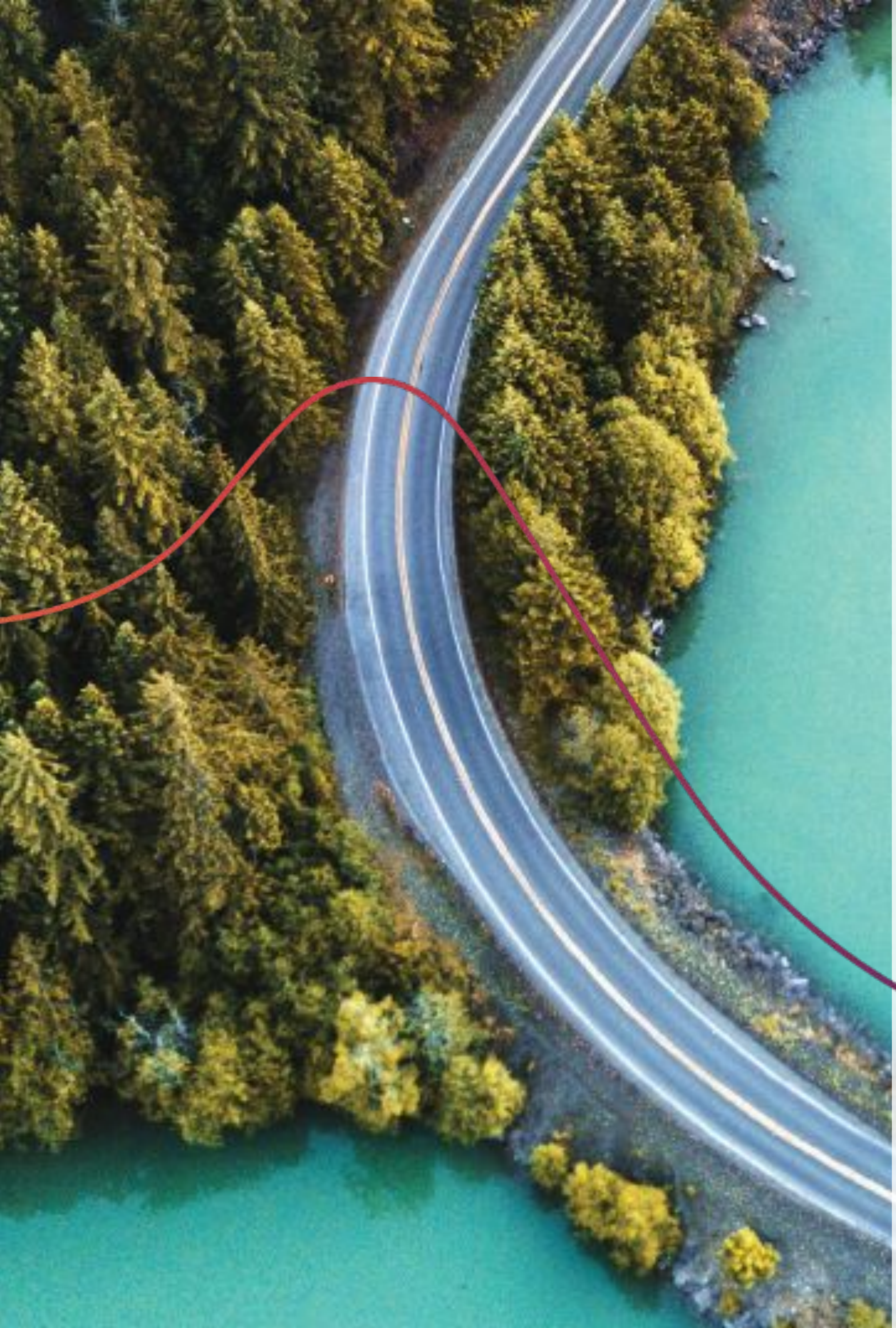

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Addressing the impact of ongoing emissions – beyond value chain mitigation (BVCM)

EWG virtual session II on 8th May

“What counts” continued

Presentation deck
Alice Farrelly & Scarlett Benson

Today's session….

