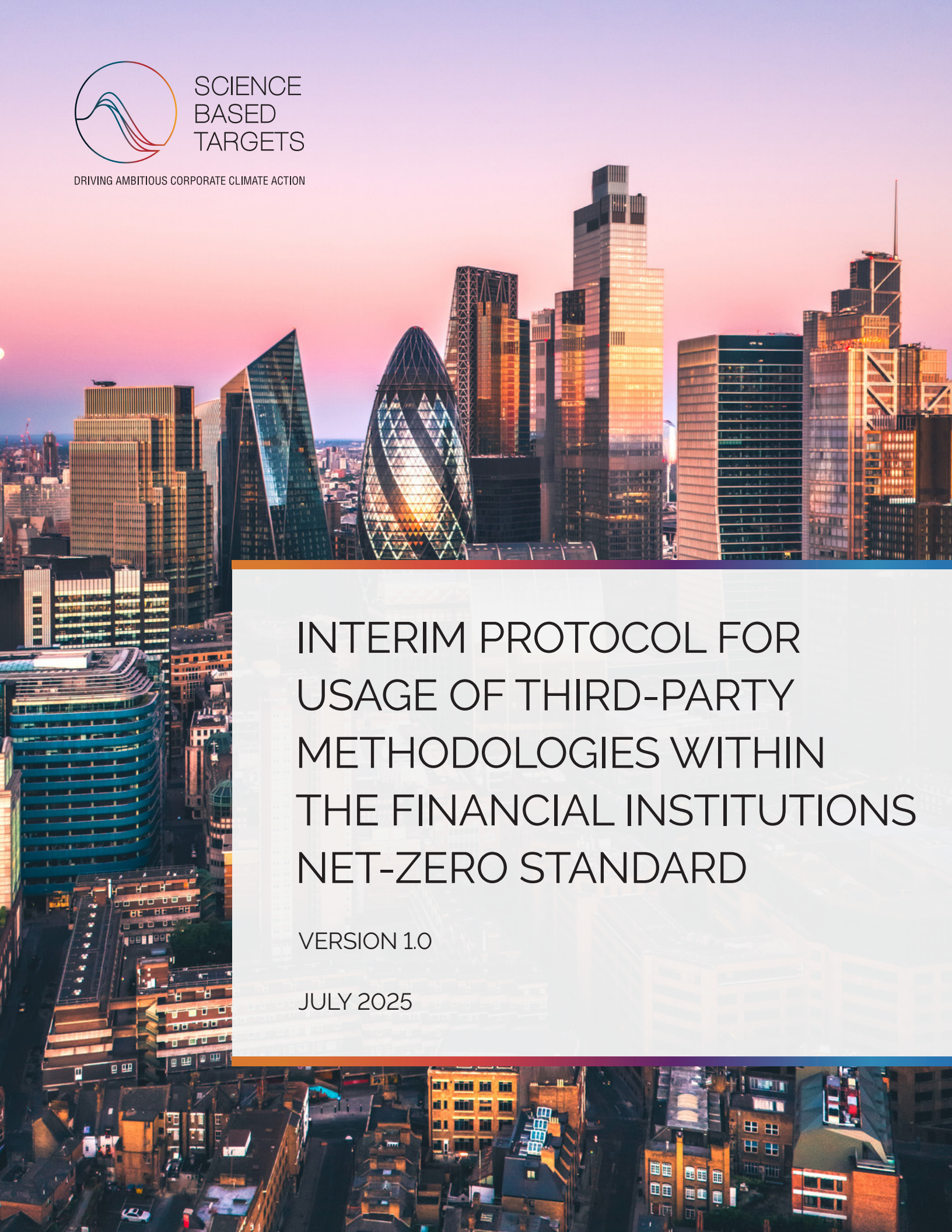




SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



INTERIM PROTOCOL FOR USAGE OF THIRD-PARTY METHODOLOGIES WITHIN THE FINANCIAL INSTITUTIONS NET-ZERO STANDARD

VERSION 1.0

JULY 2025

ABOUT SBTi

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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 which 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 latest.

The SBTi is incorporated as a UK charity, with a subsidiary SBTi Services Limited, which hosts our target validation services. Partner organizations who facilitated SBTi's growth and development are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

DISCLAIMER

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All information, opinions, and views expressed herein by SBTi are based on its judgment at the time this document was prepared and are subject to change without notice due to economic, political, industry, or firm-specific factors.

"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.

