Modules – Viewers can self select and access modules non-linearly based on where each user is in the SBTi journey

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Stage		Module
Commit	1	Case for change
	2	Voluntary finance climate action ecosystem
Develop	3	Developing SBTs: Overview
	4	Developing SBTs: Scope 1, scope 2, and scope 3 operational emissions
	5	Developing SBTs: Scope 3 financed emissions – Overview
	6	Developing SBTs: Scope 3 financed emissions – Calculation deep dive and case studies
	7	Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs
Submit, Communicate, Disclose	8	Validating, disclosing, and recalculating
	9	Governance, change management, and meeting targets

Resources (1/2)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Module	Key resources
Module 1: Case for change	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • GFANZ net-zero Financing Roadmaps (Nov 2021) • Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022) • Official Journal of the European Union - Establishing the Framework for Achieving climate neutrality and amending Regulations (Jul 2021)
Module 2: Voluntary finance climate action ecosystem	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • SBTi Business Ambition for 1.5C (Nov 2021) • SBTi 2021 Progress Report
Module 3: Developing SBTs: Overview	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • UN Global Compact Academy Setting Science-Based Targets E-Learning • UN Global Compact Academy Net-Zero Standard E-Learning
Module 4: Developing SBTs: Scope 1, scope 2, and Scope 3 operational emissions	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • SBTi Target Setting Tool 2.0 (Dec 2021) • GHG Protocol Corporate Accounting and Reporting Standard (Revised) • GHG Protocol Scope 2 Guidance (Sep 2015) • GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013)
Module 5: Developing SBTs: Scope 3 financed emissions – Overview	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013) • PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)

Resources (2/2)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Module	Key resources
Module 6: Developing SBTs: Scope 3 financed emissions – Calculation deep dive and case studies	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) • CDP & WWF Temperature Rating Methodology (Oct 2020) • Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022)
Module 7: Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) • Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022)
Module 8: Validating, disclosing, and recalculating	• SBTi Target Submission Form for Financial Institutions • SBTi Booking System • SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) • GHG Protocol Scope 3 Accounting Standards (Apr 2013)
Module 9: Governance, change management, and meeting targets	• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Module #4: Scope 1, scope 2, and scope 3 operational emissions

SBTi financial institution training

THIS TRAINING WAS DEVELOPED IN COLLABORATION WITH

BAIN & COMPANY

PARTNER ORGANIZATIONS

CDP DISCLOSURE INSIGHT ACTION

United Nations Global Compact

WORLD RESOURCES INSTITUTE

WWF

IN COLLABORATION WITH

WE MEAN BUSINESS COALITION

Modules

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Stage		Module
Commit	1	Case for change
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Key learning objectives

