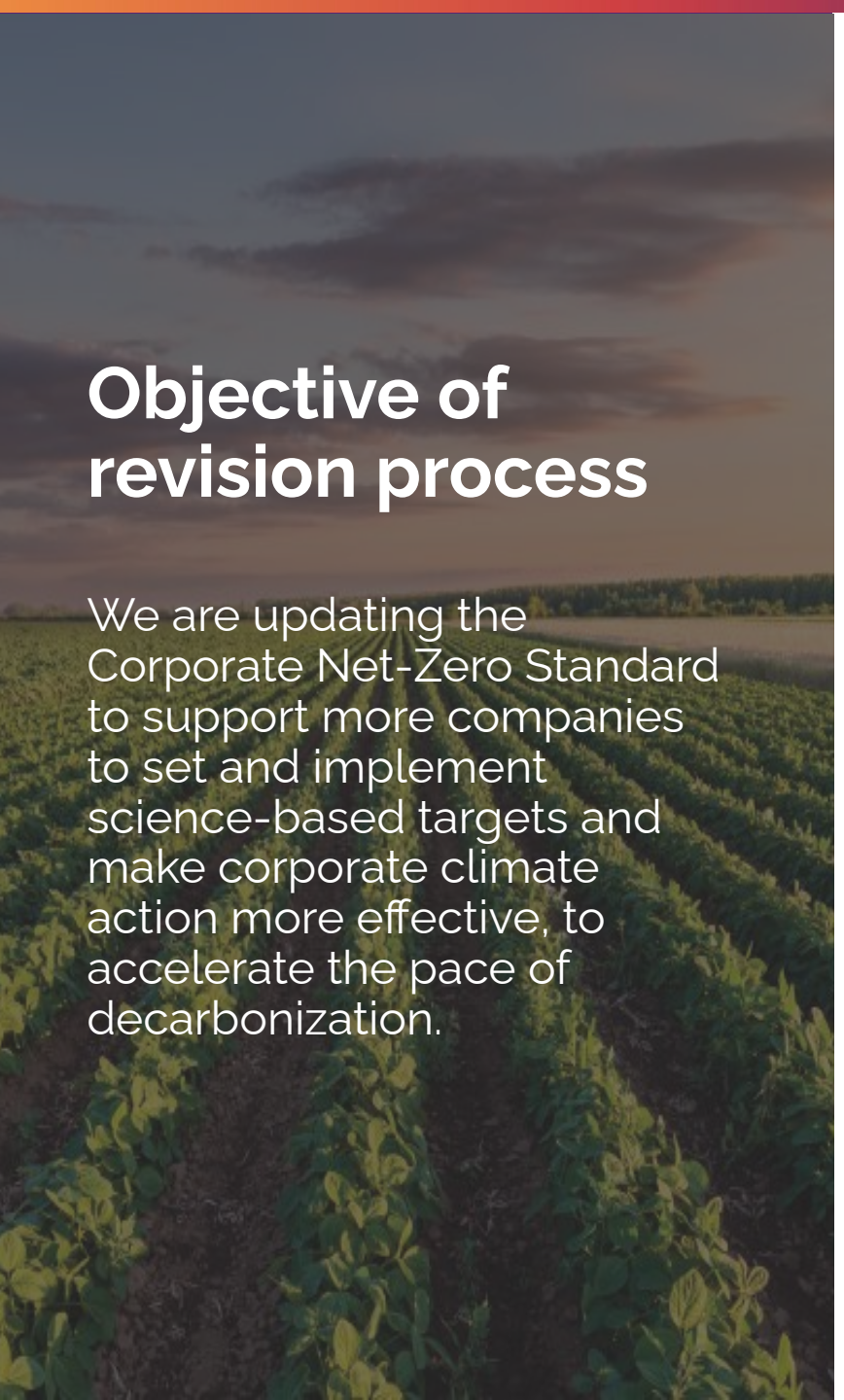
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi is evolving its standards, guidance, and technical resources with its evolution into a formal standard-setting organization.

The new modular structure includes:

- **Corporate Net-Zero Standard:** Core requirements for companies to set and implement net-zero targets across scope 1, scope 2 and scope 3 (Cat 1-14).
- **Financial Institutions Net-Zero Standard:** Tailored requirements for financial actors to align portfolios with net-zero goals.
- **Sector-Specific Standards:** Tailoring of SBTi cross-sector standards to specific sectors and industries.
- **Methods and Pathways:** Underlying methods as well as sector- and activity-specific pathways to support the target-setting process.





Objective of revision process

We are updating the Corporate Net-Zero Standard to support more companies to set and implement science-based targets and make corporate climate action more effective, to accelerate the pace of decarbonization.

Aligning with the latest science and best practice

- Incorporating best practice (e.g. HLEG)
- Update of cross-sector pathways in line with IPCC AR6
- Update of target-setting methods

Enhance approach to addressing value chain emissions

- Consideration of influence and impact in addressing value chain emissions
- Actionable metrics and methods for scope 3 target-setting
- Clarify measures and actions to substantiate progress against targets

Incorporate continuous improvement cycle

- Process to to assess and communicate process at the end of target cycle
- Process to set and validate new targets at the end of target cycle
- Claims associated with progress assessment and target delivery

Improve structure, usability and interoperability

- Align structure and outline with standard-setting best practice
- Improve intra-operability between SBTi standards
- Enhance inter-operability with other relevant frameworks and standards

Process overview | Progress to date and timeline for consultation

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Timeline subject to revision

Consultation process

CNZS V2.0 Revision progress to date

- Project formally initiated
- Research produced to inform drafting (e.g., scope 3 paper)
- Stakeholder feedback collected on key topics
- Consultation draft reviewed and approved by SBTi's independent Technical Council

Initial draft publication and consultation

- Draft published
- Explanatory materials and informational videos shared on SBTi website
- Consultation survey
- Q&A webinar
- Convening Expert Working Groups (EWGs)

March 18th
Initial draft published

Interim revision

- Feedback summary report
- Deliberation with EWGs
- Updated draft and explanatory materials developed

June 1st
End public consultation

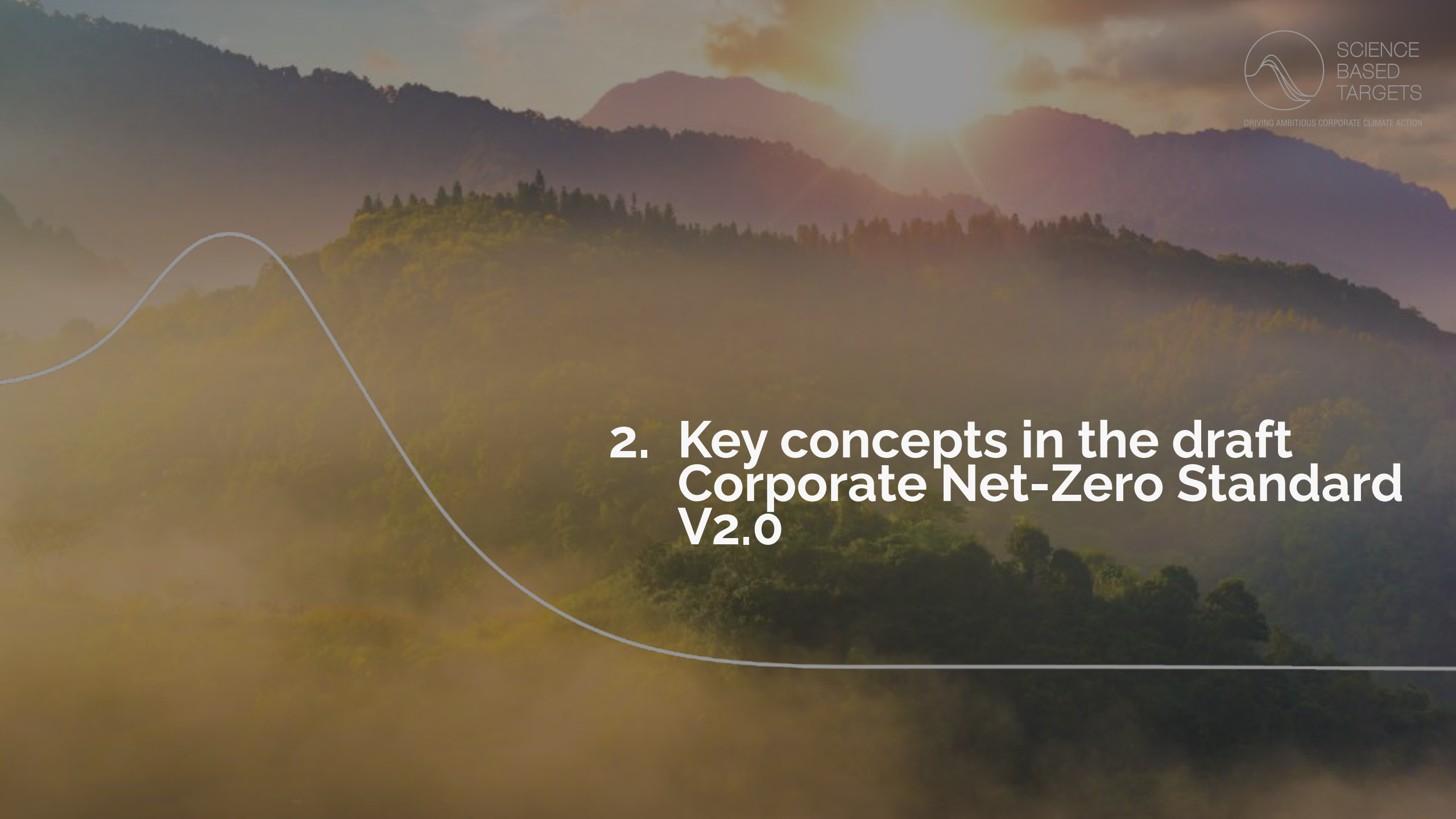
Second consultation

Pilot testing

- Consultation survey
- Revised draft
- Informational webinars
- Pilot testing of the standard

Final revision and approval

- Final draft approved by Technical Council and Board
- Final draft published with feedback summary report and basis for conclusions



2. Key concepts in the draft Corporate Net-Zero Standard V2.0

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Summary of key changes

Overview of key changes in the revised CNZS V2.0

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Commitment

Public **commitment to net-zero** (when starting process) and disclosure of **transition plan** (after setting targets)

Scope 1

Separate scope 1 and 2 targets

Updated scope 1 absolute contraction method accounting for historical performance

Updated pathways in line with IPCC AR6 and IEA NZE scenarios

Scope 2

Two separate scope 2 targets:

- **Location-based**
- **Market-based** OR **zero-carbon electricity**

Clearer guidance on use of **energy attribute certificates (e.g., RECs)**

Scope 3

Updated target boundary based on emissions relevance

Greater emphasis on alignment targets and metrics (e.g., % of net-zero aligned procurement)

Activity pools and indirect mitigation for hard to trace emissions

Removals

Role of removals in lead up to net-zero target year

Minimum durability requirements

BVCM

Option to obtain additional recognition for beyond value chain mitigation (BVCM) activities

Categorization

New system to tailor requirements based on company size and geography

Validation Cycle

End-to-end framework to enhance accountability and recognition

Clear guidance on assessing progress against targets and target renewal process

Data quality and assurance

New mechanisms incentivize gradual shift toward higher data quality

Limited assurance required for some companies

Key areas that we are seeking feedback on

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Commitment

Organizational boundary requirement aligns with GHG Protocol or consolidated financial statements

Scope 1

Updated absolute contraction approach for target-setting:

- **Option 1** (Budget- conserving contraction): Conserves carbon budget
- **Option 2** (Linear contraction): Ensures path to net-zero by 2050 for all companies

Scope 2

Time- and geographic-matching requirements for contractual instruments (e.g., RECs)

Level of justification needed **to use energy attribute certificates from other markets**

Scope 3

Emissions threshold to decide if **activity target required**

Feasibility of **supplier engagement targets**

Approach to defining **'net-zero-aligned' activities**

Indirect mitigation traceability and quality guardrails

Removals

Approach to **interim removals:**

- **Option 1** (Interim targets)
- **Option 2** (Optional interim targets)
- **Option 3** (Extra abatement and/or interim removals)

Approach to **durability:**

- **Option 1** (Gradual transition)
- **Option 2** (Like-for-like)

Removals **quality criteria**

BVCM

Extent of scope 3 inclusion in **emissions boundary**

Appropriate **scale and type of contribution**

Frequency of **contributions**

Level of progress required for recognition

Categorization

Limited assurance requirement for Category A companies and assurance process details to be publicly reported

Renewal process

Scope 1 renewal target-setting method:

- **Option 1** (Reset target using budget conserving contraction method to correct for under/overperformance)
- **Option 2** (Reset target using linear contraction method)
- **Option 3** (Reset target using linear contraction method and address underperformance for previous cycle through removals)

Data quality and assurance

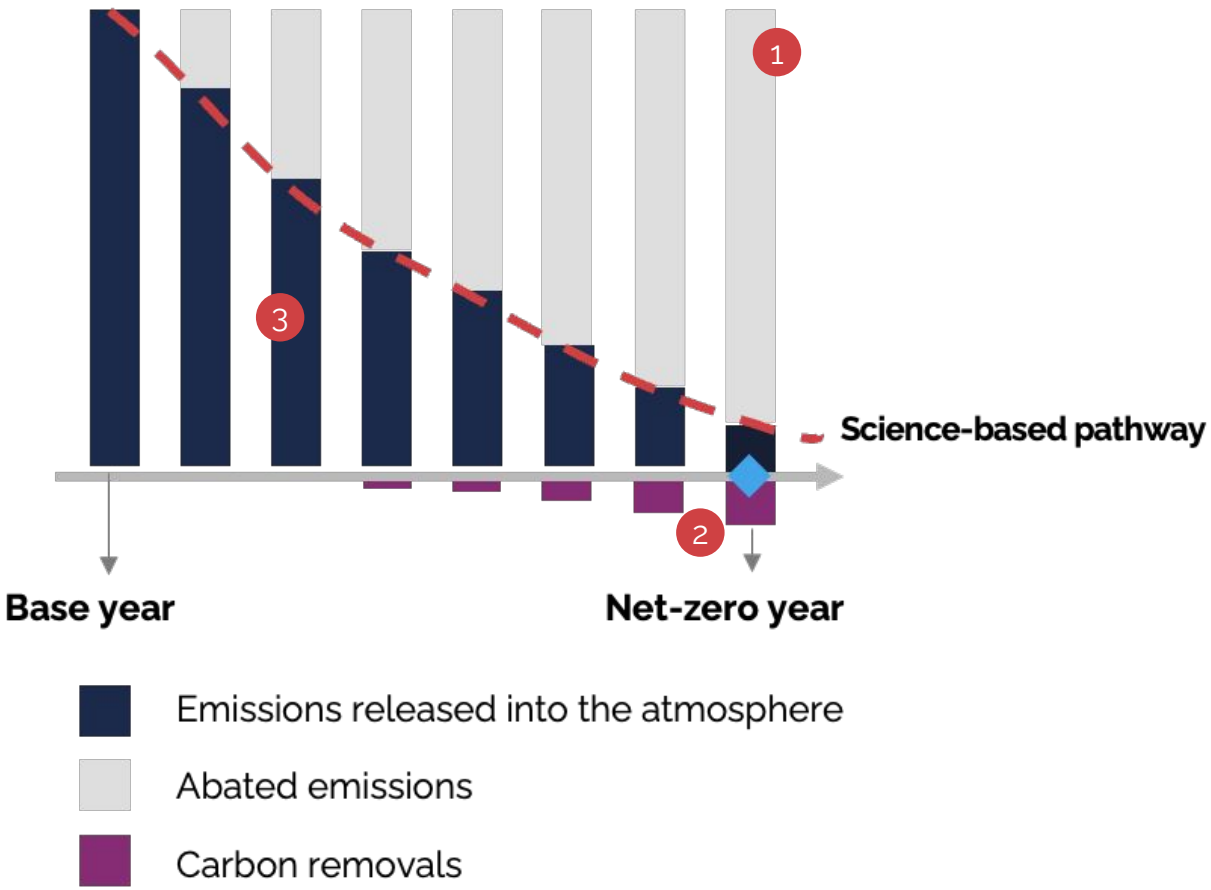
List of accepted verification standards

Claims and claims substantiation guidelines

Underlying impact model of the draft Corporate Net-Zero Standard V2.0

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Illustrative net-zero pathway for company



1. **Target-setting:** Companies are **required** to set targets to abate the emissions associated with their operations, products and supply chains.

2. **Residual emissions:** Companies are incentivized to address the impact of projected residual emissions from the net-zero target year and, increasingly, in the period leading up to it through removals and/or additional scope 1 emissions reductions (options under consultation) **(new)**.

3. **Ongoing emissions:** Companies are recognized for taking responsibility for the emissions released into the atmosphere during their transition to net-zero by contributing to mitigation outside their value chains **(new)**.

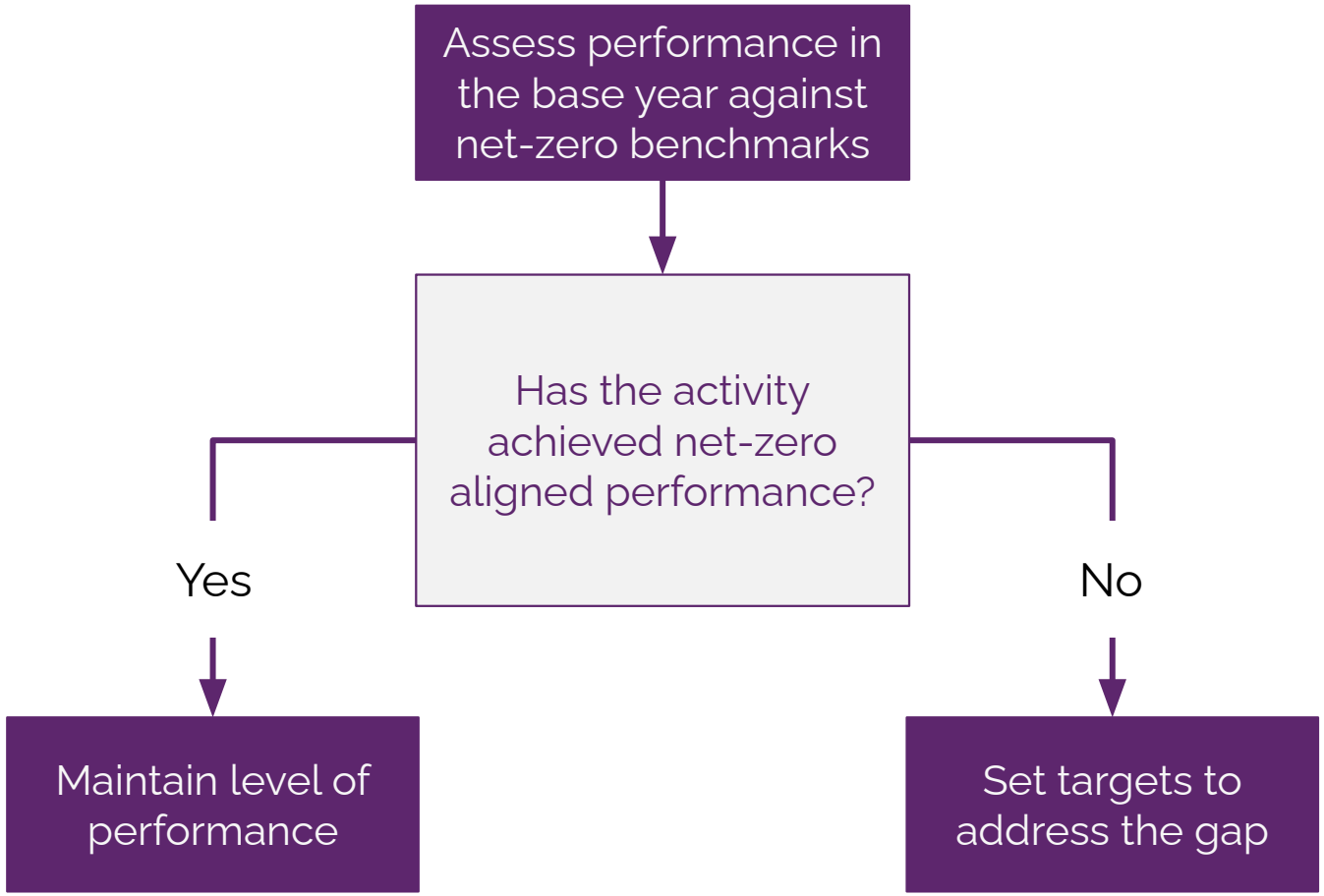
Overarching target-setting approach incorporates benchmarking and gap analysis

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Target setting approach to consider company's current performance

In response to stakeholder feedback, the target-setting approach in the standard has been revised to ensure that targets are not only modelled on top-down, science-based benchmarks (e.g., reference emissions pathways) but also take into account the company's current performance.

