SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi 2026–2030 STRATEGY

Catalyzing Corporate Action

sciencebasedtargets.org

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1

OUR VISION, MISSION, HISTORY AND OBJECTIVES: WORKING IN PARTNERSHIP TO PROVIDE COMMON STANDARDS AND AN IMPLEMENTATION FRAMEWORK FOR PARIS-ALIGNED CORPORATE CLIMATE ACTION

1.1 OUR VISION

By 2050, the world will have transitioned towards a net-zero and equitable economy that serves the needs of the population within the limits of the planet.

1.2 OUR MISSION

We will accelerate science-based corporate climate action consistent with achieving net-zero by 2050 or sooner. This will contribute to international efforts aimed at limiting temperature increase to 1.5°C by the end of the century.

1.3 OUR STORY SO FAR: SBTI ADOPTION HAS FAR EXCEEDED EXPECTATIONS

The Science Based Targets initiative (SBTi) was established in 2015 as a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and as part of the We Mean Business Coalition's commitments.

We set out a clear vision to raise climate ambition across the global business community by driving the adoption of emissions reduction targets grounded in climate science. At the time, "science-based targets" was a new concept, and we developed an approach based on scientific literature and early real-world application by pioneering companies. Our initial goal was to encourage 100 companies to set greenhouse gas (GHG) reduction targets aligned with what science deemed necessary to avoid the worst impacts of climate change.

The initiative quickly gained momentum, evolving into a global movement and becoming the de facto standard for corporate climate ambition. In response to growing demand from companies and financial institutions, the SBTi became an independent organization in 2023, was registered as a charity by the Charity Commission for England and Wales, and established its SBTi Services subsidiary to drive efficiency, scale and excellence in target validation.

At the time of publishing, more than 13,000 companies worldwide have set or committed to science-based targets:

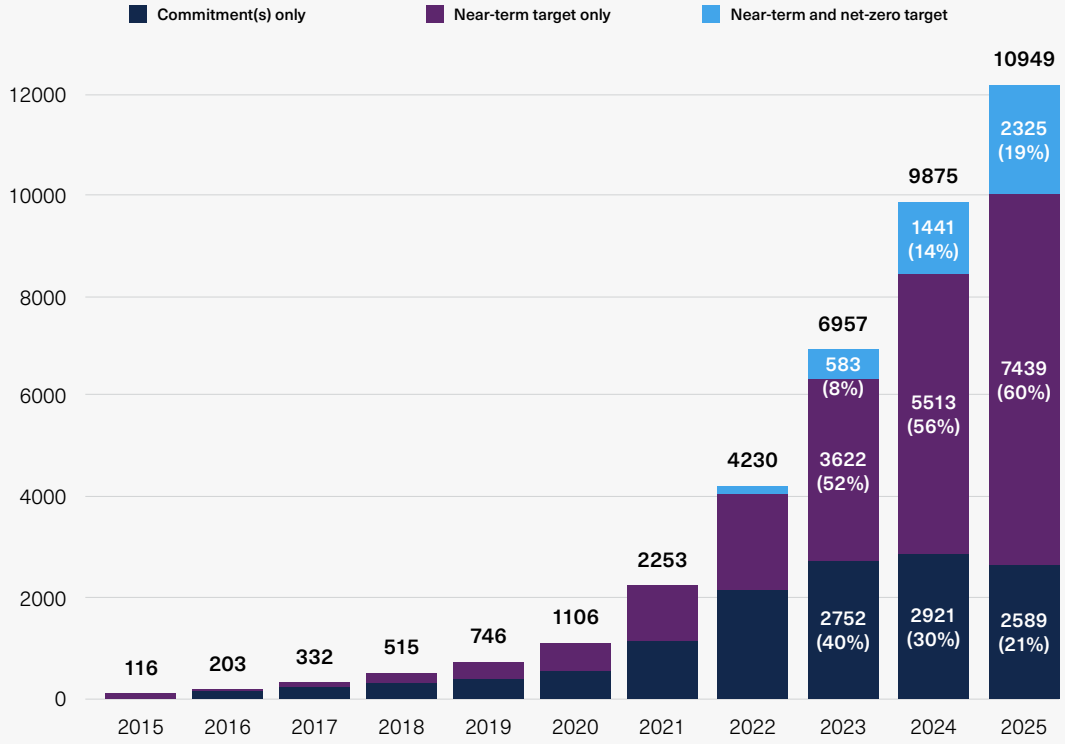
- 10,991 companies have set near-term targets.
- Of these, 2,574 companies have set net-zero targets.
- A further 2,497 companies have made commitments to set targets and, based on experience, we expect them to do so within the next 18 months.

These companies represent key emitting regions and a wide range of sectors:

- The overarching geographical distribution of companies with targets and commitments is: 6,714 in Europe, 1,556 in North America, 273 in Latin America (largely Spanish-speaking countries and Brazil), and 4,608 in Asia (largely Japan, China and India).
- The sectors covered by companies with SBTi targets include light and heavy manufacturing, logistics, services and retail. Among high-emitting sectors, 133 power companies have validated targets, together with 422 companies that have FLAG targets, 271 chemicals companies and 30 cement companies. In the financial sector, around 190 institutions have validated targets. There has been limited uptake by steel, aluminum and shipping companies—we set out how we will address this in Section 6 below.

This extraordinary progress underscores both corporate leadership and the global momentum toward meaningful, science-based action on climate change.

Companies with SBTi commitments or targets, cumulative, by target type



Note: Percentages indicate the share of the cumulative total in each year
Source: SBTi (data correct up to end of 2025)

2

CONTEXT AND OBJECTIVES

The world has changed significantly since the SBTi was established ten years ago. This strategy sets out how we will maximize our impact in a changing world, drawing on a decade of learning and a widely consulted Theory of Change. Business as usual is not an option. This strategy therefore marks a clear shift as we embark on a second phase focused on supporting the corporate net-zero transition.

The strategy also takes into consideration the needs of different groups of key stakeholders in the ecosystem of corporate climate action: companies that have already set targets with the SBTi; companies that have yet to set targets with us but would benefit from doing so; partner organizations supporting the corporate net-zero transition; governments developing regulatory approaches and policies for corporate net-zero.

Based on extensive feedback from companies and partners, we have identified four challenges emerging from our first phase:

1. A generalized approach, appropriate during our scaling phase, does not fully account for differences between sectors, geographies and what companies can influence.
2. While our focus on setting ambition has been highly successful, companies are calling for stronger support on implementation.
3. The corporate standards-setting system remains fragmented, creating inconsistency, duplication and a weak narrative about the case for action.
4. We are underrepresented in some high-emitting sectors and regions.

We have listened to feedback from companies and partners and will maintain the SBTi's widely recognized status as the 'gold standard' for corporate climate action through four major shifts:

1. **We will move from a generalized approach to more tailored approaches across sectors and geographies, based on what companies can influence, and ensure interoperability with other frameworks.**
2. **We will pivot from target-setting alone towards implementation, with a stronger emphasis on data transparency and system-level assessment of progress and challenges.**
3. **We will strengthen partnerships to reduce fragmentation, duplication and burden for companies.**
4. **We will maximize our impact by expanding our network in high-emitting regions and sectors.**

We set out how we will achieve these shifts in two themes: from ambition to action, and maximizing our impact. There are two pillars under each theme.

2.1 THEME 1: AMBITION TO ACTION

The first pillar sets out how we will evolve our set of Standards. We will remain true to the science while translating it using well-established techno-economic methodologies, providing menus of options to reflect the wide variation in corporate contexts, including across sectors and geographies. This will enable companies to manage their transition risk while contributing to international climate objectives. We have consulted widely on this approach in the context of developing our flagship Corporate Net-Zero Standard Version 2, the details of which will be elaborated in the final version of this Standard and the associated guidance, together with our plans for sector approaches.

The second pillar sets out how we will support the implementation of Standards. A long list of options was developed for how we might do this in our Theory of Change. The strategy focuses on one specific option, ruling out all the others: using our unique position to collect data and analyze market insights, providing companies with peer benchmarking and system-level assessment of progress and barriers towards meeting targets. The resulting evidence base will be available for use by actors across the system for learning and problem solving, which we will reinforce through convening groups of companies and partner organizations. We will not play the role of consultants to individual companies, nor seek to become a policy design and dialogue organization; others are better placed to do this than us, and we will work in partnership with them.

2.2 THEME 2: MAXIMIZING OUR IMPACT

The first pillar sets out how we will retain and extend our network of high-impact and high-emitting companies, with a particular focus on hard-to-abate sectors and the supply chains of existing companies. In addition, we see significant potential for working with companies in Asia, where we plan to establish an on-the-ground presence in India plus one other country in Southeast Asia, which will act as a hub for our activities in this region.

The second pillar sets out our approach to strengthening partnerships with other organizations working to support the corporate net-zero transition, both as a holistic objective to provide coherence and consistency, and through specific approaches to different aspects of our work (accounting approaches, interoperability of Standards, etc.). We will focus specifically on setting ambition for corporate climate action and increasing transparency about progress on implementation, while recognizing the comparative advantage of other organizations. We expect our partners to share our objective for a coherent system-level approach, and to focus on their comparative advantage while recognizing that of others. The result will be a system that is joined up and speaks with one voice about progress, challenges and opportunities in the corporate net-zero transition.

The SBTi value proposition is as follows:

- We will remain the gold standard for setting ambition, supporting business transformation and strengthening reputation with financial institutions and customers.
- We will support implementation through actionable data, insights, peer learning and pre-competitive collaboration.
- We will use our leadership role to promote joined-up approaches that work for business.
- We will collaborate with partners to deliver a clear, evidence-based narrative that reinforces corporate action and government support.

Before elaborating on the above, we first summarize the SBTi's history and operating context.

