SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi AUTOMOTIVE SECTOR NET-ZERO STANDARD TERMS OF REFERENCE

Version 1.4

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ABOUT SBTi

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at latest.

The SBTi is incorporated as a charity, with a subsidiary which will host our target validation services. Our partners are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

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The SBTi reserves the right to revise this document according to a set revision schedule or as advisable to reflect the most recent emissions scenarios, regulatory, legal or scientific developments, and GHG accounting best practices.

VERSION HISTORY

Version	Change/update description	Publication date
Version 1.0	• SBTi Automotive Standard Terms of Reference V1.0.	May 29, 2024
Version 1.1	• Launch timeline updated to Q1 2026	September 23, 2024
Version 1.2	• Timeline format update	December 16, 2024
Version 1.3	• New Terms of Reference template	May 15, 2025
Version 1.4	• The timeline related information of the project is changed	October 27, 2026

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1. INTRODUCTION

This Terms of Reference describes the key information related to the SBTi Automotive Sector Net-Zero Standard project. The project will be carried out according to the SBTi's Standard Operating Procedure for Development of SBTi Standards.

2. OBJECTIVES

The objective of this project is to develop a target-setting standard for the automotive sector, which would include revising or superseding existing guidance for the automotive sector currently contained in the Land Transport Guidance. This will apply to producers of all newly manufactured road vehicles classified as: new light-duty passenger vehicles, new light commercial vehicles, new medium freight trucks and new heavy freight trucks, as well as relevant companies in the value chain, such as autoparts manufacturers. The standard will also be aligned to the SBTi's Corporate Net Zero Standard, which is being revised in parallel.

3. STEPS FOR DEVELOPING THE STANDARD

The standard development process aims to be transparent in decision-making, striving for input from any interested stakeholder through public consultation and more targeted stakeholder outreach to enable the widest possible consideration of content.

Based on the Standard Operating Procedure for Development of SBTi Standards, the following steps will be followed for developing the Standard:

- Initiation
- Research
- Drafting
- Consultation, including public consultation and pilot testing
- Approval
- Implementation
- Monitoring and Evaluation

4. SCOPE

4.1 Applicability and Deliverables

The aim of the SBTi Automotive Sector Net-Zero Standard project is to develop an updated sector-specific target-setting guidance and criteria for companies in the automotive sector by the development and publication of the following:

1. The SBTi Automotive Sector Net-Zero Standard—an updated and expanded version of the SBTi's Land Transport Guidance to allow target-setting.
2. 1.5°C-aligned sector-specific pathways.

3. Target-setting tool.

The scope of this sector update project is to:

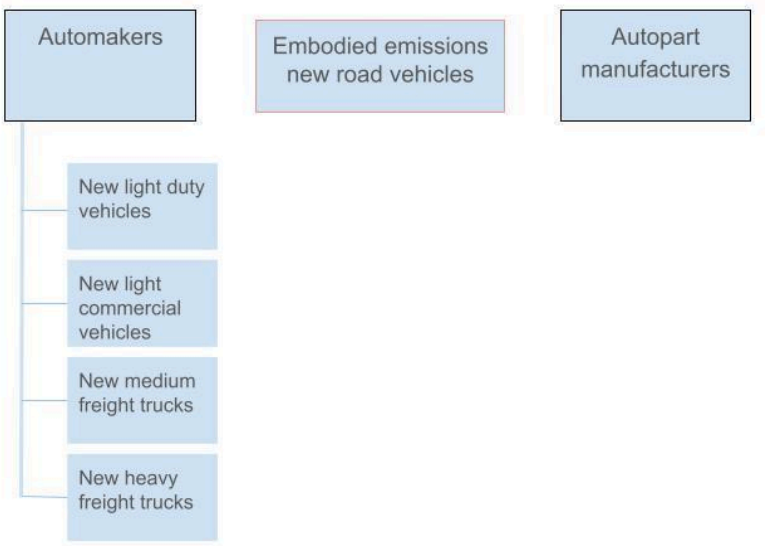
1. Enable a Sectoral Decarbonization Approach (SDA) target-setting option that allows companies in the automotive sector to decarbonize in line with 1.5°C-aligned scenarios.
2. Transition from a target-setting guidance toward a SBTi Automotive Sector Net-Zero Standard that aligns with the SBTi Corporate Net-Zero Standard and incorporates best available practices for the sector.

This updated Standard will address the following:

1. Near- and long-term target-setting standard for direct use phase from new road vehicles.
2. Near- and long-term target-setting standard for embodied emissions of new road vehicles.
3. High-level near- and long-term target-setting guidance for direct emissions from autoparts.
4. Main projections and assumptions embedded in the decarbonization models to be used by companies in the development of their carbon strategies.
5. Best practices for transport GHG accounting and reporting.