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CONTEXT AND PURPOSE

CONTEXT

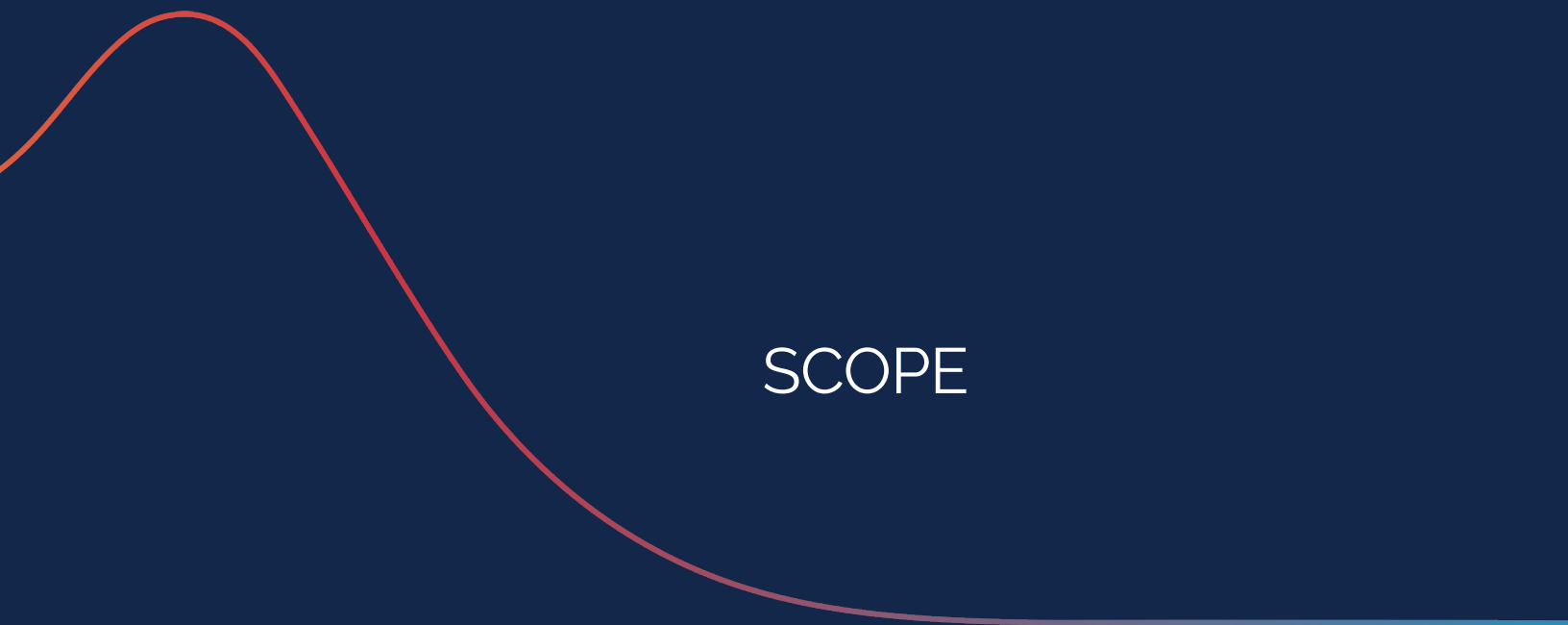
The SBTi Financial Institutions Net-Zero Standard introduces climate alignment targets that enables the use of third-party methodologies. In pilot testing and public consultation, it has become clear that a list of eligible third-party climate alignment methodologies is needed for implementation of the Standard. This Interim Protocol is intended to support the Standard implementation while SBTi develops a global third-party recognition procedure, which is expected to supplant this document once published.

This Interim Protocol supports the interoperability of the Standard by linking other standards or schemes that complement our standards. It also prevents duplication of efforts as required by the ISEAL Code Of Good Practice version 1.0 (criterion 6.2). As described in this document, incorporating third-party products will be based on continuous evaluation and alignment with the SBTi's vision and mission.

PURPOSE

The purpose of this Protocol is to establish a clear framework for the evaluation of third-party climate alignment methodologies by the SBTi for use in the Standard, ensuring that the third-party recognition aligns with SBTi's mission and values, and meets its quality and relevance criteria. The Protocol is designed to provide transparency to climate alignment methodologies developers and standard users on how third-party climate alignment methodologies may be submitted, evaluated, and approved by the SBTi for use in its Financial Institutions Net-Zero Standard.





SCOPE

SCOPE



This Protocol applies to:

- ① SBTi itself, including its staff across all departments, as well as representatives acting on behalf of SBTi staff.
- ② The third-party submitting the request, or any other applicant submitting the request (further referred to as the “submitter”) either on behalf of the third-party or not, and on behalf of SBTi or any other organization.

This Protocol covers the procedures and criteria for assessment, evaluation, and approval of third-party climate alignment methodologies. Approval of third-party climate alignment methodologies includes, and is limited to:

- References within the SBTi Financial Institutions Net-Zero Standard
- Statements published on the SBTi website
- References within the SBTi target dashboard

The Protocol is applicable only to the Standard and is not applicable for use in other financial sector standards such as the SBTi Financial Institutions’ Near-Term Criteria, or any other SBTi cross-sector or sector-specific standards. Within the Standard, the Protocol is applicable to the following standard requirements:

- **FINZ-C7. Base-year climate-alignment assessment:** Third-party methodologies that FIs may use when measuring the climate alignment of their portfolios in the baseline year.
- **FINZ-C12. Portfolio near-term targets:** Third-party methodologies that FIs may use when measuring the climate alignment of their portfolios over time, between the baseline year and the target year.
- **FINZ-C13. Portfolio long-term targets:** Third-party methodologies that FIs may use when measuring the climate alignment of their portfolios toward their desired net-zero year.

The Protocol is not applicable to any other aspects of the Standard, including the eligibility of alternative target-setting metrics, or additional target-setting methods for these metrics. Figure 1 provides an overview of the differences between methodology, metric, and target-setting method.



