

# SBTi COMMITIM **LETTER**

Version 1.2

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## INTRODUCTION

- Organizations joining the Science Based Targets initiative (SBTi) must follow the <u>SBTi</u> step-by-step process and align with SBTi Criteria and Recommendations.
- Please consult the <u>SBTi FAQ</u> for additional information on the process and expectations.
- SMEs<sup>1</sup> are welcome to join the SBTi by submitting a completed <u>SBTi Target Validation</u> Application for SMEs.

The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science. The SBTi's goal is to accelerate companies across the world to support the global economy to halve emissions before 2030 and achieve net-zero before 2050.

The initiative is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) and one of the We Mean Business Coalition commitments. The SBTi defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.

## INTRODUCTION

Setting a science-based target is a five-step process:

#### Step 1. Register online and submit the commitment letter

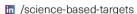
Signing this contmitment letter indicates that your organization will work to set a science-based emission reduction target aligned with the SBTi's target-setting criteria. After registering online, submitting your commitment letter to commitments@sciencebasedtargets.org, and passing the due diligence process, your organization will be recognized as "committed" at SBTi's webpage as well as en our partner websites at We Mean Business. Organizations that are participants of the UN Global Compact will also be recognized on the UNGC website. Companies and financial institutions are urged to aim for the highest level of ambition in their target setting and also commit to set a long-term science-based target to reach net-zero value chain GHGs emissions by no later than 2050. Companies that commit to set these long-term science-based targets to reach net-zero and align their business with a 1.5°C future will also be recognized as part of the Race to Zero campaign.² The SBTi has developed a Net-Zero Standard for corporates and the SBTi Net-Zero Standard for Financial Institutions is planned to be launched in 2023.

<sup>&</sup>lt;sup>2</sup> Companies that are eligible to join the Race to Zero must follow the SBTi's current fossil fuel policy. For any queries, please contact Race to Zero at racetozero@unfccc.int.



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<sup>&</sup>lt;sup>1</sup> To find the latest definition of SMEs please see Small and Medium Sized Enterprises (SMEs) FAQ.











#### Step 2. Develop a target

Once your organization has signed the commitment letter you will have a maximum of 24 months to:

- 1. Develop a science-based target aligned with the SBTi Criteria;
- 2. Submit the target to the SBTi for validation.

We encourage companies and financial institutions to begin this process and submit targets for validation as early as possible. Please review the <u>Commitment Compliance Policy</u> to ensure your organization complies with your commitment.

Please note that the SBTi increased the minimum ambition of its near-term targets to 1.5°C for scope 1 and 2 and well-below 2°C for scope 3, and updated the timeframe of near-term targets to be 5 to 10 years. These updates are published in the V5 of the SBTi Criteria and Recommendations. Organizations must ensure that they submit targets for verification in line with the most recent SBTi Criteria. The SBTi offers resources, case studies and webinars to help companies develop their science-based targets.

#### Step 3. Submit your target for official validation

To have your science-based target officially approved and published, your organization must fill in the correct <u>Target Submission Form</u>, according to the type of targets you want to submit, and upload it along with your complementary documents via the <u>Target Validation Service online Booking System</u>. If you find difficulties please contact this emailtargets@sciencebasedtargets.org. If your submission passes the initial screening, the SBT target validation team will validate the target against the <u>SBTi Criteria</u> and the <u>Target Validation Protocol</u>, and inform you when the target has been approved.

#### Step 4. Announce the target

On confirmation that your target meets the SBTi Criteria, your organization's target will be published on the SBTi website and may be showcased in other communications. Please ensure that your company has reviewed the SBTi Communications Guidelines. The SBTi may contact your nominated communications contact about further opportunities to profile your organization's climate leadership.

#### Step 5. Disclose your progress

Following approval, you should disclose your organization's emissions annually and monitor progress against your target as stated in the SBTi Criteria. Recommendations for reporting include <u>disclosure</u> through CDP, annual reports, sustainability reports and your company's website.

Please proceed to page 6 of this document to complete this Commitment Letter. Financial institutions and food, agriculture and forest sectors must consult pages 4, and 5 respectively before proceeding to complete page 6 and 7.

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## FINANCIAL INSTITUTIONS

Due to its unique nature, the financial sector has a separate process established by the SBTi. The sector's largest impact comes from its investment and lending activities (known as scope 3, category 15 emissions) and therefore it is imperative that targets for this sector encompass such activities.

The SBTi defines a financial institution as an organization whose business involves the arrangement and execution of financial and monetary transactions, including deposits, loans, investments, and currency exchange. More specifically, the SBTi deems an organization a financial institution if 5 percent or more of its revenue or assets comes from the activities described above.

On October 1, 2020, the SBTi released a framework that allows financial institutions - including banks, investors, insurance companies, and others - to set science-based targets to align their lending and investment activities with the Paris Agreement. Visit the SBTi finance homepage for more information.

Based on current methods and coverage, the primary financial sector audience includes banks, asset managers, asset owners (pension funds, closed-end funds, insurance companies), private equity firms, and mortgage real estate investment trusts (REITs). The framework is also relevant for other financial institutions that have holdings in the following asset classes where methods are currently available: real estate, electricity generation project finance, corporate and consumer loans, bonds, and equity. The SBTi plans to develop additional methods and criteria for insurance underwriting, sovereign debt, and securities underwriting in 2023.

Asset classes beyond this list are currently out of the SBTi's scope. Bilateral and multilateral development financial institutions (e.g. the World Bank) are not the primary audience of this framework. Equity REITs, namely real estate companies that own or manage income-generating properties and lease them to tenants, are not a target audience of this project and shall pursue the regular target validation route for companies.