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Meeting focus areas

- Continued discussion on **"what counts"**, building on our last session.
- A brief recap of key materials and follow-up survey results.
- Majority of the session will focus on **interactive discussion and input, applying a polarity thinking lens.** We'll explore how opposing tensions or 'poles' can be understood as mutually reinforcing forces that must be balanced over time.

Meeting objectives

- To build a **consensus position within the EWG** on what should count toward BVCM where possible, and to **clearly identify and communicate areas where views diverge. We will do this through:**

➔ Drafting '**proto-criteria' that reflect the upsides of both poles** where possible — recognizing that credible leadership requires managing these tensions, not eliminating them.

➔ Where consensus isn't yet possible, **map the system of tension** — identifying the risks of over-focusing on one side and the value of its interdependent pole

➔ This approach will help us build more resilient, future-fit BVCM guidance that honors both urgent delivery and long-term transformation.

DISCLAIMER & ANTITRUST

- **Disclaimer -** Please note, this document is for information purposes only in order to inform discussions and for no other purpose.
- The information provided by SBTi (including information supplied by third-parties) in this document is furnished on a confidential basis and must be treated as confidential.
- No such information may be divulged to any third party without the prior written approval of SBTi.
- This information shall not be used for any other purpose. SBTi reserves all rights in this document.

Antitrust Caution – Do not engage in any discussion, activity or conduct that may infringe on any applicable competition law.

For example, do not discuss company-specific information on:

- current or future prices, pricing strategies, or price related information;
- output, capacity, inventory levels, or costs;
- data related to market share;
- current or future business model transformation strategies.

Members are responsible for halting any activity that may violate this policy and reporting it immediately to SBTi.

CONFLICT OF INTEREST DECLARATION

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- As per the EWG Terms of Reference and the SBTi COI policy, conflicts of interest must be declared
- At the start of each meeting the chair will ask members if a new COI has arisen
- A Conflict of Interest may be:
  - Actual: A true conflict exists between a Party's duties with the SBTi and their private interests.
  - Potential: Where a Party has personal or private interests that could conflict with their duties with the SBTi, or where it is foreseeable that a conflict may arise in future.
  - Perceived: Where an unbiased observer could reasonably form the view that a Party's private interests could influence their decisions or actions.

ARE THERE ANY COI THAT THE SBTi SHOULD BE AWARE OF?

VIDEO-CONFERENCE GUIDELINES

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Participant guidelines

- Mute during presentations
- Use the chat box
- Use the raise hand function
- If you can, please keep your camera

Notes from us

- Treat info as confidential
- Meeting is being recorded
- We will follow up with minutes
- ..*And* we will follow up with slides!

Finally, please have your devices ready to use…

Google Docs

Your feedback on how we are running of the EWG

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Question	*Feedback*	*How are we taking this forward?*
Q9. How do you feel about the overall pace and schedule of the EWG process so far?	57% of respondents are happy with the **pace of the EWG schedule**, while 29% it is feel too rushed.	• EWG meeting schedule has been revised to allow us move at a slower pace. • Meetings have been scheduled until September with ~ 3 weeks between meetings.
Q11. How long should follow-up surveys like this one take?	43% **prefer surveys to take** 10–15 mins; 29% prefer 5–10 mins, and 29% will spend longer if questions are meaningful.	• We will aim for follow-up surveys to take 10 minutes, with open text options for those who would like to spend more time providing feedback. • We'll include follow-up sentiment questions to understand how strongly you feel about your selections.
Q10. Would any of the following help you engage more effectively?	Respondents were in favor of **clearer expectations** for each session & **more time for small-group discussion.**	• Meeting expectations will be shared in pre-reads and at the start of each session. • Future sessions will include more time for group discussions, and we'll work to find the right balance between large and small groups. Please help us plan by selecting the invite for the session you'll attend!
Q12. General feedback on the session, and how we can make the EWG process more inclusive and effective for you personally?	Feedback included: **Less presenting and more discussion**, **Miro issues**, **leading questions**, **scheduling clarity & meetings with other EWG groups** (e.g. claims).	• Session I included more presenting to set the scene — future sessions will focus on peer discussion. • Revised meeting schedule has been shared. • We'll endeavour to frame questions more openly for impartiality. • Miro will be used only when essential, with advance notice on tools so you can flag access issues.