3

THE BUSINESS CASE FOR CORPORATE CLIMATE ACTION: IMPLEMENTING A SCIENCE-BASED APPROACH TO NET-ZERO MANAGES TRANSITION RISKS AND ADDRESSES OPPORTUNITIES

The business case to plan for and progress corporate climate action in a phased manner remains strong, as does the business case for setting science-based targets. There is clear evidence around the latter, but limited evidence about implementation of the former, with questions about action to date and planned CapEx, together with technology readiness and policy incentives to support investment in more expensive measures. Companies and other organizations tell us that this is a gap in our framework. We address this in Section 5.2 below, where we set out our approach to strengthening the evidence base and reinforcing action. This is designed not to duplicate what others are better placed to do, or compromise our position as a standards setter, but to demonstrate a very targeted approach to increasing transparency and providing high-level insights to support action.

3.1 THE BUSINESS CASE FOR CORPORATE CLIMATE ACTION

While there is a moral imperative for the world to take climate action, corporations require a strong business case in order to be part of this.

The fact that so many of them use the SBTi framework reflects the strength of the business case for action, which in turn reflects a widely held planning assumption that they will be operating in an increasingly carbon-constrained world.

Irrespective of near-term political challenges in some countries, this is a reasonable assumption, considering the widespread adoption of the Paris Agreement, to which 194 countries remain signatories. This is reinforced by increasingly visible examples of climate risk crystallizing in the form of floods and wildfires, and by developing policy frameworks that strengthen incentives to act through a combination of carbon pricing, regulatory requirements and subsidies for the development and uptake of new technologies.

In an increasingly carbon-constrained world, companies are faced with both transition risks and opportunities. At the core of these is the risk that failure to act will result in higher costs, lower revenues and difficulties attracting talent.

Therefore, there is a strong business case for companies to plan and progress low-carbon transition, with a focus on relatively low-cost measures, and low-carbon investments in long-lived assets where these are cost-effective (which will require policy incentives for some technologies), with scaling of more expensive measures in the 2030s as technology costs are reduced and carbon prices increased.

3.1.1 COSTS

In a carbon-constrained world, investment in low-carbon energy sources can reduce costs. This is already the case for some measures. For others, it will be the case that as technology costs fall and policy incentives are strengthened. Companies that do not anticipate a rising carbon price may face increased transition risk and missed opportunities, resulting in the need to scrap assets and rapidly deploy low-carbon technologies at high cost. They can avoid this through early adoption of low-carbon technologies and well-planned business transformation over longer time periods. Discounts on financing costs for companies implementing net-zero transformation are expected to grow over time.

- Cost savings are available to companies now through investment in energy and fuel efficiency, renewable power generation, electric cars and vans, space and low-temperature process heat (e.g., that can be provided through heat pumps), and the implementation of some regenerative farming measures.
- Further cost savings will be available as technology costs fall and carbon prices increase, either explicitly through carbon taxes and cap-and-trade schemes, or implicitly through regulations. For example, this relates to high-temperature heating processes where low-carbon solutions include hydrogen and/or carbon capture and storage (CCUS), and low-carbon HGVs. Policy will be important in driving deployment of these technologies; see the policy pathway in Section 4 below.
- Financing costs for companies implementing the net-zero transition are already relatively low, with discounts in the market. This aligns with recent findings from the European Central Bank indicating that European banks are pricing climate action into their lending decisions by offering better lending terms for those with emissions targets, with banks that have SBTi commitments offering a modest discount in interest rates compared with those with no commitments. Current discounts are expected to grow over time as the financial sector provides incentives for companies consistent with its decarbonization objectives and risk management in a carbon-constrained world.

A number of studies suggest that companies taking climate action have enjoyed cost savings to date. However, there remains a high degree of uncertainty regarding the extent of corporate climate action, with questions around alignment of planned CapEx to net-zero pathways. Therefore a deeper evidence base around progress and challenges in the corporate net-zero transition is required. This will be particularly important as remaining low-hanging fruit (energy efficiency improvement, renewable electricity, etc.) becomes limited, and more challenging actions, which require policy support and incentives, need to be implemented. We propose how we will help to address these challenges in Section 5 below.

3.1.2 REVENUES

There is consistent evidence that there are large groups of consumers who want to align their purchasing behavior with their low-carbon values. This could translate into consumer behavior at the company level; that is, net-zero transition becomes a license to operate, or at the product level, where low-carbon products could enjoy price premiums or market growth. While these types of behavior are starting to emerge, and are likely to gather pace with demographic change, a fundamental societal shift will require better information for consumers, including regulatory requirements for companies to provide this, a wider choice of low-carbon products and the erosion of cost differentials for low-carbon products, including through policies to drive down technology costs and level the playing field for more expensive low-carbon options. Over time, companies undertaking net-zero transformation will potentially be able to access higher revenues as a result of both higher demand and higher prices. As regards inter-company demand, many corporates are already focused on decarbonizing their supply chains to manage transition risks and build resilience; increasingly, this will become a license to operate in selling goods and services.

3.1.3 TALENT

There is emerging evidence that the most talented young people will choose employers based on a range of criteria, including value alignment, an important determinant of which is a company's approach to the net-zero transition. Other things being equal, a company pursuing the net-zero transition will be able to attract the best talent, whereas a company not doing so will struggle in this respect.

3.2 THE BUSINESS CASE FOR SETTING SCIENCE-BASED TARGETS

A recent Impact Report published by the SBTi, based on a survey of companies that have set targets, found that there are clear benefits to doing this in terms of strategic focus, financial performance, reputation and investor perception, and climate impact:

- **Strategic focus:** 80% of companies surveyed stated that setting science-based targets strengthened their strategic focus and long-term thinking.
- **Reputation and investor perception:** 95% of companies surveyed reported a positive reputational impact and 80% reported stronger investor perception and engagement.
- **Financial performance:** 92% of companies reported a neutral or positive impact on financial performance.
- **Climate impact:** Companies with science-based targets reduce emissions by around 10% more than their peers based on an emissions intensity metric.

Companies continue to see value in this approach, as is evident in the number of targets that have been submitted for validation, which was just over 3,000 in 2024, close to 3,800 in 2025, and is expected to be a similar number in 2026 based on the current pipeline of commitments. These submissions come from the full range of geographies and sectors.
There are very few cases of companies that set targets going on to leave the SBTi framework, and when this happens it is typically through an inability of a company to meet requirements.

Science-based targets are now a means to manage transition risk, remain competitive and create value in a carbon-constrained world. Early adoption matters because business transformation and asset replacement take time.

The SBTi framework reflects appropriate ambition for companies in this context and supports them to deliver this. It can therefore be seen as a means for companies to manage transition risks and opportunities while making their contribution to achieving global climate objectives.

4

FROM THEORY OF CHANGE TO STRATEGY

Underpinning this strategy is a Theory of Change, developed through consultation with a wide range of stakeholders.

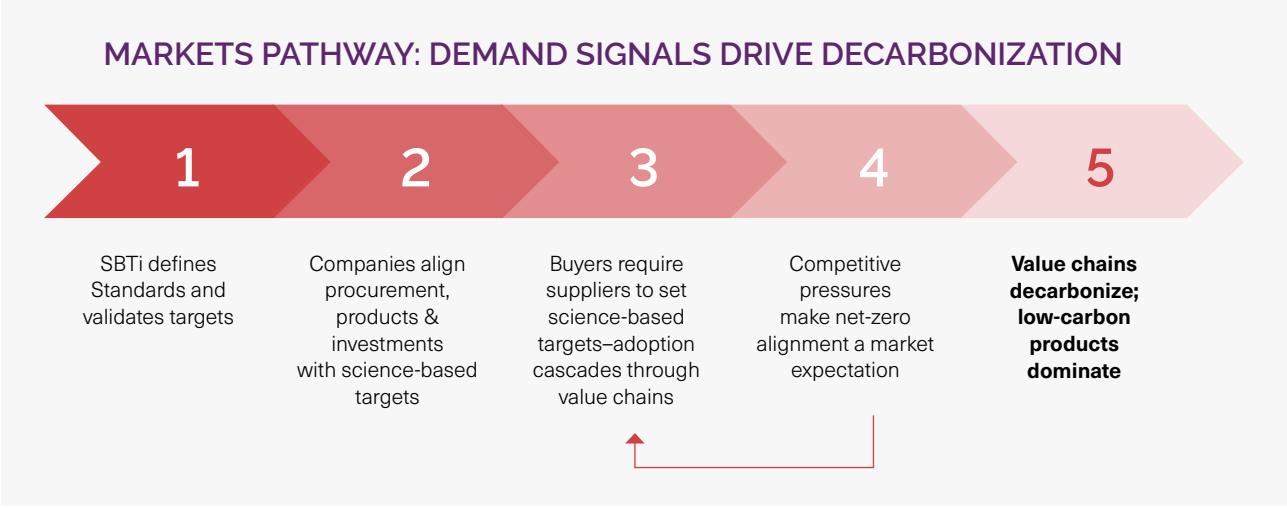
This highlights three core SBTi strengths valued by our stakeholders:

- The SBTi is the voice of science in the corporate climate space.
- The SBTi is supported by the private sector and the scientific and climate action community.
- The SBTi is regarded as the common standard for corporate net-zero action and is adopted on a global scale.

Our Theory of Change identifies four key pathways through which the SBTi can have impact, outlined below.

