SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Scope 3 Expert Working Group Meeting Minutes

4 June 2025

10:00 - 12:00 BST [Option A]

16:00 - 18.00 BST [Option B]

Virtual

DISCLAIMER

The meeting notes provided herein are intended to capture the discussions, decisions, and actions taken during the meeting to the best of the note-taker's ability. While efforts have been made to accurately represent the proceedings, it is essential to acknowledge that these minutes are a summary and may not capture every detail or nuance of the discussions held.

While every effort has been made to respect the confidentiality of sensitive information, please be aware that the meeting minutes may contain references to discussions or materials considered confidential or privileged. The unauthorized disclosure, distribution, or use of such information is strictly prohibited. If you believe any sensitive information has been improperly disclosed, please contact the SBTi.

Meeting minutes are subject to revision and amendment. The content may be updated or modified based on corrections, additions, or clarifications deemed necessary by the SBTi.

Session decisions which are deemed interim, unresolved items or confidential will not be shared publicly to protect the confidentiality of the Standard before publication and to prevent sending premature signals to the market.

As per clause 6 in the EWG Terms of Reference, members serve on the EWG in their individual capacity as technical experts.

“Science Based Targets initiative” and “SBTi” refer to the Science Based Targets initiative, a private company registered in England number 14960097 and registered as a UK Charity number 1205768.

Meeting participants

Expert Working Group Members present:

As per clause 6 in the EWG Terms of Reference, members serve on the EWG in their individual capacity as technical experts.

[Option A]

1. Kaya Axelsson, Oxford Net Zero
2. Lydia Elliott, WMB Coalition
3. Leonardo I. Boeri, A.P. Møller-Maersk
4. Silvana Paniagua, VCI
5. Sam Van Den Plas, Carbon Market Watch
6. Asmita Marathe, Bureau Veritas

[Option B]

1. Alan Lewis, Smart Freight Centre
2. Alissa Benchimol, Greenhouse Gas Management Institute
3. Andres Chang, Greenpeace USA
4. Derik Broekhoff, Stockholm Environment Institute
5. Eleanor Bastian, Amazon
6. Gibran Vita, Rabobank
7. Krutarth Jhaveri, Apple
8. Lachlan Wright, RMI
9. Miriam Kugele, Aga Khan University
10. Nicolas Clerget-Etchandy, The Heineken Company
11. Svend Hansen, Ørsted
12. Sriram Rajagopal, IKEA

SBTi:

[Option A]

1. Hugo Ernest-Jones (Value Chain Lead)
2. Giulia Camparsi (SME Value Chain)
3. Eoin White (Research Lead)
4. Clare Murray (Senior Research Manager)
5. Emma Watson (Head of Corporate Standards) - Observer

[Option B]

1. Hugo Ernest-Jones (Value Chain Lead)
2. Giulia Camparsi (SME Value Chain)
3. Eoin White (Research Lead)
4. Clare Murray (Senior Research Manager)
5. Emma Watson (Head of Corporate Standards) - Observer
6. Erin Lasher (RV Senior Technical Manager) - Observer

Observers:
[Option A]

1. Doreen Stabinksy, Technical Council

[Option B]

2. Michael Gillenwater, Technical Council
3. Stephanie Roe, Technical Council
4. Diana Farmer, SBTi

Note on the format of these minutes: This meeting was held twice to accommodate the time zones of the Expert Working Group (EWG) members. The content presented by the SBTi team was consistent across both sessions, and participants in each meeting engaged with the same interactive exercises. To avoid duplication, these meeting minutes present the shared content (presentations and framing) once, followed by separate summaries of participant discussions from the Option A and Option B meetings.

Meeting Agenda

1. Recap of the previous session
2. Refining the framework for net-zero aligned revenue
3. Metrics for aligned revenue

Meeting Objective

The goal for this meeting was to refine the proposal for aligned revenue targets in terms of definition and the formula to calculate it and gather initial input on effective alignment metrics for further exploration.