AGENDA

SBTi team presentation: Recap & session framing	25 min
Solo thinking time	10 min
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Session I Recap: We workshopped outcome anchors for BVCM

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Operational Feasibility
Simple enough to implement, strong enough to deliver.

Simplicity
Clarity
Realistic
Effective
Implementable
Scalable

Integrity and Credibility
Actions that stand up to scrutiny and earn public trust.

Credible claims
Integrity
Avoid greenwashing
Credible climate action

Mobilizing Scaled Finance and Impact
Unlocking capital to shift systems at speed and scale.

Impact at scale
Action
Mobilize finance
Incentivise action
Climate finance at scale
Mobilise finance
Market transformation
Scale up climate finance

Ambition and Systemic Progress
Pushing the frontier — bold, forward-looking, and momentum-building.

Ambition
Progress
Innovation
Momentum

Climate Outcomes
Tangible climate results aligned with global goals.

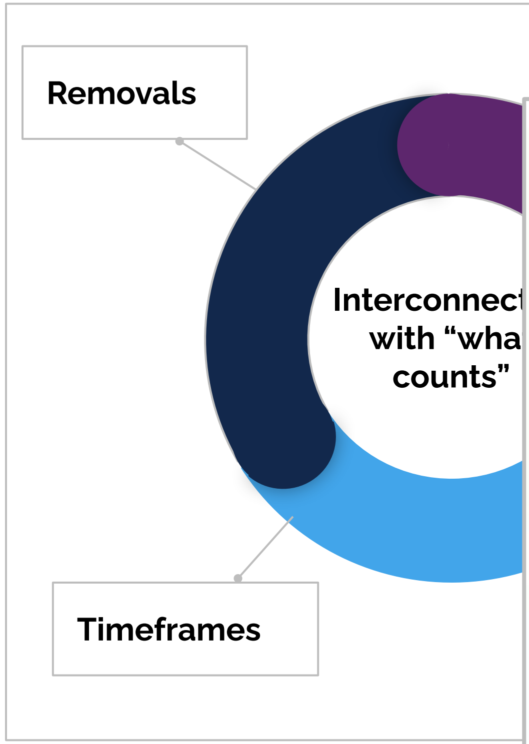
Climate mitigation
Scale mitigation
Permanent
Climate adaptation
Removals

Justice and Co-Benefits
Climate action that's fair, inclusive, and adds value beyond carbon.

Co-benefits
True cost of carbon
Equity
Equitable
Just-transition

Session I Recap: We discussed the interconnectedness of “what counts” with other topics, the role of the budget method in informing what counts..

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



TON-FOR-TON METHOD

E.g., for every 1 tCO_2e of ongoing emissions, the company delivers 1 tCO_2e to take responsibility.

MONEY-FOR-TON METHOD

E.g., for every 1 tCO_2e of ongoing emissions, the company contributes USD 100 to take responsibility.

MONEY-FOR-MONEY METHOD

E.g., the company allocates 1% of its profit to take responsibility for ongoing emissions..

Only measurable mitigation can count since the target is framed based on tCO_2e.

Questions include, e.g.,
- Do avoided emissions, emissions reductions and/or removals count?
- What about product-related avoided emissions?
- What about maintaining the sink function of natural ecosystems?
- Does it have to be ex-post?
- When does the mitigation have to occur?
- Does it have to be verified?
- Does the mitigation have to occur beyond the scope 1, 2 and 3 inventory?
- What mechanisms can be used to fund it?

In theory, anything can count since the target is framed based on money.