DEFINITIONS, REFERENCES, AND ABBREVIATIONS



DEFINITIONS, REFERENCES, AND ABBREVIATIONS



Third-party entity

Any external organization, body, or individual that provides products, services, standards, (certification) schemes, or other contributions relevant to the activities and operations of SBTi.

Eligibility

In the context of this policy, "eligible" refers to the acceptance and acknowledgment of a specific third-party product by the SBTi. This eligibility implies that the third-party methodology has been assessed and found compatible following a formal procedure and a set of criteria established by the SBTi.

In the context of third-parties explicitly referenced within SBTi standards or guidance, this reference implies eligibility and means that the referenced third-party methodology may be used by organizations to conform with the criteria within the Standard, as explicitly stated, or achieve specific outcomes in relation to the implementation of the Standard.

The Standard review committee (FRC)

The FRC is tasked with evaluating the third-party methodologies, and is composed of representatives from the:

- Quality Team
- Financial Institutions Standards Team
- Research Team
- Impact Department

Climate alignment

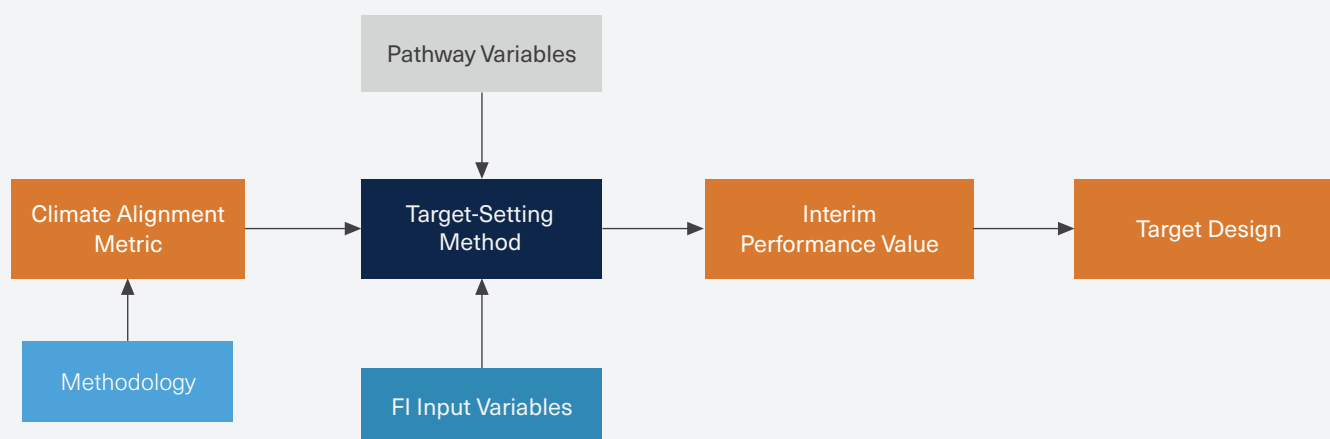
Within the context of the Standard, climate alignment refers to the classification of an entity, project, or asset as either a climate solution, in transition to net-zero, or operating at a performance level consistent with net-zero.

Climate alignment methodology

A methodology for measuring climate alignment in a structured approach that defines the specific steps, techniques, and criteria used to generate, validate, and interpret the climate alignment data point, ensuring its accuracy and relevance within a given context.

This Protocol is limited to the calculation of the climate alignment metric, and does not extend to a method model for determining future interim performance values for the metric.

Figure 1. Overview of how technical foundations are used to generate targets



References to first, second, and third-party assessments are defined here:

- 1 **First-party assessment:**
Self-assessment by the portfolio company
- 2 **Second-party assessment:**
FI-assessing counterparty, based on an available public checklist/framework
- 3 **Third-party assessment:**
Independent assessment with no direct relationship or vested interest in the entity being assessed





PART I: ESTABLISHMENT OF INITIAL LIST



PART I: ESTABLISHMENT OF INITIAL LIST



Part 1 of the Protocol specifies the steps followed to generate an initial eligible list of third-party climate alignment methodologies for use with the Financial Institutions Net-Zero Standard V1. This process provides a structured and transparent approach to evaluating products, fostering continuous improvement, and broad market participation. It balances accountability with inclusivity, aiming to develop and refine robust solutions through iterative contributions. The Protocol aims to include as many credible methodologies as possible, and will be updated and refined over time as specified in Section 6.

1.1 METHODOLOGY SUBMISSION

1.1.1 The process was initiated with the publication (July 1, 2024) of the Financial Institutions' [Metrics and Methods Synthesis Paper](#) alongside a consultation draft of the accompanying Standard. This step established the foundational criteria (Section 6.4 of the Metrics and Methods Paper) for climate alignment methodologies and invited feedback from stakeholders to ensure the criteria were comprehensive, transparent, and aligned with best practices. The criteria, specified in Annex 2, were established based on industry best practices and to ensure alignment with ambitious climate action.

1.1.2 Following the consultation phase, an open call was used to invite financial institutions to participate in the pilot test, which included submitting methodologies for alignment metrics alongside pilot targets. The [public call](#) was initiated on July 10, 2024. This call encouraged contributors to share innovative and rigorous approaches, ensuring a diverse pool of climate alignment methodologies for evaluation.