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

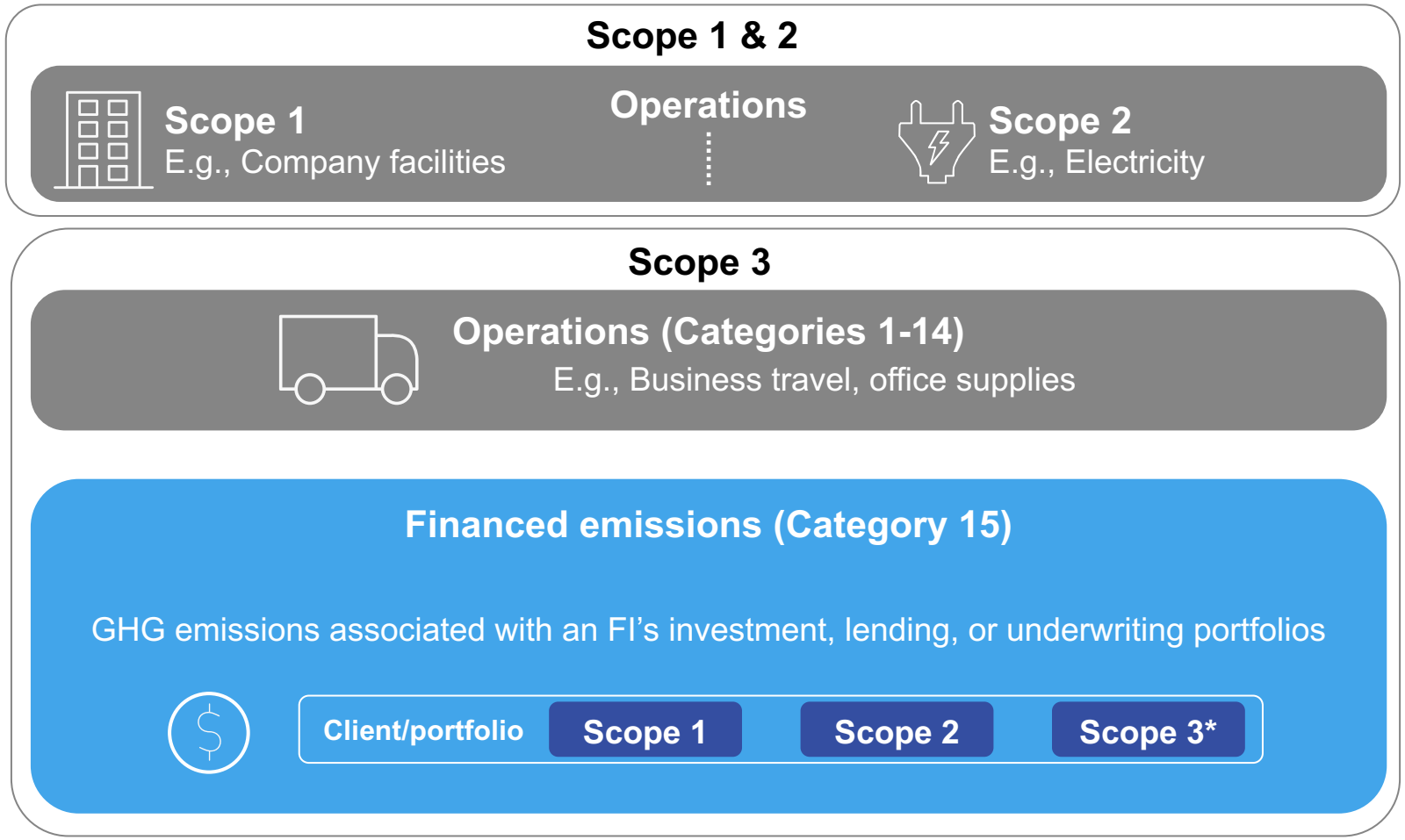
Commit | **Develop** | Submit | Communicate | Disclose

After completing this module, individuals will be able to…

- Choose appropriate baseline year, boundaries, and methods
- Calculate current and target emissions
- Access and use relevant tools

Emissions can be classified as either operational or financed

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



Operational emissions *(direct & indirect)*

Financed emissions

This module

Module #4: Scope 1, scope 2, and scope 3 operational emissions

Module #5: Scope 3 financed emissions – Overview

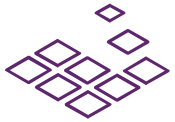
Module #6: Scope 3 financed emissions – Calculation deep dive and case studies

Module #7: Scope 3 financed emissions – Data considerations & trade-offs

Note: *GHGP names that scope 3 financed emissions should be included if they are significant. Temperature Rating Approach requires submission of scope 1+2+3 target.
Sources: GFANZ Financial Institution Net-zero Transition Plans (Jun 2022, pg. 13, Fig. 3); GHGP Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Apr 2013, pgs. 52-54, Table 5.9 and Table 5.10); SBTi Financial Sector Science-Based Targets Guidance (Feb 2022, pgs. 85-88)

There are three steps for developing a target

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



1

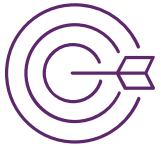
Set boundaries

Determine where to start and what to include

2

Calculate baseline

Know where the organization currently stands



3

Calculate target

Align on ambition and pathway, set method and timeline for emissions reduction

Degree of effort:

These steps are often the most challenging and time consuming

Select the base year

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | Calculate target

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

Select most recent year

Pick most recent year for which data is available as the target base year, unless COVID significantly impacted