Questions include, e.g.,
- Should it be limited to mitigation or could it include other pillars of climate action e.g., adaptation and/or loss and damage?
- Could it fund social activities e.g., support for just transition?
- Do outcomes need to be measurable?
- Do outcomes need to be certain?
- +++

Session I Recap: ....and we discussed what we need to clarify to define "what counts"

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1	What activity is being supported or funded	e.g. forest conservation, REDD+, DACCS, policy advocacy, grid infrastructure development, enabling environments, etc.
2	What type of outcome it delivers	i.e. whether the intervention results in emissions avoidance, reduction, or removal – or even whether it supports other climate outcomes like adaptation or loss and damage, or even social outcomes like just transition.
3	When the outcome is expected to occur	i.e., whether the outcome is expected to occur within the same period in which the company is taking responsibility for its ongoing emissions. This includes whether outcomes must be delivered ex-post (already achieved) or whether ex-ante (anticipated or forward-looking) outcomes are also eligible.
4	How certain and measurable the outcome is	e.g. level of certainty and quantifiability of the mitigation outcomes. Some outcomes (like engineered removals) may be highly measurable, while others (e.g. advocacy or enabling actions) may be harder to quantify but still high-impact.
5	How the activity is being supported	e.g. via carbon credit purchases, direct investments, grants, loans, blended finance, R&D, strategic partnerships, or in-kind contributions like time and expertise.
6	What quality criteria apply	e.g. additionality, permanence, leakage risk, fungibility, avoidance of double counting and presence of social and environmental safeguards. These are needed to ensure credibility.
7	The relationship to the value chain (spatially & temporally)	i.e. does the intervention sit clearly outside the company's Scope 1, 2, and 3 emissions? And will it impact the inventory in the near or long term? Important to avoid double-counting.
8	Whether it is eligible to be "counted" elsewhere	e.g. whether the intervention might instead be recognized under removal targets, scope 3 activity pool mitigation, or scope 3 indirect mitigation – as defined in other Expert Working Groups. Important to avoid double-counting.

BVCM has been characterized by polarized viewpoints since the start - representing diverse priorities and theories of change

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Respondents work on different aspects of the climate crisis and therefore have different goals and different perspectives on what BVCM should seek to deliver

"We must peak emissions in the next year and therefore BVCM should drive finance at scale mitigation solutions where there is greatest mitigation "bang for buck".

"BVCM should drive finance to "high-hanging fruits" e.g., investments with high need but more uncertain outcomes."

Respondents have different perspectives on the need to include mitigation readiness and implementation finance within the definition of BVCM

"We have financed readiness for too long and we need to focus on mitigation outcomes."

"Limiting BVCM to results-based payments means that Global South countries take on all of the risk and must invest all of the upfront finance to establish mitigation activities."

Respondents have different perspectives on the effectiveness of carbon credits and the role of the voluntary carbon markets in credible corporate climate action

"VCMs are the most efficient way to channel finance and there integrity in credit MRV."

"Carbon credits are limited in their effectiveness e.g., mitigation outcomes are often inflated."

Respondents have different perspectives on claims

"Businesses want to make carbon neutrality claims - this will unlock investment into BVCM. Contribution claims create a lack of transparency and greenwash risk."

"BVCM claims which imply counterbalancing of unabated emissions are misleading (unless they are permanent removals). Contribution claims are the best solution."

Today we're aiming to embed "polarity thinking" into our group exercise... What is polarity thinking?