A gap analysis enables companies to prioritise efforts in areas with significant gaps while recognising activities that have already achieved emissions performance levels consistent with reaching net-zero.



Planned Transition to Corporate Net-Zero Standard V2.0

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- **The climate crisis demands urgent action** — companies are encouraged to continue to set ambitious science-based targets under the current Corporate Net Zero Standard (V1.2) and Near-Term Criteria (V5.2)

- **SBTi intends to provide a gradual and smooth transition process** for companies that are already ahead in the science-based target setting process
  - New standard to be introduced in 2026 and intended to supersede current standards from 2027.
  - Targets validated against previous versions of SBTi standards are intended to remain valid for five years or until end-2030, whichever comes first.
  - SBTi will offer a clear, streamlined pathway for aligning existing Scope 3 targets with Version 2.0, avoiding duplication of efforts.

Planned Transition to Corporate Net-Zero Standard V2.0: Near-term targets

The current Corporate Net-Zero Standard is the best framework available to set net-zero targets.

We are committed to ensuring a smooth transition from the current to new standard.

	How to set target	How to transition to V2.0	
Near-term targets already set	N/A	**At end of current target timeframe** or **2030** (whichever is earliest): Renew near-term targets using **CNZS V2.0**	*SBTi will provide **further details on the renewal process** in the second public consultation*
Near-term targets set in **2025 or 2026**	Set near-term targets for 2030 using **CNZS V1.2** and **Near-Term Criteria V5.2**	**After 5-years** or **end of 2030** (whichever is earliest): Renew near-term targets using **CNZS V2.0**	*SBTi will provide a **pathway for companies to align their scope 3 targets** with CNZS V2.0*
Near-term targets set from **2027 onwards**	Set near-term and long-term targets using **CNZS V2.0**	N/A	

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Scope 1

CNZS V2.0
Two major updates on scope 1

Updated Absolute Contraction Methods[1]

Accounting for emissions in the gap between the reference year and target base year

Separate scope 1 and scope 2 targets

1. Two options are to be considered in the consultation process including an approach that considers historical emissions performance

Updates intended to address the key challenges companies face with scope 1 target setting and delivery

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

	CNZS V2.0 major updates		
Scope 1 challenges	**Updated Absolute Contraction Methods[1]**	**Separate scope 1 and 2 targets**	**How does this help?**
Targets not accounting for company emissions overshoot, limiting credibility of claims	✓		• One proposed Absolute Contraction Approach variation adjusts the required rate of emissions reduction to preserve the carbon budget
Difficulty ensuring scope 1 reductions are made using scope 1 mitigation mechanisms		✓	• Disaggregating scope 1 and scope 2 targets means scope 1 emissions cannot be addressed through scope 2 market mechanisms or electricity grid decarbonization
Lack of differentiated, nuanced target-setting methods for scope 1 and scope 2 emissions		✓	• Target types and pathways available for scope 1 and scope 2 target-setting now account for differences between emissions from company-owned assets (scope 1) and energy sourcing (scope 2)
Lack of clarity on how performance during the target cycle is reflected in future target ambition	✓		• Both revised Absolute Contraction Approach methods enable the performance during the prior target cycle to be reflected in the ambition of next target cycle

1. Two options are to be considered in the consultation process including an approach that considers historical emissions performance

Companies are required to set a target on 100% of their scope 1 emissions, with method varying by source of emissions

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set target[1] on 100% of scope 1 emissions

Select relevant target setting guidance

Are the emissions relevant to sectoral guidance?

Includes:[2]
- Air transport
- Buildings
- Cement
- Forest Land and Agriculture (FLAG)
- Land transport
- Maritime
- Steel

NO → Set scope 1 target using the **Absolute Contraction Approach**

Deep dive on following pages

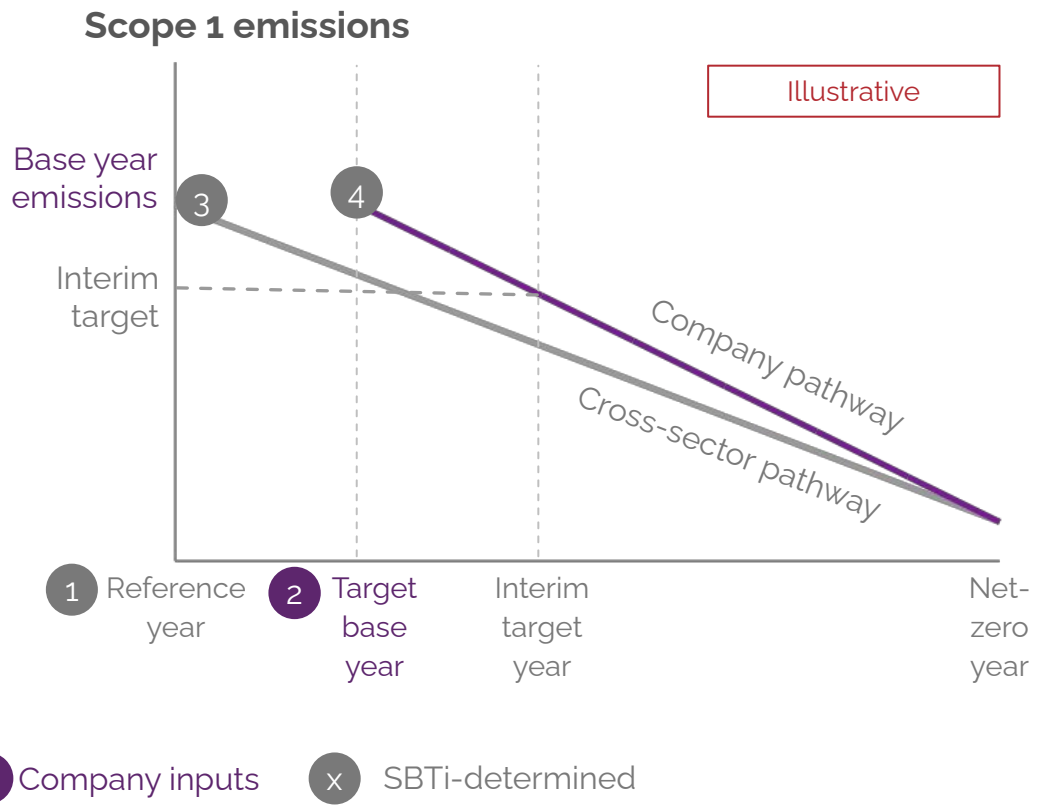
YES → Refer to sectoral guidance (e.g., Sectoral Decarbonization Approach)

1. Targets only required for scope 1 emissions that are currently not net-zero aligned (either below sector allocated residuals based on Annex G in CNSZ V2.0 or 0 tCO_2e); Performance of net-zero aligned scope 1 activities should be maintained; 2. Does not include sectors with guidance in development

The Absolute Contraction Approach allows companies to set base years different to the SBTi reference year

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Absolute Contraction Approach



X Company inputs X SBTi-determined

1 Reference year

- **Set by SBTi and kept the same for all companies (2020)**
- The starting point used to ensure the cross-sector pathway aligns with carbon budgets in IPCC modeling

2 Base year

- **Chosen by company**
- **Companies undergoing validation for first time:** Shall be no more than three years before initial validation (year in which target is set) and reflect typical operations[1]
- **Companies with previously validated targets:** May use original base year provided that organizational boundary and emissions remain valid, or select the target year for the previous cycle, depending on target-setting approach used

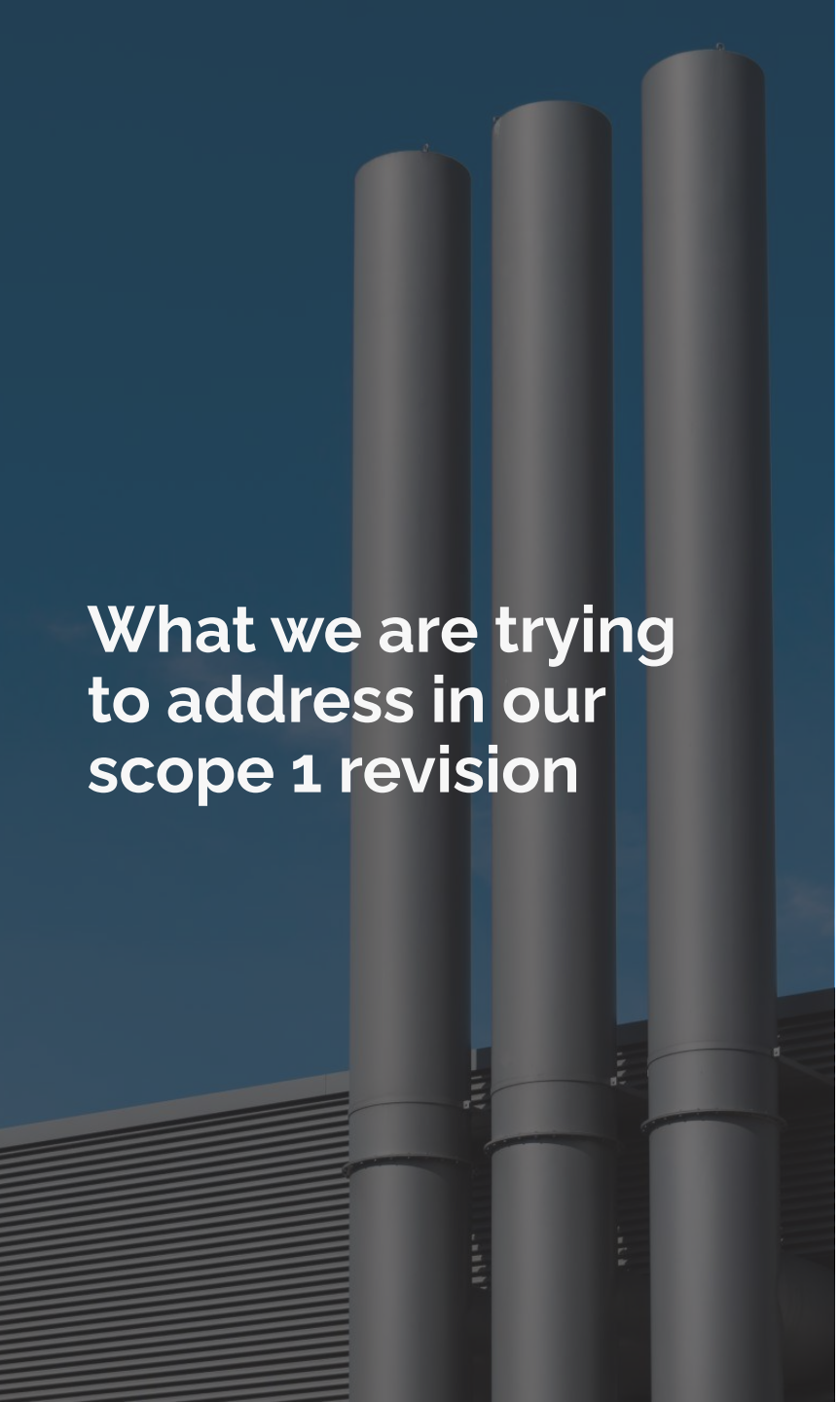
3 Cross-sector pathway

- **Straight line reduction** from reference year emissions to net-zero-year emissions (89% below reference year emissions[2])

4 Company pathway

- **Adjusted straight-line reduction** to ensure company reaches Interim target despite having different base and reference years

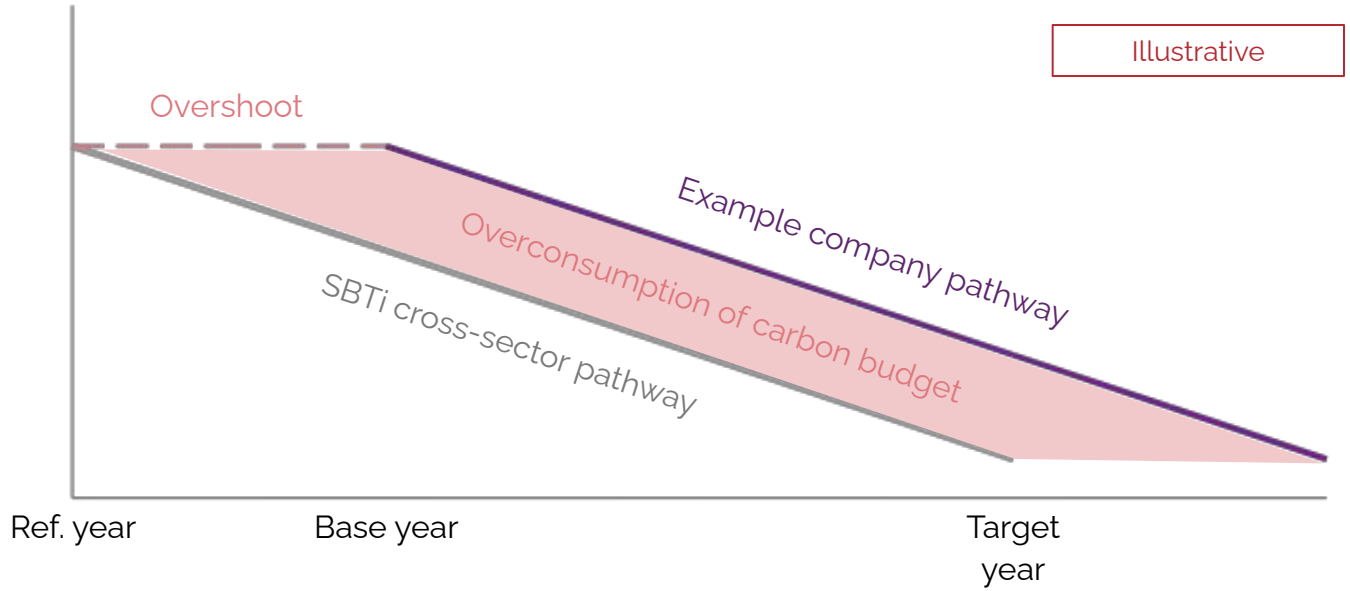
1. Must avoid years with anomalies such as extended shutdowns, natural disasters, one-off events, or unusual economic conditions; 2. The cross-sector residual value (11%) is assigned only to activities in sectors with allocated residual emissions based on the cross-sector emissions pathway



What we are trying to address in our scope 1 revision

The current Absolute Contraction Approach sets an annual emissions reduction rate based on 2020 levels

Reducing at this rate from a later base year results in emissions overshoot and overconsumption of the global carbon budget



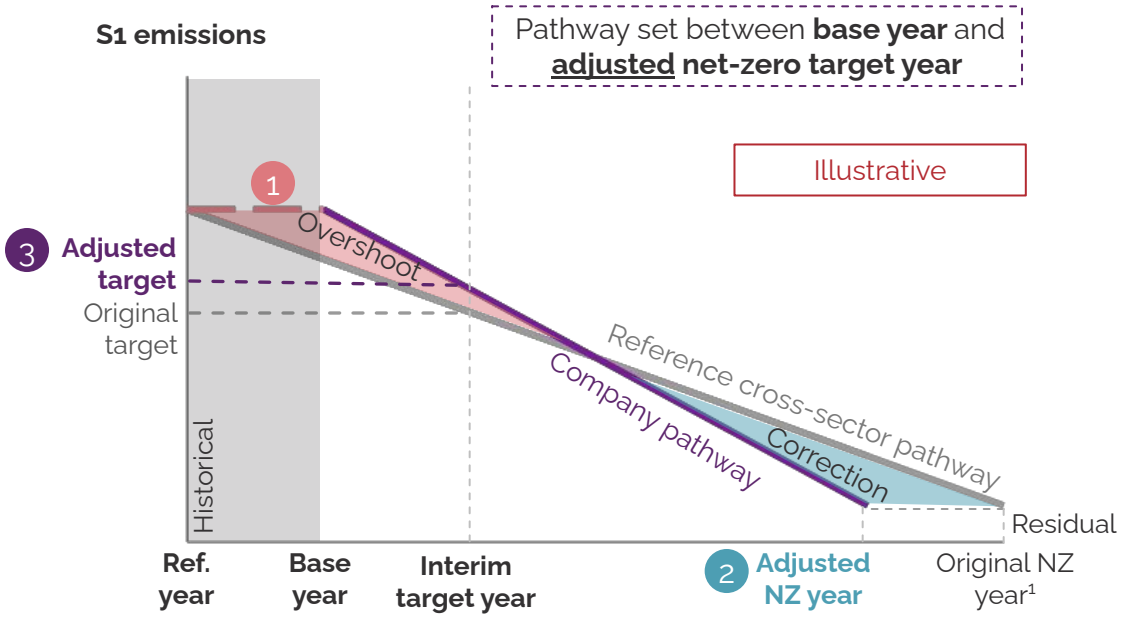
Two variations of the scope 1 Absolute Contraction Approach are being considered in consultation to account for overshoot

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Option 1: Budget-Conserving Contraction Approach

Does account for historical performance and adjusts the net-zero year to correct for historical overshoot

1. Calculate cumulative emissions **overshoot** between reference and net-zero years
2. Calculate the **adjusted NZ Year** to fully correct for overshoot
3. Set **adjusted target** using linear path between base year and **adjusted net-zero year**