1.1.3 Pilot testers submitted the climate alignment methodologies they used in their pilot targets. A total of 27 methodologies were submitted as part of the pilot testing phase. These submissions were received within a predefined time frame and adhered to submission guidelines communicated during the initial call.

A total of
27
methodologies
were submitted as part of
the pilot testing phase.

1.2 METHODOLOGY ASSESSMENT

- 1.2.1** Each climate alignment methodology was evaluated against the quality criteria established during the consultation phase. These criteria, published in advance, ensured a fair and consistent assessment process. The criteria were developed based on the SBTi Principles and a thorough literature review of alignment methodologies. A total of five criteria were developed to cover all aspects of an alignment methodology that were considered necessary to ensure credible and transparent methodologies.
- 1.2.2** The methodologies were evaluated against the quality criteria by the SBTi's research team and an independent consultant.
- 1.2.3** The methodologies needed to be consistent with all criteria in order to be considered acceptable. A methodology that did not meet any of the criteria was not considered eligible.

1.3 PUBLIC DISCLOSURE OF RESULTS

- 1.3.1** The SBTi Review Team informed the submitter and the third-party methodology provider (if different than the submitter) of the final outcome of the process, including any justification.
- 1.3.2** In case of acceptance, the SBTi informed the third-party methodology provider (if different than the submitter) of next steps for implementation, including the desired outcomes, timelines, deliverables, and any other expectations, if applicable.
- 1.3.3** In cases where methodologies did not satisfy all criteria, the third-party and/or submitter was contacted and given the option to resubmit the request after addressing the identified issues.
- 1.3.4** Methodologies that passed the quality criteria are provided in the Implementation List document.





PART 2: HOW THE LIST WILL BE UPDATED OVER TIME

PART 2: HOW THE LIST WILL BE UPDATED OVER TIME



2.1 METHODOLOGY SUBMISSION

- 2.1.1 Applicability:** The (prospective) third-party, any SBTi representative or external stakeholder, may propose or request the inclusion of a third-party methodology by submitting a detailed proposal request (further referred to as the “request”) to the SBTi using Annex 1. Stakeholders may also submit a request to remove an approved methodology. The request should include a rationale for why the methodology is no longer consistent with the quality criteria.
- 2.1.2** The request shall be submitted, at any time to implementation_list@sciencebasedtargets.org and must include information about the third-party entity, its contributions or services, as well as a justification. Only requests filled out using the Annex 1 template are eligible for consideration. If the request is not submitted by the third-party itself, the details of the submitter shall also be included.

2.2 INITIAL REVIEW

- 2.2.1** Within one month¹ upon receipt of the request, the dedicated internal reviewer conducts an ‘initial review’ and fills out the checklists of Annex 2 to prepare a recommendation for the FRC. A unique ‘case ID’ is issued by the internal reviewer for further referencing throughout the process. The initial review must complete Annex 2 to determine the eligibility of the request.
- 2.2.2** Upon a positive outcome of the eligibility review, a preliminary content review results in a recommendation to initiate the regular procedure (which depends on a careful evaluation against the applicable quality criteria).

2.3 DETAILED ASSESSMENT

- 2.3.1** Within two months of completion of the initial review, the FRC convenes to discuss and assess the request based on the criteria stipulated in Annex 3.
- 2.3.2** Creation of the FRC is undertaken by considering any real or perceived conflict of interest that may arise from reviewing the applicant, or its product, following Section 7.4.
- 2.3.3** The FRC thoroughly reviews all provided documentation and ensures that all evidence is current, valid, and complete.

¹ The timelines suggested here may be subject to change once the first submissions are received. All timeline changes will be made as part of formal updates to the protocol document

- 2.3.4** The FRC may conduct additional research, such as market analysis, industry reports, and news articles, to gather further information on the third-party's standing and performance, in addition to the product that is included in the request.
- 2.3.5** External consultants or subject matter experts may be engaged for specialized analysis or insights.
- 2.3.6** In case of discrepancies or concerns, more information can be requested from the submitter via the initial reviewer.
- 2.3.7** An iterative decision-making process may follow to achieve consensus in the FRC (for which section 7.2 applies), which will be concluded no later than two months after the first meeting of the FRC (see Step 6.3.1).
- 2.3.8** Upon consensus, the FRC fills out the checklist in Annex 4 with its findings, concerns, final decision (acceptance or rejection, with or without additional conditions), and justifications thereof. They then share this with the initial reviewer.
- 2.3.9** Requests will only be approved if the methodology meets all relevant criteria.
- 2.3.10** The internal reviewer and FRC assure all documents are filed as per Section 7.3.

2.4 COMMUNICATION OF RESULTS

- 2.4.1** Once the approval steps are concluded, the FRC informs the initial reviewer of the final outcome.
- 2.4.2** The initial reviewer informs the submitter of the final outcome of the process, including any justification (with the request to accept the outcome of the FRC in writing).
- 2.4.3** In case of acceptance by the FRC, the initial reviewer informs the third-party and/or submitter of next steps for implementation, including the desired outcomes, timelines, deliverables, and any other expectations, if applicable. These shall be documented to assure record and progress-keeping, as well as for monitoring, evaluation, and learning purposes.
- 2.4.4** In case of rejection by the FRC, the third-party and/or submitter may resubmit the request with relevant adjustments, as prescribed in the evaluation results issued (privately) by the SBTi. Up to two re-submissions can be undertaken.