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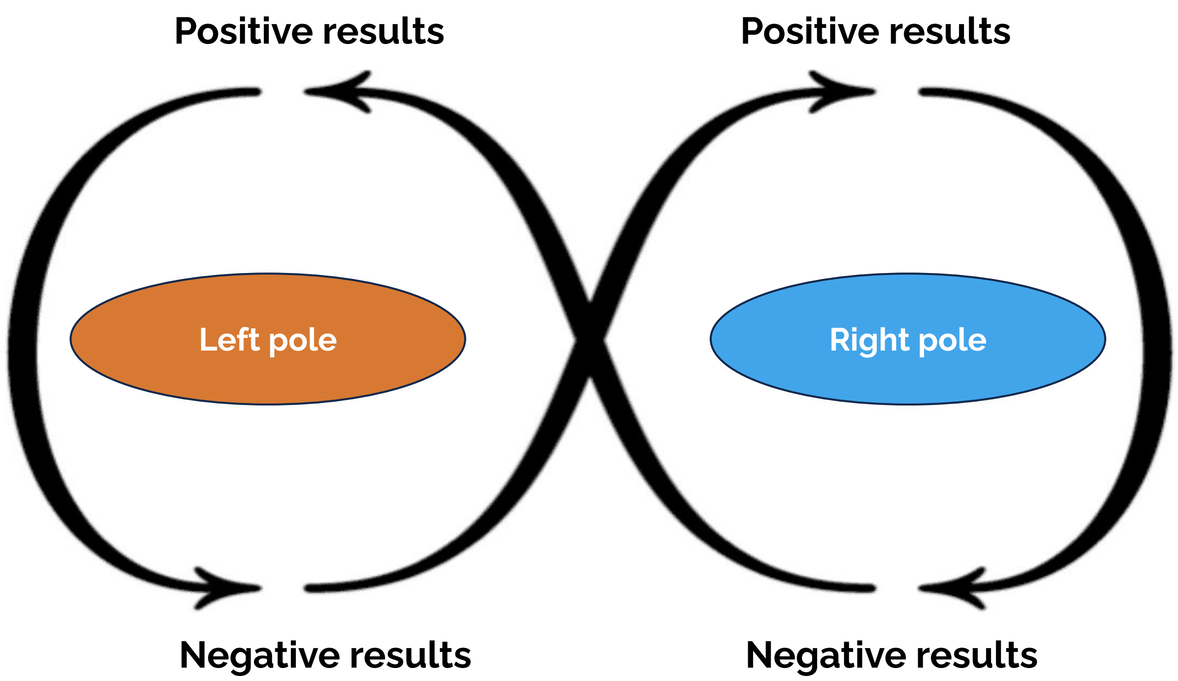
- The image shows an "interdependent pair" split across two poles and an energy system that flows between and around them in the form of an infinity loop.
- When the energy crosses between the two poles, it is experienced in the system as "tension".'
- With this tension, we often assume that we must choose one of the poles as a "solution". This is a false choice because one cannot choose either pole as a sustainable "solution"...
- Because there is a natural flow from the downside of one pole to the upside of the other. After moving into the upside of the opposite pole the system, over time, will reach its limits and move toward the downside of that pole.



- This creates natural pressure to self correct by moving to the upside of the original pole. This flow looks like an infinity loop which is a helpful symbol because polarities are ongoing. To "solve" them is to learn how to manage them well over time.
- Remember - each pole brings something positive to the pair and each pole becomes a liability without its interdependent pole partner.

Adapted from: https://www.sloww.co/polarity-thinking-101/

How will polarity thinking help us with defining a standard for taking responsibility for ongoing emissions & BVCM?