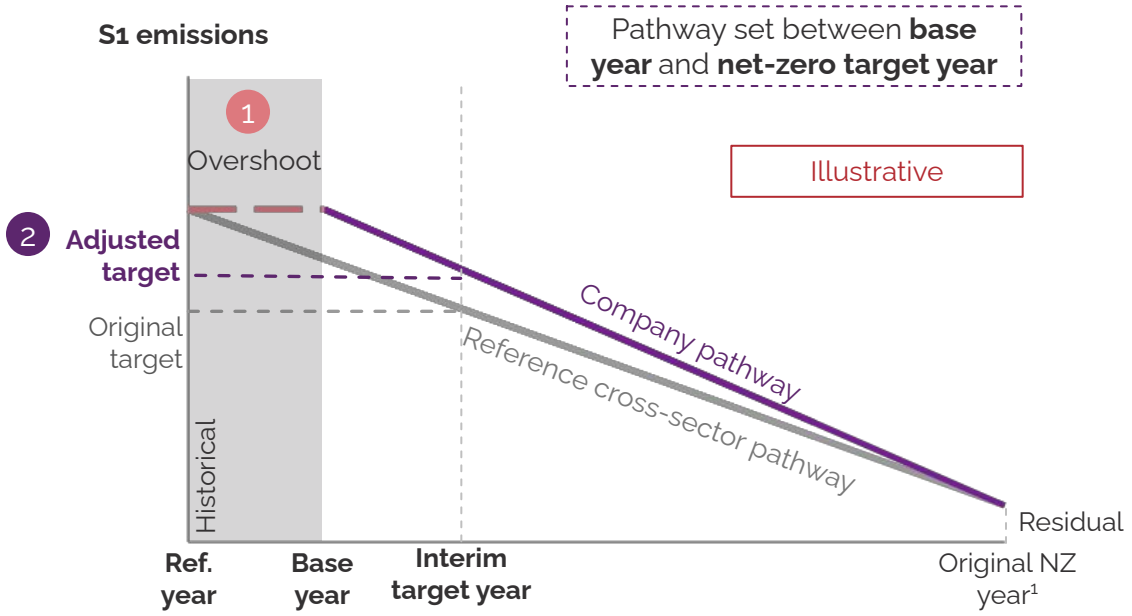


OR

Option 2: Linear Contraction Approach

Does not account for historical performance but ensures all companies have a linear pathway to net-zero by 2050

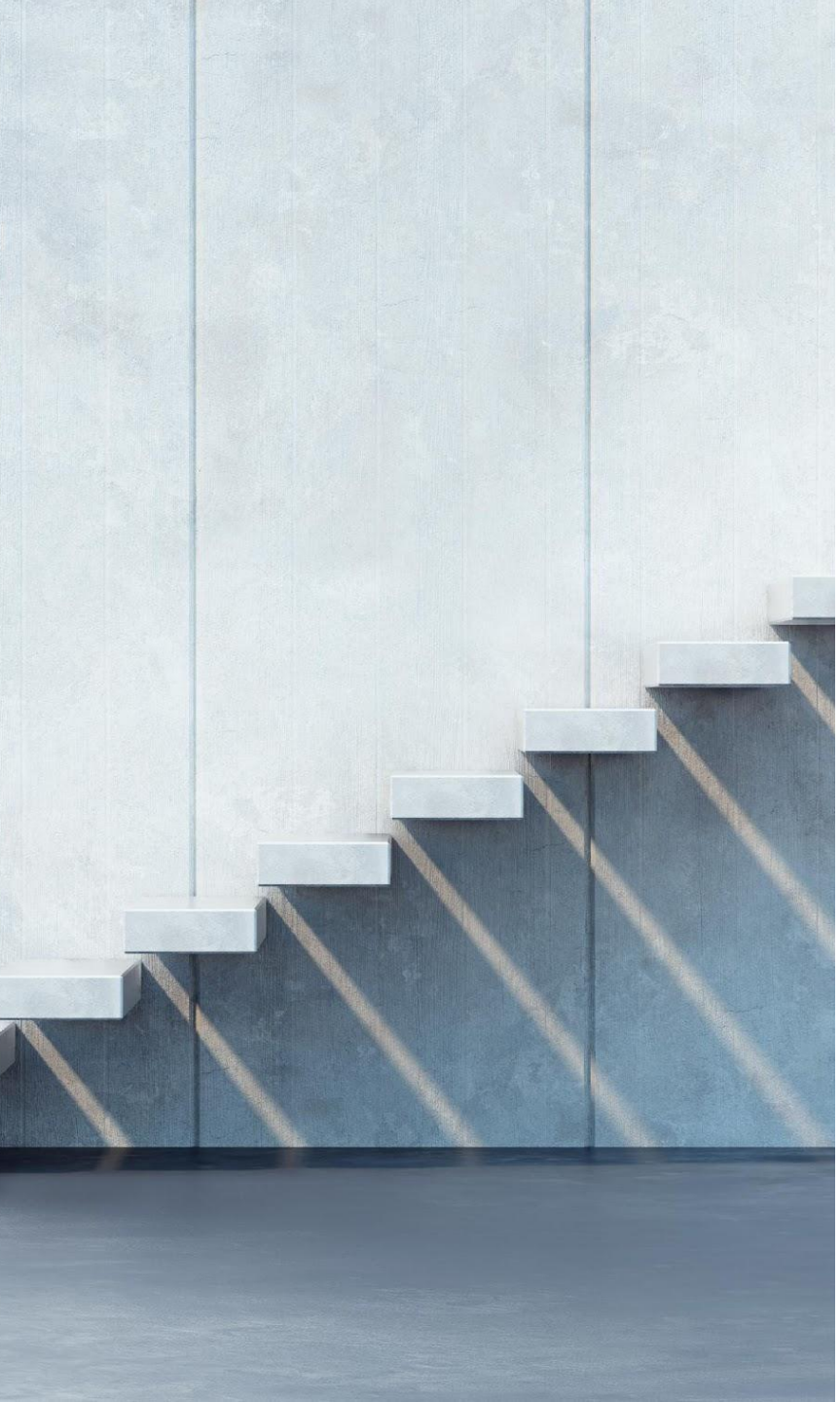
1. Calculate emissions **overshoot** between reference and company base year
2. Set **adjusted target** using linear path between base year and net-zero year



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Continuous improvement and validation



CNZS V2.0
Continuous improvement and validation

From

Undefined renewal process that does not sufficiently address company performance in the previous period or incentivize continuous improvement

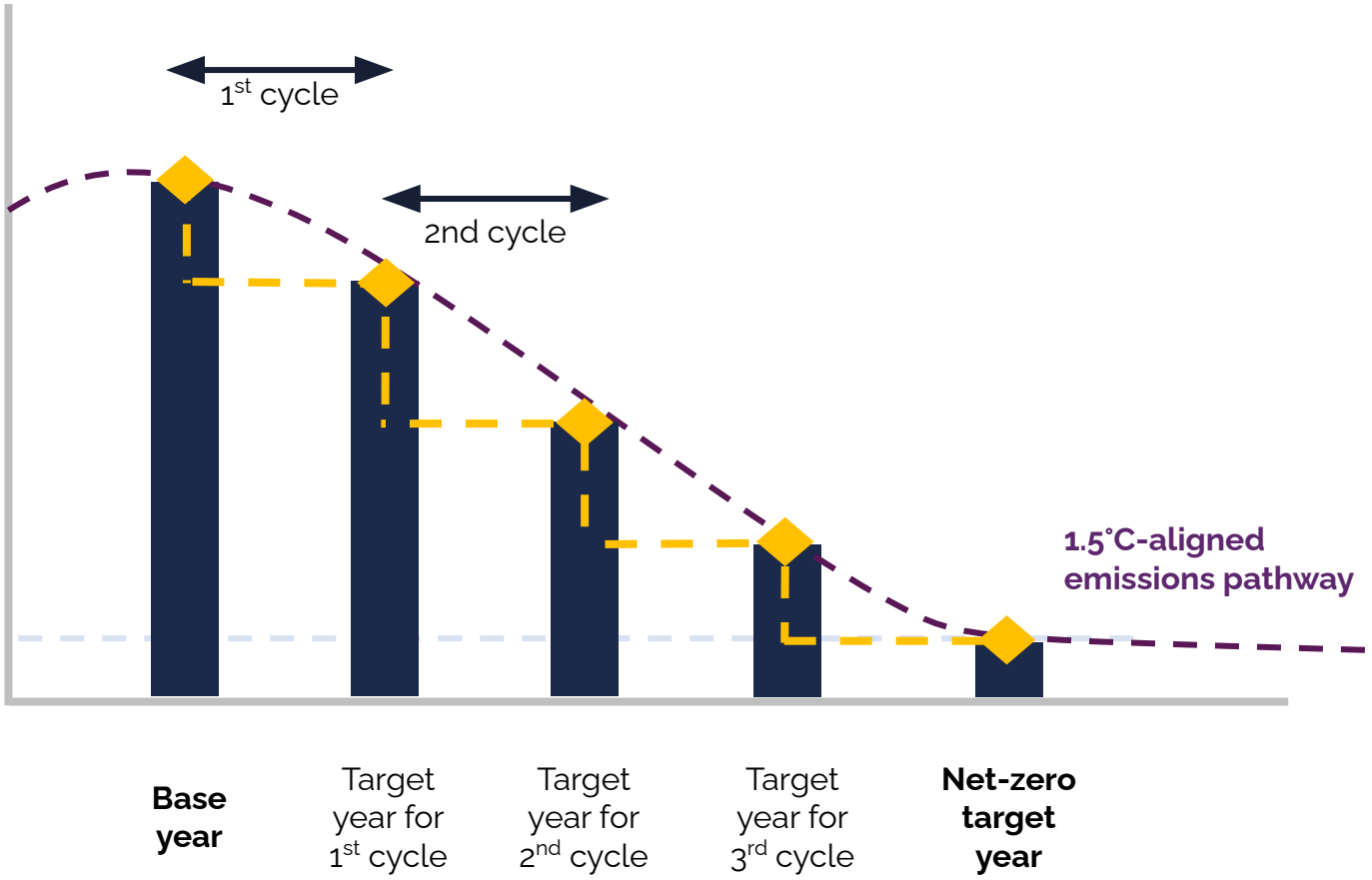
To

End-to-end validation model that provides clear guidance through initial and renewal target-setting and that addresses under-delivery against scope 1 targets

Continuous improvement has been embedded within the concept of science-based target-setting since the start of SBTi

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Continuous improvement and validation cycle

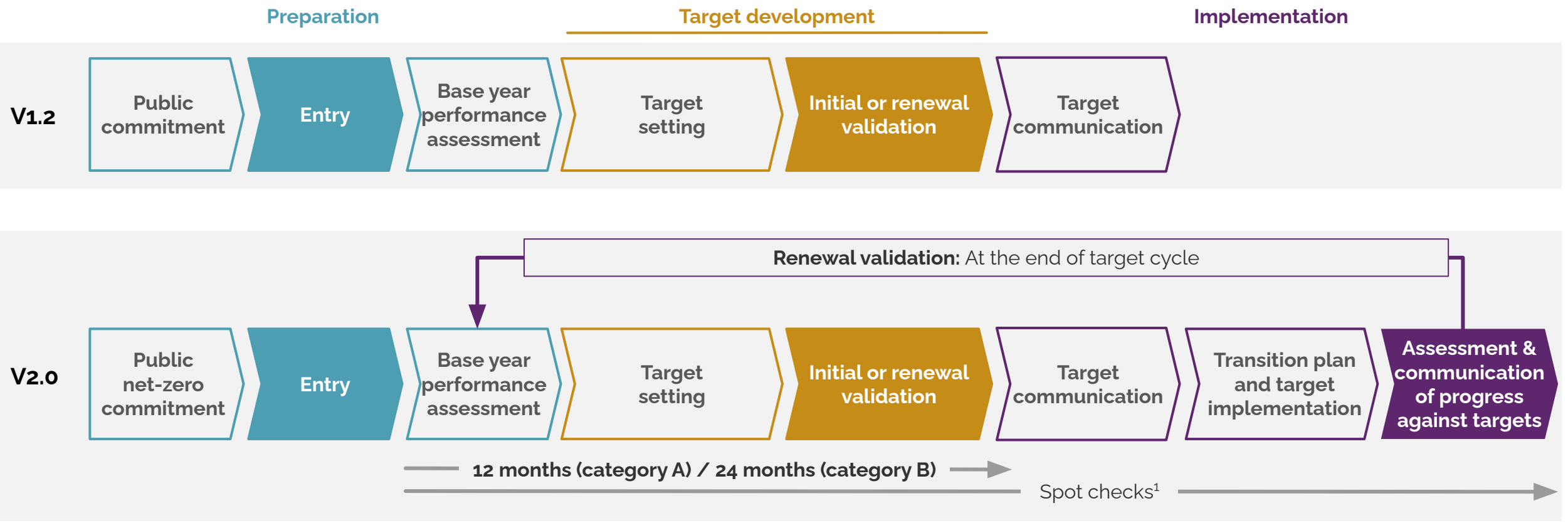


Acknowledging the long-term nature of the transition towards a net-zero economy, all companies participating in the SBTi framework are required to set near-term targets (5 to 10 years) that are consistent with the long-term global climate goals.

In the envisioned renewal process, to continue to be part of the SBTi system at the end of the target cycle, it is expected that companies undertake an assessment of progress achieved for the previous cycle, as well as set new targets for the upcoming cycle.

Updated end-to-end framework for validating and recognizing progress against targets

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



1. Spot checks can be performed at any time during the target cycle to confirm conformity with the CNZS V2 Criteria Assessment Indicators (CAI)

Key updates in the enhanced validation model

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

☆ New steps
? Key topics for input during consultation

Renewal validation triggered: End of 5-year target cycle OR >5% change in base year emissions

Preparation

Public commitment → ☆ Entry → Base year performance assessment

Target development

Target setting → ☆ Initial or renewal validation

Implementation

Target communication → Implementation → ☆ Assessment & communication of progress

Max. **12 months**[1]

Spot checks[2]

Two key preparation changes:

Entry check performed to confirm leadership support to set and progress against targets[3]

Base year shall be no more than 3 years before validation[4]

Four key target development changes:

3rd party assurance of GHG inventory required

Companies report transition plans[5]

Scope 1, 2, and 3 targets must be renewed

Deep-dives to follow

? **Underperformance against scope 1 targets is addressed through renewal target-setting methodologies**

Scope 2 & 3 renewal follows same target-setting methodologies as in initial validation

Two key implementation changes:

Companies assess underperformance (variance) for all targets

? **Companies provide third-party assurance for data substantiating target progress**[1] (to be explored in consultation)

1. Category A companies; Category B companies can complete initial validation within 24 months of Entry. However, during renewal, all companies must assess progress against targets no later than 12 months after the target timeframe has elapsed in preparation for renewal validation; 2. Spot checks can be performed at any time during the target cycle to confirm conformity with the CNZS V2.0 Criteria Assessment Indicators (CAI); 3. Entry check criteria include assigning responsibility for net-zero commitment and commitment approval by the highest level of company governance; 4. Renewal base year is the target year for the previous cycle; 5. Must be approved and adopted by highest level of governance in the company and must be reviewed at least every five years

Scope 1 | Renewal target setting and underperformance correction mechanisms

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

1 Step 1: Assess performance against targets

1. **Confirm Base year emissions are still valid**
   If necessary, recalculate base year emissions before undertaking renewal validation

2. **Calculate performance:**

$$\%\ achievement = \frac{Base\ year\ tCO2e\ - Target\ year\ tCO2e}{Target\ tCO2e}$$

3. **Obtain third party assurance to substantiate target progress**
   (For consultation)

2 Step 2: Set renewal target and correct for underperformance

Note: The SBTi is consulting on these options, including the allowable level of underperformance for companies to qualify for corrective measures.

Option 1: Budget-Conserving Contraction Approach

Target-setting approach
Adjusted pathway drawn between renewal year emissions and adjusted Net-Zero-year emissions

Correction mechanism
Adjusted net-zero year to correct for cumulative emission overshoot between the reference and the initial target years

Option 2: Linear Contraction Approach

Target-setting approach
Adjusted pathway drawn between renewal year emissions and Net-Zero-year emissions

Correction mechanism
No correction for underperformance

Option 3: Linear Contraction Approach + permanent removals

Target-setting approach
Adjusted pathway drawn between renewal year emissions and Net-Zero-year emissions

Correction mechanism
Additional permanent removals equal in volume to the cumulative emission overshoot between the initial base and target years

Scope 1 | Three options under consideration for scope 1 underperformance correction mechanism

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Note: The SBTi is consulting on options to address underperformance when targets have been missed **by a limited amount**, including the allowable level of underperformance for companies to qualify for corrective measures.

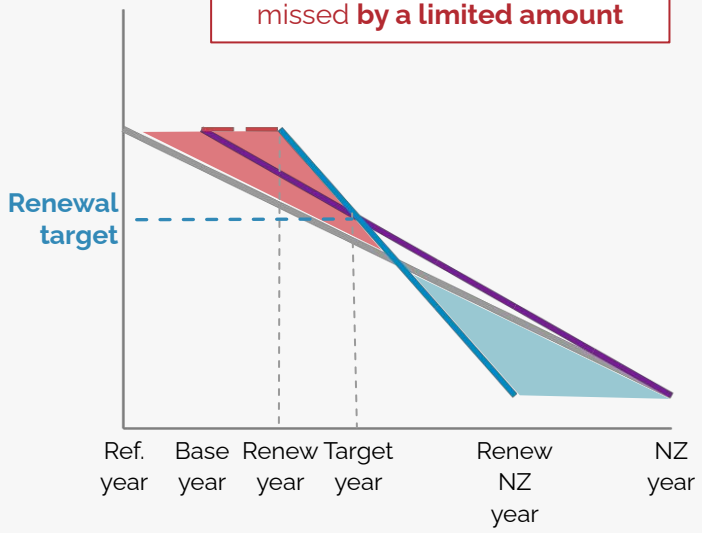
2 Step 2: Set renewal target and correct for underperformance

Cross-sector pathway | Initial validation company pathway | Renewal adjusted company pathway | Overshoot | Underperformance | Correction

Option 1: Budget-Conserving Contraction Approach

- Adjusted pathway drawn based on adjusted net-zero year to conserve the carbon budget

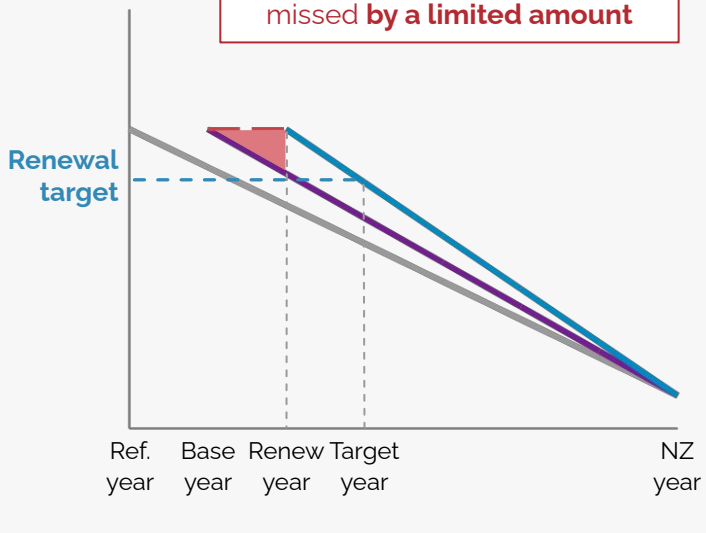
Illustrative - applicable if targets missed **by a limited amount**