The updated tool will enable target setting aligned with 1.5°C for Well-to-Wheel emissions. The updated target-setting tool will help users with:

1. Passenger and freight road transport activities.
2. Use-phase emissions from new road vehicles.
3. Cover at the following transport and vehicle categories:



4.2 Exclusions

The SBTi will focus initially on developing the SBTi Automotive Sector Net-Zero Standard. Standards for road, rail, and logistics will be considered later as part of a broader Land Transport Standards suite. When developed and fully implemented, the Land Transport Standards will address a gap in the SBTi's 1.5°C sector-specific standards by encouraging companies in this highly impactful sector to set targets.

4.3 Geographic application

The SBTi Automotive Sector Net-Zero Standard will be open for use by organizations headquartered and with emissions and activities anywhere in the world that are active within the automotive sectors.

5. JUSTIFICATION OF NEED FOR AUTOMOTIVE STANDARD

The SBTi is undertaking the SBTi Automotive Sector Net-Zero Standard because in response to the urgency and scale of the climate emergency. It will ratchet up expectations for businesses by ensuring all targets align with a 1.5°C future. The current land transport tools are not aligned to the 1.5°C ambition, and the method for automakers to set 1.5°C emissions reduction targets is only applicable to scope 3 category 11 for automakers. When implemented, the SBTi Automotive Sector Net-Zero Standard will update and expand the current guidance to a target-setting SBTi Standard by ensuring 1.5°C-aligned sector-specific pathways and a target-setting tool.

6. RELATED STANDARDS AND INITIATIVES

The SBTi is part of a growing ecosystem of standards and initiatives addressing corporate climate change action from different angles. The SBTi recognizes the value of working to harmonize with other actors in this ecosystem.

During the standard development process, the SBTi will assess other standards and initiatives relevant to the standard's objectives, exploring the feasibility of alignment, where appropriate and feasible, in line with SBTi's objectives and Standard Operating Procedure for Development of SBTi Standards. The SBTi will seek the engagement of relevant stakeholders to gather insights on best practices in consideration of other standards and initiatives.

There are a range of initiatives which map out the business model transitions that corporates will need to undertake to achieve their science-based targets, such as the Assessing low-Carbon Transition (ACT) initiative, Race to Zero, the Transition Planning Taskforce (TPT) and the Transition Pathway Initiative (TPI). The Greenhouse Gas Protocol's (GHGP) corporate standards provide global frameworks for corporations to calculate base-year GHG

inventories and annual inventories thereafter, as they monitor performance against their science-based targets.

Within the scope of the SBTi Automotive Sector Net-Zero Standard development, the following organizations are relevant to the extent of the project. This list is not intended to be exhaustive of all initiatives in this subject area.

- International Organization for Standardization ISO 14083: The World Economic Forum's Annual Meeting held in 2023 saw the launch of new guidance to support the logistics industry on its journey to net-zero emissions. Released by Smart Freight Centre and the World Business Council for Sustainable Development, the guidance sets out to help businesses in the implementation of their decarbonization strategies. This publication highlights the usefulness and benefits of ISO 14083, the international standard offers the first universal method for logistics emissions accounting.

- Smart Freight Centre (SFC) GLEC Framework:The GLEC Framework serves as the primary industry guideline on how to implement ISO 14083**.** As of March 2023, in collaboration with the German Institute for Certification (DIN), and members of an ISO working group, SFC was instrumental in setting up the process for a new ISO 14083 standard, marking its foray into a new phase of global standardization. The GLEC Framework was a core element used to develop the content for the new standard, with Alan Lewis, SFC's Technical Director, leading the project.

- International Energy Agency (IEA) Net Zero Roadmap: In 2023 the IEA updated its Net Zero Roadmap and set out an updated pathway to net zero by 2050, taking account of the key developments that have occurred since 2021.

- International Transport Forum: The development of strong linkages between transport models and climate change mitigation measures is critical to the successful reduction of global carbon emissions. The International Transport Forum has developed modeling tools that will help countries achieve their national decarbonization commitments.