FI-R3 – Base Year

GREENHOUSE GAS PROTOCOL — GHG recommends earliest year with reliable data

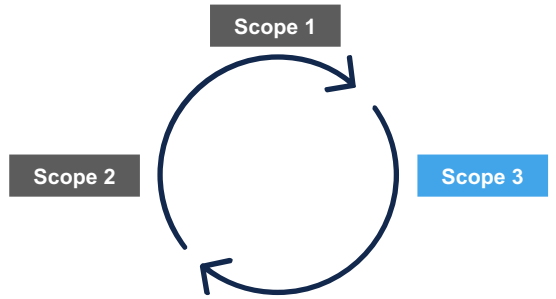
PCAF — PCAF defers to GHG and SBTi on setting baseline year

Be consistent

Use same base and target years for all targets in the mid-term and long-term time frames

FI-R5 – Consistency

This is an iterative process to determine base year by assessing



Challenges & considerations

- Limited **data quality** and availability
- Significant **structural changes** during the base year (e.g., merger, acquisition, divestiture, organic growth)
- **Varying time periods** of investments or loans
- Balancing **achievability and climate impact**
- Balancing financial impact with **client engagement**

Sources: SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 29); GHG Protocol Corporate Accounting and Reporting Standard (Revised, pg.35)

Determine ORGANIZATIONAL boundary – what is the firm

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | Calculate target

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

GREENHOUSE GAS PROTOCOL Defined by the Greenhouse Gas Protocol Corporate Standard

Select a single consolidation approach that is applied consistently across the whole institution

Control Approaches

Operational control

- Defined as full authority to **introduce and implement operating policies**
  - Typically aligns with **operating licenses**
  - Accounts for **100% of emissions**

Financial control

- Defined as ability to **influence financial & operational activities** (for benefit)
  - Typically aligns with **voting rights**
  - Accounts for **100% of emissions**

PCAF PCAF requires a control approach

SBTI recommends Control Approaches for FIs to simplify target setting

Equity Approach

Equity Share

- Defined as **rights to risks and rewards** from operations
  - Typically aligns with **percentage ownership**
  - Accounts for **equity share of emissions**

Note: "GHG Protocol Corporate Standard" has case study (Holland Industries) on defining organizational boundaries on pgs. 22 and 23
Source: SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 38-39); GHG Protocol Corporate Accounting and Reporting Standard (Revised, pgs.17-18); PCAF Global GHG Standards (Nov 2020, pg. 36)

Determine OPERATIONAL boundary – what emissions count

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | Calculate target

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

GREENHOUSE GAS PROTOCOL Defined by the Greenhouse Gas Protocol Corporate Standard

Scope 1

Scope 2

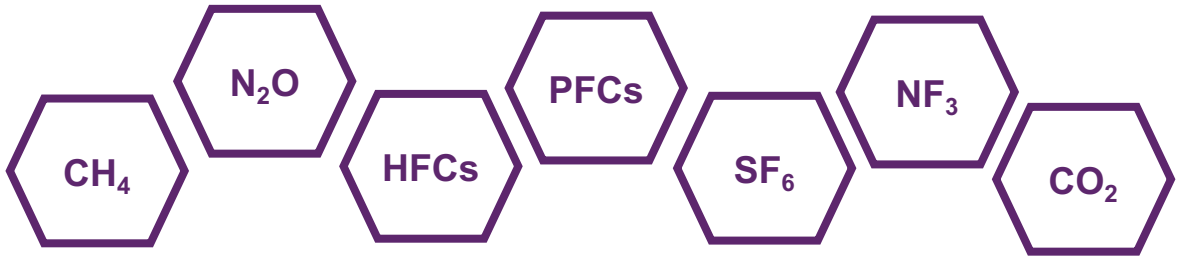
Scope 3

Ops (optional)

Financed

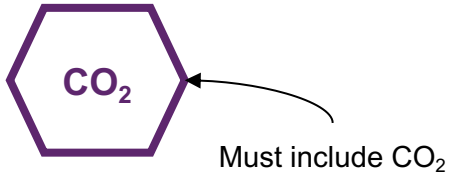
Must have 95% coverage

67%-100% coverage for required



PCAF

PCAF allows gases to be expressed as carbon dioxide equivalents (CO_2e)