Option 2: Linear Contraction Approach

- Adjusted pathway drawn based on original net-zero year but no explicit correction for underperformance

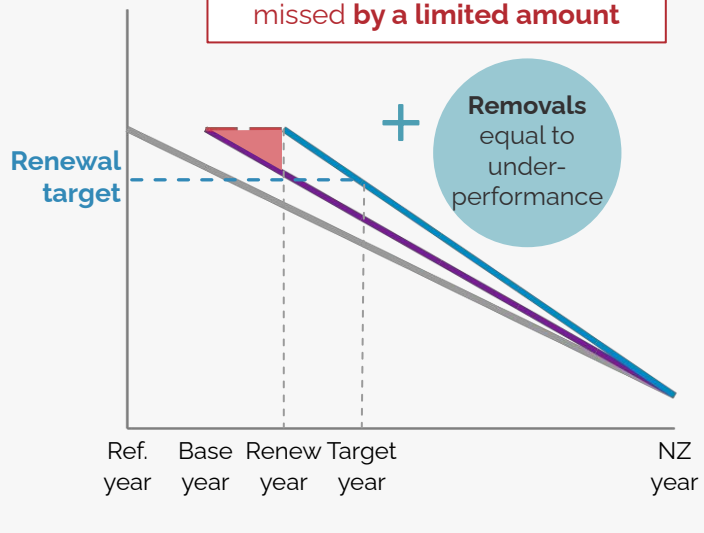
Illustrative - applicable if targets missed **by a limited amount**



Option 3: Linear Contraction Approach + removals

- Adjusted pathway drawn based on original net-zero year with permanent removals in equal volume to underperformance

Illustrative - applicable if targets missed **by a limited amount**



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Scope 2

CNZS V2.0
Two major updates on scope 2

Companies are required to set two separate scope 2 targets; one location-based target and either a market-based target or a zero-carbon electricity target

Further clarity on scope 2 mitigation mechanisms

Updates intended to address key challenges companies face with scope 2 target setting and delivery

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

	CNZS V2.0 major updates		
Scope 2 challenges	**Market/zero-carbon AND location targets**	**Best-practice market mechanisms**	**How does this help?**
Only tracking market-based renewable energy procurement does not directly incentivize companies to support grid-wide emission intensity reduction	✓		• Mandatory location-based targets mean companies are incentivised to take actions that support the reduction of the broader grid carbon intensity, in addition to the reduction in intensity of company-specific, market-based procurement
Use of unbundled renewable energy certificates (RECs) and guarantees of origin (GO) certificates often fails in driving renewable energy deployment		✓	• Incentivization of high-integrity, time- and geographically-matched market-mechanisms sourced in the same market ensures the credibility and effectiveness of scope 2 target setting targets

Scope 2 | Implementing the new scope 2 framework (I/II)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

1 Set initial targets

1. Set target based on average **energy** generation emission factor in sourcing grid

   Set location-based target

AND

2. Set target based on generation from contractually purchased **electricity**

   Option 1: Set market-based target

   or

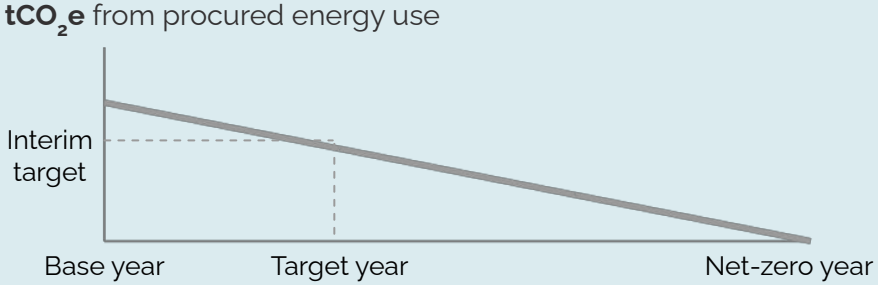
   Option 2: Set zero-carbon electricity target

Location-based and **market-based** targets use **absolute** emissions reduction method and **zero-carbon electricity** targets use electricity sourcing **alignment** method

Absolute target

Absolute Contraction Approach

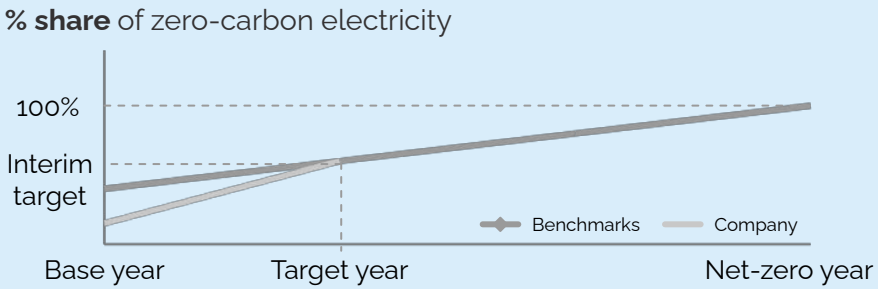
In each target period, emissions must reduce by linear reduction rate set by an underlying pathway



Alignment target

Index Alignment Approach

In each target period, % share of electricity from zero-carbon sources must converge with pre-defined benchmark



Scope 2 | Implementing the new scope 2 framework (II/II)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2 Deploy mitigation measures

? Key topics for input during consultation

The use of zero- or lower-carbon energy to achieve scope 2 targets shall be substantiated through the sourcing of the respective energy carrier and its delivery to the point of use

Highest integrity → Lowest integrity

Location-based targets
(Absolute targets)

Market-based targets
(Absolute targets)

Zero-carbon electricity targets
(Alignment targets)

Increase efficiency

AND

AND

Source zero-carbon or lower-carbon energy from on-site generation or direct line

AND/ OR

AND/ OR

Source zero- or lower-carbon electricity from the grid in which energy is consumed with appropriate[1] contractual instruments

? *<u>Where possible</u>, contractual instruments confirm time- and geographic-matching*

<u>IF NOT POSSIBLE</u> to source zero-carbon electricity from the grid in which energy is consumed

Contribute to zero-carbon electricity in other grids and report this separately to scope 2 emissions

? *Provide justification for inability to source from grid in which energy is consumed*

1. Contractual instruments should, at a minimum, meet the GHG Protocol Scope 2 Quality Criteria (however, this requirement will be further explored and refined through the consultation process)

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Scope 3

CNZS V2.0
Three major updates on scope 3

Updated target boundary

Boundary based on relevance of emissions, rather than a fixed threshold

Greater target-setting optionality

Enhanced use of alignment target-setting metrics and methods focused on outcomes, rather than absolute emissions or emissions intensity

Substantiating progress

Acknowledgment of the use of interventions at the activity pool level and indirect mitigation mechanisms (e.g., book and claim) on an interim basis for emissions with limited traceability

Updates intended to address many of the key challenges companies face with scope 3 target setting and delivery

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

	CNZS V2.0 major updates			
Scope 3 challenges (building on 2023 survey)	**Updated target boundary**	**Alignment method**	**Delivery flexibility**	**How does this help?**
Scope 3 emissions heavily fragmented across emissions categories / sources	✓			• New boundary setting approach focuses on most relevant[1] emissions sources
Limited science-based rationale for scope 3 boundary (67%) and target setting methods	✓	✓		• Boundary-setting based on emissions relevance rather than arbitrary threshold • Alignment metrics taken from science-based benchmarks e.g., SDA
Existing methods not suitable for all companies (e.g., transition-aligned growth)		✓		• Alignment method includes metrics that track with company growth or structural change, e.g. sold/leased-product alignment with credible taxonomies (Indicator-CNZS.11)
Inconsistencies in calculating absolute scope 3 emissions & limited supplier specific data		✓		• Alignment-based targets track progress based on SDA intensity or non-emissions benchmarks, reducing reliance on absolute emissions estimates
Limited ability to influence change e.g., with tier 2 suppliers / customers			✓	• May use indirect mitigation levers for limited traceability emissions e.g., chain of custody or book and claim

1. Relevance is defined based on whether emissions come from "significant" s3 categories (>5% of S3 emissions), or if these emissions come from a predefined list of emission-intensive activities

Scope 3 | Implementing the new scope 3 framework

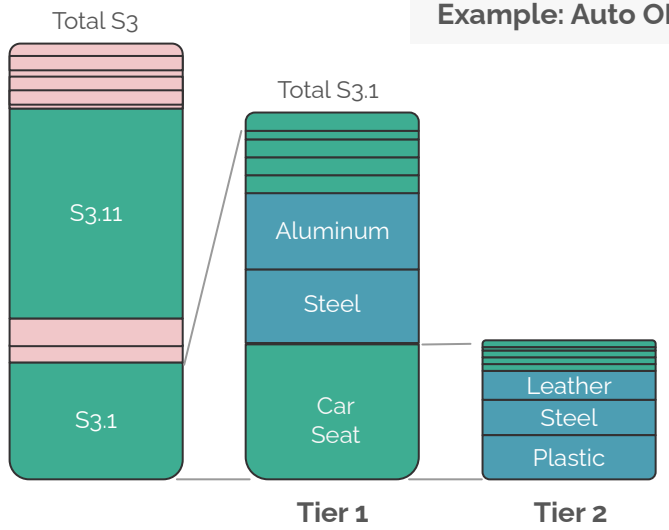
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

? Key topics for input during consultation

1 Set target boundary

Drill down through ALL tiers in ALL S3 categories: include all activities in **significant categories** AND any other **emission-intensive activities** ?

Example: Auto OEM



A Significant categories

Significant if >5% of total S3

B Emission-intensive activities (EIAs)[1]

If >1% of total s3, or >10,000 tCO_2e, **and** in SBTi list of EIAs, in any tier of the value chain

2 Set targets

Set **engagement targets** AND **mitigation targets**

1 Supplier engagement target[2]

- **Suppliers of emission-intensive activities[3]**: 100% aligned by 2030
- **Other suppliers:** 100% aligned by NZ year

2 Mitigation targets

- **At least one target** covering all significant categories (option to split by category)
- ? **Separate targets** for each **emissions-intensive activity >[X]%** of S3 emissions (% to be decided in consultation)

Using <u>at least one</u> of the following methods

Absolute	Intensity	or	Alignment ?
tCO_2e	tCO_2e/product; tCO_2e/$		% aligned spend, or revenue[4]

3 Deploy mitigation measures

For each **mitigation target**, select mitigation measure

Traceable emissions sources
(e.g. automaker directly procures steel)

1. Physical connection of emissions source to company
2. Emissions source is accompanied by a supplier-specific emissions profile

→ **Direct mitigation:** physical segregation or controlled blending

? **Semi-traceable emissions sources**
(e.g. steel inputs to car seats traced to activity pool)

Physical connectedness cannot be proven, but is theoretically possible e.g., sourcing from an activity pool

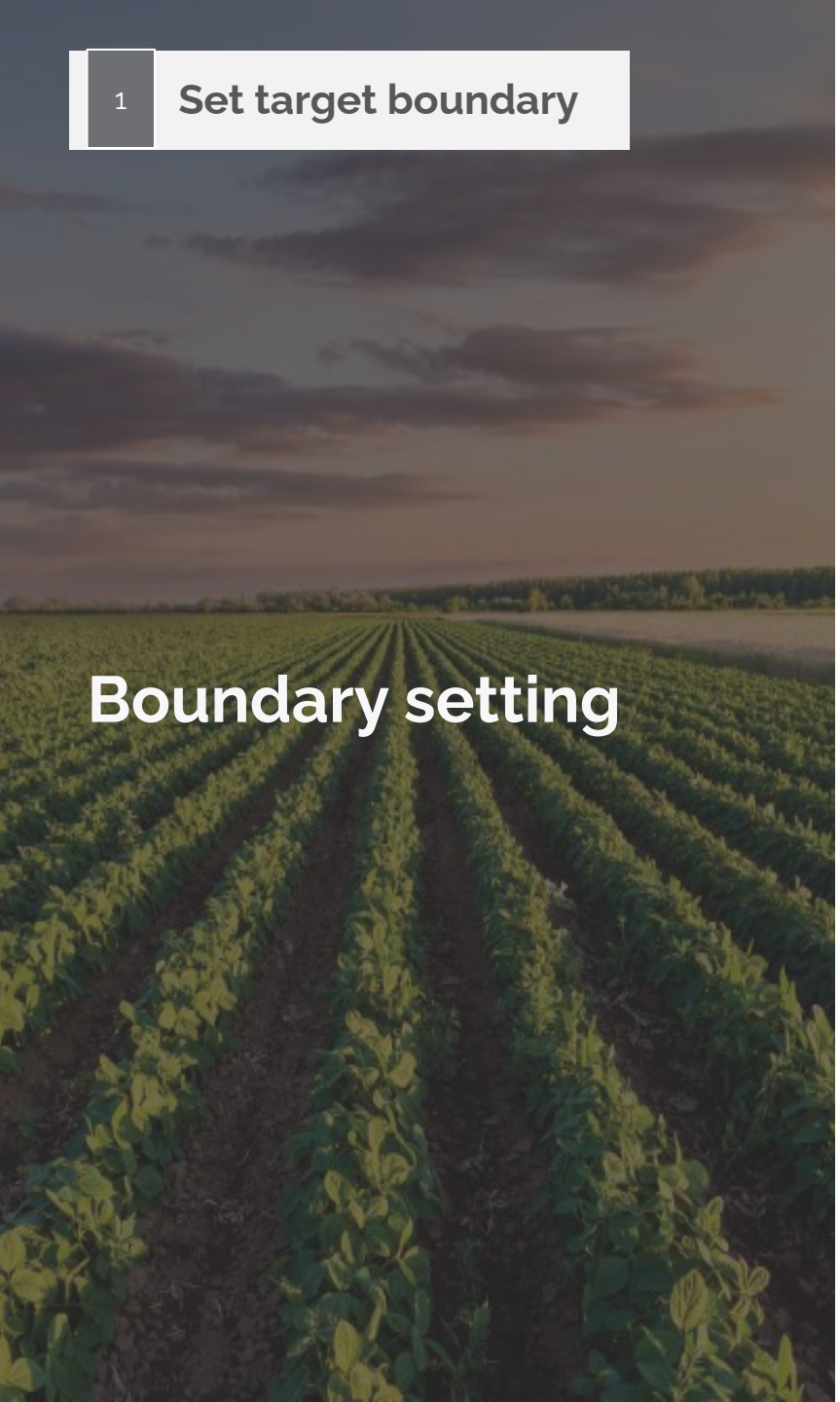
→ **Direct mitigation (w/traceable chain of custody):** mass balance

? **Untraceable emissions sources**
(e.g. leather source in car seat unknown)

Physical traceability is not possible or insurmountable barriers exist e.g., unknown tier 2+ suppliers

→ **Indirect mitigation:** book & claim ('interim' mechanism)
→ **Policies:** for select categories[5]

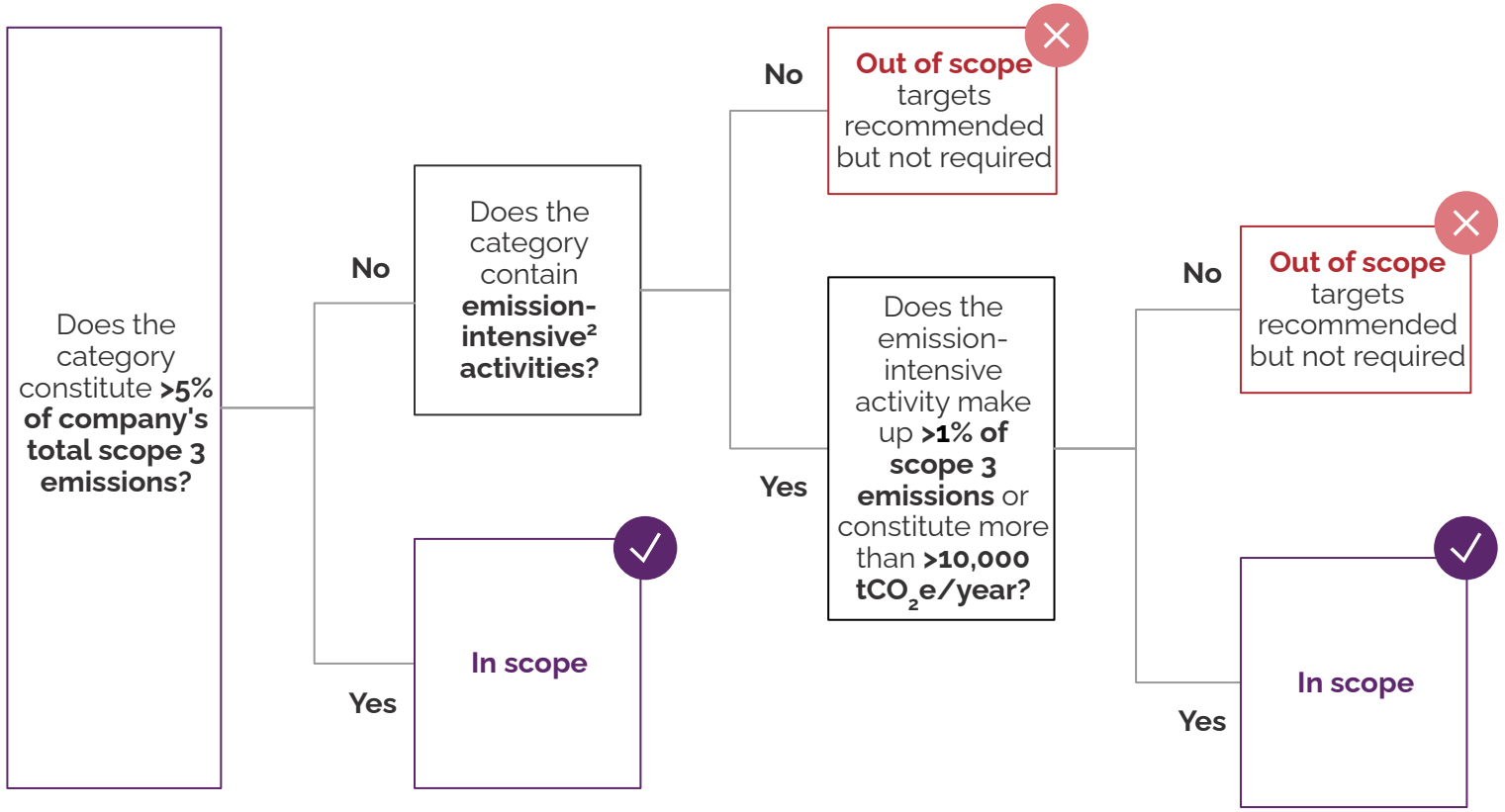
1. Emission-intensive activities based on predefined list in Annex D of CNZS V2.0; 2. May also include downstream customer engagement; 3. If emission-intensive activities are farther up in the value chain, companies must require tier 1 suppliers to extend these requirements to their own suppliers involved in emission-intensive activities 4. Spending on aligned products = products which match a 2050 benchmark metric e.g., carbon intensity value from SDA; alignment can also include % volume of aligned products, % revenue from aligned products; 5. Categories are: 4-Upstream transport and distribution, 6-Business travel, 7-Employee Commuting, 9-Downstream transportation and distribution, 11-Use of sold products, and 12-End of life treatment of sold products



1 Set target boundary

Boundary setting

Potential approach[1] to identify relevant emissions sources for inclusion in the scope 3 target boundary



1. Companies may also decide to first identify significant emissions intensive activities as a first step before identifying significant categories for inclusion. Either approach is suitable, provided the outcome is that all significant emissions intensive activities and significant categories are identified for inclusion within the target boundary. 2. Emission-intensive activities based on predefined list in Annex D of CNZS V2.0

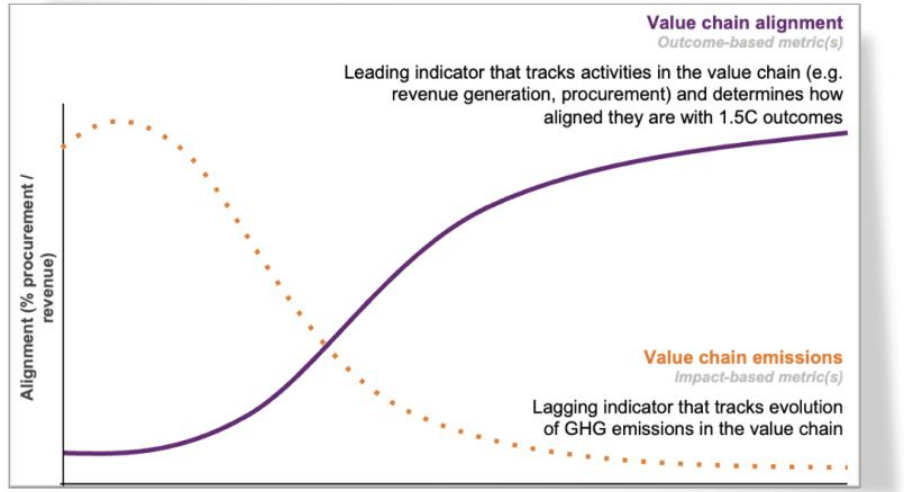
Alignment targets: Overarching logic

Based on the feedback received on the scope 3 discussion paper, alignment metrics and targets are proposed as an alternative to emission reduction targets.