4.1 MARKETS

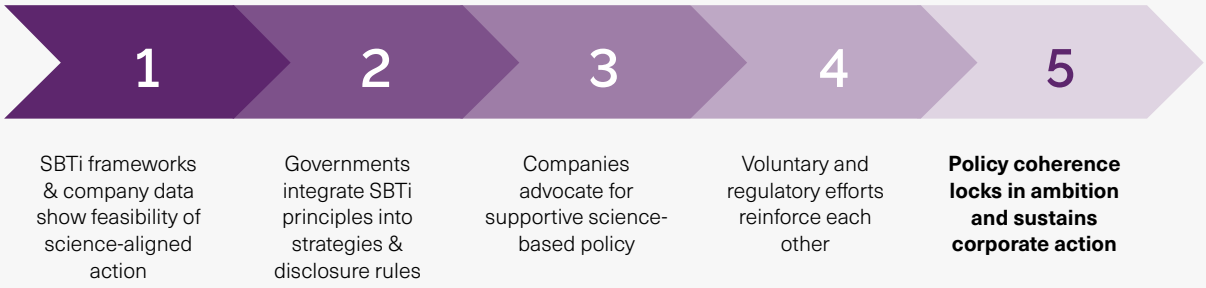
The SBTi defines Standards for corporate net-zero action. These are adopted by companies, which both transform their own operations and require their suppliers to do the same. Competitive pressures make net-zero alignment a market expectation. Value chains become decarbonized and low-carbon products dominate. This pathway informs the approach to scope 3 emissions in Section 5 below, and to expansion of our network of companies.



4.2 POLICY AND REGULATION

The SBTi framework and company data show the feasibility and benefits of science-based action. Governments integrate SBTi principles into strategies and disclosure rules. Policies are required to support deployment of low-carbon technologies, particularly where these are relatively expensive compared with conventional alternatives. Companies engage with governments to develop policies and incentives that are supportive of science-based approaches. Voluntary and regulatory efforts reinforce each other, with policy coherence locking in ambition and sustaining corporate action. This pathway informs the approach to dependencies and support for implementation set out in Section 5 below.

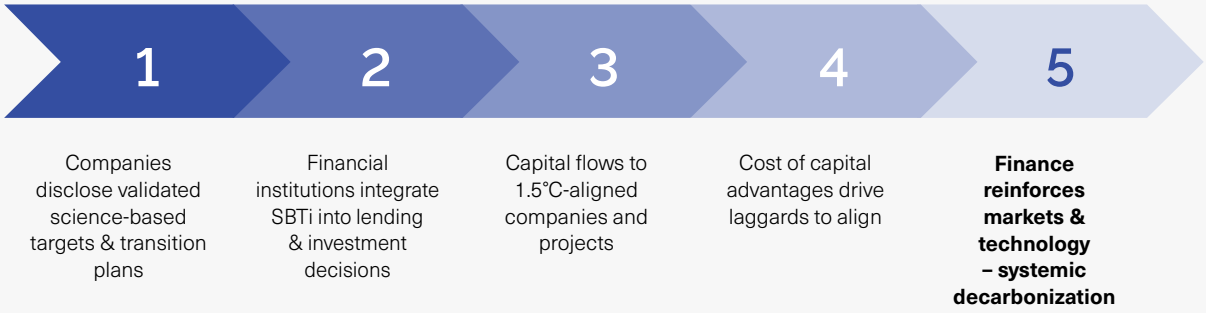
POLICY & REGULATION PATHWAY: VOLUNTARY ACTION SHAPES ENABLING POLICY



4.3 FINANCE

Financial institutions integrate SBTi approaches into lending and investment decisions, for example by requiring corporate customers to have science-based targets and transition plans to support delivery. Capital is offered to such companies at lower cost, reflecting lower risk, and over time capital flows increasingly to companies that are decarbonizing. Laggards must adapt their business model in order to access capital. This pathway has informed development of our Financial Institutions Net-Zero Standard and our related engagement activity.

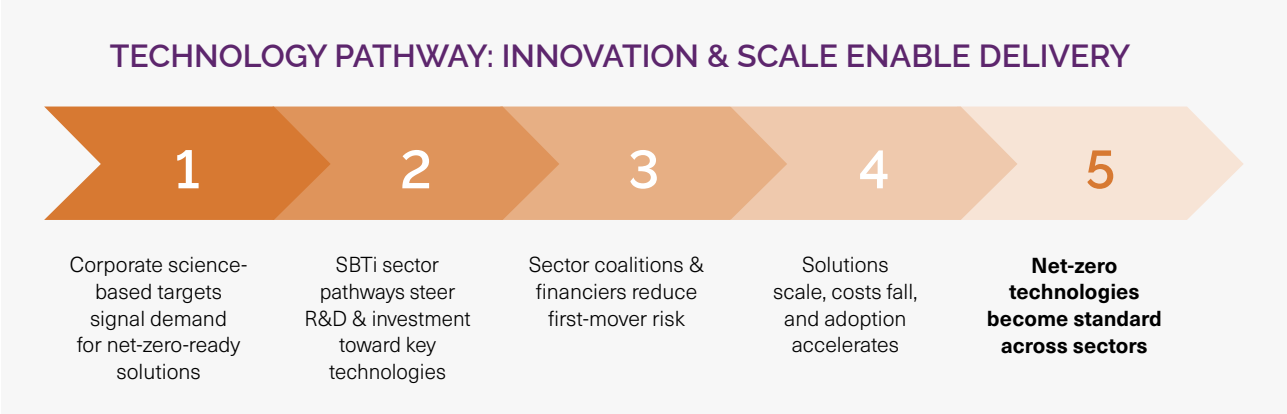
FINANCE PATHWAY: CAPITAL ALIGNS WITH TRANSITION



4.4 TECHNOLOGY

SBTi approaches give rise to demand for new technologies in order to meet emissions targets, steering R&D and investment. Sector coalitions and financiers drive this process, resulting in innovation, cost reduction and deployment.

Net-zero technologies become standard across sectors. This pathway informs our approach to the design of sector approaches and to implementation set out in Section 5 below. It is important to note that the SBTi remains technology-agnostic here.



The Theory of Change identifies two broad categories of core activities for the SBTi:

- translating climate science into actionable target-setting and supporting implementation; and
- collaborating with the corporate climate ecosystem to determine science alignment and design harmonized and interoperable approaches for how companies set, achieve and disclose climate action, with the shared mission of delivering the Paris Agreement.

The following sections elaborate on these core activities, setting out strategic approaches and actions that build on SBTi's core strengths and unlock impact pathways through:

- action-oriented Standards for corporates and financial institutions;
- increased focus on implementation, including the relationship between corporate action and policy;
- widespread adoption, including in high-emitting sectors and regions; and
- working with partners to ensure a coherent approach to the corporate net-zero transition.

5

STRATEGIC THEME 1—FROM AMBITION TO ACTION: EVOLVING OUR APPROACH TO STANDARDS AND SUPPORTING IMPLEMENTATION

This section sets out our approach to designing Standards, which will offer companies a range of options that reflect the levers they hold, and focus on the key areas for them to manage transition risk and contribute towards international climate objectives. It also sets out how we will support implementation, providing data and analysis that companies can use to inform their transition strategies. In addition, we will provide system-level assessments that highlight progress and challenges in the corporate net-zero transition. Together with peer groups that we will convene, these will offer opportunities for peer learning and escalation of barriers to be addressed by groups of peers in a pre-competitive space, and by partner organizations working with governments where policy strengthening is needed.

5.1 OUR APPROACH TO STANDARDS: A MENU OF SCIENCE-BASED OPTIONS ALLOWING COMPANIES TO CHOOSE APPROACHES THAT MATCH THEIR CONTEXT, MANAGE TRANSITION RISK AND CONTRIBUTE TO INTERNATIONAL CLIMATE OBJECTIVES

5.1.1 Our approach to date: high-level emissions reduction pathways

Our Corporate Net-Zero Standard Version 1 is based on a high-level global emissions pathway that is consistent with limiting temperature increase to 1.5°C. For example, this pathway entails a 42% emissions reduction in 2030 relative to 2020, and achievement of net-zero by 2050. This approach has been very successful, enabling thousands of companies around the world to make significant reductions in their carbon footprints.

However, it is less relevant going forward, because the rate at which companies should decarbonize varies according to their specific decarbonization opportunities, in relation to technology availability, feasibility and cost of implementation. Furthermore, using high-level pathways provides a perverse incentive to focus on reducing emissions through targeting low-cost opportunities, with limited progress on areas where emissions should be reduced as part of a longer-term strategy. For example, companies have often focused on electricity-sector decarbonization through the purchase of renewable electricity certificates rather than progressing heat decarbonization.

5.1.2 Evolving our approach: specific emissions pathways reflecting varying abatement opportunities across emissions categories and sectors

Note: This section summarizes the approach that has been consulted on widely in the context of Corporate Net-Zero Standard Version 2, with details to be set out in the published final draft of this Standard and accompanying guidance. What follows should not be seen as pre-empting any decision that may be taken by the SBTi's Technical Council as the Standard is finalized.

We are evolving our approach, for example in our Corporate Net-Zero Standard Version 2 and our sector Standards. This evolution reflects a large evidence base that translates science through techno-economics to emissions pathways for different components of the carbon footprint (power, heat, transport, etc.) and different sectors.

In order for the approach to remain science-based, it is of fundamental importance that these pathways collectively align with the international climate objective. This can be demonstrated through economy-wide modeling.

Emissions pathways entail actions and investments that are both technically feasible and economically sensible. They often approximate straight-line emissions reductions to the net-zero year, although there can be variation in the pace of emissions reduction depending on the availability and cost of abatement options, for example:

- There exists a range of cost-effective options for power-sector decarbonization, where much progress has already been made and where net-zero should be achieved by 2040 or earlier.
- While there have been innovations regarding low-carbon heat technologies, these are yet to be deployed at scale. This should happen from the late 2020s, with deep cuts in heat emissions through the 2030s, and decarbonization being completed as current assets reach the end of their lives in the 2040s.
- For energy-intensive and high-temperature manufacturing processes, while there has been progress in terms of energy-efficiency improvement, the technologies for decarbonization such as carbon capture, utilization and storage (CCUS) and hydrogen are not yet available for deployment at scale. Efforts now should be on piloting these technologies, to lay the foundations for roll-out from the second half of the 2030s.
- In land transport, there has been significant progress switching from internal combustion to electric engines, with opportunities for deep cuts in car and van emissions through electrification through the 2030s. The path for decarbonization is slower for HGVs, where progress has been made on fuel-efficiency improvement of conventional vehicles, but where further innovation is needed to improve battery cost and range before this technology can be rolled out globally and at scale.
- In aviation and shipping, there are opportunities to reduce emissions through improved fuel efficiency and the use of alternative fuels, namely sustainable biofuels, as this technology is developed, reduced in cost and scaled.