FI-C1 – Scopes: Targets must cover institution-wide scope 1 and 2 emissions and scope 3 investment and lending activities

FI-R9 – Measuring Emissions and Setting Targets for Scope 3, Categories 1-14: It is recommended but not required

FI-C2 – Significance Thresholds: FIs may exclude up to 5% of scope 1 & 2 emissions (combined)

FI-C3 – Greenhouse Gases: Scope 1 and 2 targets must cover all GHGs outlined in the GHG Protocol Corporate Standards; scope 3 financed shall cover at a minimum CO_2 and optional scope 3 targets (categories 1-14) shall cover all relevant GHGs

Sources: SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 27,33); PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020, pg. 36)

SBTi incorporates both the GHGP and PCAF guidance

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | Calculate target

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

GREENHOUSE GAS PROTOCOL

PCAF Partnership for Carbon Accounting Financials

Received "Built on GHGP" mark of assurance

Account

Date published	April 2013			November 2020
Scopes addressed	**Scope 1**	**Scope 2**	**Scope 3 operational**	**Scope 3 financed**
Applied to SBTi	GHGP coves all 3 scopes for non-financial institutions			
	Built on GHGP standards			**Incorporates PCAF methodology, but FIs can set SBTs without PCAF**

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Sources: GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013 Table 15.1 pgs. 137-138); PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020 Table 5-1, pg. 45, Box 3, pgs. 30-31); SBTi Financial Sector Science-Based Targets Guidance 1.0 (Feb 2022 Table 5.2, pgs. 55-57); GHGP - New Standard Developed for Financial Insititutions

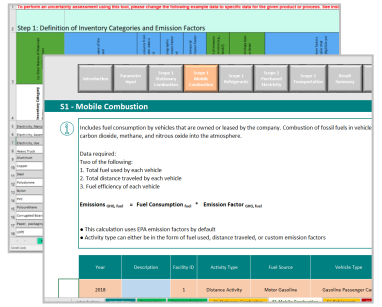
Calculate baseline emissions

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | **Calculate baseline** | Calculate target

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

	1 Identify emission sources	2 Select approach	3 Collect data	4 Apply calculation tools	5 Consolidate data to corp. level
Scope 1	• **Combustion emissions (stationary & mobile)** • Process emissions • Fugitive emissions	• **Fuel use data** • Direct measurement • Process based	• Purchased fuel records	Access and use **GHG Protocol tools** to calculate your baseline emissions: • Cross sector tools • Sector specific tools	Two approaches to consolidate GHG data 1) Centralized • Facilities report raw emission to corporate • Corporate calculates metrics 2) Decentralized • Facilities calculate emission metrics • Facilities report metrics to corporate
Scope 2	• Purchased **electricity**, heat, or steam	• Market-based • Location-based	• Electric meter reading • Electricity contracts		
Scope 3	• Category 1-14 (operational) • **Category 15 (financed)**	• Category 1-14: varies by category • **Category 15: SDA, PCA, TRA**	• Activity data (e.g. passenger miles) • 3rd party emission factors		



Bold indicates most relevant for FIs

Access Modules 5 and 6 for more detail

Sources: SBTi Financial Sector Science Based Targets Guidance (Feb 2022 pg. 27); GHG Protocol Corporate Accounting and Reporting Standard (Revised, pg. 41); link to GHG Tools website

Calculate emissions – Scope 2

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | Calculate target

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

GREENHOUSE GAS PROTOCOL Defined by the Greenhouse Gas Protocol Corporate Standard

Scope 1

Scope 2

Scope 3

Ops (optional)

Financed

Approaches to calculating Scope 2 baseline emissions

Market-based

Accounts for emissions based on the **specific energy contracts** a company uses to buy electricity

Best reflects a company's **purchasing choices**

Location-based

Uses the average energy generation emission in a **defined geographic region** to account for emissions

Best reflects the impact of the company on **the grid**

FI-C13 – Approaches: The approach for calculating scope 2 emissions must be disclosed

Options for setting target

Companies must select either:

Absolute Reduction target

Renewable Procurement Target
80% by 2025 and 100% by 2030

In line with RE100 recommendation RE 100

FI-C14 – Renewable Electricity Procurement

Sources: GHG Protocol Scope 2 Guidance (Sep 2015, pg. 26); SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 30-31)