Example: to address emissions from the procurement of an energy-intensive commodity (e.g. steel), companies can set any of the following targets:

- **Absolute reduction:** Targets to reduce absolute emissions from the procurement of the material.
- **Intensity reduction:** Targets to reduce the emissions intensity from the procurement of the material.
- **Alignment:** Targets to increasingly procure from low or zero-carbon sources.

Alignment targets are expected to drive emissions reduction as value chain alignment is a leading indicator that tracks activities in the value chain and determines how aligned they are with 1.5˚C outcomes



Detail | Emission-intensive activities

Note: Summarized list; see full description of Activities in Annex D of the Corporate Net-Zero Standard

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

	Activity type	Sector	Activities	Scope 3 category
Upstream	**Procured commodity**	Agriculture	Cattle, chicken, cocoa, coffee, dairy, leather, palm, pork, rubber, maize, rice, wheat, soy, timber & wood fiber	1
		Industry	Cement	1
			Primary chemicals (including ammonia, ethanol, high value chemicals)	1
			Aluminum	1
			Steel	1
		Mining	Iron, copper, lithium, nickel, cobalt, manganese	1
	Additional activities	Transport	Road transport, aviation, maritime transport	2, 4, 8
		Real estate	Commercial buildings (offices, retail spaces, hotels, warehouses, or mixed-use properties)	2, 8
		Energy	Other assets that consume fossil fuels	1,2
Downstream	**Sold good or service**	Fossil fuels (coal, oil, gas)	Distribution and sales of fossil fuel products or related services	11, 13
			Products that consume fossil fuels	11, 13
		Other	Products that contain or form greenhouse gasses that are emitted during use	11, 13
		Energy	Products that consume electricity	11, 13
	Additional activities	Real estate	Commercial buildings (offices, retail spaces, hotels, warehouses, or mixed-use properties)	11,13

Alignment targets: Overview of mechanics

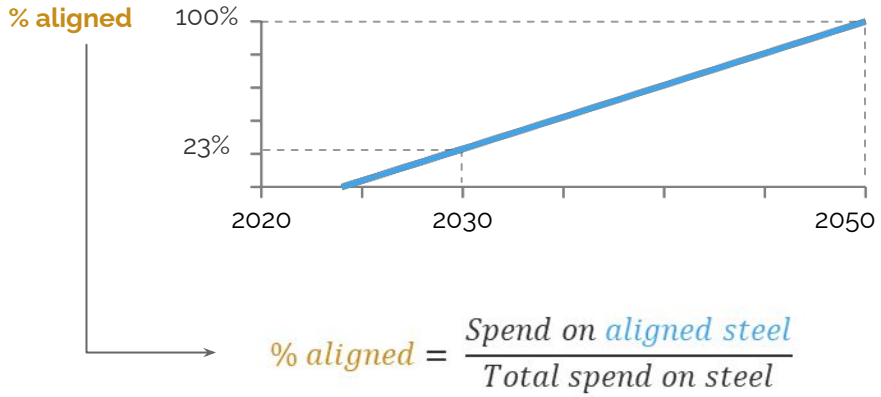
	What must be tracked?	What is the 'alignment' benchmark?	How is the target achieved?
	Indicators	**Alignment benchmarks**	**Linear alignment approach**
Upstream emission-intensive activities (EIAs)	**% spend on aligned EIAs** ***aligned EIA** = activity that meets alignment benchmark	**xx $kgCO_2$ / functional unit** or **/ product**[1] OR **Non-emissions-based outcome** (e.g., zero emissions vehicles)	**Between base year and target year:** Linear increase in % alignment (e.g., % spend on aligned EIA) **By 2050:** 100% alignment (e.g., 100% spend on aligned EIA)
Downstream emission-intensive activities (EIAs)	**% revenue from net-zero achieved products** ***net-zero achieved product** = product that meets alignment benchmark		

1. Based on 2050 SDA (upstream) or other credible taxonomies (downstream); SDA is a method used to calculate emissions intensity targets based on the principle of converging to a sector-wide physical emissions intensity in a future year of a mitigation pathway

Alignment targets: How to set and assess alignment targets

Target formulation

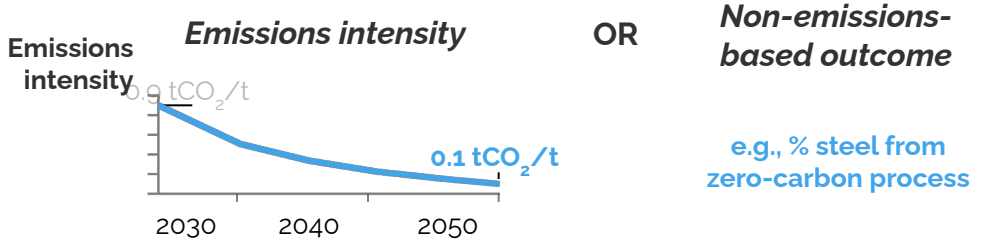
Company commits to align procurement spend for EIA (e.g., steel) based on linear alignment: **23% aligned by 2030** and **100% aligned by 2050**



$$\%\ aligned = \frac{Spend\ on\ aligned\ steel}{Total\ spend\ on\ steel}$$

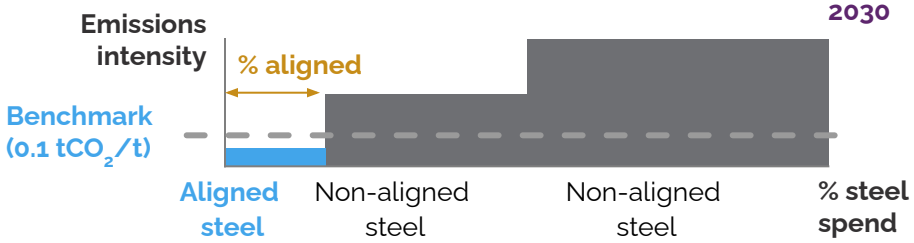
Net-zero benchmark

Companies choose from two types of SBTi-defined benchmarks for '**aligned steel**'



Performance assessment

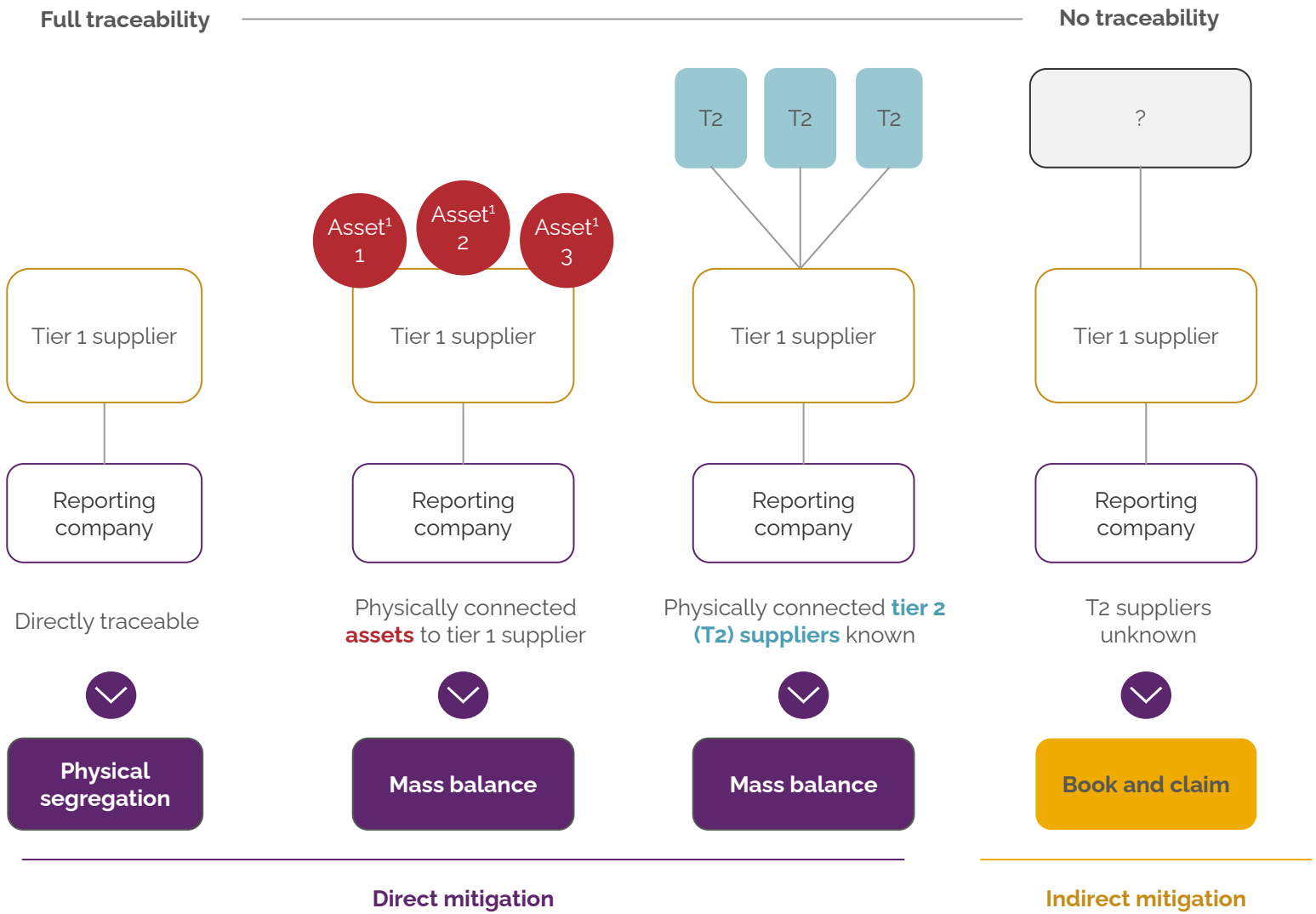
Company assesses alignment in a given year by assessing the proportion of procurement **within the net-zero benchmark threshold** (e.g., SDA carbon intensity)



3 Deploy mitigation measures

Indirect mitigation measures: upstream

Required mitigation measures differ based on level of traceability



1. Assets, for example, could be facilities where the company uses mixed materials that may have different emissions footprints to produce products.
Note: Clear delineations on when direct vs. indirect mitigation is warranted will be further refined in the consultation process, as well as the specific chain of custody models, including variants of mass balance, applicable for direct vs. indirect mitigation.

Downstream emissions | Indirect mitigation and policies required where direct mitigation not possible

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Activity filter

Activity mitigation ONLY required if:

Within minimum boundaries of GHG Protocol[1]

AND

Category is >5% of scope 3 emissions

OR

Emission-intensive activity (On SBTi list AND >1% of scope 3 emissions or 10 $ktCO_2e$)

Preferred mitigation

Direct mitigation required where possible

+

Mitigation for activities when direct mitigation not possible

Indirect mitigation required where direct mitigation not possible

+

Policies required for select categories

9. Downstream transportation and distribution

11. Use of sold products (electricity-related emissions only)

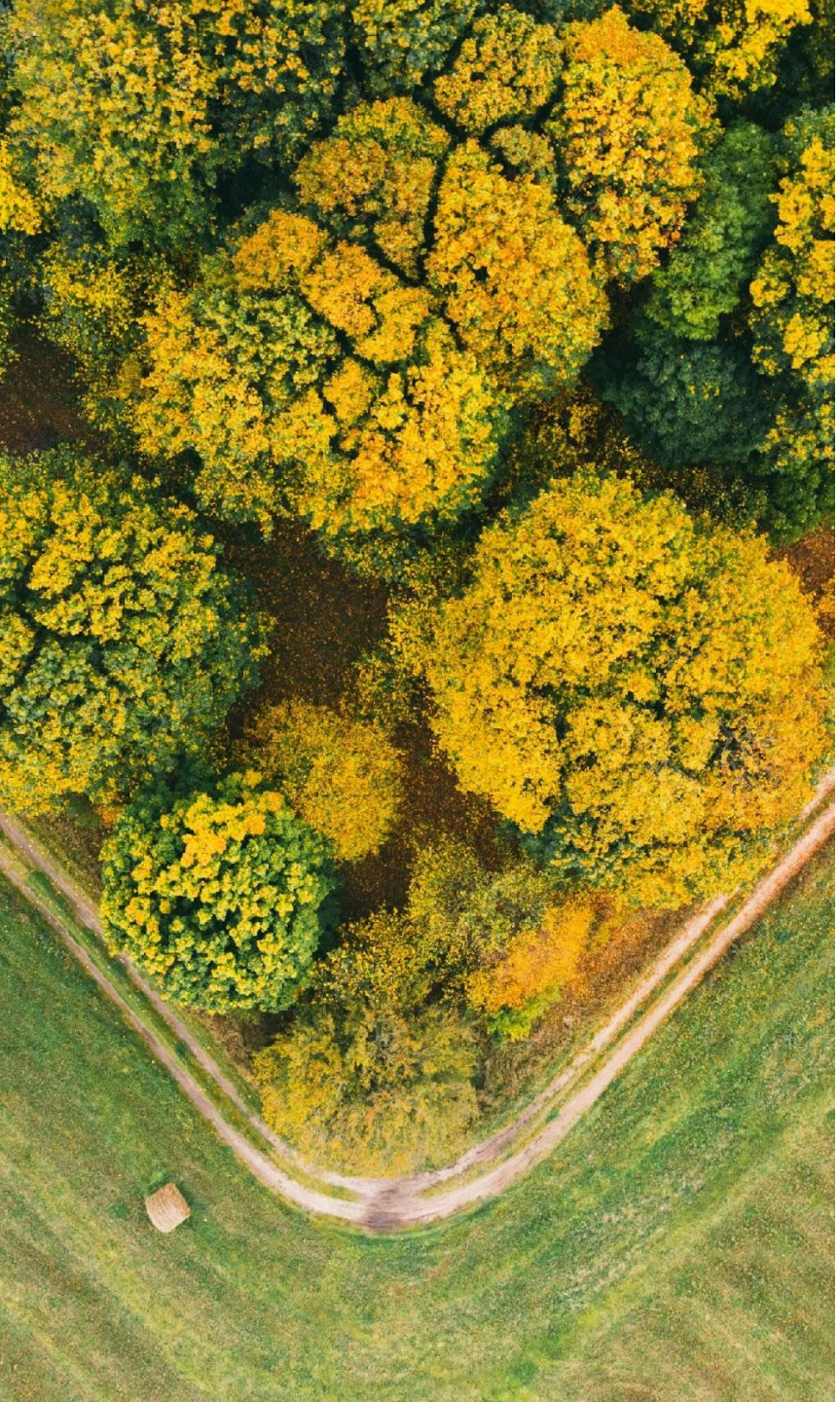
12. End-of life treatment of sold products

1. For category 11, use of sold products, for example, this only includes direct use phase of products
Note: Companies with significant scope 3 category 15: Investments emissions are encouraged to use the Financial Institutions Net-Zero Standard; Note: Clear delineations on when direct vs. indirect mitigation is warranted will be further refined in the consultation process

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Addressing residual emissions



CNZS V2.0
Addressing residual emissions

Removals
Scope 1 residual emissions will be proactively addressed either through interim removal targets, or through additional abatement (i.e. scope 1 emission reductions) or removals.

Minimum durability requirements
Requirement for either gradual transition to high-durability removals or matching durability of removals to residual GHGs

Neutralization required for scope 1 and 3 emissions
No expected scope 2 residuals at net-zero; neutralization of scope 3 emissions to be addressed by value chain partners.