2.5 APPEAL

- 2.5.1** In cases where the applicant may wish to appeal the result of the assessment without any additional changes to their application, applicants may submit feedback and suggestions that can be considered in the revision process of this Protocol.

2.6 IMPLEMENTATION OF RESULTS

- 2.6.1** The third-party will be listed on the SBTi website and/or included in relevant directories or resources to facilitate adequate implementation for use in the Standard.
- 2.6.2** Training and informational sessions can be considered to ensure smooth adoption and implementation.

2.7 VALIDITY OF RESULTS

- 2.7.1** Specific versions/dated methodologies have been evaluated. As newer versions are released, these must be reevaluated.
- 2.7.2** The applicant may resubmit the results of the evaluation by re-submitting their methodologies with relevant adjustments as prescribed in the evaluation results issued (privately) by the SBTi.

2.8 REVISIONS TO THE PROTOCOL

- 2.8.1** The Protocol is reviewed on a continuous basis.
- 2.8.2** The quality criteria may also be updated on a continuous basis to align with emerging best practice. Any changes to the criteria will be implemented for all submissions that occur after the criteria updates. Submissions that may be in process will be evaluated against the criteria that were valid at the time of submission.

2.9 MONITORING AND REVISIONS TO THE APPROVED LIST

- 2.9.1** The third-party methodology inclusion falls within the scope of SBTi's organization-wide Monitoring, Evaluation & Learning (MEL) System.
- 2.9.2** As such, all feedback related to the third-party recognition (and the process), both from internal and external stakeholders, will be collected, processed, and stored.
- 2.9.3** Eligible third-party products shall be monitored regularly following the MEL procedures by SBTi's relevant staff to ensure continued relevance and compliance. This entails, but is not limited to, a systematic and periodic review of:
- The use of the product in ongoing FI validations (and if it still suits SBTi's overall interest and strategic goals);
 - The compliance of the third-party with the criteria set in the annexes of this policy.
- 2.9.4** The list will be updated at least bi-annually (end of December and end of June).
- Methodologies must be received at least 90 days before the scheduled list update point to be considered for inclusion in the next version of the list.
- 2.9.5** An annual review of the list is undertaken as part of the SBTi MEL process, and will consist of the following elements:
- If the version of the approved methodology is still active/valid and offered by the third-party owner;
 - If a new version of the methodology has been released, this version is also aligned with all current quality criteria.

- 2.9.6** In case the SBTi detects any inconsistencies or that the methodology is no longer valid, the FRC is informed as soon as possible. Necessary updates shall be managed by the FRC, based on the MEL findings.
- 2.9.7** Withdrawal of the third-party methodology shall be decided on a case-by-case basis when the existing approved methodology is found to be no longer offered by the third-party provider, or if newer versions of methodology no longer conform to all quality criteria.
- 2.9.8** Written communication to the provider is undertaken, with the supplier having 60 days to respond to the concerns and provide any necessary updates.
- 2.9.9** If necessary updates are received within 60 days, the list can be updated to include the revised methodology.
- 2.9.10** If necessary updates are not received within 60 days, the list can be updated to remove the methodology. Withdrawal shall be documented in the eligible list as “discontinued” as of the date when the methodology is removed from the list.





GOOD PRACTICE AND OTHER PRINCIPLES



GOOD PRACTICE AND OTHER PRINCIPLES

3.1 MEETINGS STRUCTURE

The FRC does not have a fixed meeting schedule, but shall convene either physically or online depending on the submitted requests. Meetings shall have a clear objective reflected in a meeting agenda. A chair and minute-taker are agreed amongst the FRC members, either fixed for a certain time frame or based on a rotating schedule. Meeting minutes shall be centrally stored following SBTi's general document naming and filing procedures.

3.2 DECISION-MAKING

The FRC shall strive to reach decisions by consensus. Consensus is achieved when all members, after thorough discussion, either fully agree with the decision or are willing to accept it. If consensus cannot be reached after reasonable efforts, a voting round can be initiated by the FRC. In such cases, a decision shall be considered adopted if it receives the support of the required majority (>50%). Full FRC membership quorum is required. FRC Members who dissent may have their objections recorded in the minutes.

3.3 RECORD-KEEPING AND DOCUMENT CONTROL

3.3.1 All relevant documentation pertaining to the handling of a third-party recognition request shall be identified using the unique Case ID and is filed and stored, per request, following SBTi's general document naming and filing procedures. This includes, at a minimum:

- **Annex 1** filled out, with the third-party recognition request, including all supporting documentation and argumentation submitted by the (prospective) third-party and/or submitter);
- **Annex 2 and 4** filled out by the initial reviewer with recommendations and updated by the FRC with their final decisions, including the justification for the selected composition of the FRC.




A decision shall be considered adopted if it receives the support of the required majority

(>50%)

3.4 CONFLICT OF INTEREST CONSIDERATIONS

Any FRC member shall be transparent about (potential) conflicts of interest that could arise throughout the endorsement procedure, and communicate these (both to the SBTi's Executive Leadership Team and the applicant). In agreement with the Executive Leadership Team and applicant, the potential conflict of interest shall be mitigated with a transparent and accepted mitigation strategy, or the member refrains from voting during FRC meetings and/or gives up its seat in the committee to a more suitable replacement (at the discretion of the Executive Leadership Team).