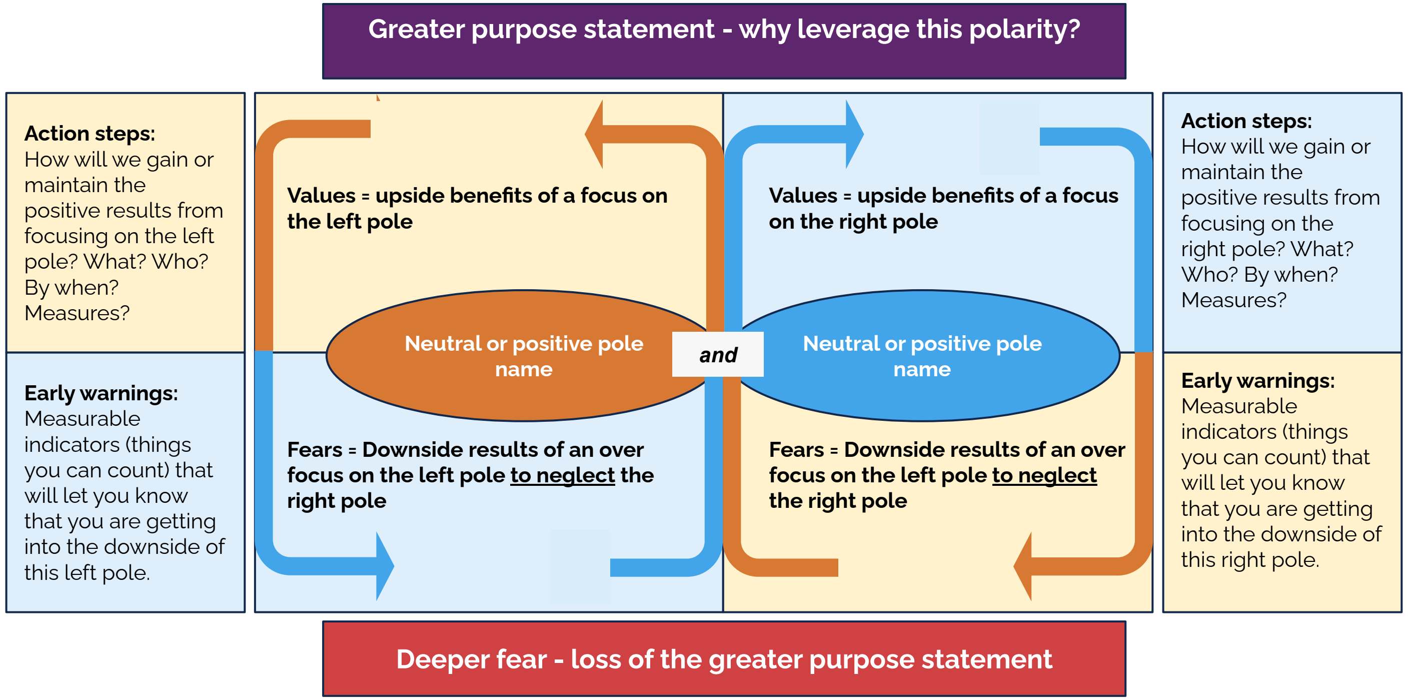
We can view the BVCM design tensions as “polarities to manage” rather than “problems to solve”.

Our goal is to move beyond either/or debates to build a credible standard that balances upsides and mitigate downsides of each pole.

Examples of “leadership polarities”

- Clarity and flexibility.
- Self-assured and humble.
- Directive and participatory.
- Task-focused and relationship-focused.