Calculate emissions – Scope 3 operational emissions

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | Calculate target

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

GREENHOUSE GAS PROTOCOL Defined by the Greenhouse Gas Protocol Corporate Standard

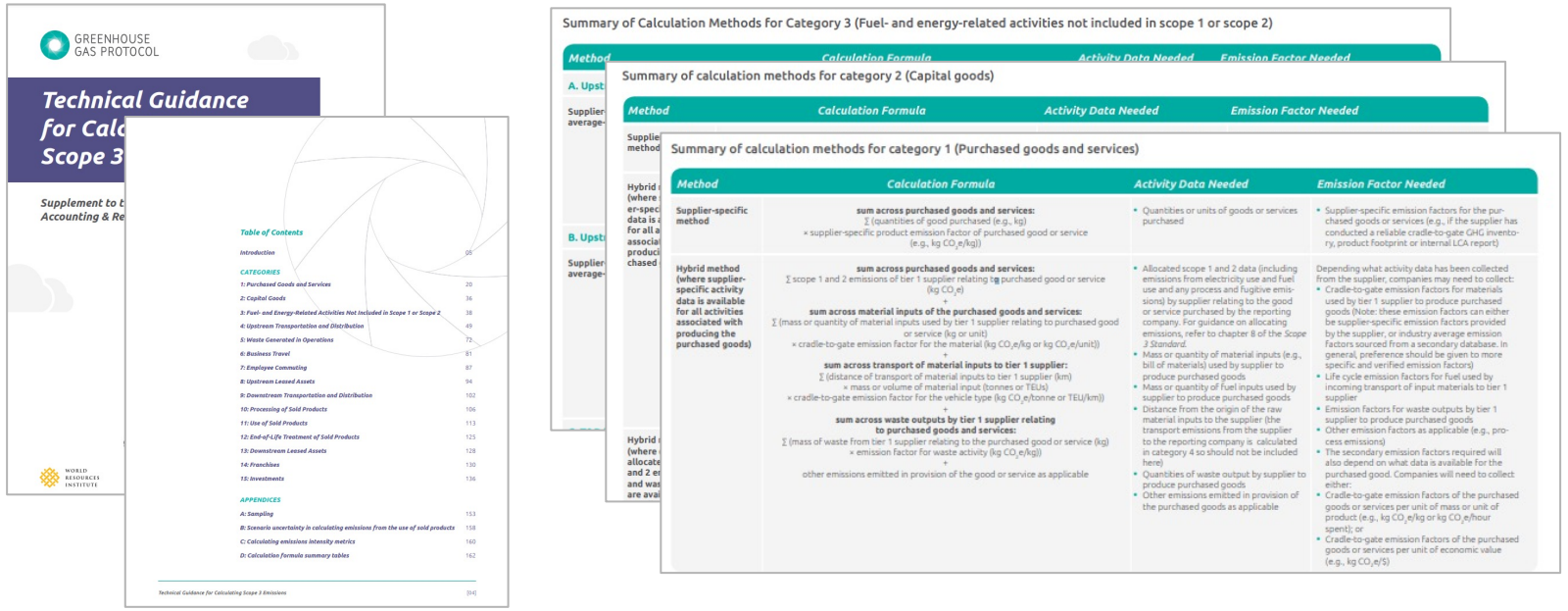
Scope 1

Scope 2

Scope 3

Ops (optional)

Financed



Each scope 3 category requires different calculation methods

Follow GHG Protocol guidance for scope 3 operational calculations

FI-R9 – Measuring emissions and setting targets for scope 3, categories 1–14: Targets for categories are recommended but not required

Source: GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013)

Set target on a near to mid-term horizon

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | **Calculate target**

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

Base & target years

Targets **cover 5–15 yrs.**

FI-C6 – Base and Target Years:
Targets must cover 5-15 years from date of target submission

Tracking progress

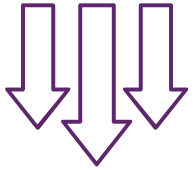
Targets can't already be accomplished

FI-C7 – Progress to Date:
Targets that have already been achieved by the date they are submitted are not acceptable