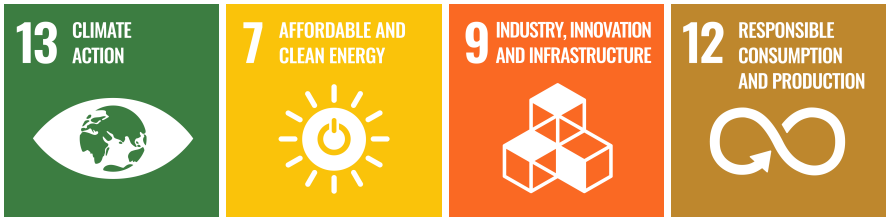
7. INTENDED SUSTAINABILITY OUTCOMES

In 2018, the Intergovernmental Panel on Climate Change (IPCC) warned that global warming must not exceed 1.5°C above pre-industrial temperatures to avoid the catastrophic impacts of climate change. Business has a vital role to play in driving down greenhouse gas emissions and building the resilient, zero-emissions economy we urgently need. This action must be grounded in science. Science-based targets show companies and financial institutions how much and how quickly they must decarbonize to prevent the worst impacts of climate change.

A key criterion the SBTi uses in prioritizing the projects it chooses to undertake is the impact the project will have in addressing GHG reduction from key sectors or activities. By the end of 2022, companies with science-based targets or which had committed to set targets

represented over a third of the global economy by market capitalization, and the total committed annual emissions reductions across all approved targets was 76 million tonnes of CO_2e.[1]

Although decarbonization has a link with all of the UN Sustainable Development Goals, the implementation of the SBTi Automotive Sector Net-Zero Standard seeks to especially contribute to the following UN Sustainable Development Goals (SDGs):



These four key SDGs have been selected as particularly relevant for the following reasons:

- **SDG 13: Climate Action**: Science-based targets focus on reducing GHG emissions, directly contributing to climate action by addressing climate change and its impacts.
- **SDG 7: Affordable and Clean Energy**: Meeting science-based targets often requires transitioning to renewable energy and improving energy efficiency, promoting clean and sustainable energy sources.
- **SDG 9: Industry, Innovation, and Infrastructure**: Companies working toward science-based targets typically need to innovate and adopt sustainable practices, supporting the development of resilient infrastructure and sustainable industrialization.
- **SDG 12: Responsible Consumption and Production**: Science-based targets encourage companies to redesign production processes, optimize resource use and manage waste, aligning with the goal of promoting sustainable consumption and production.

8. INTENDED CLAIMS

As part of the SBTi Automotive Sector Net-Zero Standard development process, and in line with a broader piece of work on claims, the SBTi plans to develop claims guidance to supplement the SBTi's current communications guidelines. The aim is that companies are enabled to make credible claims around the emission reduction targets that they have set and that have been validated by the SBTi, as well as claims around the achievement of those targets, where appropriate.

9. ENGAGEMENT

[1] SBTi, 2023. SBTi Monitoring report 2022.

9.1 How to engage?

The SBTi values stakeholder input to inform the development of its standards. There are a variety of channels through which stakeholders can engage with and input into the development of the SBTi Automotive Sector Net-Zero Standard.

- **Project feedback form:** Over the course of the whole project, any stakeholder is welcome to submit feedback on documents that have been released through the Project Feedback Form. All feedback will be carefully considered and published on the SBTi website, with personal information removed. This form is not intended as a complaints form.[2]

- **Public consultation:** The SBTi Automotive Sector Net-Zero Standard will go through a minimum of two rounds of public consultation. The first consultation will last for at least 60 days, the second consultation will last for at least 30 days. At the outset of the public consultation, the SBTi will publish a recorded video explaining the key content and will also aim to develop additional materials to support the clear communication of the information. During the consultation period, stakeholders will have the opportunity to submit feedback to the consultation questionnaire via a survey. These resources will be available on the SBTi website.
- **Expert Advisory Groups (EAG):** These are advisory groups of volunteer experts set up to provide advice and input during the development of thematic or project-specific resources and bring a breadth and balance of stakeholder opinions and interests. The individuals in the groups bring an informed perspective from a stakeholder or interest group and could be independent or work for organizations that are relevant to the named project.
- **Pilot testing**: The SBTi Automotive Sector Net-Zero Standard will go through pilot testing . The pilot testing will last for a duration of six weeks minimum. An open call will be held for interested stakeholders. During the pilot testing period, selected participants will have the opportunity to submit feedback to the pilot testing questionnaire via a survey. These resources will be available on the SBTi website.

9.2 Who should engage?

The Automotive Team welcomes input from all stakeholders with an interest in this project development, including but not limited to:

- Academic and research institutions
- Civil society organizations
- Technical experts
- Corporates
- Governments and regulators
- Standard-setting organizations
- Sustainability practitioners

[2] Please note that stakeholders who wish to submit complaints related to the SBTi existing standards or guidance documents, or standard development processes, including the Standard Operating Procedure for Development of SBTi Standards, may do so by emailing standardscomplaints@sciencebasedtargets.org.