From a company perspective, these emissions pathways represent actions and investments that should be commercially viable in a carbon-constrained world. Specifically, such pathways should be followed to manage transition risk, where this is broadly defined as declining competitiveness resulting from failure to respond to the carbon constraint implied by the Paris Agreement, as well as developing policy frameworks across many countries. Therefore, reflecting these pathways in our approach will find common ground between what the science requires and companies' commercial objectives, thereby encouraging accelerated corporate climate action. An important caveat here is that commercial viability will require policy incentives for more expensive low-carbon measures, which we reflect in our approach to dependencies and implementation below.

5.1.3 Our new approach going forward: we will give companies options for setting targets that reflect their individual circumstances while remaining consistent with science

Our approach will translate science through techno-economics to pathways and actions that companies should focus on in their transition strategy. Companies will be clear about what they are signing up to in getting targets validated, and will focus on actions and investments that meet both near- and longer-term goals. Targets will be designed to reflect actions where companies have influence.

As targets become more specific, this allows transparency over dependencies, which will become an important part of our approach. The point here is not to make targets conditional, but rather to highlight where progress is required on enablers, such that this can be tracked and addressed ahead of time as required. We will do this by developing leading indicators related to different aspects of our Standards, and then working with companies to understand where progress is being made and where action is needed to tackle implementation barriers.

In practice, we will provide options from which companies can choose those that best reflect their specific circumstances, including pathways for emissions reduction and increasing share of low-carbon technologies, as well as action-based and supplier-alignment approaches:

- Cross-cutting emissions pathways will be forward-looking and reflect a linear contraction approach from the beginning of a target cycle to the net-zero year.
- Pathways for low-carbon technology share will reflect a linear expansion approach to the net-zero year, for example in relation to the share of low-carbon power in total power consumption.
- Asset-decarbonization approaches are designed for contexts in which capital-stock turnover is not linear, or where there are constraints on the scope for deployment of low-carbon technologies. These approaches will be based on key principles that underpin emissions pathways, for example a date beyond which any new asset should be low-carbon, thus transforming the capital stock as this is replaced and expanded over time, with full decarbonization to be reached by the net-zero year at the latest; together with carbon-efficient operation of current assets. They will be based on transition plans that generate emissions and low-carbon targets, through which companies can be held to account.
- For scope 3 emissions, a powerful lever identified in our Theory of Change is that companies require their suppliers to set science-based targets, and we will continue to offer this as an option in our framework of Standards.

We will also recognize different contexts regarding geographies and company size. For example, abatement options for companies in the Global South may be relatively limited, particularly in the near term, and SMEs may have limited influence over their supply chains relative to larger companies.

5.1.4 Our Corporate Net-Zero Standard is interoperable with our approaches to sectors and financial institutions

Our Corporate Net-Zero Standard Version 2 starts to put these various aspects into practice. For example, it has separate approaches to scopes 1 and 2 emissions, it provides different options for setting targets for scopes 1, 2 and 3, such that companies can choose what fits best with their specific contexts while remaining consistent with the science, and it differentiates companies according to geography and size.

The Corporate Net-Zero Standard Version 2 will be the foundation for our approach, with which sector approaches will be interoperable, through their use to set ambition for scopes 1 and 3 (for steel, cement, aviation, shipping, FLAG, etc.). The reason for this is that the linear contraction approach to scope 1 is unlikely to be deliverable for many emissions-intensive companies, given limits on the availability of low-carbon technologies in the first half of the 2030s.

Our Financial Institutions Net-Zero Standard, published in July 2025, is also interoperable with the Corporate Net-Zero Standard. In particular, under the Financial Institutions Net-Zero Standard, financial institutions and their clients use pathways in the Corporate Net-Zero Standard and sector Standards as the basis for their emissions-reduction strategies.

5.1.5 We will rapidly produce a full suite of sector approaches, working closely with partner organizations

We will work rapidly towards a full suite of sector approaches for emissions-intensive and high-impact sectors, complementing and evolving the existing sector guidance documents, completing work on power and automotive Standards, and undertaking new work on Forestry, Land Use and Agriculture (FLAG), aviation, shipping, and emissions-intensive sectors.

In 2024, we published buildings criteria that include many context-specific pathways for the decarbonization of heating of buildings. We will convert this into a full Standard that is interoperable with Corporate Net-Zero Standard Version 2.

We will finalize Standards for the power and automotive sectors, following consultations in the latter half of 2025.

We will update our approach to FLAG based on the latest evidence and engagement with the more than 400 companies that have adopted the FLAG standard, understanding their experience of driving emissions reduction, including opportunities and barriers to implementation. Specific areas of focus will be: accounting methodology and data; best-practice regenerative farming, by farming type and geography; opportunities for farming practices that offer both carbon and nature benefits; practical approaches to farming transformation (e.g., collaborative landscape-level projects); deforestation-free commodity procurement; scaling of green fertilizer; insetting (e.g., through agroforestry); levers for diet change; and reduction of food waste.

We will review our shipping approach, seeking to address adoption barriers while remaining science-aligned, and we will update our aviation approach. In both cases, we will focus on opportunities for fuel-efficiency improvement, use of alternatives including biofuels, and taking early responsibility for residual emissions in a context of significant uncertainties around their level.

We will review and develop our approaches for energy-intensive sectors including steel, cement, chemicals and aluminum, with a focus on near-term opportunities including energy-efficiency improvement and fuel switching, and medium-term opportunities including use of green hydrogen and carbon capture, utilization and storage (CCUS).

We will produce an oil and gas Standard, building on the analysis of the Expert Advisory Group, summarized in our February 2026 discussion paper.

This work will be undertaken as set out in our Standard Operating Procedure (SOP), which is a key part of governance to ensure we maintain the highest standard of integrity. While we will continue to develop Standards within the SBTi, as we have done to date, we will increasingly leverage the experience and insight of companies and partner organizations. This will include extensive engagement, building on the positive experience of developing Corporate Net-Zero Standard Version 2, for which we received nearly 1,000 responses for each of two consultations, worked with over 100 companies and experts in our working groups, and piloted with 50 companies. We will explore opportunities for subcontracting technical work to partner organizations and for possible open-sourcing of standards, in both cases while following the process in the SOP.

5.1.6 We will require companies to prioritize reduction of their own carbon footprint while allowing them when this is not possible to support development of markets that provide finance for investment in low-carbon technologies

Companies work towards their SBTi targets by reducing their own emissions and encouraging their suppliers to do the same. In the first phase, for example, companies have focused on investment in energy efficiency to reduce electricity and heat emissions. They have also contributed to sector decarbonization through entering into contracts that support investment in low-carbon technologies. For example, companies have entered into contracts for low-carbon power generation to meet scope 1 and 2 targets.

The focus of the SBTi framework will always be companies reducing their own carbon footprint: this will result in both corporate and market transformation in line with our Theory of Change. However, in cases where this is not possible, either because companies are limited in their ability to trace their emissions or in the levers they have to drive reductions, our approach will include options that use market mechanisms such as book and claim and wider sector approaches. Again, these can contribute to corporate and market transformation in line with our Theory of Change. For example, use of book and claim in the context of agriculture activity pools can support projects that will transform farming practice and drive emissions reductions at the landscape level; sector approaches can pull through new technologies (e.g., CCUS, e-SAF) which will support decarbonization of hard-to-abate sectors, while offering flexibility to companies and allowing them to signal to customers that they are making this contribution.

Great care must be taken here, particularly given that the accounting framework for these approaches is evolving. For example, under the current accounting convention (e.g., the GHG Protocol), a company using a sector approach is not reducing its own carbon footprint, but is instead making a contribution to wider sector decarbonization. This has implications for specific definitions of targets and claims that can be made by companies.

We have consulted widely on these issues in the context of Corporate Net-Zero Standard Version 2. We will set out the results of this consultation, including guardrails, in the final version of this Standard and accompanying guidance.

In developing the Standard, we have also consulted on the use of high-integrity carbon credits as a complement, not a substitute, to companies reducing their own carbon footprint. We will set out the details of this approach in the final version of the Standard.

In both cases, it is important to note that we do not intend to develop our own integrity frameworks for carbon credits or certificates. There are other organizations doing very good work in this space, and we will recognize their frameworks as being consistent with our approach and eligible for meeting targets.

5.1.7 We will continue to work with ISEAL to ensure the integrity of our standards system

Having achieved ISEAL community membership in 2025, the SBTi will continue to progress on its journey to align our practice with the ISEAL Code. This will involve the following activities to safeguard the integrity of our standard-setting system:

- **Governance:** We will continue to strengthen our technical governance to ensure that our Standards remain credible and rooted in the latest science. The Technical Council will continue to play a core role in the standard development and approval process, and we will carry out regular reviews of our SOP for the Development of Standards to ensure that it is sufficiently agile and robust.
- **Stakeholder mapping:** We will carry out regular stakeholder mapping to ensure that our governance frameworks are appropriately representative, ensuring a balance of perspectives and including stakeholders in the Global South.
- **Assurance:** We will continue to develop the assurance framework to ensure that our Standards are implemented in a way that maximizes our impact and is in line with best practice for standard systems.
- **Monitoring, Evaluation and Learning (MEL):** We will build out our MEL processes to ensure that we are accurately tracking the impact of our Standards, enabling robust claims and improving our approach over time, in line with best practice for standard systems.