Level of ambition

Scope 1, 2, and scope 3 operational aligned with **Well-Below-2°C** pathway (at min)

FI-C8 – Level of Ambition:
At minimum, scope 1 & 2 targets should be consistent with "well-below 2°C", though FIs are encouraged to pursue 1.5°C



Measurement methods

Absolute method
Reduce **total emissions**

Intensity method
Reduce **per unit emissions**

FI-C9 – Absolute vs Intensity:
Intensity & absolute targets for scope 1 & 2 eligible when in-line with "well-below 2°C"; can also utilize approved sector pathway (SDA for absolute)

Sources: SBTi Financial Sector Science-Based Targets Guidance (Feb 2022, pgs. 29-30)

Determine METHOD for calculating target

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | **Calculate target**

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

GREENHOUSE GAS PROTOCOL

Defined by the Greenhouse Gas Protocol Corporate Standard, but considerations and minimum annual reductions are unique to SBTi

Allowable for scope 1 & 2

	Absolute Contraction	Physical Intensity	Economic Intensity
Measures	Absolute emissions	Emissions per… physical unit	Emissions per… economic unit
Example	Reduce emissions by… 30%	Reduce emissions by… 30% per kWh	Reduce emissions by… 30% per $ of revenue
Considerations	• Easily **links to SBTi target setting tool**	• **Two calculation options** – Commercial Buildings (SDA) – Absolute in Physical Unit	• Linked to **financial drivers**
Minimum annual reductions	• **Required –** Well-Below 2°C Pathway (2.5% linear reduction) from base year* • **Encouraged (when available)** – 1.5°C Pathway (4.2% linear reduction) (Commercial building SDA unavailable due to data limitations)		

SBTI encouraged approach

Note: *Base years after 2020 will require steeper reduction trajectory to reach same target
Sources: SBTi Financial Sector Science-Based Targets Guidance 1.0 (Feb 2022, pgs. 47-48)

Target examples

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | Calculate target

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

Absolute Contraction

"La Banque Postale commits to reduce its **absolute scope 1 and 2 GHG emissions 46% by 2030** from a 2019 base year and commits to continue annually sourcing 100% renewable electricity through 2030."

Physical Intensity

"Property developer, owner, and operator Swire Properties Limited commits to **reduce scope 1 and 2 GHG emissions 35% per square meter by 2025** and 52% per square meter by 2030 from a 2018 base year."

Economic Intensity

"Kering commits to **reduce scope 1, scope 2, and scope 3 emissions from upstream** transportation and distribution, business air travel, and fuel- and energy related emissions **50% per unit of value** added by 2025 from a 2015 base year."

Ambition

LA BANQUE POSTALE

Retail bank

1.5°C

太古地產 SWIRE PROPERTIES

Property development

1.5°C

KERING

Luxury goods retailer

1.5°C

Source: SBTi "Companies Taking Action" (Webpage – Target dashboard)

Calculate utilizing SBTi's tool to reach chosen ambition

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

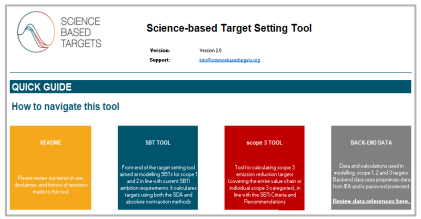
Set boundaries | Calculate baseline | **Calculate target**

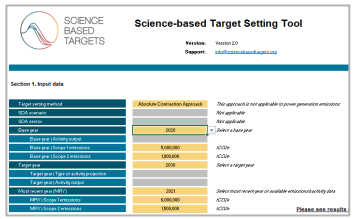
Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin

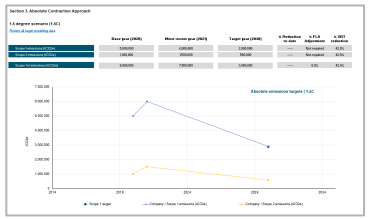
How to use SBTi target tool 2.0

Scope 1 **Scope 2** **Scope 3 – Operational**

1. **Input target setting method** – Absolute Contraction or SDA (scope 1 & 2); Absolute or Intensity (scope 3 operational)
2. **Input base year** – Most recent year which data is available suggested
3. **Enter emissions info** – Required emission & measure inputs vary by method
4. **Review emissions targets** – Tool provides emissions targets by scope for 1.5°C pathway (recommended but not required for FIs) based on method, baseline, and target year