- Associations
- Underrepresented groups that are affected by climate change and/or the implementation of our standards
- All other stakeholders with an interest in this project development

9.2 How to keep informed?

Stakeholders can stay up to date with the SBTi Automotive Sector Net-Zero Standard development process, opportunities to provide input, and planned events by monitoring the SBTi's website for updates, signing up for the SBTi newsletter, and following the SBTi on X and LinkedIn.

For any general queries relating to the SBTi Automotive Sector Net-Zero Standard project and how to engage please contact transport@sciencebasedtargets.org.

10. LANGUAGES

All documents relating to the SBTi Automotive Sector Net-Zero Standard, including consultation drafts, will be published in English (this is the SBTi working language). Translations into other languages may be considered.

11. RISK MITIGATION

The SBTi and governance bodies shall undertake a risk assessment alongside the standard development, to identify potential risks in implementing the draft standard and how to mitigate these (e.g., unintended consequences that could arise from the implementation of the standard, factors that could have a negative impact on the ability of the standard to achieve its objectives, and possible corrective actions that could be taken to address these potential risks).

12. GOVERNANCE STRUCTURE AND DECISION MAKING

The Standard Operating Procedure for Development of SBTi Standards sets out in detail the governance and decision making processes that apply to standards development and revisions.

13. TRANSITION

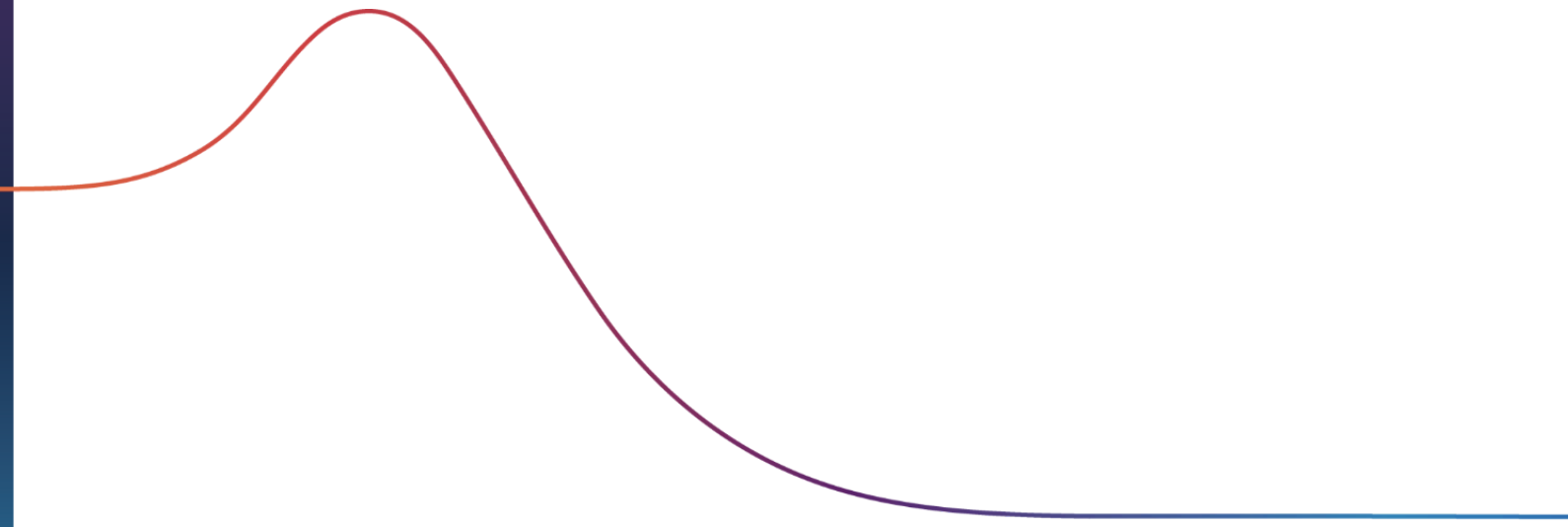
Full details to support entities with validated targets, targets under validation, or active commitments to prepare for conformity to the SBTi Automotive Sector Net-Zero Standard will be communicated in a timely manner before its launch.

14. EXPECTED TIMELINE AND LAUNCH

The final version of the SBTi Automotive Sector Net-Zero Standard and related project deliverables will be published following completion of the standard development and approval process, along with:

- Automotive Sector Standard Criteria Assessment Indicators
- Basis for Conclusions Report

Due to the iterative nature of consensus-based, multi-stakeholder standard development, the expected timeline for the Power Sector Standard project is subject to change based on the phases outlined in the Standard Operating Procedure (SOP) for Development of SBTi Standards. The expected timeline can be found on the Technical Work Program section of the Standards and Guidance page of the SBTi website.

SCIENCE BASED TARGETS

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