5.1.8 Our Standards will be interoperable with other approaches

We will seek to ensure that our Standards are interoperable with approaches to accounting, setting and meeting ambition, regulatory approaches, and disclosure requirements.

- **Carbon accounting approaches:** The foundation for our standards is the accounting approach of the Greenhouse Gas Protocol (GHG Protocol), and this will continue to be so. In certain cases, we have moved ahead of the GHG Protocol, for example regarding the approach in Corporate Net-Zero Standard Version 2 to use of market mechanisms. We have a formal role in the governance of the GHG Protocol and will continue to work closely with them on these and other matters.

- **Standards for net-zero:** The International Organization for Standardization (ISO) is developing a standard for net-zero. We see this as complementary to our approach. In particular, it is similar to our Corporate Net-Zero Standard Version 1, from which our current approach has evolved. The ISO standard could be particularly attractive for smaller companies that are yet to use a net-zero standard. This could then be an on-ramp for the SBTi, as companies develop a more sophisticated understanding of the net-zero transition and focus more on implementation. We will continue to work closely with ISO in the development of their standard, formally and informally, where we have a strong partnership. Ideally, we will be able to offer simultaneous validation against SBTi and ISO standards, although this will depend on the extent to which the ISO standard is both science-based and aligned with actions required for the corporate transition.
- **Standards for market mechanisms:** As set out in Section 5.1.6 above, our intention is to be interoperable with existing and developing schemes to ensure that these have integrity. Similarly, for ongoing emissions responsibility, we will use other frameworks to ensure that any carbon credits and related mechanisms have integrity, for example accreditation schemes using Integrity Council for the Voluntary Carbon Market (ICVCM) principles. We will provide guidance on our approach to recognition of these schemes.
- **Regulatory approaches:** There are various regulatory approaches that refer to setting science-based targets and publishing transition plans. Our approach is complementary to these requirements because it gives structure to them, specifically regarding ambition and a focus on targets and plans. For example, the EU's Corporate Sustainability Reporting Directive (CSRD) requires that all companies above a threshold size operating in and exporting to Europe should disclose how they assess and manage their transition risks and opportunities, and whether their climate ambition is science-based and consistent with a 1.5-degree pathway. Companies are required to publish any transition plan which they have in support of this, and report on progress towards this ambition. Our Standards can support companies in managing transition risk, and act as the frame for setting emissions-reduction targets, identifying areas of focus in the near term aligned with long-term targets, and supporting implementation. Our approach to assessing progress in the Corporate Net-Zero Standard Version 2 is consistent with requirements under the CSRD.
- **Disclosure requirements:** Our Corporate Net-Zero Standard Version 2 is designed to align with national and international reporting requirements, both because these are based on the carbon accounting approaches upon which the Standard is based, and because it provides flexibility around timing of reporting, noting that this varies in different regulations. The requirement to report annual emissions and progress towards targets aligns with international frameworks that are reflected in national and regional regulations.

We set out in Section 6 below where we will focus our effort in building partnerships to ensure alignment and interoperability.

5.2 OUR ROLE IN SUPPORTING IMPLEMENTATION

5.2.1 Our current approach to assessing progress at the company level

Under the Corporate Net-Zero Standard Version 1, we require that companies report annually on emissions data and progress towards meeting targets. Starting in 2026, we will undertake an assessment of whether this requirement is being met, and we will reinforce reporting incentives as appropriate, noting that the ultimate sanction here would be exclusion of companies for repeated failure to report.

In the draft Corporate Net-Zero Standard Version 2, we clarify that targets are set on a best-efforts basis. This Standard includes a process for assessing progress in reducing emissions, including how any gaps between performance and targets should be addressed. The key point is to be transparent about any emerging gaps between performance and targets, with public assessments of where progress has been made and where there are challenges to implementation in the form of internal or external barriers. Where there are gaps between performance and targets, there should be course correction or collective action to address systemic barriers, deployment of alternative options, or resetting of targets. Where barriers are external, companies should engage at the sector or system level so that these can be addressed. Companies with targets set in good faith and that have used all available levers, but which have a gap between performance and targets, can still remain in the SBTi framework and claim that they are continuing to progress to net-zero.

Ambition will be upheld through strong guardrails: annual progress reporting that brings transparency and scrutiny where key actions are well-understood and can be benchmarked, alongside targeted third-party assurance requirements in respect of five-year reviews and performance criteria for setting new targets. Moreover, it is in companies' commercial interests to pursue ambition to the fullest extent.

5.2.2 Our future approach: company benchmarking and forward-looking system assessments of progress and challenges

In our conversations with companies and other organizations, including during our Theory of Change engagements, we hear that they see our focus on setting ambition without any assessment of emissions-reduction progress as undermining our credibility and leaving an information gap that threatens the whole corporate net-zero transition.

Our Theory of Change suggests a long list of opportunities for the SBTi to move beyond setting ambition to supporting implementation of the corporate net-zero transition. In narrowing down this long list, we have consulted widely, with a focus on how we can best add value given our role as a standard setter and what others are already doing.

Companies tell us that they want to shift from target-based frameworks to assessments of real-world progress. They want to know whether their strategies, investments and capabilities are aligned with decarbonization needs; they want a view on where they are relative to their peers; and they want an assessment of system-level progress in the net-zero transition and barriers to be addressed. In the face of reporting fatigue, they want a single, trusted partner to ask for the right data, once, and to use this to generate actionable insights.

There is good work being done by various organizations on emissions-reduction progress, including through various global platforms with high-level emissions datasets, and an emerging evidence base on low-carbon investment. A common feature of these approaches is that they are based on publicly available data, potentially limiting what companies are willing to share. Furthermore, because data is lagged, it does not allow early warning of whether companies and the system collectively are on track to meet future targets.

What the ecosystem lacks is a complementary model: one that combines the ambition of benchmarking with the confidentiality needed to unlock richer, more actionable data. Private, trusted benchmarks can motivate companies differently by providing relevant, sector-specific insights that help leaders understand where they stand relative to peers and what concrete actions will move them forward, including where pre-competitive sector action is required. They also allow companies to disclose leading-indicator information that is not yet public but is essential to understanding real progress, such as investment plans, technology readiness, operational barriers or early implementation steps. There is therefore a gap between what currently exists and what business needs in order to move forward more effectively on climate action.

The SBTi has an opportunity and responsibility to play a leading role in addressing this gap, given our position at the heart of the corporate net-zero transition. Our extensive network of companies and trusted relationships with them give us unique data, which, along with our relationships with partners, gives us the opportunity to consolidate evidence that connects progress assessments to system activity that they are leading.

We will support implementation through actionable data, insights, peer learning and pre-competitive collaboration. We will strengthen emissions reporting, consolidate system-wide data on emissions and investment, develop leading indicators of progress and barriers, and use these to provide private benchmarking for companies and public system-level assessment.

Specifically, we will develop a set of indicators and leading indicators designed to assess whether emissions are falling in line with targets and whether actions are being taken to deliver future ambition. We will collaborate to bring together the work of other organizations in this space, and gather new data and insights from across our network. At a company level, our approach would be private, allowing us access to a much richer and more actionable dataset than is currently available. We note a willingness from companies and organizations to work together in addressing system problems, as has been evident in the engagement on our Corporate Net-Zero Standard Version 2.

There will be two outputs of this work: private benchmarking, available to companies, which they can use to inform and accelerate decisions about strategic focus; and public system-level assessments, which will activate the policy pathway in Section 4 above, providing a route for companies to escalate barriers that require policy innovation, on which our partner organizations can work with governments to address.

This will represent a significant upgrade of the current approach, from reliance on old data and compliance pressures, to near-real-time signals about where capital should be deployed and where accelerated action is needed.

We will not engage in consultancy-type activity with individual companies, nor will we play a leading role in policy design and dialogue, both of which are better left to other actors in the system.

In consolidating and building the evidence base for a comprehensive assessment of progress and challenges in the corporate net-zero transition, our intention here is not to add another set of demands on companies that would only exacerbate reporting fatigue, but to work with others and provide a comprehensive and high-quality single reference point around which the system can coalesce and act.

Annex 1 sets out more details of the approach.

5.3 HOW WE WILL ENGAGE WITH COMPANIES ON DEVELOPMENT OF SECTOR APPROACHES AND IMPLEMENTATION

We have had deep engagement with a wide range of companies and other key stakeholders as we have developed Corporate Net-Zero Standard Version 2. This has taken the form of two consultations with 860 responses in our first public consultation and 915 in the second, many workshops, expert working groups comprising 108 members from nearly 1,400 applicants (showing that companies and experts are very keen to work with us), and piloting with 52 companies (selected from a group of 258 applications).

Through this engagement, we have demonstrated that we listen, with a view to discerning best practice and finding consensus where possible, always from a position where the north star is a science-based approach to corporate climate action consistent with the objectives in the Paris Agreement.

Going forward, we will continue this engagement approach. In particular, as we develop our set of sector pathways and Standards as set out above, and our approach to implementation, we will engage with companies by opening calls for evidence, together with organizing workshops and expert groups. The objective will be threefold:

- to understand the experience of companies using our Standards and guidance, including data requirements and alignment of ambition with emissions-reduction opportunities and levers;
- to understand where progress has been made in reducing emissions and the key challenges and barriers to this, including how these can best be addressed; and
- to identify how new sector approaches might be designed to reflect a science-based approach in specific sector contexts, with a focus on unlocking value in low-carbon activity.

This engagement will support the updating of existing sector approaches and development of new approaches for sectors not yet covered (Section 5.1 above), and will inform system-level assessment of progress and barriers (Section 5.2 above). We intend to engage in 2026 on FLAG, aviation, shipping, steel, cement and aluminum, plus other sectors to be determined. For each of these we will launch a call for evidence and form expert working groups to share insights and test approaches. Following these sector engagements, our intention is to maintain standing groups of companies across sectors and themes (e.g., scopes 1–3), to share learning, solve problems in a pre-competitive space, and escalate barriers to implementation that require government action. We will set out more details following this strategy.