1. Recap of previous session

The main takeaways from the net-zero aligned procurement sessions can be summarized as follows:

- Strong recommendation from the EWG to include a minimum emissions coverage threshold for prioritizing suppliers and that range is somewhere between 70-90% of scope 3.
- Recommendation to continue prioritizing suppliers in emissions-intensive activities, though with clearer definitions of specific processes within those activities.
- Spend-based metrics may be useful only when emissions data is unavailable, and mostly as a secondary filter, as it is less preferred than emission-based thresholds
- General agreement on the fact that 80-95% of priority suppliers should have set science-based targets by 2030-2035 or within five years of target being set.
- Less clarity on milestones for performance against targets over time.
- Broad support for allowing multiple different metric types for alignment with a preference for activity level alignment first and then entity level as a fallback.

These takeaways will be further analysed, comparing them with the public consultation feedback and pilot test results.

2. Context setting for the downstream alignment approach

The SBTi team presented an overview of the challenges and proposed solutions related to downstream Scope 3 emissions, with a particular focus on emissions from the use of sold products (Category 11), which often dominate downstream inventories. Current approaches in the Corporate Net-Zero Standard, absolute and intensity-based targets, and customer engagement, have seen limited uptake and face several limitations.

Key issues include the high uncertainty in emissions calculations due to assumptions about product lifespan, usage patterns, and energy sources. Companies also have limited control over how customers use their products, making target setting and progress tracking difficult. Additionally, current metrics may penalise companies that deliver climate solutions, where emissions from use may temporarily increase but serve long-term decarbonisation.

To address these issues, the SBTi proposed applying an *alignment-based framework* downstream, similar to that used upstream. Rather than measuring uncertain emissions outcomes, companies would track the share of their revenue derived from products and services aligned with net-zero benchmarks, defined through emissions intensity thresholds, recognised taxonomies, or zero-emission use profiles.

This approach shifts the focus to where companies have greater influence: product design and portfolio transformation. It simplifies measurement, provides a clearer signal of business model alignment, and introduces a more practical path toward net-zero. Companies would aim to gradually increase the proportion of revenue from net-zero aligned offerings, reaching 100% by 2050. The approach also opens opportunities to track alignment at both the product and downstream entity levels, such as customers, franchises, or processors.

Definition of net-zero aligned products

One EWG member introduced the concept of net-zero aligned products, drawing on work from the Oxford Net Zero and Exponential Roadmap Initiative. The member highlighted the importance of scaling up low-carbon or climate solution products to reduce Scope 3 Category 11 emissions and inspire innovation across product teams, not just sustainability departments. As a strategic tool for companies setting KPIs, two core criteria were proposed for climate solutions: products must either have a carbon footprint at least 50% lower than the market average or meet credible intensity thresholds aligned with net-zero, based on robust taxonomies. After 2030, this benchmark ideally rises to a 90% reduction.

3. Discussion on the revenue-based metrics to assess downstream alignment

[Option A]

- A participant asked for clarification on the difference between revenue-based metrics and those based on functional units, especially considering external factors like tariffs and limited company control. SBTi stated that revenue was proposed as a default metric because it allows aggregation across varied functional units and product types, but confirms openness to flexibility—companies with homogeneous products could use functional units.

- A participant raised a concern about low-revenue but high-emitting products (e.g. in pharma or fossil fuels), and whether the revenue-based approach adequately supports their transition. SBTi stated that the concern is valid and acknowledged, and suggests it may be considered in refining the design.

- A participant stated that while revenue alignment is a strategic and valuable indicator, it should be complemented by emissions-based performance metrics due to challenges in data availability and comparability across sectors. SBTi stated that the goal is to ensure comparability and normalization across product types and sectors, and acknowledges this input for future framework development.

- A participant affirmed that revenue-based alignment is emerging best practice (e.g. in CSRD, GFANZ, TPT and NZTP), supporting business model transformation and innovation, but warns against overburdening companies with product-level reviews: the scope should be carefully defined. SBTi stated that interoperability with other frameworks will be a priority and acknowledges the need for rules that don't require extreme granularity.

- A participant raised the issue of disconnect between companies' decarbonisation actions and what gets reflected in their SBTi targets, especially when major impacts fall outside GHG protocol-defined scopes. SBTi stated that current definitions focus on minimum boundary Scope 3 (Category 11), acknowledging some company efforts may fall outside that scope.

- A participant noted concern about requiring companies to analyse revenue for all products, echoing the earlier point about avoiding overly resource-intensive reviews. SBTi stated that alternative metrics are being considered and invites comments on product unit-based aggregation.