Financial institutions are invited to commit to set science-based targets by signing this commitment letter, and to set targets by completing the following steps within a maximum of 24 months:

- Develop a science-based target aligned with the SBTi Criteria for financial institutions;
- 2. Submit the target to the SBTi for validation.

Financial institutions have to refer to our Compliance Policy to ensure that their organization is complying with their commitment.

If a company falls under the definition above but does not consider their investment activities significant/relevant for the purposes of science-based target setting, the company should reach out to the team at info@sciencebasedtargets.org.











## FOREST, LAND AND AGRICULTURE SECTORS

Companies in land-intensive sectors have a critical role to play in the transformation to a zero carbon economy. The SBTi Forest, Land and Agriculture project (SBTi FLAG) developed methods and quidance to enable businesses in FLAG sectors to set science-based targets that fully incorporate deforestation and land-related emissions. Companies with land-intensive operations can commit to the SBTi through signing this letter and setting targets with existing methods. An updated version of the SBTi FLAG Guidance will follow after the GHG Protocol Land Sector and Removals Guidance is finished to ensure alignment with corporate accounting guidance. As is standard in the SBTi, companies that set targets with the current version of the guidance are still encouraged to update targets with the release of future versions; any target updates should occur as part of the regular target review process or when a target recalculation is warranted, following the SBTi Criteria. The SBTi FLAG Guidance covers near-term (5-10 year) FLAG targets. For information about setting longterm net-zero FLAG targets, please see the Net-Zero Standard.

Companies are responsible for reviewing SBTi's Criteria and sector pages to understand what methods are available and/or required for them to set science-based targets.













## COMMITMENT SELECTION

By signing this Commitment Letter, our organization indicates an intent to join the growing group of leading corporations that are setting emissions reduction targets in line with what climate science says is necessary. By doing so, we recognize the crucial role the business community an play in minimizing the risk climate change poses to the future of our planet.

i nerei	eby, I am pleased to confirm that [		S
comm	nitting to:		
	□Set near-term science-based emissions reduction targets in line with	the SBTi Criteri	a
	and Recommendations, and submit them to the SBTi for validations within a months.	maximum of 2	4

We acknowledge that our commitment will be recognized on the site as well as on our partner websites at We Mean Business. Companies who are participants of the UN Global Compact will also be recognized on the UNGC webpage.

In addition, to align with the most ambitious aim of the Paris Agreement and to what science dictates is necessary to reduce the destructive impacts of climate change on human society and nature -  $\underline{\text{to}}$ reach net-zero global emissions by 2050 at the latest in order to limit global warming to 1.5°C - my company is committing to:

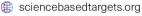
□ Set net-zero targets, including a long-term science-based target: My company commits to set long-term science-based targets to reach net-zero value chain GHG emissions by no later than 2050 in line with the SBTI Net-Zero Standard and submit it for SBTi validation within a maximum of 24 months. By committing to set a net-zero target, I also acknowledge that my company will join the Race to Zero campaign.<sup>3,4,5</sup>

Near-term science-based targets are 5-10 year GHG mitigation targets in line with 1.5°C pathways.

Net-zero science-based targets are long-term targets that show companies how much they must reduce value chain emissions to align with reaching net-zero at the global or sector level in eligible 1.5°C pathways by 2050 or sooner. The SBTi defines the state of net-zero emissions for companies as reaching a state of no impact on the climate resulting from the organization's GHG emissions. Reaching a status of science-based net-zero emissions implies the following two conditions:

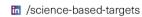
<sup>&</sup>lt;sup>5</sup> Companies that are already part of the initiative can raise their ambition by also committing to set a net-zero target.





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<sup>&</sup>lt;sup>3</sup> Companies that are eligible to join the Race to Zero must follow the SBTi's current fossil fuel policy. If companies have questions, please reach out to Race to Zero at racetozero@unfccc.int.

<sup>&</sup>lt;sup>4</sup> Companies must have valid near-term science-based targets (SBTs) that meet the SBTi Criteria to be eligible for a netzero target, unless the long-term SBT year is 10 years or fewer from the date of submission.











- Achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in pathways that limit warming to 1.5°C with no or low overshoot.
- Neutralizing the impact of any source of any residual emissions by permanently removing an equivalent volume of atmospheric CO<sub>2</sub>.6

Visit the SBTi Net-Zero webpage and review the Net-Zero Standard for more information. For financial institutions, the approach to net-zero emissions targets across the value chain is being develop

#### Sign the commitment

Please register online. sign this document, and return commitments@sciencebasedtargets.org. The SBTi reserves the right to carry out due diligence reviews before accepting and publishing commitments.

This SBTi commitment letter can be signed by any organization representative, but the commitment application form requires the contact details of a managerial level point of contact in the organization.

Once this commitment letter is processed and you have received formal confirmation over email, your organization will be recognized as "Committed" on the SBT website and the partner websites of UN Global Compact and We Mean Business. Organizations committing to set a net-zero target will also be added to the UNFCCC Race to Zero website provided the organizations are eligible to join at this time.

Company name:		
Signature	Headquarters Country	Date

<sup>6</sup> Residual emissions are emissions sources that remain unabated by the time net-zero is reached at the global or sector level in 1.5°C mitigation pathways with low or no overshoot (Foundations for Science-based Net-Zero Target Setting, pp. 7, 32-34). For most companies this requires emission reductions of at least 90%, which implies neutralization of no more than 10% of base year emissions when reaching net-zero.



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