6

STRATEGIC THEME 2—MAXIMIZING OUR IMPACT: STRENGTHENING PARTNERSHIPS AND EXPANDING NETWORKS

6.1 STRENGTHENING OUR RELATIONSHIPS WITH PARTNERS TO SUPPORT THE CORPORATE NET-ZERO TRANSITION

6.1.1 Principles for partnership and our key partners

Companies have shared with us that the current net-zero ecosystem can feel fragmented, leading to unnecessary reporting burden and a lack of a clear narrative about the benefits and challenges of corporate action. A more coherent and consistent system would reduce burden for companies and increase our collective impact.

Our guiding principle when working with partners will be to ensure that there is a coherent approach in which roles are clear, duplication is avoided and synergies are fully realized.

What we will bring to partnerships, and what partners can expect of us, is a science-based approach to setting ambition for corporate climate action, and a focus on progress towards this ambition, while strictly limiting our activity and recognizing where other organizations have a comparative advantage.

We expect other organizations to focus on their comparative advantage, and to work with other actors in the ecosystem to ensure the coherent and consistent approach that we all need in order to realize our visions and achieve our missions.
We will put this into practice both at the system level and in its component parts, focusing on strengthening partnerships in five areas:

- our founding members: CDP, WWF, UN Global Compact, We Mean Business Coalition and WRI;
- organizations working on carbon accounting and standards, including the GHG Protocol, GRI, IFRS and ISO;
- organizations working on assessment of progress in reducing emissions, including CDP, Climate Arc and projects that they fund, and the World Benchmarking Alliance;
- organizations facilitating sharing of best practice and addressing barriers to emissions reduction, such as WRI, Mission Possible Partnership and the Energy Transition Accelerator; and
- governments and governmental organizations, with a view to ensuring that our Standards are supported as complementary to evolving regulatory approaches and, working with or through others, to ensure feedback from our assessments of progress to evolving policy frameworks.

We will work with our partners in a joined-up way, providing leadership and focusing on our unique strengths, recognizing the unique strengths of others, and avoiding duplication and divergence.

We will involve relevant partners in our various workstreams for development and implementation of standards and approaches. Interoperability will be a key part of our approach.

As part of this, we will consider whether standing groups are required to support partnership working, for example as regards assessment of progress on implementation and actions that follow from this.

6.1.2 Speaking with one voice across the ecosystem of actors

The pathways identified in the Theory of Change require a sense across business and government that the corporate net-zero transition is happening and that companies engaging with this are enjoying commercial benefits. This will support a positive ambition loop, in which corporate action is reinforced by financial institutions and policies, and where technologies are developed to support emissions reduction in hard-to-abate sectors. Where sufficient numbers of companies are seen to be acting, tipping points will be reached and the corporate net-zero transition will become the norm.

Building this ambition loop requires a compelling narrative, based on evidence and analysis, around corporate action and benefits. While elements of this narrative exist, it remains both high-level and fragmented, and more must be done to make it resonate.

Given our position in the ecosystem, we are uniquely placed to set out an evidence-based account of corporate action and benefits, and for this to be the basis of a compelling narrative around which the various actors in the system coalesce. We will work with our partners to ensure a coherent approach that is expressed as a compelling narrative with one voice, so as to support positive ambition loops and take the system beyond tipping points.

6.2 RETAINING AND EXPANDING OUR NETWORK OF COMPANIES TO INCREASE COVERAGE IN HIGH-EMITTING SECTORS AND REGIONS

Our intention is to provide valuable services to those companies that currently use our framework, such that they will continue to use it in future. These services include actionable standards that support them to manage transition risk, and the implementation framework from which they can learn, and which will allow barriers to action to be addressed.

Given that most companies have 2030 targets, retention entails setting targets for the following cycle under Corporate Net-Zero Standard Version 2 and sector approaches where relevant. Ideally this will happen in advance of the target cycle (e.g., 2028) to allow lead time for planning and implementation of actions to reduce emissions and meet targets; we will launch an engagement campaign to this end in 2027.

It is also our intention to engage existing companies with our new work on implementation as set out above.

We will maximize our impact by retaining and expanding our network. Our impact scales with our network, and we will focus growth where it matters most: in high-emitting sectors and regions, through supply chains, sector-based approaches, market mechanisms that mobilize finance, and deeper engagement with the financial sector.

We see particular growth opportunities through supply chains of existing companies and SMEs, in high-emitting sectors, and with financial institutions:

- **Supply chains:** Part of our network expansion in recent years has been due to companies requiring or encouraging their suppliers to set targets with us. There remains much potential for accelerated impact through this approach. To illustrate, if 100 suppliers for each of 100 companies that already have SBTi targets were to set targets themselves, this would more than double the size of our network. In 2026, we will target 20 large companies to pilot an approach where we work with them and offer support to their supply chains, for example through holding workshops for suppliers, providing bespoke support for the validation process and capacity building for use of the SBTi framework, while always remaining impartial given our role as a standard setter.
- **SME readiness pathway:** The approach in Corporate Net-Zero Standard Version 2 aligns well with the SME Climate Hub of the We Mean Business Coalition, through which SMEs can make commitments to reduce emissions and where there are resources to support them in estimating their carbon footprint and designing approaches to reduce their emissions. We are working with the We Mean Business Coalition to ensure join-up with their SME Climate Hub, and a pathway for SMEs to follow from the Climate Hub to setting targets with the SBTi. Specifically, the SME Climate Hub can act as a useful on-ramp for SMEs to later set targets with the SBTi, and SMEs that have set targets can use Climate Hub resources as they develop strategies to reduce emissions.

- **High-emitting sectors:** The challenge with high-emitting sectors is that opportunities for emissions reductions are often limited in the near term; therefore, they cannot use the cross-sectoral pathways in the Corporate Net-Zero Standard. We have addressed this through developing bespoke sector approaches, for which there has been some uptake in high-emitting sectors. We now need to review these approaches, with particular focus on progress that has been made in reducing emissions and accelerating technology development; we will do this as set out in Section 4 above. With an updated set of sector approaches, developed with partner organizations and through deep engagement with industry, we will be connected with the relevant companies and have an attractive science-based, action-aligned framework for them to use. This will be reinforced by our scope 3 approach, which will create demand for low-carbon production in hard-to-abate sectors, both directly and through the development of a market for Environmental Attribute Certificates and communities of practice. The approach to assessment of progress and engagement will be particularly valuable for hard-to-abate sectors, given the need here for joint problem solving and identification of barriers that governments can then act to address.
- **Financial institutions:** Target setting by financial institutions can amplify real-economy climate action globally as it facilitates target setting for corporate lending books, asset management, asset ownership, capital markets and some insurance activities. One hundred and ninety financial institutions in 32 jurisdictions already have validations, including banks, private equity, asset managers, asset owners and insurance companies. 2024 saw a nearly 50% rise in validations compared with 2023, and in 2025 we saw our first Global Systemically Important Banks (G-SIB) validated, and our first banks in Indonesia, Thailand and Colombia.

We aim to deepen penetration where we have had traction, while expanding to high-emitting markets. A priority is to convert commitments to targets, and to support financial institutions with near-term validations to move to setting net-zero targets. We will also work closely with financial institutions to support implementation against their targets.

From a regional perspective, we will seek to retain and expand our network in Europe and the Americas, to harness growth opportunities in Asia, and to establish a targeted presence in Africa:

- **Europe and the Americas:** We will seek to retain our network of companies in these regions, and to expand it as above, through supply-chain engagement and increasing our coverage in high-emitting sectors.
- **Asia:** We will seek to retain and expand our network of companies in Asia through supply-chain engagement and increased representation, and a proactive growth approach including building profile in-country, working with partners and accessing their networks, capacity building, and supporting companies through the SBTi process. Our focus will be on the three countries where we are already well represented—Japan, China and India—plus several other countries to be selected based on the presence of high-impact and high-emitting companies, and government commitment to the net-zero transition. We will establish a targeted presence in India and Southeast Asia, as we have in Latin America, North America and Europe.
- **Africa:** We have very limited representation in Africa. Recognizing that industry and related emissions there are growing, we will seek to establish a presence in Africa through initial targeting of corporates in three high-emitting countries (to be determined through application of the same criteria as for Asia above), supported by building partnerships and capacity building.

We are committed to supporting use of our framework by companies in the Global South:

- Our Corporate Net-Zero Standard Version 2 has context-specific requirements, including for companies in the Global South.
- Sector approaches will be designed to include options that reflect geographical contexts, including later start dates for low-carbon transition, supply-chain constraints and longer reliance on legacy capital stocks to support economic growth.
- We differentiate pricing for the use of validation services for companies in the Global South.

- Our governance includes representation from the Global South, including on our Board of Trustees and the Technical Council.
- We will support capacity building in the Global South.
- We will increase our presence in the Global South as set out above.

We do not, however, have a different net-zero year for companies in the Global South. The reason for this is that modeled net-zero pathways (e.g., by the IEA) include global decarbonization by 2050 or earlier of heat, transport, power and agriculture, and these are the key emissions categories covered by our framework.

Note: Our regional expansion in Asia and Africa is subject to securing donor funding, which we discuss below.

One of the ways that we can support network expansion is through capacity building. Our Academy, launched in autumn 2025, is embedded in our partners' websites and offers two paths:

- **Charity:** Multiple modules in the training program are delivered as a core part of SBTi's charitable aim.
- **Services:** Training services delivered through SBTi Services enable consultants to achieve certification, generating earned income that supports SBTi's charitable activities. Training empowers partners and end users of SBTi Standards, creating a growing community of informed advocates.