FI-C10 – Method Validity: Targets must be modeled using the latest version of methods and tools approved by the initiative

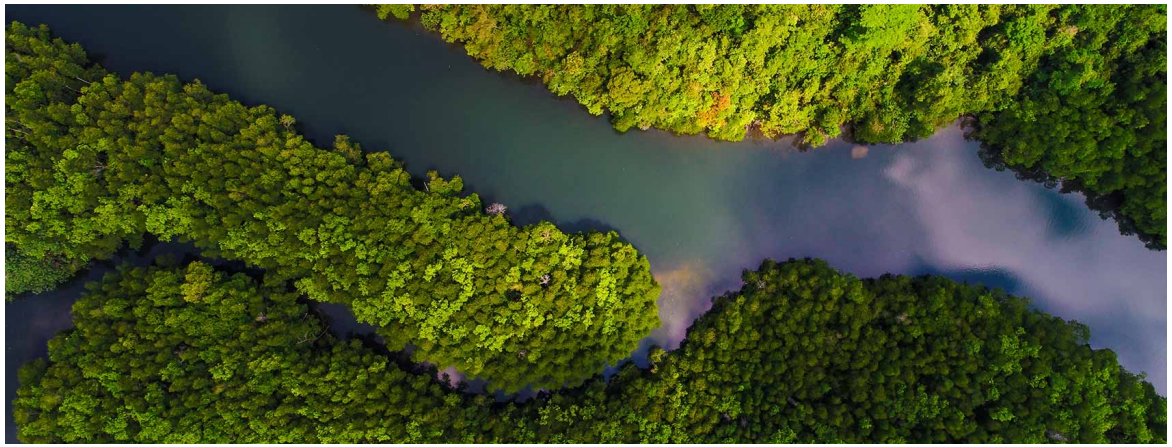
Source: SBTi Target Setting Tool 2.0

Offsets and avoided emissions are not allowed

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Set boundaries | Calculate baseline | **Calculate target**

Scope 1 | Scope 2 | Scope 3 – Ops | Scope 3 – Fin



Offsets

- Removal of emissions to **compensate for an organization's released emissions**
- Example – Planting trees to counter an FI's emissions

No specific recommendation by GREENHOUSE GAS PROTOCOL, PCAF Partnership for Carbon Accounting Financials, GFANZ

FI-C11 – Offsets: The SBTi requires that FIs set targets based on emission reductions through direct action within their own operations or their investment and lending portfolios

Avoided emissions

- Emission reductions resulting from **project / product versus resulting emissions from its absence**
- Example – Fuel saving tires, teleconferencing equipment

In line with recommendation by* GREENHOUSE GAS PROTOCOL, PCAF Partnership for Carbon Accounting Financials

FI-C12 – Avoided Emissions: Avoided emissions fall under separate accounting system from corporate & financial institutions' inventories; do not count toward science-based target

Note: GHGP, PCAF, GFANZ don't provide specific offset recommendations; (*) GHGP and PCAF have similar avoided emissions recommendations, but GFANZ does not provide any guidance
Source: SBTi Financial Sector Science-Based Targets Guidance (Feb 2022, pgs. 10, 30); WRI Estimating and Reporting the Comparative Emissions Impacts of Products (pg. 3); PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)

Key takeaways

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- FIs find that **setting boundaries and calculating baseline are challenging** steps in the target setting process and take more time than expected

- **Scope 1 and 2 targets must cover a 5–15-year goal and align with Well-below 2°C** pathway (at min), and should be calculated using Absolute Contraction method

- **SBTi provides an excel tool to calculate target pathway**

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THANK YOU FOR LISTENING

PARTNER ORGANIZATIONS

CDP DISCLOSURE INSIGHT ACTION

United Nations Global Compact

WORLD RESOURCES INSTITUTE

WWF

IN COLLABORATION WITH

WE MEAN BUSINESS COALITION

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