Integrity standards
Requires removals to adhere to high-integrity standards

Updates intended to address many of the key challenges companies face with neutralization and removals

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

	CNZS V2.0 major updates				
Challenges	**Interim removals**	**Minimum durability requirements**	**Scopes 1 and 3**	**Integrity standards**	**How does this standard help?**
Lack of near-term incentive to accelerate deployment of removals in line with science-based pathways	✓				Provides several options of incentives for companies to gradually increase removals over time leading up to the net-zero target year
Low supply of durable removals in near-term to fulfill “neutralization milestone” recommendation	✓	✓			Introduces an option for companies to address residual emissions via increased scope 1 reductions in lieu of removals; minimum durability thresholds are introduced, with two options outlined: a "like for like" approach (durability matched to atmospheric lifetime of GHGs) and a gradual transition approach (increasing share of durable removals over time)
Lack of clarity on responsibility for scope 3 neutralization			✓		Residual scope 3 emissions can be addressed either by value chain partners or by providing support to value chain partners, encouraging collaboration and reducing burden for reporting company to purchase removals
Lack of clarity on quality or integrity requirements for removals				✓	Increased clarity on appropriate quality standards for removals will be provided

Removals are required to neutralize residual emissions, but can also be used in the lead-up to the net zero year

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

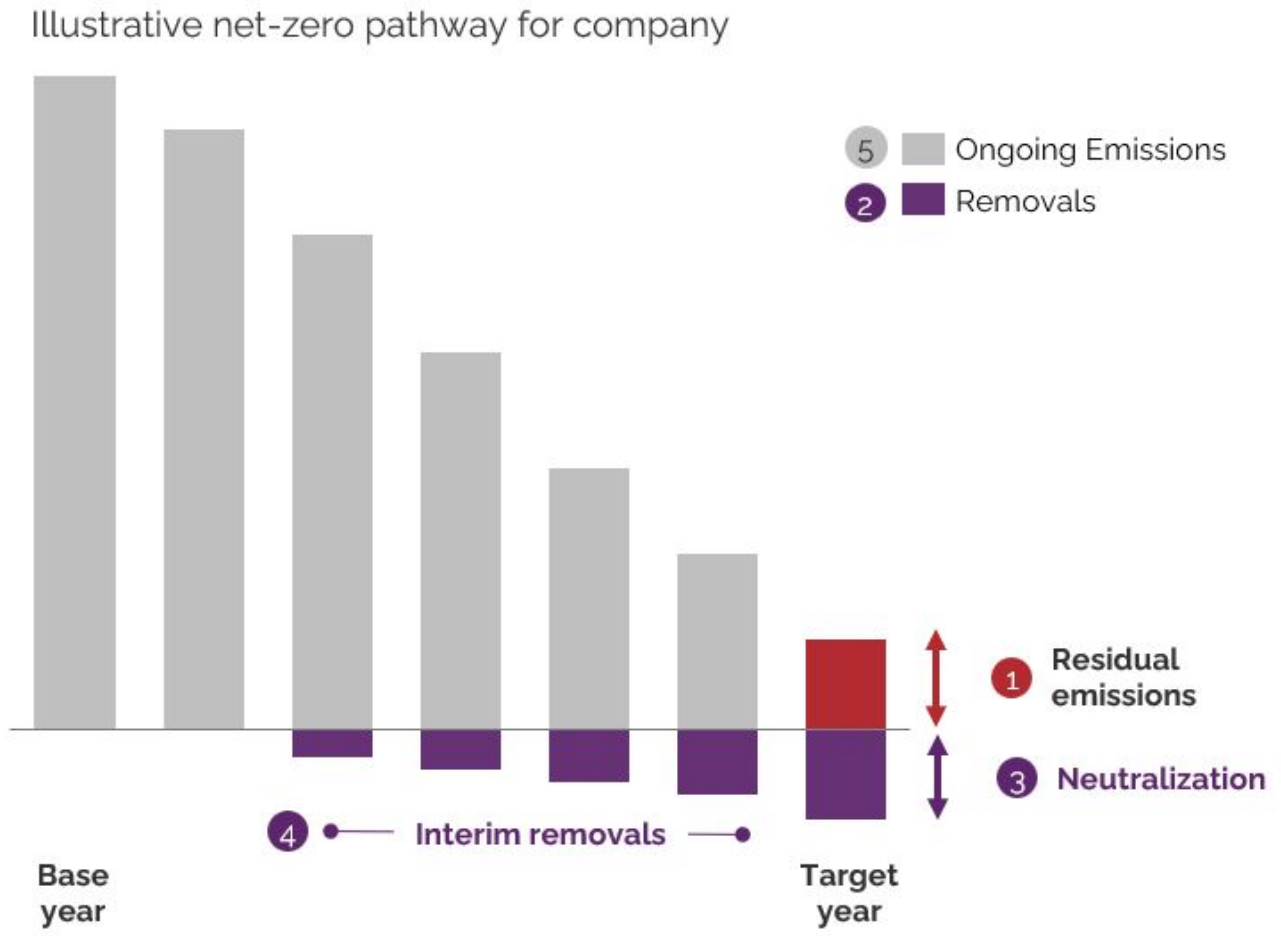
1. **Residual emissions** represent the emissions that cannot be completely eliminated despite implementing all available mitigation measures contemplated in pathways that limit warming to 1.5˚C with no or limited overshoot. In the context of SBTs, residual emissions refer to the company's emissions that remain once its long-term target has been achieved.

2. **Carbon removals** (removals) are actions that sequester CO_2 from the atmosphere and durably store it in geological, terrestrial, or ocean reservoirs (or in products). Storage of removals can vary in durability.

3. **Neutralization** refers to the measures companies take to counter-balance residual emissions through removals **at and after** their net-zero target year.

4. **Interim removals** are removals that companies use in the lead-up to the net-zero target year to proactively address residual emissions.

5. **Ongoing emissions** are emissions occurring from the target base year before the net-zero target year. Companies may receive additional recognition for addressing ongoing emissions through Beyond Value Chain Mitigation (BVCM).



The draft CNZS V2.0 sets out two sets of options to be considered for the new neutralization framework

First design choice: How residual emissions are integrated into a company's requirements in the lead up to the net-zero year

1. Companies are **required to** set separate removal targets to address projected residual emissions
2. Companies **recognized for** setting separate removal targets to address projected residual emissions
3. Companies address residual emissions through **additional scope 1 abatement or removals**

Second design choice: Methodology for determining minimum durability threshold[1]

- 1a Like-for-like approach
- 1b Gradual transition approach

1.Options for minimum durability are separate from options for framework for integration of removals into the standard, and are not linked to the option 1 requirement to set removal targets. Rather, they refer to cases in the "Documentation of Target Setting Methods" Appendix.

Removals – options 1 & 2 | Companies purchase increasing volume of removals to meet interim targets

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Companies are required to (Option 1), or receive additional recognition for (Option 2), setting **interim removal targets** every 5 years from 2030 until annual removals equal **residual emissions in the net-zero year target year**

1 Identify scope 1 pathway

Companies identify their **scope 1 target pathway** for scope 1 emissions determined by cross- or sector–specific pathways for emissions reduction

2 Determine net-zero residual

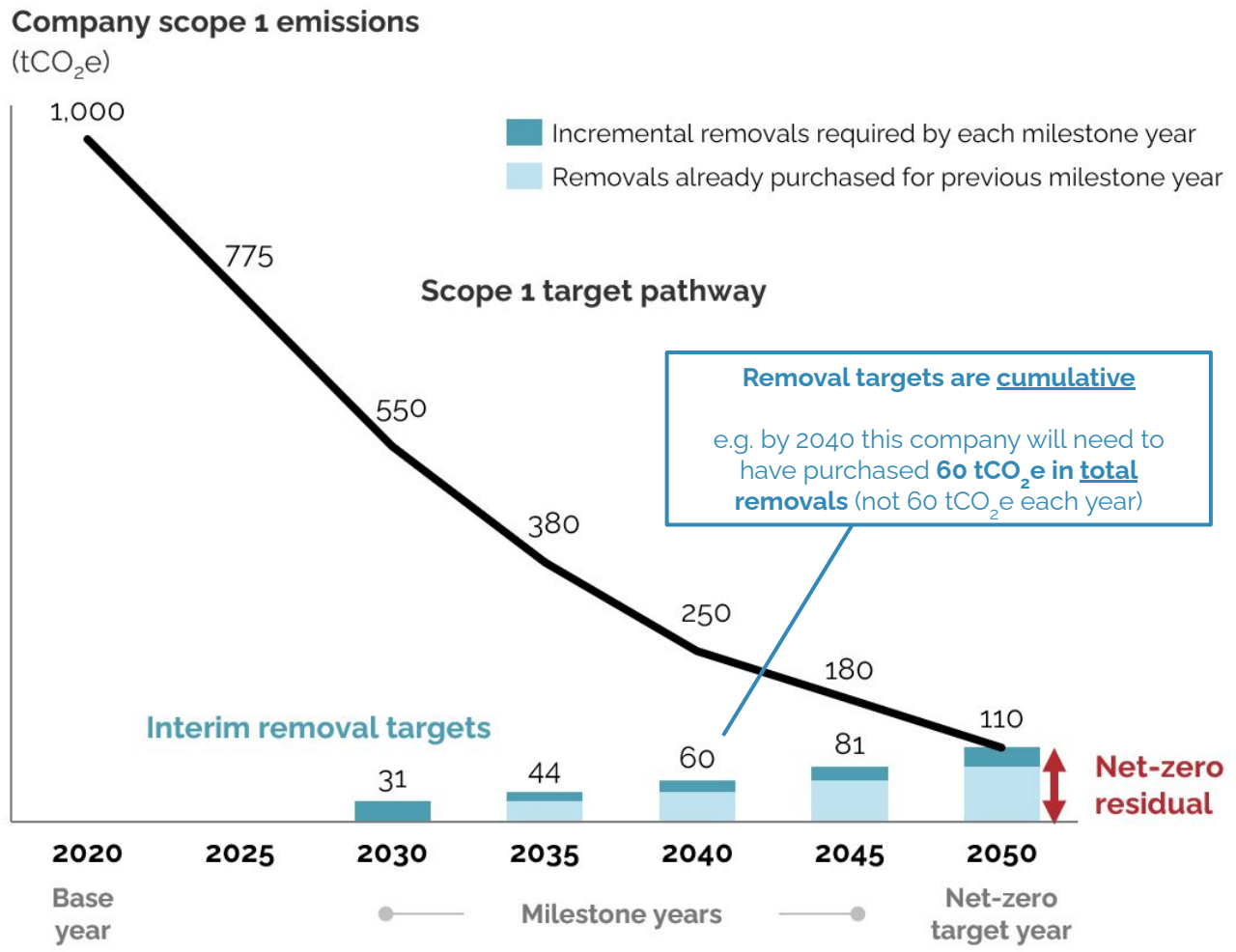
The **net-zero residual** is the projected remaining scope 1 emissions in the target year. These can range from 0% to 34% of base year emissions, dependent on sector

3 Determine interim removal targets

Interim removal targets set the level of removals needed to be achieved by each milestone year. These are calculated based on company's net-zero residual emissions and **interim removal factors (IRFs)** (set by SBTi, based on global ratio of removals needed at milestone year to removals needed at the net-zero target year[1])

$$\textit{Interim removal target } (tCO_2e) = \textit{Net zero residual } (tCO_2e) \times \textit{Interim Removal Factor}(\%)$$

Method for selecting IRF to be determined by consultation



1. Based on IPCC 1.5°C Degree pathways

Removals – option 3 | Residual emissions addressed through additional abatement or removals

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

No additional removal target, instead companies have flexibility to address projected residual emissions through **additional abatement or removals**, or a combination of the two.

1 Identify scope 1 target pathway

Companies identify **their scope 1 target pathway** for scope 1 emissions determined by cross- or sector-specific pathways for emissions reductions and volume of allowed removals.

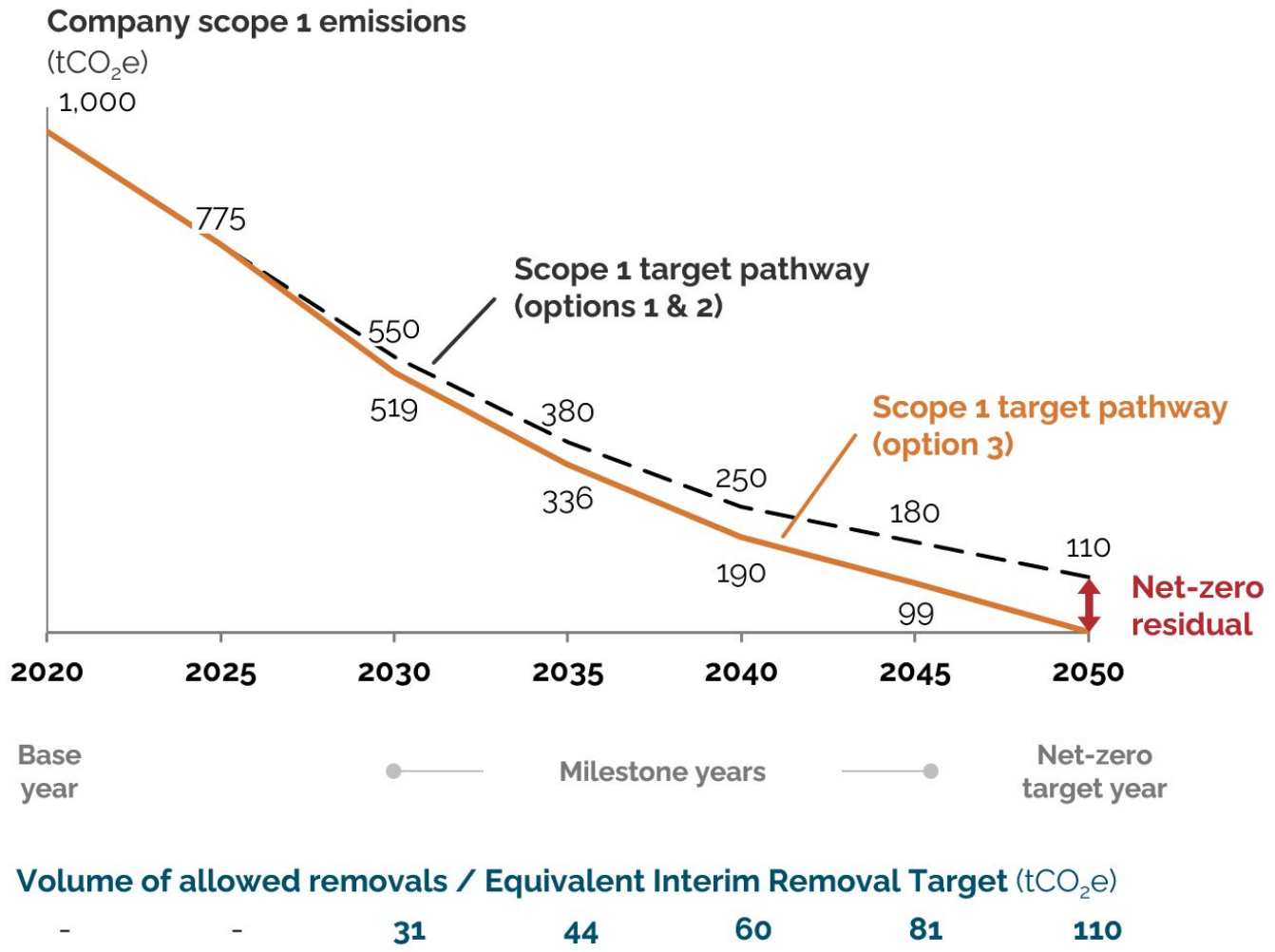
2 Mitigate scope 1 emissions

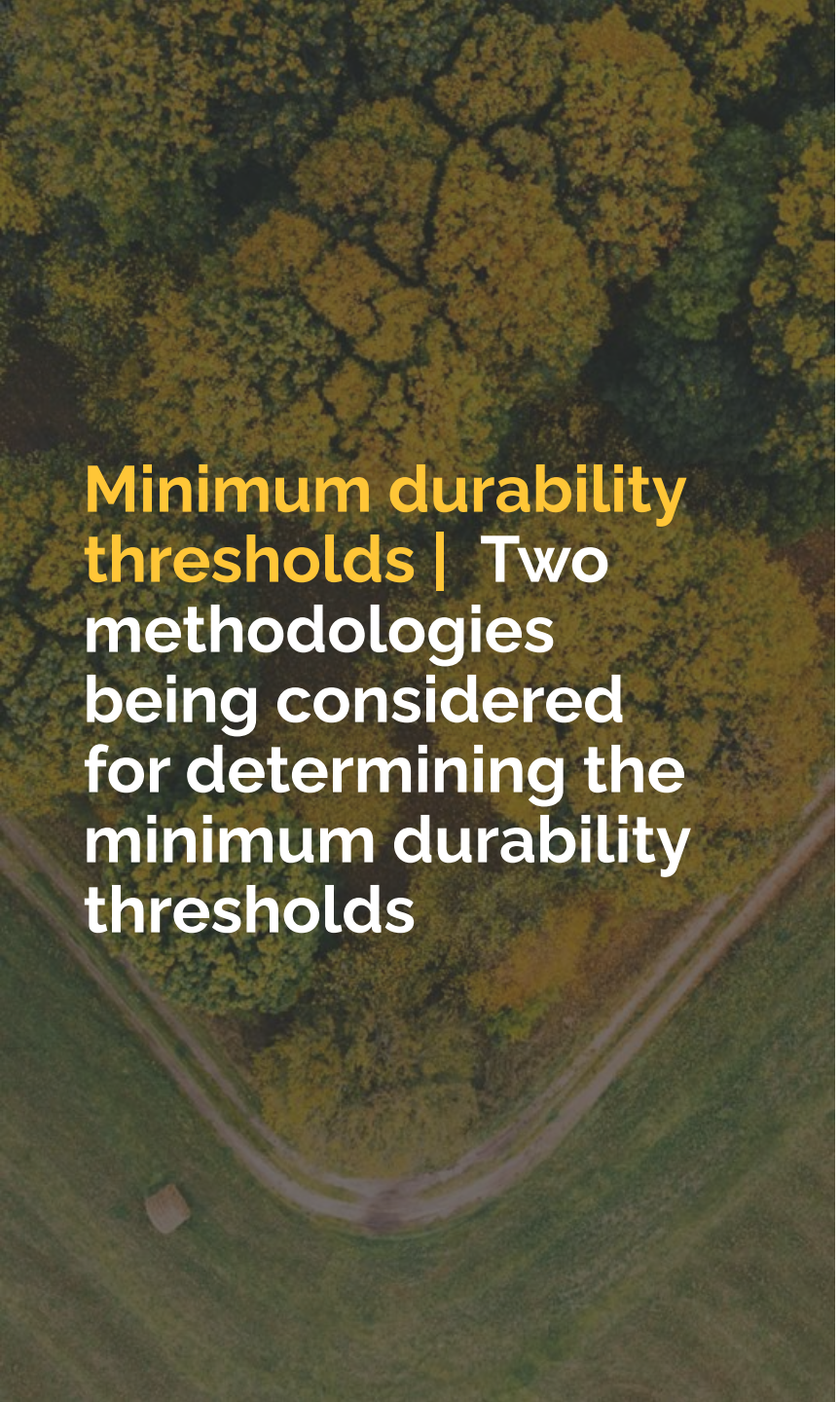
Companies **mitigate their scope 1 emissions** to meet their scope 1 target pathway:

- Gross emissions must be reduced at least to the level of their SBTi-assigned emissions pathway.
- Additional scope 1 emission mitigation beyond this can be achieved through further abatement (i.e. s1 emission reductions), removals, or both.

3 Allowable removals

The **maximum volume of removals allowed in this option is the same** as the removal target volume. However, this option allows companies to address these emissions through additional scope 1 reductions first where possible, in alignment with the mitigation hierarchy.





Minimum durability thresholds | Two methodologies being considered for determining the minimum durability thresholds

Minimum durability threshold

Two methodologies are being considered for determining the minimum durability threshold of eligible removals. Carbon removal solutions that meet or exceed this threshold qualify for inclusion in targets.

Interim Removal Factors (IRFs), which set the amount of removals required (or allowed) every five years, are informed by the minimum durability threshold.