In the future, the SBTi will provide training modules in our priority languages on all Standards that are live.

6.3 IMPROVING THE EXPERIENCE OF COMPANIES USING SBTI VALIDATION SERVICES

In 2023, we incorporated SBTi Services as a wholly owned subsidiary within the Group. SBTi Services is a commercial entity that validates company targets for a fee, and passes 100% of profits to the SBTi in order to contribute towards our operating costs. While SBTi Services operates independently, it does so within a governance framework that aligns its objectives with those of the parent organization.

Incorporation of SBTi Services allowed us to accelerate development of the professionalization of our offer to companies. The Services team is dedicated to providing the best experience possible during company validations, while retaining the rigor of the validation process and ensuring sufficient funds are available to cover SBTi's charitable activities.

There have been huge performance improvements in SBTi Services in recent years through a combination of expanding capacity and capability to meet demand in a timely way, significant investment to build a digital customer interface ("the Validation Portal", through which more than 3,000 companies submitted targets for validation since its launch in July 2025), and a range of process-efficiency improvements.

There have been challenges in the initial period for a minority of companies using the digital system, due to bugs in its coding. These have been addressed as a matter of priority, with significant additional resources moved to this area, opening of channels to raise issues, and temporary workarounds in digital processes to speed up processing.

Specific improvements to the customer journey include:

- reduction in waiting time from submission to validation;
- improved information about the validation process and how to navigate the digital portal; and
- timely interactions at each key point in a company's validation journey.

These improvements are recognized by companies, as is evident in surveys of customer experience, summarized below, as of January 2026:

- The overall customer satisfaction scores are at a record high, up 14 percentage points in a year, exceeding 80% in the last reporting quarter. Customers particularly highly rank the professionalism and customer experience of the SBTi Services team.
- For corporates, the validation process has dropped to a 47-day average from validation start date to validation results—a decrease of over 50% from June 2024. This timeframe is expected to keep reducing thanks to a new streamlined 30-day validation schedule.

- Corporates benefit from a personalized kick-off call with an SBTi Services point of contact within three days of the validation start date to ensure smooth progress through validation.
- SBTi Services emails have an average response time of five days or less.

An independent Board of Directors oversees the SBTi Services subsidiary, as guided by two priority objectives: to benefit the charitable mission, and to improve company experience of validation services. As noted above, across these objectives SBTi Services must ensure that it retains rigor in the validation process.

In the coming years, SBTi Services will be focused on:

- preparing to validate Corporate Net-Zero Standard Version 2;
- supporting the development of a detailed plan to help companies transition from Version 1 to Version 2 of the Corporate Net-Zero Standard;
- continuous improvement of operational delivery, both in terms of efficiency and improvement of the customer experience based on customer satisfaction surveys; and
- further enhancement of the Validation Portal, for example through connecting directly with companies' systems to facilitate data transfer.

SBTi Services will develop and finalize its strategy as a subsidiary in 2026.

7

BEST-PRACTICE GOVERNANCE FOR A UK CHARITY AND STANDARD SETTER

Since independence from its founding partners, the SBTi has established a governance framework in line with best practice for a UK charity and standard setter, including:

- the creation of a technical governance framework to safeguard the integrity of the standard-development process, which we will continue to develop as we work towards aligning our practice with the ISEAL code and as we mature as an organization;
- the appointment of an independent Technical Council to ensure that SBTi's Standards are robust and in line with the latest science, along with expert working groups to ensure that we are drawing on specialist expertise from a wide stakeholder base in the standard-development process;
- the incorporation of a wholly owned trading subsidiary, SBTi Services, to manage the target-validation business. Profits generated from target-validation fees are donated via Gift Aid to the SBTi to support its charitable activities;
- the appointment of an independent board of directors to oversee SBTi Services' commercial operations and strategy, in line with best practice in the charity sector; and
- the creation of robust internal and external frameworks to resolve complaints, manage conflicts of interest, and oversee compliance with policies and processes.

The SBTi will continue to build on these frameworks as it progresses on its journey towards aligning our practice with the ISEAL code. This will include targeted improvements to its technical processes and governance as it matures as an organization.

8

OUR FUNDING MODEL: RECOVERING COSTS THROUGH CHARGING FOR VALIDATION SERVICES AND PROJECT-BASED DONOR FUNDING

Our two sources of funding are income from SBTi Services in respect of validation services and donor funding. The balance of funding has changed over time, such that charging for validation services now covers the majority of core costs.

As set out above, validation is carried out by a separate entity—SBTi Services, which is a wholly owned subsidiary of the SBTi charity—in order to avoid conflicts of interest.

Going forward, SBTi Services will set the price of validation services to continue to cover the core costs of the organization, including provision of validation services, together with provision of infrastructure to set and implement standards (staff costs, IT system costs, etc.).

As part of this, SBTi Services will consider whether to introduce a subscription-fee model to support this cost recovery, as this could smooth the flow of funds and provide a firmer basis for budget planning. In addition, it would better reflect the ongoing relationship and value that we will provide to companies using the SBTi framework.

We will continue to seek donor funding on a project basis for three reasons:

- to provide additional resources to achieve our ambitious new activities, allowing us to do more research and engagement than we would be able to based on core resources alone;
- to strengthen relationships with partner organizations and connections to the ecosystem of actors, to underpin accelerated implementation; and
- to provide a buffer against uncertainty of income related to validation services (i.e., if demand were to fall).

There are three areas of work for which we will seek project-based donor funding:

- development and implementation of the framework for assessing system progress and company benchmarking;
- development of sector approaches for FLAG, shipping, aviation, steel, cement and chemicals; and
- expansion of our network in Asia and building presence in Africa.

We are actively engaged with a range of donors for funding of these areas.

9

KEY ACTIONS AND MILESTONES FOR THE FIRST YEARS OF OUR STRATEGY

BY THE END OF 2026

- Launch Corporate Net-Zero Standard Version 2.
- Undertake a set of sector engagements to support the development of approaches and assessment of progress.
- Develop a set of sector approaches to be interoperable with Corporate Net-Zero Standard V2.
- Develop, test and implement the framework for assessing system-level progress and benchmarking of companies.
- Assess the case for offering leadership status on implementation and develop the approach as appropriate.
- Engage closely with partners on accounting standards and the framework for assessing progress.
- Implement supply-chain engagement campaigns.
- Develop and implement a growth strategy with a focus on high-impact and high-emitting companies, sectors and regions.
- Secure project-based donor funding.

BY THE END OF 2027

- Finalize sector approaches.
- Publish guidance on use of market mechanisms and high-integrity carbon credits for use with Corporate Net-Zero Standard Version 2.
- Publish the first system-level assessment of progress in the corporate net-zero transition.
- Ensure actions identified in the assessment are handed off to relevant partners and support as appropriate.
- Raise profile and build presence in Africa.
- Complete evaluation of a move to a subscription-fee-based model, including developing plans for implementation as appropriate.

10

HOW WE WILL JUDGE OUR SUCCESS

We will ultimately judge our success at the level of impacts, notably progress towards corporate net-zero as required to achieve climate objectives. This will be assessed through the following metrics:

- emissions reductions versus near-term targets;
- increasing low-carbon shares for scope 2; and
- progress against metrics for scope 3, i.e., emissions / carbon-intensity reductions and suppliers setting science-based targets.

In a Theory of Change approach, impacts follow from outputs and outcomes, and we will track various metrics at these earlier stages to monitor and adjust activities to support successful delivery of impacts.

OUTPUTS

The key outputs that will determine our success are:

- a set of Standards and approaches that maintain scientific integrity while reflecting the latest evidence on emissions-reduction opportunities and being interoperable with other science-based Standards and approaches, including:
  - the Corporate Net-Zero Standard Version 2;
  - sector approaches and Standards;
  - the Financial Institutions Net-Zero Standard; and
  - guidance to set out interoperability with other Standards and approaches;
- a framework for system-level assessment of progress and challenges and for benchmarking companies with their peers, to strengthen the business case for action.

OUTCOMES

These relate to uptake of outputs and acting upon them. Key performance metrics will include:

- a perception by companies that the system is increasingly coherent;
- retention of our current network of companies;
- expansion of our network, with disaggregated indicators for high-emitting sectors, financial institutions and regions; we will have a specific indicator for uptake of Standards in the Global South, given its importance for achieving climate objectives and the particular challenges of reducing emissions there;
- adoption by actors in the ecosystem of the progress framework, and, as a result, a strengthened business case for action; and
- use of system learning and benchmarking by companies to improve their performance, and partners working with industry and governments to address barriers.

We will develop a Monitoring, Evaluation and Learning Framework in 2026 and implement this using data from validation services and progress assessments, as well as other mechanisms to generate evidence on our performance. We will be fully transparent and publish data on our performance against this framework annually.

ANNEX 1—DETAILS OF OUR APPROACH TO PROGRESS

This annex sets out our approach to assessing progress in the corporate net-zero transition in three parts. First, it summarizes what other organizations are doing to assess progress. Second, it explains how our approach can complement these efforts by filling gaps in system-level insight and actionable assessment. Third, it outlines the framework we will develop to assess progress, including indicators and leading indicators, company benchmarking and system-level analysis, as well as the next steps we will take to pilot and implement this approach.

WHAT OTHER ORGANIZATIONS ARE DOING TO ASSESS PROGRESS

Other organizations undertake assessment of emissions reductions at the company level and some seek to draw system-level insights from this.