Polarity map



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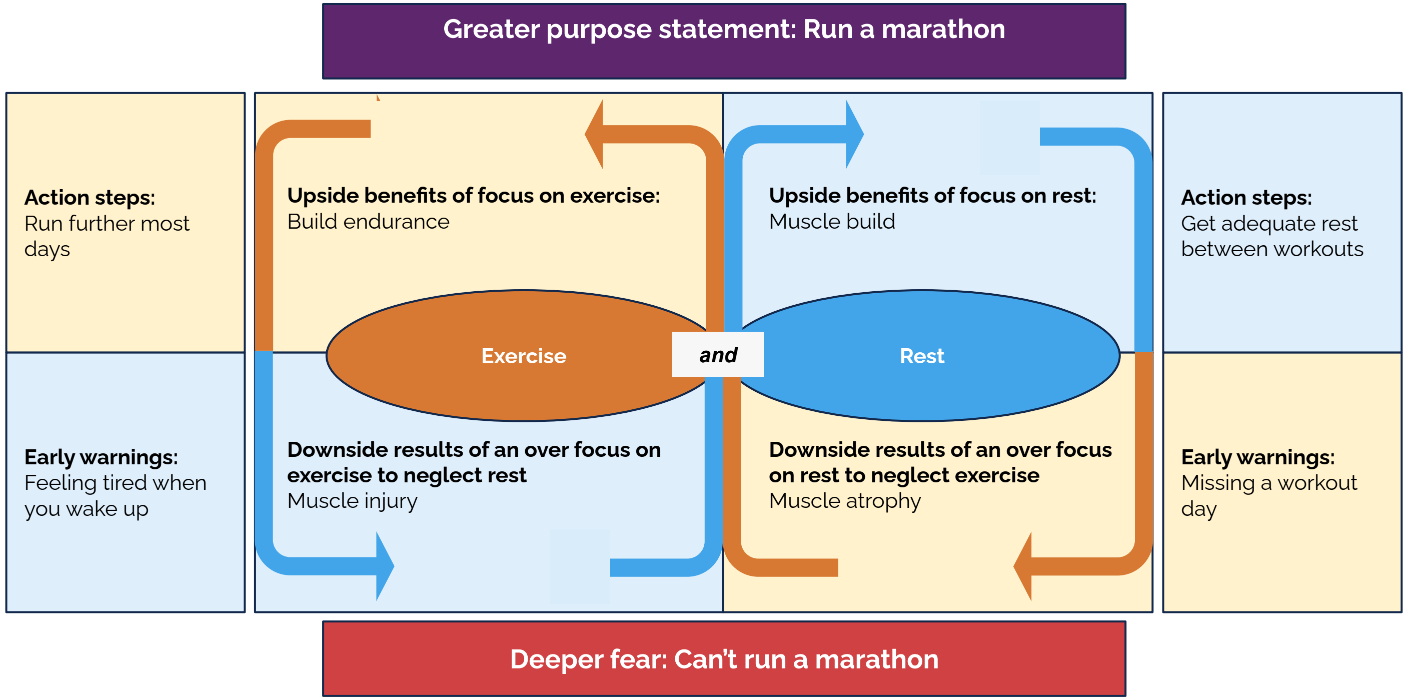
Example of a polarity map



Adapted from: https://www.sloww.co/polarity-thinking-101/

Illustrative example: a polarity map on BVCM goals 1 and 2

Greater purpose statement: Accelerate global climate leadership and real emissions impact across short- and long-term horizons.

Action steps to realize benefits of Goal 1:
- Prioritize high-integrity, verified mitigation outcomes.
- Clearly define what counts.
- +++

Upside benefits of the BVCM goal 1
- Demonstrates credible leadership now.
- Helps peak and halve emissions.
- Delivers tangible, measurable results.
- +++

Upside benefits of BVCM Goal 2
- Unlocks systems change.
- Builds capacity and institutional readiness.
- +++

Action steps to realize benefits of Goal 2
- Allow ex-ante recognition, paired with strong accountability mechanisms (e.g. delivery tracking, sunset clauses).
- +++

BVCM Goal 1: delivering additional near-term mitigation outcomes

and

BVCM Goal 2: additional climate finance to scale up nascent solutions & enabling activities

Early warnings that let us know we're getting into the downside of Goal 1:
- Over focus on "low hanging fruit" apparent through disclosure.
- +++

Downside of an over focus on BVCM Goal 1 to neglect BVCM Goal 2:
- Short-termism
- Diminishing returns

Downside of an over focus on the BVCM Goal 2 to neglect Goal 1:
- Lack of tangible proof of outcome
- Misuse of funds

Early warnings that let us know we're getting into the downside of Goal 2:
- Too many contributions are unmeasured or speculative.
- +++

Deeper fear: Failing to achieve either near-term emissions reductions or long-term systemic transformation — risking climate goals and credibility.

Interactive exercise: Step into the shoes of a standard-setter

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

In this exercise you will work in groups to draft 'proto-criteria' - preliminary, early-stage formulations intended to test the implementation of a draft standard.

By following a two step process, your proto-criteria for defining "what counts" will seek balance the upsides and risks of the key tensions at play.