Option 1a: Like-for like approach

- **Net-zero residual emissions** reported as **individual GHGs**
- **Multiple interim removal factors** disaggregated by **atmospheric lifetimes** of individual GHGs
- **Minimum durability thresholds** for removals is based on **atmospheric lifetime** of residual GHGs

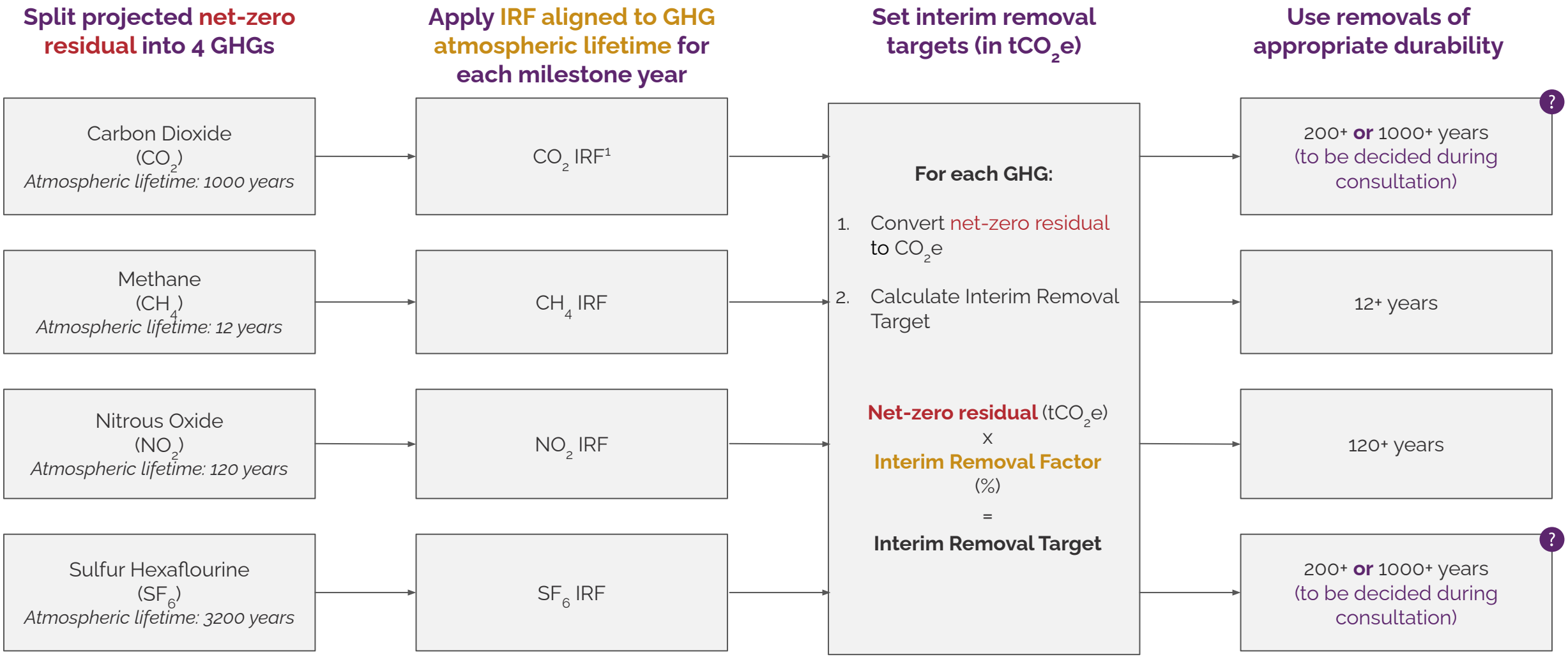
Option 1b: Gradual transition approach

- **Net-zero residual emissions** reported as a **single CO_2e value**
- **Single interim removal factor** aggregated across GHGs, but **split by durability of removals** (novel vs. conventional)
- **Minimum durability thresholds** for removals **increases over time**, based on IPCC 1.5°C scenarios

Minimum durability option 1a | Like-for-like approach

Companies required to match removal durability to atmospheric lifetime for each GHG

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



1. IRF trajectory will be different dependent if 200+Y or 1000+Y durability is selected as the minimum criteria for CO2

Minimum durability option 1b | Gradual transition approach

Companies required to neutralize with increasing share of novel removals

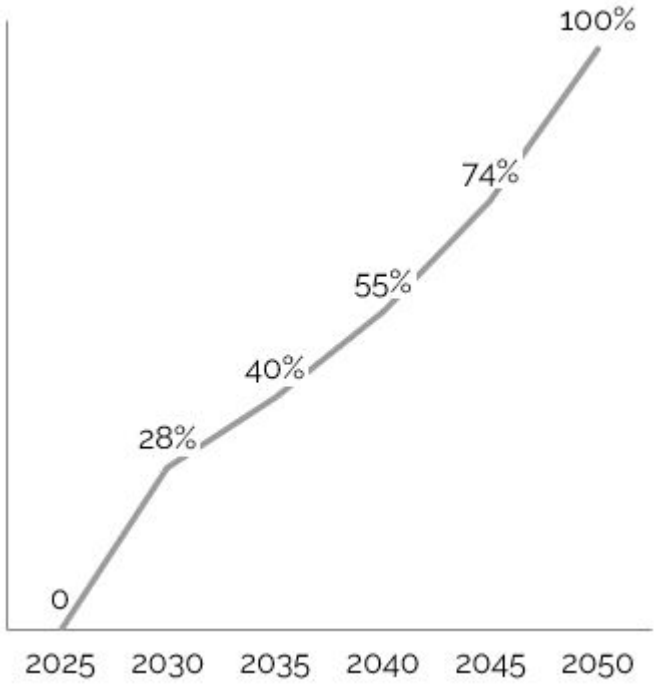
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

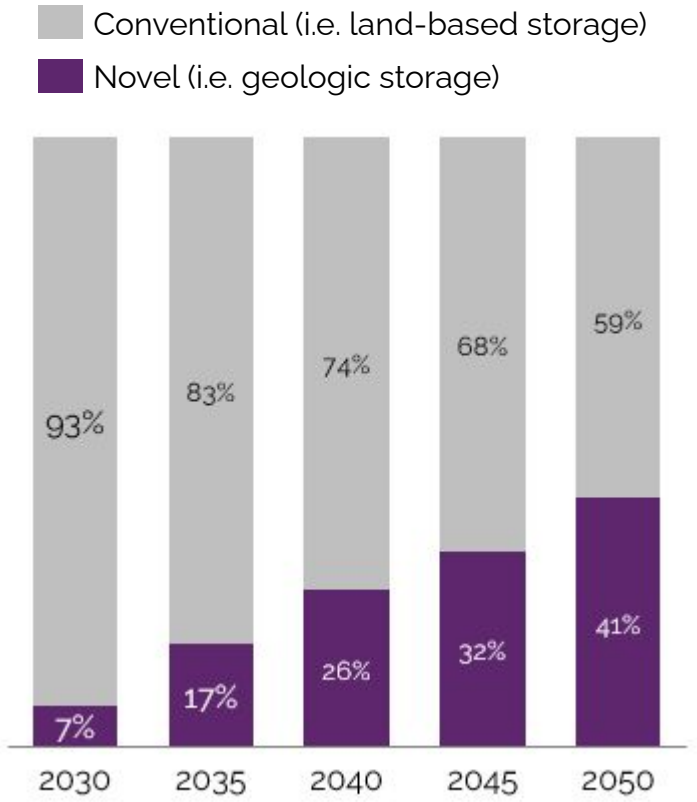
Overall interim removal factor (IRF) is based on growth rate of global removals in IPCC 1.5°C pathway

Standard requires increasing share of novel removals, in line with IPCC 1.5°C pathway for carbon removal

Companies apply IRF to expected residual to determine required removal each milestone year

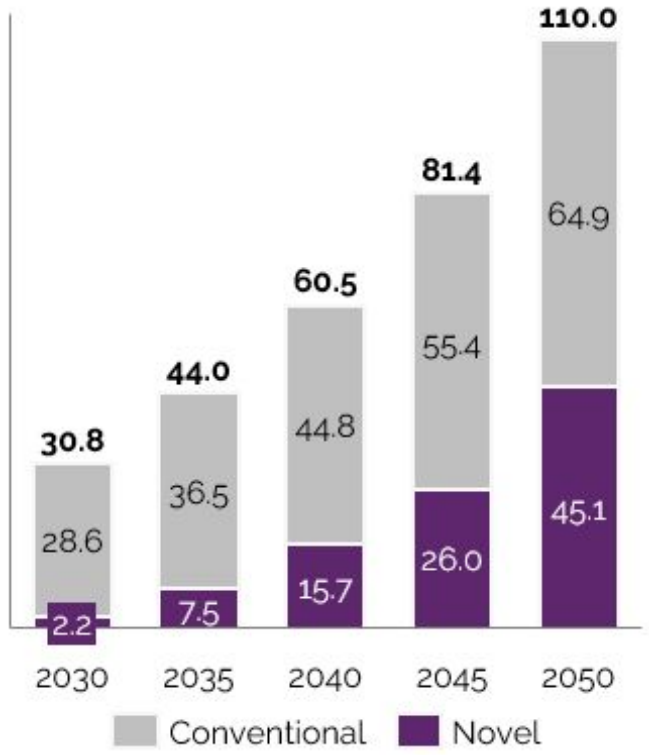
Total interim removal factor (% of residual) —includes both conventional and novel removals[1]





Example: Company with 110 tCO_2e residual emissions at net-zero target date

Removals required (tCO_2e)



1. IRF assumes target year is at a milestone year; IRF needs to be adjusted if the year is not set at a milestone year, according to step 2 in Appendix 1

Consultation will aim to resolve three open issues for the residual emissions topics

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Integrating removals in lead up to net-zero year

How residual emissions are integrated into a company's requirements prior to the net-zero year

Three options for consultation

1. **Interim removal targets required**
2. **Interim removal targets optional,** with opportunity to receive additional recognition
3. **Pathway to proactively address project residual emissions** with either additional scope 1 emission reduction or removals

Minimum durability thresholds

How minimum required durability of removals is determined in the lead up to net-zero and in the neutralization year

Two options for consultation[1]

1a. The **like-for-like** approach, in which minimum durability of removals is matched to the atmospheric lifetime of residual GHGs

1b. The **gradual transition** approach, in which share of novel removals with geologic storage increases over time

Quality/integrity criteria and standards

What criteria or certifications will be required for removals to be applied towards residual emissions or interim removal targets

Criteria open for consultation

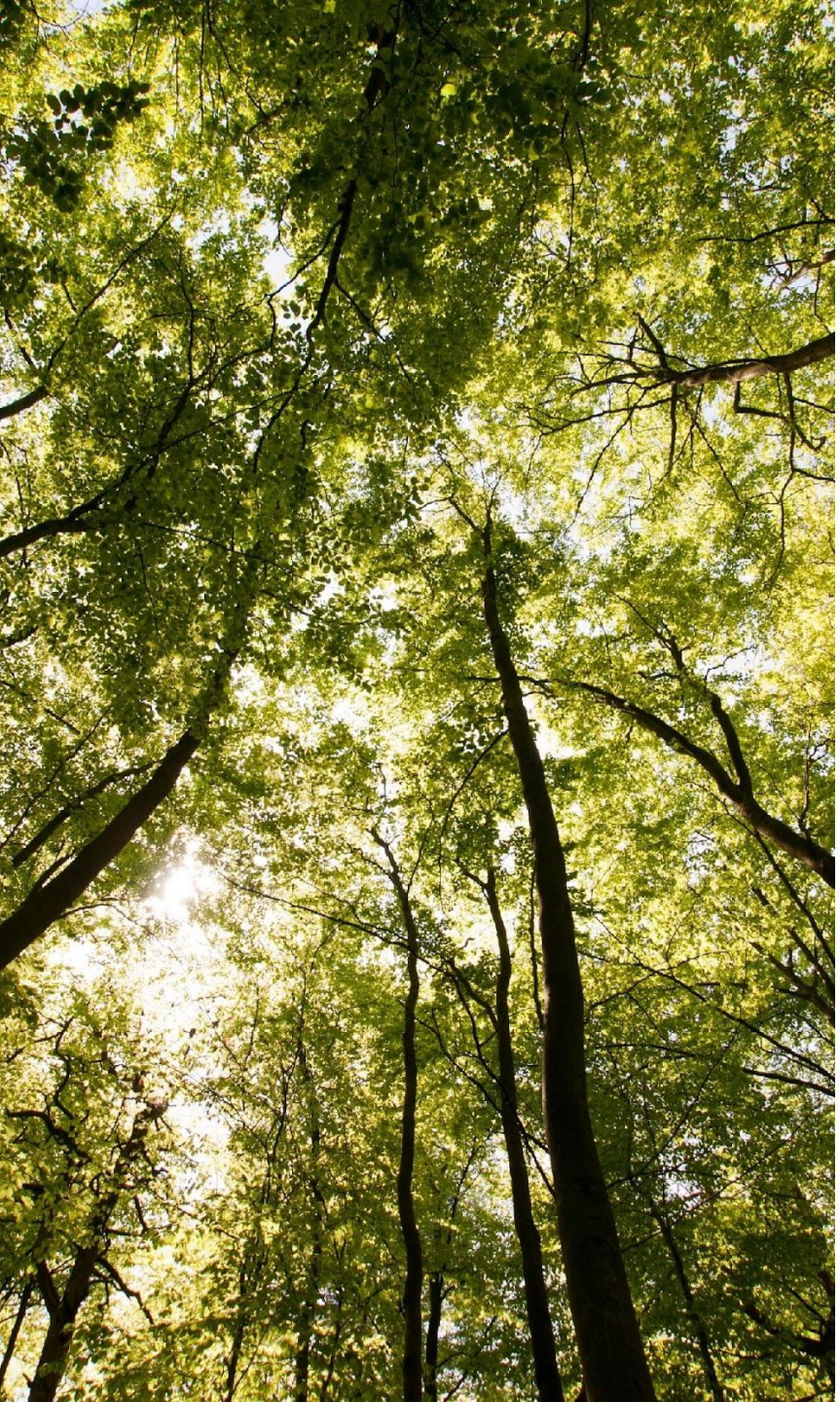
Quality criteria (e.g. additionality, monitoring, permanence, unique issuance and claiming, validation and verification) and **specific standards and/or certification frameworks** to include as requirements for removals are open for consultation

1. Options for minimum durability are separate from options for framework for integration of removals into the standard, and are not linked to the option 1 requirement to set removal targets. Rather, they refer to cases in the "Documentation of Target Setting Methods" Appendix.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Beyond value chain mitigation



CNZS V2.0
Beyond value chain mitigation

FROM

Recommendation for companies to address ongoing emissions by mitigation of emissions beyond their value chain

TO

Option for companies to obtain additional recognition for beyond value chain mitigation if they meet necessary criteria

BVCM | Criteria to gain additional recognition for addressing ongoing emissions with beyond value chain mitigation (BVCM)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

1 Emissions to be addressed

Address ongoing emissions within a **set emissions boundary.**

Two options for consultation

1. Scopes 1, 2, and 3 emissions
2. Scopes 1 and 2, plus a portion of scope 3 ("portion" to be determined through consultation)

2 Scale of contribution

Determine **appropriate scale** of BVCM

Approach for consultation[1]

Consulting on the best practice option outlined in SBTI BVCM report (2024). Approach to be explored through public consultation and Expert Working Group process

3 Type of contribution

Determine **the mechanism** to contribute to BVCM

Eligible mechanisms open for consultation

Appropriate mechanisms (e.g. carbon credits, direct financing of mitigation projects, conservation of ecosystems) and guardrails to be determined through consultation

4 Timeframe for contributions

Contribute to appropriate scale and type of BVCM **within a set timeframe.**

Two options for consultation

1. Yearly
2. At the end of each target cycle

5 Progress against targets

Receive additional recognition for BVCM only if company **demonstrated progress against targets:**

Two options for consultation

1. Has achieved science-based target
2. Has made "meaningful progress" against target ("meaningful progress" to be determined through consultation)

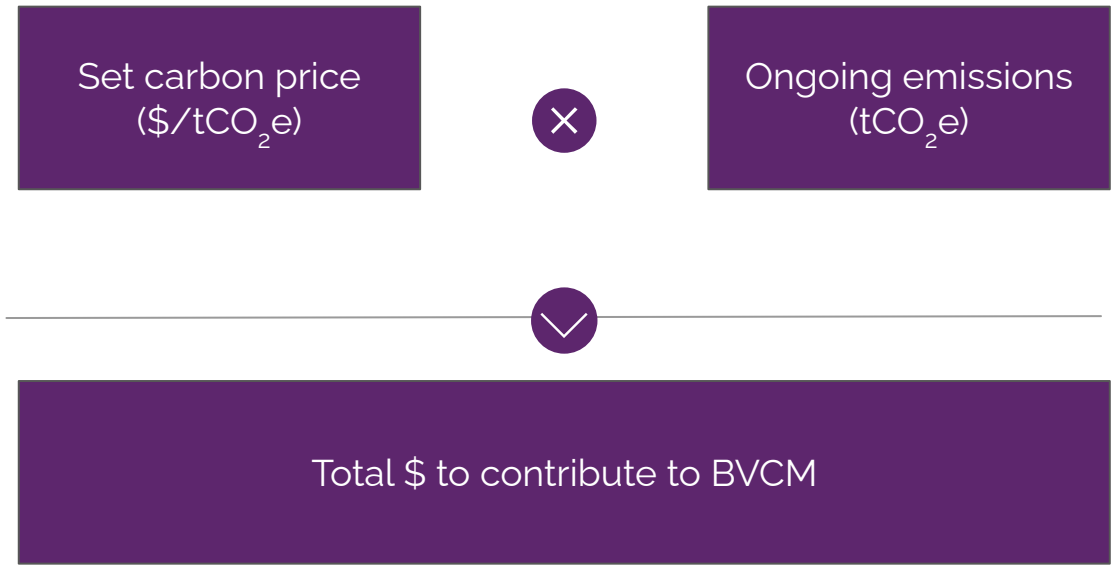
1. Option for consultation detailed in Annex D of "Above and Beyond: SBTi Report on Design and Implementation of Beyond Value Chain Mitigation

Scale of contribution | Implementing the "best practice" approach from the BVCM Report into the standard

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Determine the scale of BVCM

Companies apply a **science-based carbon price** to the company's **ongoing emissions**, and revenues are directed towards BVCM.



Contribute to BVCM

Companies may use their **determined BVCM financial budget** to address ongoing emissions by:

1. Delivering **additional near-term mitigation outcomes** to to help achieve significant emission reductions in the near term.