- **CDP:** Operates a global environmental disclosure system. Companies, cities and financial institutions report GHG emissions, climate risks, targets and transition actions. CDP datasets are used to benchmark corporate climate performance and track progress over time.
- **The Transition Pathway Initiative:** Assesses companies' emissions trajectories and management practices against international climate goals. It provides sector-specific benchmarks and indicators of transition readiness.
- **The World Benchmarking Alliance:** Evaluates the contribution of the world's largest companies to sustainable development goals, including climate mitigation. Its climate benchmarks assess emissions, targets, governance and capital allocation, with a focus on accountability and comparability across value chains.
- **The Net-Zero Tracker:** Tracks net-zero targets and commitments made by companies, cities, regions and countries. It assesses the coverage, scope and credibility of targets, providing system-level insight into global ambition and progress towards net-zero.
- **Transition Arc:** A tool for companies, financial institutions, civil society and governments to accelerate corporate climate action through corporate disclosure and transition-plan data (noting that SBTi's data is one of the datasets in this database).
- **Commercial ESG data aggregators:** Compile, estimate and model company-level emissions, targets, policies and transition indicators using publicly available and third-party data.

There are common elements to these assessments, which are based on high-level, publicly available and lagged data relating to emissions and investment. While they offer good insight at the company and system levels, they do not provide a basis for near-real-time, actionable, consistent assessment of whether we are on track to deliver ambition now and in future, and, if not, where action is required to address barriers and course-correct. Given that companies and partners tell us that they want near-real-time, actionable assessments, there is a gap to be filled.

HOW WE CAN COMPLEMENT WHAT OTHERS ARE DOING

We have extensive feedback that the lack of focus on action in our framework, and the more general uncertainty around what is happening in the corporate net-zero transition, is a gap for us and for the system that must be addressed.

We have a particular opportunity and a responsibility to fill the gap on system-level progress assessment, given our leading role, our Standards, our company networks and trusted status, and the access that this gives us to data, as well as our connections with partners who can act on our assessments:

- The SBTi framework provides a common standard and credible validation process against which progress can be assessed.
- The network of companies using the SBTi provides an opportunity to collect data that is not publicly available about actions being taken that will in future lead to emissions reductions (i.e., leading indicators). Such data would not be put in the public domain at the company level. However, it could be used to provide system-level insights about where progress is being made and barriers to implementation.
- The SBTi's position at the heart of the ecosystem supporting the net-zero transition places it well to feed insights back to the system, to be acted on by partners as appropriate according to their comparative advantage (e.g., organizations working with groups of companies in an industry, or organizations that undertake policy dialogue with governments).

As noted in the summary above, we will step up here and fill the gap, building on the work of others to provide company benchmarking and system assessments of progress and challenges.

WHAT WE WILL DO: A FRAMEWORK OF INDICATORS AND LEADING INDICATORS, COMPANY BENCHMARKING AND SYSTEM-LEVEL ASSESSMENT

The framework consists of three mutually reinforcing components.

A. A core framework of indicators and leading indicators

A framework for assessing progress in implementing the net-zero transition must ultimately focus on outcomes, namely emissions and their direct drivers. These include capital-allocation ratios, investment in low-carbon technologies and low-carbon shares in various emissions categories. We will work with partners to consolidate data on these variables, which will form the top level of the SBTi progress framework.

Companies also need insight into whether the actions that drive emissions reductions are happening, not years later, but now. The SBTi will define leading indicators that reveal whether a company is on a credible trajectory toward delivering its targets.

Examples include:

- planned capital-stock turnover as assets reach end of life, and intended replacement with low-carbon assets;
- to support this, the existence of a decarbonization strategy and implementation plan (including in transition plans) for major emission sources;
- whether such plans are under implementation, shovel-ready, or at an earlier stage of development;
- barriers such as grid-connection delays, unfavorable power/heat price ratios, or technology-readiness gaps;
- sector-specific markers, for example projected low-carbon shares for different emissions sources under volume-alignment approaches, and projected alignment of suppliers with science-based targets under engagement approaches; and
- indicators relating to development of markets for low-carbon technologies, including any barriers.

Leading indicators provide early visibility into progress and pinpoint barriers fast enough to act on them.

B. A private benchmark for companies

Each participating company will receive a confidential benchmark showing:

- how they compare to peers in their sector and major regions;
- where their indicators and leading indicators reveal strengths or vulnerabilities;
- where others are moving faster, and more importantly, why; and
- what barriers appear to be holding them back and what company- and system-level actions could address those barriers.

This is not about grading companies. It is about helping leaders steer effectively in a landscape where ambition is high but execution is hard.

The SBTi's confidentiality model is a key differentiator: companies can be assured that their shared actionable data will not be publicly disclosed at an individual level or used for a public ranking.

C. A public system-level assessment and insights report

Each year, the SBTi will publish a system-level analysis that draws on the aggregated, anonymized data from the private benchmarks and broader ecosystem insights. This report will answer questions such as:

- Which sectors and regions are genuinely progressing, and why?
- Where are the biggest barriers (e.g., grid constraints, availability of green fuels, supplier readiness)?
- Which actions or policy levers could unlock progress?
- Where are positive tipping points emerging?
- What are the best practices that companies should adopt now?

The aim is to move the ecosystem from fragmented diagnostics to a shared understanding of what must be done, and by whom, to accelerate the net-zero transition.

HOW WE WILL DEVELOP THE FRAMEWORK: PILOTING AHEAD OF INITIAL IMPLEMENTATION IN 2027

In 2026, in order to implement the framework, we will develop a set of indicators and leading indicators and pilot this with companies using the SBTi framework, together with partner organizations working in this space. This will comprise essentially a small number of data points that companies already hold; therefore, collecting this in an efficient manner should not exacerbate reporting fatigue and could, through streamlining, even reduce the current burden.

As part of pilot testing, we will address questions including: how can we build on existing approaches to minimize reporting burden and ensure one source of truth; what incentives can we provide for companies to share data; and how can we use technology to facilitate this, for example through automated data transfer?

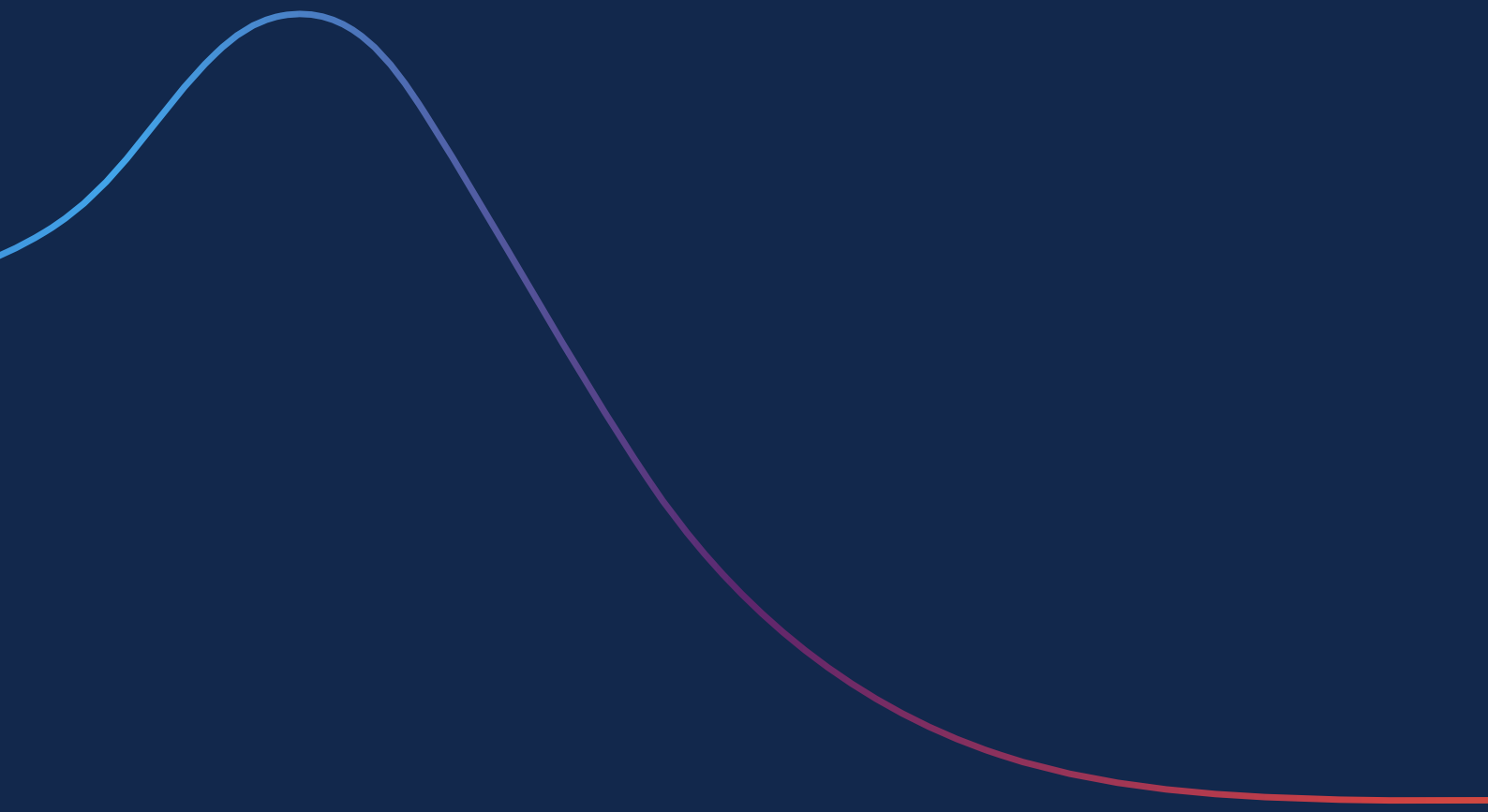
Regarding data transparency, we will consider whether to consolidate in one publicly accessible place the reported data already required within our framework, i.e., emissions data.

While additional data on indicators and leading indicators provided by companies would be private, we will consider whether companies could apply on a voluntary basis for recognition that they are progressing in line with their ambition and are leaders in this respect.

We will then implement the framework, providing the first assessments of benchmarked performance and system-level assessment in 2027.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



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