- A participant suggested using product units sold, especially in emission-intensive sectors like transport, as a complement to revenue, noting it better reflects effort when revenue and emissions are not closely tied. SBTi invited views from the group on preferences between a simplified revenue-based metric and more flexible, sector-specific approaches.

[Option B]

- A participant pointed out that revenue-based metrics are more transparent because revenue-based targets help clarify what, for example, 50% alignment actually means, making company claims more interpretable. Another participant added that revenue-based metrics make it easier for civil society to engage, since they align with

tangible technology transitions (e.g. phasing out combustion engines), unlike complex emissions pathways. SBTi affirmed that transparency and communication benefits are part of the rationale for this approach.

- A participant stated that although not deeply familiar with the technical side, the proportional nature of revenue metrics seems intuitively fair, especially as companies grow, shrink, or innovate.

- A participant warned that revenue metrics could distort incentives, encouraging companies to shift revenue models rather than reduce emissions meaningfully, and cautioned against requiring all products to be net-zero aligned, noting that low-emission products with minor impact shouldn't block overall alignment if the bulk of emissions are addressed.

- A participant highlighted that for fossil fuel sales, absolute reduction targets are clearer and more actionable than revenue-based goals, which could be obscured by revenue variability.

- A participant stated that while flexibility has value, focusing solely on revenue as an outcome metric may overlook internal innovation dynamics: what matters more is increasing the number of aligned products and services offered over time.

4. Discussion on the formula to calculate the share of net-zero aligned products

The current proposed formula for calculating the share of net-zero aligned products includes products that don't emit during use phase as net-zero aligned products. Participants are asked to comment on the formula and definition of net-zero aligned products.

[Option A]

- A participant stated that not all non-emitting products are inherently net-zero aligned, due to production lifecycle emissions being potentially significant. SBTi acknowledges that "net-zero aligned product" may be misleading and proposes clarifying it as "net-zero aligned use-phase product."

- A participant warns that abstraction through formulas can misrepresent alignment; accurate product classification is critical to avoid inflating alignment figures.

- A participant suggested distinguishing between net-zero in production vs. use-phase, possibly adopting clearer terms such as "net-zero use product" and "net-zero production product."

- A participant affirmed the need for precise terminology to reflect differences between supply-side and demand-side alignment boundaries.

- A participant stated that there should be safeguards in the definition to ensure lifecycle emissions and societal value are considered, referencing criteria like "is this

a product we actually need?" and making the example of private jets as products with lower societal value.

- A participant recommended referring to external frameworks like CDP and GFANZ to guide metrics, suggesting links to capex, patents, and green revenue benchmarks.
- A participant questioned the feasibility of applying this method across large, diverse product portfolios and suggested further road testing.
- A participant noted that companies already calculating Category 11 emissions should have product-level emission data that can inform alignment groupings.
- A participant added that revenue is a lagging indicator of business transformation, whereas capex is a better signal of forward-looking strategy.
- A participant cautioned that circular business models might be penalised under the current revenue-based formula because they expand product lifespans (and thus Category 11 emissions), with the need to make the metric inclusive of regenerative and circular models, which may not be low-carbon but are environmentally beneficial. SBTi stated that such circularity considerations may not yet fit the existing framework but merit further exploration and proposes a distinct session on circularity to discuss guidance on displacement rates, reverse logistics, and end-of-life design.
- A participant mentioned that some initial frameworks for circularity do exist (e.g. WBCSD), especially in textiles, but there's still no universally adopted metric.
- SBTi concluded the session by reaffirming the need to investigate capital expenditure metrics and refine the prioritisation of product categories in future exercises.

[Option B]

- A participant stated that the current formula could drive innovation in specific companies or product segments but may not be universally applicable across all products or business types.
- A participant questioned whether a linear path to alignment is the most science-based trajectory and suggested exploring alternative models.
- A participant proposed incorporating product efficiency benchmarks (e.g. meeting energy standards) to reflect alignment in a more dynamic way.
- A participant highlighted refrigerants as a problematic product type under this approach, since companies may be phasing them out purely due to legal obligations, not innovation, raising concerns about how to count such transitions. SBTi acknowledged the potential need to distinguish between alignment due to legal compliance versus proactive transition.
- A participant suggested that design-related efficiency improvements should be recognised as part of alignment, e.g. in electric vehicles or buildings, even when grid

emissions are beyond company control.