ANNEX 1: THIRD-PARTY RECOGNITION REQUEST FORM

ANNEX 1: THIRD-PARTY PROVIDER REQUEST FORM

[Download the form here](#)

	GENERAL INFORMATION	EXAMPLE ANSWER
	Third-party: <ul style="list-style-type: none"> <input type="radio"/> Name <input type="radio"/> Contact Person <input type="radio"/> Contact Details <input type="radio"/> Legal Status 	
	Submitter (If different from the third-party): <ul style="list-style-type: none"> <input type="radio"/> Name <input type="radio"/> Contact Person. <input type="radio"/> Contact Details <input type="radio"/> Legal Status 	
	Methodology Overview (Provide a brief description of the methodology design and its intended applications)	
#	GOVERNANCE	EXAMPLE ANSWER
1	What is the name of this methodology?	Methodology name
2	What version of the methodology is being used?	V 1.2 (December 2022)
3	Who developed and manages this methodology?	E.g., Company name, internally developed
4	Is the methodology documentation public?	Yes/No
5	Is the certification system public (if relevant)?	Yes/No
6	Has this methodology been peer-reviewed or undergone public consultation?	Yes/No. Link to documentation
	COUNTERPARTY ALIGNMENT METHODOLOGY	EXAMPLE ANSWER
7	Does the methodology cover the alignment of entities or assets, or both?	Entity and/or asset
8	Does this metric provide a binary indication that the real economy counterparty (entity or asset) is aligned to a 1.5°C temperature outcome?	Yes/No
9	What is the definition of alignment that is used in the methodology?	E.g., Aligned temperature reflects an implied temperature rise of less than or equal to 1.5°C

	ALIGNMENT METHODOLOGY	EXAMPLE ANSWER
10	At the counterparty level, which GHG emissions scopes are included in this methodology?	Scope 1, scope 2, and/or scope 3
11	Does the methodology cover all seven GHG types identified within the Kyoto Protocol?	Yes/No
12	Does the methodology include the use of avoided emissions or carbon credits by the counterparty?	Yes/No
	BENCHMARKS AND SCENARIOS (WHERE APPLICABLE)	EXAMPLE ANSWER
13	Is the methodology dependent on scenario(s)? Which ones?	Yes/No (plus names)
14	Are the scenarios used 1.5°C-aligned?	Yes/No
15	If the methodology is taxonomy based, does it state that it is aligned with the Paris Agreement?	Yes/No/Not relevant
	FORWARD LOOKING (WHERE APPLICABLE)	EXAMPLE ANSWER
16	Is the methodology based on a forward-looking projection at the counterparty level?	Yes/No (plus names)
17	What is the forward-looking component based upon?	CapEx, targets, public announcements
18	What is the time frame of the forward-looking component?	Numeric value in years

Declaration:

I declare that all the information presented in this request form, as well as the requested justification/ documents to substantiate this application are accurate and true. I also declare that, on behalf of [name of submitter and/or third party], I am authorized to sign and submit this request and to confirm that [name of submitter/third party] takes full responsibility of all the implications and (un)intended consequences resulting from this recognition request and the implementation, thereof, as part of the third-party recognition agreed and established between SBTi and [name of third party].

Name: _____

Date: _____

Signature: _____

For SBTi internal use:

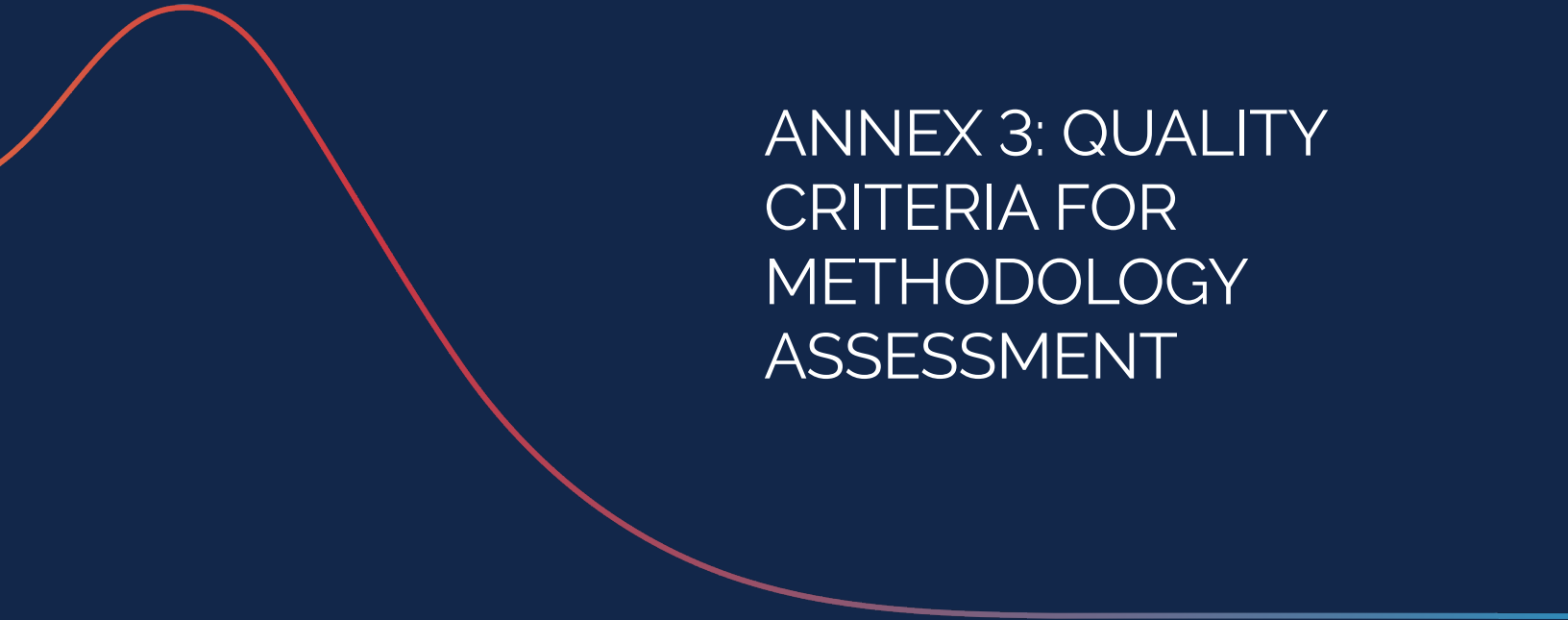
Case ID: _____



ANNEX 2: CHECKLIST - INITIAL REVIEW

ANNEX 2: CHECKLIST - INITIAL REVIEW

#	ELIGIBILITY CRITERIA	CONCLUSION (PLEASE FILL OUT/SCORE)
1	<p>Completeness check: Ensure the proposal is complete and includes all required information. Incomplete proposals will be returned to the submitter with a request for additional details.</p>	Initial reviewer:
2	<p>Eligibility scope: Assess if the request concerns the assessment of:</p> <ul style="list-style-type: none"> a. A collaboration or partnership in the overall climate space. b. Another standard or program, through which compliance with one or more criteria can be established. c. Datasets/sources/methodologies used to calculate the climate alignment of an FI's counterparties (portfolio entities or assets). 	Initial reviewer:
3	<p>Relevance assessment: Assess whether the proposed third-party entity is relevant to the SBTi's operations, objectives, and needs. This involves:</p> <ul style="list-style-type: none"> ○ Evaluating the entity's activities and their relation with SBTi's activities. ○ Determining whether the entity's services or contributions are timely and necessary for current or future projects. 	Initial reviewer:



ANNEX 3: QUALITY CRITERIA FOR METHODOLOGY ASSESSMENT

ANNEX 3: QUALITY CRITERIA FOR METHODOLOGY ASSESSMENT

The following quality criteria are used to evaluate climate alignment methodologies. Table 4.2 in the Standard details the three categories that count towards climate alignment:

- **In transition:** Entities and activities demonstrating they are on a science-based path to net-zero emissions.
- **Climate solutions:** Activities that are necessary for an economy-wide transition to net-zero emissions.
- **Net-zero state:** Entities and activities demonstrating they have reached zero or near-zero emissions levels.

The quality criteria addresses each category. The net-zero state category is primarily based on public GHG inventories for the specific entity, project, or asset. The criteria cover five key themes:



Governance



Alignment methodological approach



Boundary coverage





Benchmarks and scenarios



Forward-looking elements

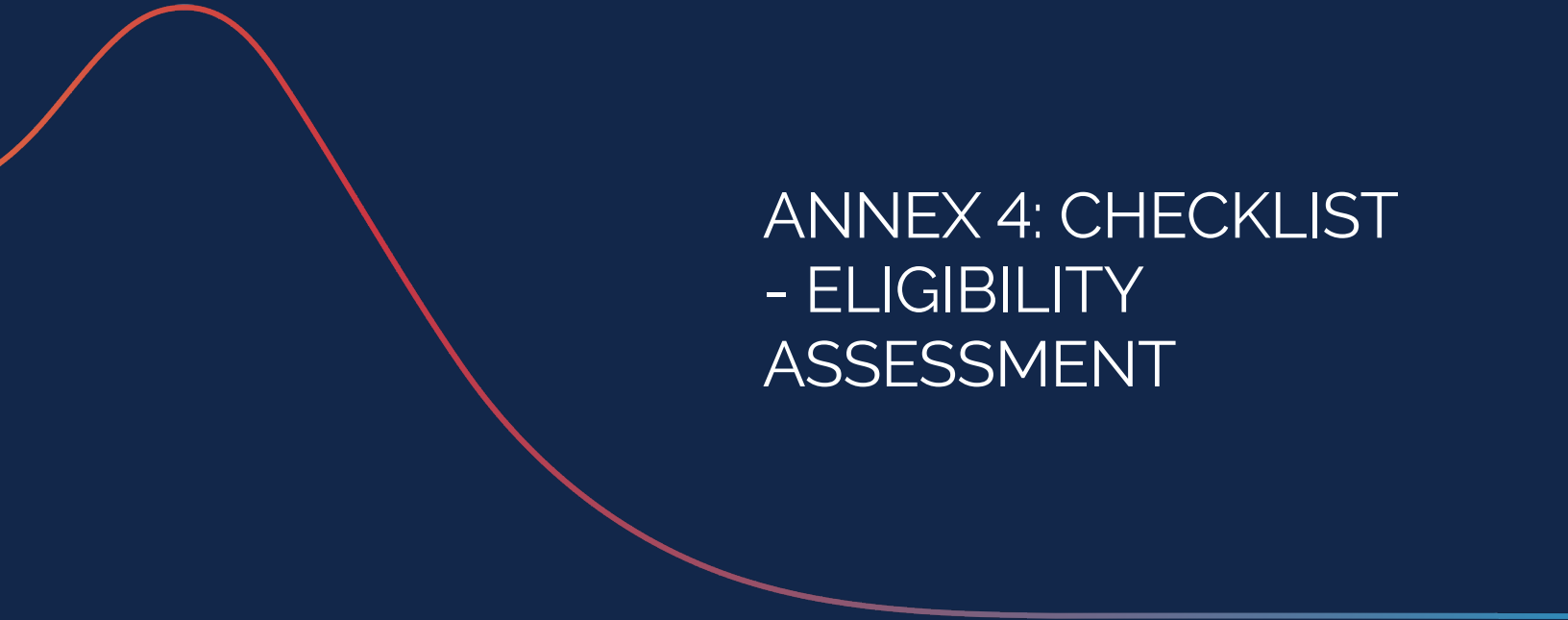
The table below shows how the criteria apply to the “in transition” and “climate solutions” categories, with further specification on the counterparty type (i.e., an entity or activity that is being financed).