Step 1: Draft

- ➔ **In your group draft "what counts" proto-criteria.**
- ➔ Ensure the set of proto-criteria answers 5 key questions (activity, outcome, timing, measurability, support).
- ➔ Use the Outcome Anchors and example criteria to guide your thinking.
- ➔ Include recommendations if relevant.

Step 2: Reflect

- ➔ **For your groups' set of proto-criteria, apply polarity thinking to reflect on:**
- ➔ What tensions or polarities are you navigating ?
- ➔ What are the upsides of each pole?
- ➔ What are the risks of over-focusing on one side?
- ➔ How does your overall approach seek to balance or manage these dynamics?

Iterate between steps: Do your reflections warrant edits to the proto-criteria to balance the identified polarities?

What are criteria and recommendations?

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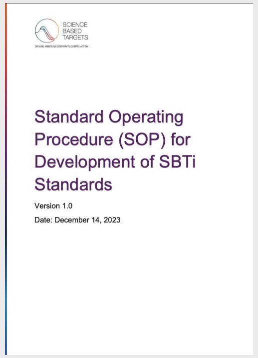
Defining criteria: What SBTi SOP and ISEAL require

SBTi Standard Operating Procedure (SOP)


SCIENCE BASED TARGETS

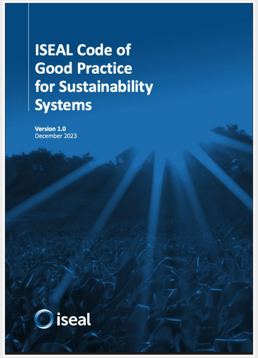
Standard Operating Procedure (SOP) for Development of SBTi Standards

Version 1.0

Date: December 14, 2023

- Drafted for **assessable conformity across any entity** within the scope of the standard
- **Minimize ambiguity** in interpretation
- May include **process, monitoring, performance and / or outcome requirements** that can be validated
- State **requirements and guidance clearly**, including where they apply in the journey

ISEAL code of good practice


ISEAL Code of Good Practice for Sustainability Systems

Version 1.0
December 2023

iseal

- **Auditable, verifiable, and measurable**
- **Clear and precise**, with uniform interpretation
- **Objective and unambiguous**, with logical structure
- Supported by **defined minimum evidence** for assessment

Criteria are mandatory requirements that an entity must meet to be in conformity with the standard. They are assessed during validation or verification, and must be stated clearly and precisely.

Example of a criterion: Companies shall deliver at least 80% of their BVCM mitigation outcomes within five years of committing financial contributions.

Recommendations are non-binding guidance that indicate best practice, encourage ambition, or offer interpretive support. They are not assessed for conformity, but can influence implementation quality.

Example of a recommendation: Companies are encouraged to prioritize BVCM investments in geographies with the greatest mitigation potential and lowest access to climate finance.

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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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Solo thinking time

Gather your thoughts before group work

Before we begin group work, take 10 minutes to reflect individually:

- ➔ What do *you* think should count toward BVCM — and why?
- ➔ Where might tensions arise (e.g., impact and feasibility)?
- ➔ Are there any non-negotiables for you?
- ➔ Which Outcome Anchors feel most important to prioritise?
- ➔ What would clear, usable criteria look like — from a company's point of view?

Feel free to jot down thoughts in your notes.

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Feedback to plenary

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Revised BVCM EWG meeting schedule

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Cross-EWG Claims meeting
Expected Late May & early June
(dates TBD)

16 April
What counts (Pt 1)

8 May
What counts (Pt 2)

3 June
How much is enough (pt 1)

25 June
Bringing together what counts and how much.

15 July
Who is eligible?

6 August
Synergies with removals; joint session with CDR EWG

28 August
BVCM claims, data quality and recognition dashboard

IN PERSON MEETING
(Date TBD)

What What to expect between now and our next meeting on 3rd June...

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Post-meeting survey will be shared by next week

Today's **slides and minutes** will be uploaded to our shared folder

Pre-reads for our next meeting will be shared 5 days in advance

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