2. Delivering additional **finance to scale-up nascent solutions and unlock systemic transformation** needed for net-zero by 2050.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Company categorization

CNZS V2.0
Company categorization

FROM

Separate route for small and medium companies and no country differentiation

TO

Unique approach with differentiation of companies—based on location and company size—with different requirements to enhance equity and feasibility

Companies are sorted into category A or B based on their size and the location of their headquarters

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

	Company size				Company location[1]	
	Number of employees #	**Net annual turnover** $ or €	**Balance sheet** $ or €	**Emissions (sc. 1 + 2)** tCO_2e	**High and upper-middle** income countries	**Low and lower-middle** income countries
Large At least 1 criteria	>1,000	>450M	n/a	n/a	A	A
Medium At least 2 criteria	250 – 1,000	50 – 450M	>25M	n/a	A	B
Small At least 2 criteria and under CO_2e threshold	<250	<50M	<25M	<10,000	B	B

Based on World Bank classification

A medium company is considered to be based in low or lower-middle income country if it's HQ is in a low or lower-income country **and** it's turnover derived from high or upper-middle income countries is <50M ($ or€)

1. Based on World Bank Classification of countries
Note: Standard alignment with CSRD criteria; "Large" and "Medium" companies fall into the CSRD "Large" company group, and "Small" companies fall into the CSRD "Medium, small, and micro":

Category B companies have reduced requirements to acknowledge differences in size and location

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

✓ Required ≈ Optional

CNZS V2 Requirement	Category A	Category B
Targets needed	**Net-zero targets + near-term targets**	**Near-term targets only**
Timeframe to submit targets for validation after entry check	**12 months**	**24 months**
Scope 3 inventory and targets	✓	≈
Neutralization of residual value chain emissions	✓	≈
Third-party assurance *(e.g. for GHG inventory, data substantiating target progress)*	✓	≈

Category B companies have reduced requirements

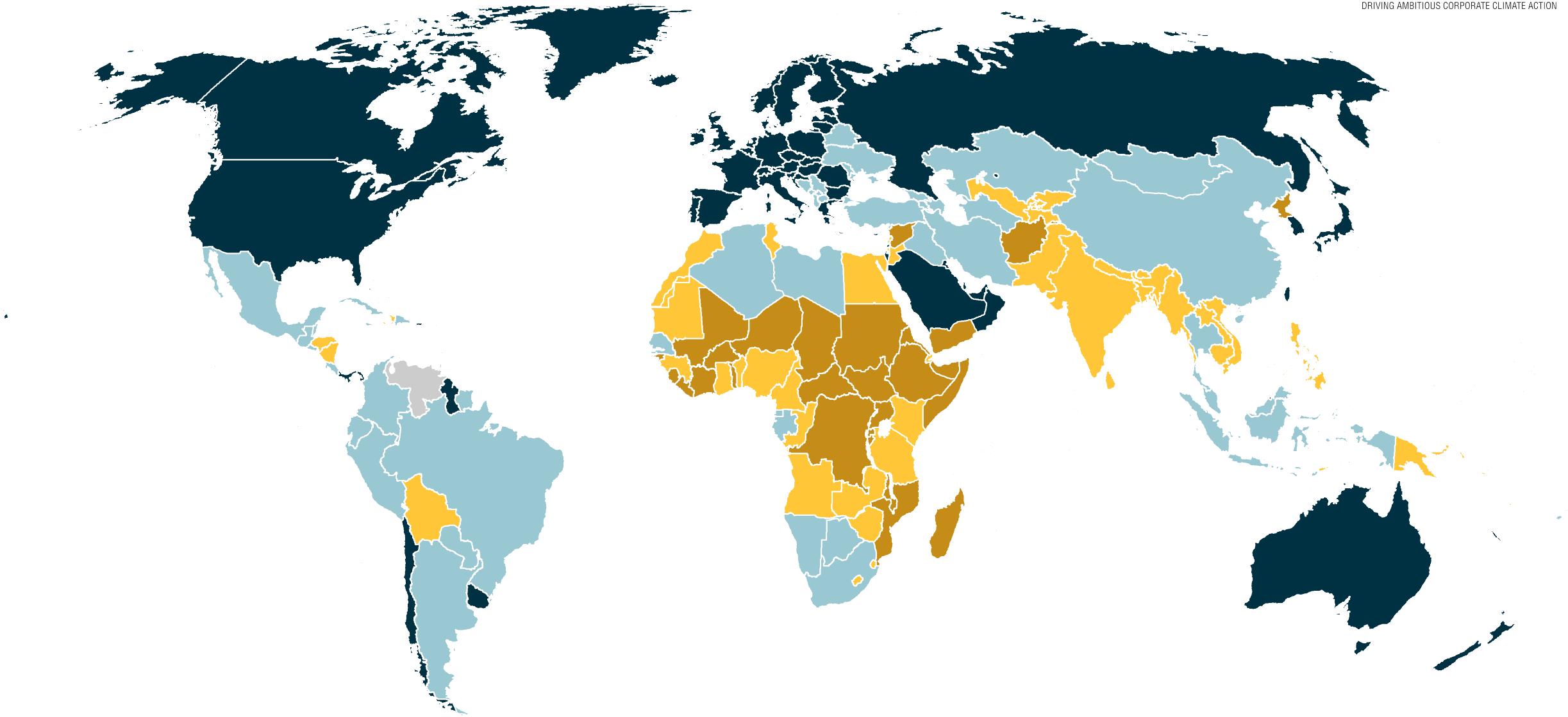
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

✓ Required ≈ Optional

CNZS V2 Requirement	Criteria/ Section	Category A	Category B
Targets needed	C14	**Net-zero targets + near-term targets**	**Near-term targets only**
Timeframe to submit targets for validation after Entry Check	A.5	**12 months**	**24 months**
Scope 3 inventory and targets (e.g. upstream, downstream, supplier engagement)	C7-C8, C17-22	✓	≈
Neutralization of residual value chain emissions	C8, C23	✓	≈
Third-party assurance (e.g. for GHG inventory, data substantiating target progress)	C9, C28, C31	✓	≈
Continuous improvement of traceability and data quality (i.e. plan to reach full traceability for emission-intensive activities by 2035, others by 2050)	C10	✓	≈

Detail | World Bank classification of countries by income level

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



Note: Venezuela is not classified due to insufficient data
Source: World Bank

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Data quality and assurance

CNZS V2.0
Data quality and assurance

FROM

Reliance on secondary data that makes accurate emissions measurement and consistent progress tracking difficult

TO

Mechanisms that incentivize companies to gradually shift toward higher data quality while recognizing current constraints

Companies must obtain third party assurance of their GHG emissions inventory

Boundary

ALL scope 1 emissions

ALL scope 2 emissions

ALL scope 3 emissions **WITHIN** scope 3 target-setting boundary

See scope 3 section for details

For the **base year** and **target year**

Required assurance process

Limited assurance for GHG inventory[1,2]

In line with the CDP list of accepted verification standards[3]

Companies must publicly report

Details, findings, and recommendations of the assurance process[4]

1. Conducted by an independent third party; 2. Only required for Category A companies; 3. Preliminary, to be confirmed in consultation; 4. Includes details on assurance provider and specific exclusions, assumptions, and limitations

Companies must aim to improve GHG emissions data quality and traceability over time

Total S3 emissions

1 Emission-intensive Activities[1] (EIAs)

2 Other emissions in Significant Categories[1]

Out of boundary

Determine level of traceability in the base year, including an uncertainty assessment

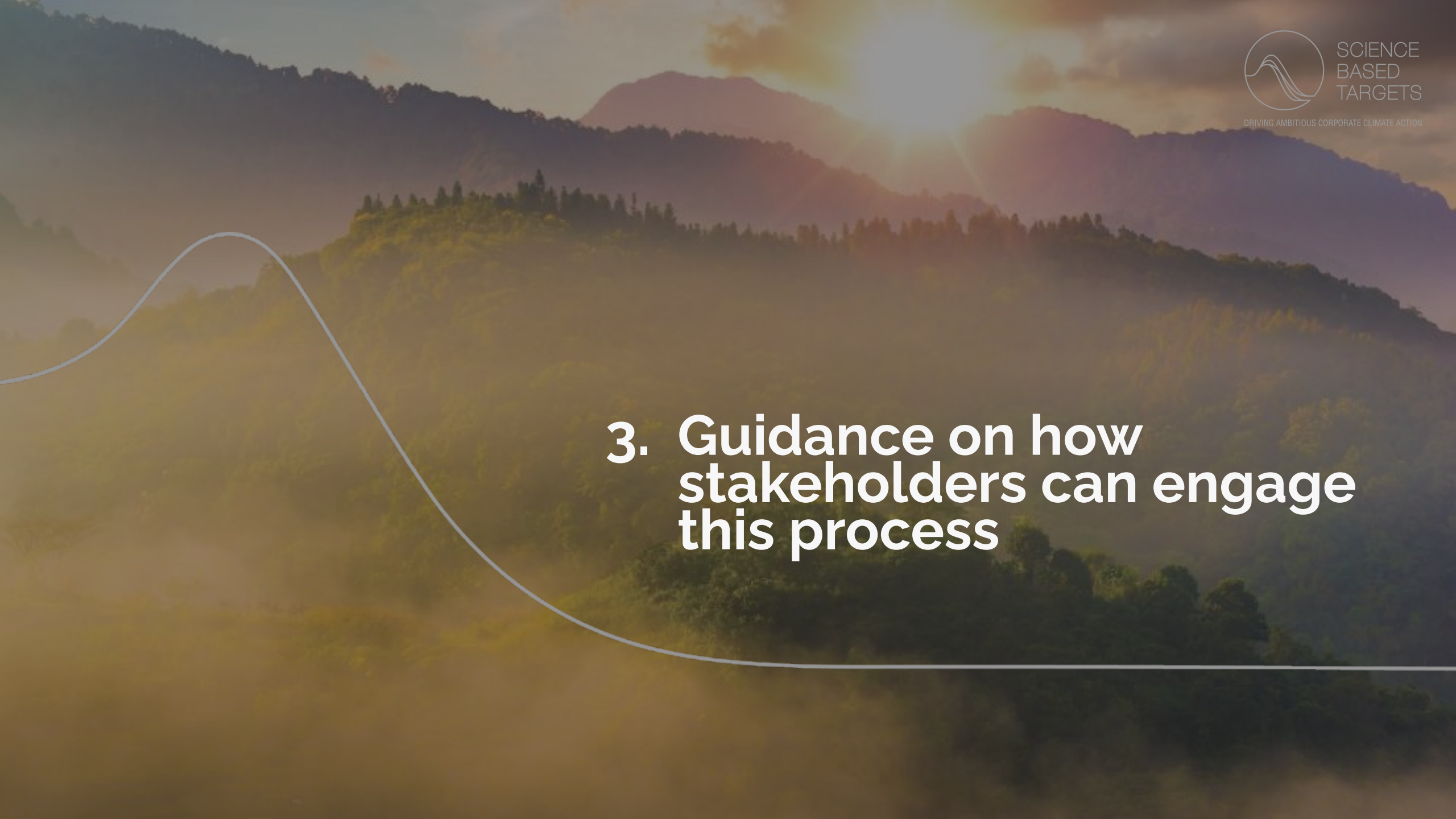
Develop plan to increase share of traceable emissions data over the target cycle and report progress against it

1 Emission-intensive activities: Strive to reach **100% traceability by 2035**

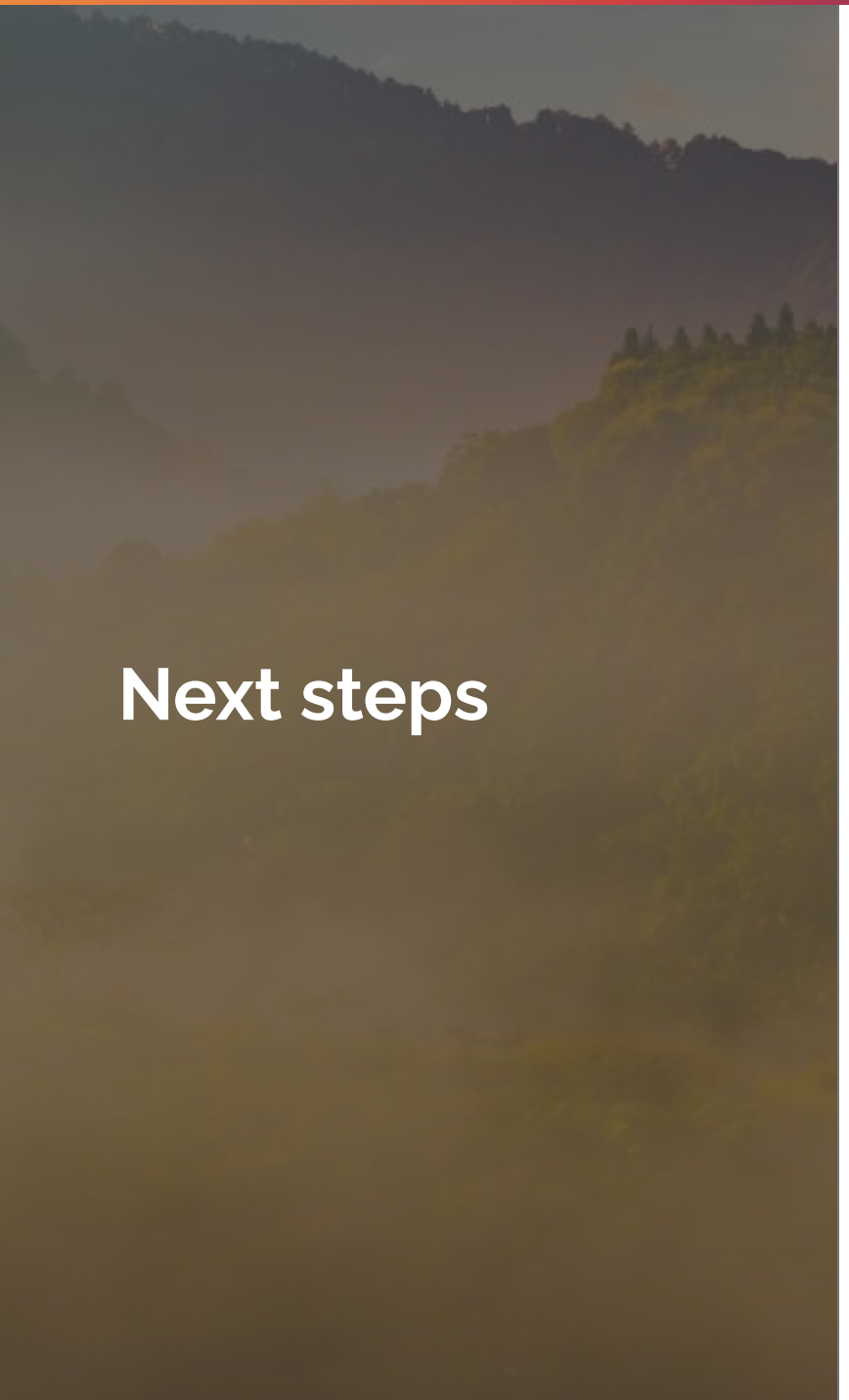
2 Other emissions (in Significant Categories): Strive to reach **100% traceability by 2050**

No data quality improvement actions required

1. See Scope 3 section for determination of EIAs and Significant Categories



3. Guidance on how stakeholders can engage this process



Next steps

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

We are excited to hear your feedback and engage with you on this major project

If you are a company with validated targets:

- Continue to progress against your goals
- Look out for more information on the CNZS V2 pilot test

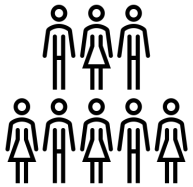
If you are a company considering setting science-based targets:

- Don't wait - CNZS V1.2 remains the best way to take science-aligned corporate climate action
- SBTi will work to make the transition from V1.2 as smooth as possible

We want your input | How to get involved

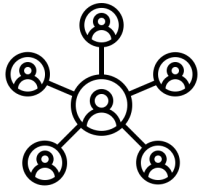
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Learn more about the new draft on our website



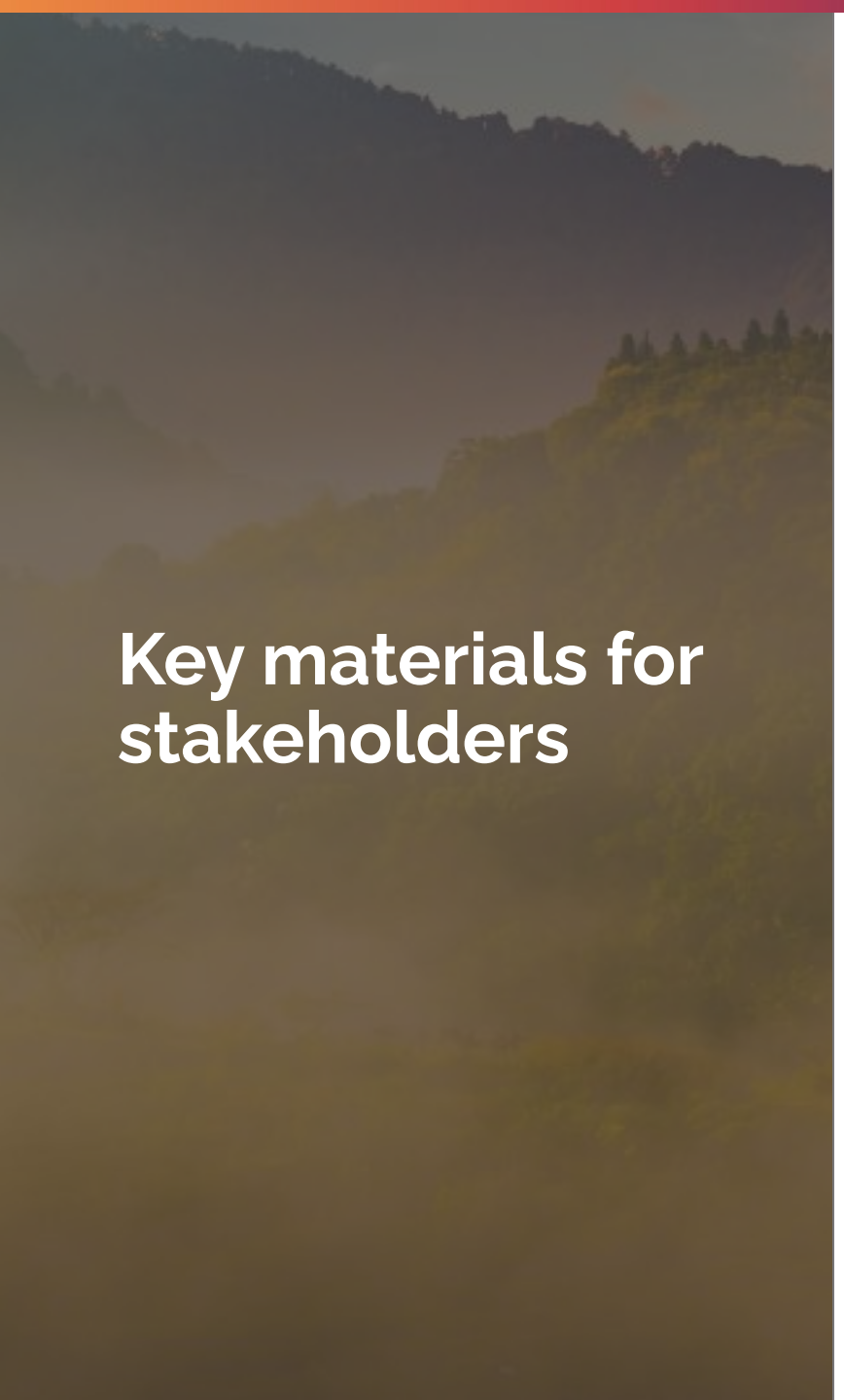
Provide formal feedback via the **public consultation survey**

Pilot testing, expected in H2 2025



Spread the word, and **ask others to share feedback**

Supporting materials to upskill on the draft are available on the SBTi website



Key materials for stakeholders

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Consultation survey:

Consultation Survey

Draft revision for consultation:

Consultation draft

- One page summary
- Executive summary
- Draft overview video

Key explanatory documents:

Explanatory Guide (slides in this document)

- Explanatory Videos (to be released over next few days)

Key explanatory webpages:

Consultation guide

- Press release
- Blog 1 scopes 1 2 and 3
- Blog 2 progress
- Blog 3 EACs

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Thank you

sciencebasedtargets.org

@ScienceTargets

Science Based Targets

/science-based-targets

info@sciencebasedtargets.org