	IN TRANSITION	CLIMATE SOLUTIONS	NET-ZERO ALIGNED
Governance 	Any methodology used to generate the alignment score of the entity/project/asset shall be publicly available including the version number/date of publication. Methodologies must disclose any underlying assumptions and be sufficiently transparent to assess all criteria specified in this table.		
Alignment methodology 	<p>Methodologies used to generate the alignment scores shall adhere to the following three criteria:</p> <ol style="list-style-type: none"> 1) The methodology shall at least provide a binary indication that the entity/activity is aligned to a 1.5°C temperature outcome. 2) The methodology shall return a metric at the entity/project/asset level, not at the portfolio level. 3) Entity (SME and non-SME) alignment scores shall be based on an assessment of forward-looking plans or targets against relevant pathways. Credibility assessments may also be included. 	<p>Methodologies used to generate the alignment scores shall adhere to the following three criteria:</p> <ol style="list-style-type: none"> 1) The methodology shall provide a binary indication that the entity/project/asset is aligned to a 1.5°C temperature outcome. 2) The methodology shall be able to return a metric at the entity/project/asset level, not at the portfolio level. 3) Activity alignment scores shall be based on a binary assessment of current performance relative to an approved taxonomy or labeling system. 4) Taxonomy must be economic activity based, not principle based. 	<p>Methodologies used to generate the alignment scores shall adhere to the following criterion:</p> <ol style="list-style-type: none"> 1) The methodology shall at least provide a binary indication that the entity/activity is operating at zero or net-zero levels.
Boundary 	<p>The emissions boundary shall be consistent with the type of counterparty being assessed:</p> <ol style="list-style-type: none"> 1) Non-SMEs (small- and medium-sized enterprises): the boundary used to generate the alignment score shall cover all relevant GHG emissions (scope 1, 2, and 3 GHG emissions). 2) SMEs: the boundary used to generate the alignment score shall cover all operational GHG emissions (scope 1 and 2 GHG emissions). 	<p>The emissions boundary shall be consistent with the type of counterparty being assessed:</p> <ol style="list-style-type: none"> 1) Project/Asset/Activity: the boundary shall reflect all direct operational emissions (scope 1) generated from the activity. 	<p>The emissions boundary shall be consistent with the type of counterparty being assessed:</p> <ol style="list-style-type: none"> 1) The boundary must cover scope 1, 2, and 3 GHG emissions for non-SMEs, and scope 1 and 2 for SMEs. 2) Project/Asset/Activity: must cover all direct operational emissions (scope 1) generated from the activity. <p>Assessments shall cover all seven Kyoto GHGs.</p>

Benchmarks and scenarios 	Pathways shall be based on credible 1.5°C scenarios.	Benchmarks, labeling systems, and taxonomies shall be based on credible 1.5°C scenarios. Taxonomies shall include specific quantitative and qualitative thresholds for determining whether a given activity is 1.5°C-aligned.	N/A
Forward-looking elements 	Forward-looking elements shall be consistent with the type of counterparty being assessed: 1) Entity: methodologies shall be based on a forward-looking ² projection of alignment, considering at least a five-year future projection based on publicly stated plans or targets.	Forward-looking elements shall be consistent with the type of counterparty being assessed: 1) Project/ Asset/ Activity: methodologies or certifications may be forward-looking by at least five years or over the duration of the instrument.	N/A



² Forward-looking² is currently based on ambition only, but is expected to also incorporate progress assessments over time.



ANNEX 4: CHECKLIST - ELIGIBILITY ASSESSMENT

ANNEX 4: CHECKLIST

- ELIGIBILITY ASSESSMENT

For internal use by SBTi:

Case ID: _____

Final decision by FRC: **Third-party product** accepted/rejected (please circle correct answer)

Summary of findings:	
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Potential risks and concerns, and how these must be mitigated:

Additional conditions imposed:	
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Justification for FRC's decision:





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