- A participant warned that a binary taxonomy could overlook important incentives for continuous product efficiency gains.

- A participant affirmed that their sector includes safeguards for energy efficiency in product benchmarks, to prevent over-reliance on less efficient solutions like e-fuels.

- SBTi asked for feedback on including transition-phase products that are significantly more efficient than market averages, even if not fully aligned.
    - A participant expressed mixed feelings: recognising that such an approach could drive interim progress, but warns about the risk of locking in transitional technologies without safeguards.
    - A participant agreed that interim targets can incentivise progress if companies must demonstrate they are on track toward a long-term goal, supporting the concept of a 50% improvement benchmark.
    - A participant emphasised the need for directionality in the definition, particularly to ensure inclusivity of lower middle income country-based companies where net-zero end-state products may not be realistic yet.

- A participant asked whether enough net-zero aligned products are even available today, suggesting research is needed on feasibility.

- A participant argued that net-zero aligned products *are* already available, though possibly more expensive, and urges the definition to stick with end-state criteria while recognising the role of transition pathways.

- A participant noted the importance of product lifespan in defining alignment, suggesting capital goods with long polluting lives should be treated differently from consumer products.

5. Discussion on possible metrics for downstream alignment

The SBTi presented its evolving approach to downstream alignment metrics, focusing on revenue-based targets relevant to categories such as sold products, leased assets, and franchises. This approach enables companies to assess alignment using indicators like the percentage of aligned revenue or the share of franchises with science-based targets. However, it is not applicable to all downstream categories—such as transportation or end-of-life treatment—which lack a direct revenue component. To approach would be based on activity-level metrics, including physical intensity benchmarks, technology classifications (e.g. electrified or energy-efficient products), taxonomy inclusion, and third-party certifications. Entity-level indicators, such as customer targets or renewable energy procurement, were introduced as fallback options where activity-level data is unavailable. Survey feedback showed a preference for flexibility and physical intensity metrics, with

strong interest in tracking the phase-out of fossil fuel-based products. SBTi asked for input on possible metrics for downstream alignment

[Option A]

- A participant highlighted challenges with traceability and lack of downstream data demand and stressed that system effectiveness depends on willingness across the chain, highlighting how it is more difficult to influence downstream partners rather than suppliers.
- A participant warned against relying solely on white lists or green taxonomies, as this could conflate avoided emissions with real emissions reductions. They suggested pairing technology metrics with emissions intensity benchmarks, as these would raise the confidence level of the impact reflected from the transition.
- A participant suggested not overloading the core standard with sectoral prescriptions, as these could go in sector-specific guidance; advocated for mirroring procurement logic on the customer side: prioritising by revenue and emissions, and supported entity-level metrics where activity-level is infeasible but cautioned about feasibility for companies with many customers.

[Option B]

- A discussion was raised on product adaptability to (more) sustainable solutions while the market improves and provides more solutions, as this would be pivotal for long-lifespan goods (i.e. airplanes). A participant proposed repairability scores as more meaningful than recycling assumptions for measuring product longevity.
- A participant cautioned that uncoordinated target-setting by downstream actors (e.g. airlines) risks fragmentation and supported SBTi's framework as a tool to solve coordination problems among market players.
- For the building sector, consensus was raised around the fact that certifications are well understood in the building sector and there are already efforts toward leasing spaces in buildings presenting certain sustainability certifications.

6. Conclusion and next steps

- ☐ SBTi to consider alignment based on functional unit or CapEx instead of revenue solely.
- ☐ SBTi should take into consideration interoperability with other frameworks (CSRD, GFANZ, TPT and NZTP) proposing net-zero aligned revenue
- ☐ SBTi should consider allowing interim metrics (e.g. 50% above market average efficiency) with safeguards to avoid lock-in of transitional technologies
- ☐ SBTi should explore the need to improve the framework to distinguish between legally mandated transitions (e.g. refrigerants) and voluntary alignment, and account for both, as well as explore the need for introducing a filter on societal value of products.
- ☐ Need for a deep dive on solutions for circularity, ways to take into account expanded product life without increasing category 11 emissions. Coordination on this with GHG Protocol is also needed.

- ☐ General support for entity-level alignment as a fallback when activity-level metrics are not available