SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Target Validation Protocol for Near-term Targets

TWG-PRO-002 / Version 3.1

March 2023

Document history

Version	Change/update description	Date finalized	Effective Dates
1.0	The first version of the Target Validation Protocol	April 2019	From April 2019 to July 2020
2.0	Updated to align with SBTi criteria V4.1 and to provide further information on frequently requested topics, including target classification, resubmission and sector-specific guidance.	April 2020	July 2020 to March 2021
2.1	Minor updates to provide further clarification and context to existing rules, and criterion, including the following: **Section 3:** updated to reflect how Financial Institutions are treated during initial screening stage. **Section 6:** refined the target classification rules to provide further clarity on how multiple approved targets can be aggregated to produce a temperature rating. **Section 8:** the criteria table has been updated to reflect modifications to criteria wording, with minor changes made to text for clarification purposes. **Section 9:** updated to provide additional information from the 1) electric utility sector update from June 2020, 2) release of the financial institution guidance in October 2020 and 3) current practices related to companies in the oil and gas sector	April 2021	April 2021 to July 14, 2022
3.0	Updated to align with SBTi criteria V5.0. Some sections that were previously included within the Target Validation Protocol have been moved to the Corporate Manual. These sections are as follows as previously called under 2.1: **Section 2** The SBTi and its target validation process **Section 3** Target validation process	December 6, 2021	July 15, 2022 to March 14, 2023

	Section 4 Conflict of interest policy **Section 7** Target recalculation protocol		
3.1	Minor updates to provide further clarification and context to existing criteria, recommendations and use of terminology (criterion 4, 10 and 19 and recommendation 5 and 8). Clarifications on exclusions, significance thresholds and emissions coverage for scope 1, 2 and 3 targets (criterion 5 and 6). Clarification that companies setting renewable electricity sourcing targets that will be achieved through market-based mechanisms must report and track using market-based scope 2 emissions (criterion 8). Clarification that the target year criterion is only relevant for absolute and intensity-based emission reduction near-term targets (criterion 13). Revision of allowable years for assessing progress to date for submissions in 2023 (criterion 14). Clarification in language that scope 3 physical intensity targets (criterion 18) only needs to meet the 7% compounded emissions intensity reduction (and can lead to absolute emissions increase). Alignment of criterion 22 and 23 to the revised version of SBTi's policy on fossil fuel companies. Further guidance for mandatory target recalculations (criterion 26). Revision of previous recommendation to criterion for triggered recalculations (criterion 27). Inclusion of most up to date information on sector developments and sector-specific criteria.	March 29, 2023	From March 29, 2023

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1. Introduction

The Science Based Targets initiative (SBTi) provides companies with a unique opportunity to have their emission reduction targets independently validated by its team of technical experts through the target validation service. To support this service, the Target Validation Protocol for Near-term Targets describes the steps and procedures that are followed during the target validation process of near-term targets. This protocol aims to increase transparency and ensure the credibility and consistency of the target validation service and is updated annually to reflect any changes in the criteria.

Section 2 sets out the criteria table which describes how each of the SBTi Criteria for Near-term Targets is interpreted and assessed by the validation team. Section 3 details how the target ambition is assessed wherein the minimum ambition of near-term targets for each of the seven target-setting methods is described, as well as an explanation on forward-looking ambition. Section 4 outlines nuances in greenhouse gas (GHG) accounting that SBTi requires and recommends as best practice for certain sectors and/or topics. Sector-specific guidance and methods that are currently available for many sectors is included in Section 5. Thereafter, information on target classification and target wording follows in Sections 6 and 7.

1.1 How to use the Target Validation Protocol for Near-term Targets

The Target Validation Protocol for Near-term Targets should be used in conjunction with other key SBTi target-setting resources, most notably the SBTi Criteria for Near-term Targets (Version 5.1). The latter defines the minimum qualitative and quantitative criteria for near-term targets to be recognized by the SBTi. This protocol describes in more detail how the SBTi implements the criteria, sector-specific guidance and greenhouse gas accounting practices, and should therefore be used when developing targets.

The ambition thresholds that are used for absolute and sector-based approaches are summarized in the protocol, to make it easier for companies to understand the minimum quantitative values used to assess their targets. The derivation of these values is explained in the Foundations of Science-based Target Setting paper, which also describes the different science-based target setting methods and scenarios that the SBTi currently endorses.

2. Assessment of SBTi Criteria for Near-term Targets

The SBTi Criteria for Near-term Targets outline the minimum qualitative and quantitative criteria for near-term targets to be recognized by the SBTi. The validation team reviews the Target Submission Form and associated documents to ensure that **all criteria are met for any target submission to be approved**. *Table 1* explains the criteria, which are requirements that companies must follow, and recommendations, which companies should follow, to align with the SBTi Criteria for Near-term Targets. This table provides more detailed information to companies on the procedure followed by the reviewer to assess each criterion, and a clear explanation on when the criterion is met.

The validation team adheres to the criteria assessment table consistently for all companies' target validations and all decisions are justified using this guide.[1]

Table 1 uses precise language to indicate requirements, recommendations, and allowable options that companies may choose to follow.

- The terms “shall” or “must” are used throughout this document to indicate what is required for targets to be in conformance with the SBTi Criteria for Near-term Targets.
- The term “should” is used to indicate a recommendation, but not a requirement.
- The term “may” is used to indicate an option that is permissible or allowable.

The terms “required” or “must” are used in *Table 1* to refer to requirements. “Can” and “is encouraged” may be used to provide recommendations on implementing a requirement or “cannot” may be used to indicate when an action is not possible. The letter “C” preceding a number indicates a criterion and the letter “R” preceding a number indicates a recommendation.

[1] If a novel case appears in a target validation that is not explicitly covered in this guide, the Target Validation Team will consult with the Technical Department, and if necessary, bring the issue to the Executive Leadership Team for final decision-making. In such cases, there might be significant delay for the target validation team to deliver the final target decisions, and it cannot be guaranteed that targets that do not adhere to the protocol will be approved after the additional consultations with SBTi. If necessary, relevant sections of the Target Validation Protocol will be updated to reflect the additional information/decisions made.

Table 1. Criteria Assessment Table

Criteria	Validation requirements and recommendations	Criterion assessment
I. GHG Emissions Inventory and Target Boundary		
I.I Target boundary		
C1 – Organizational boundary *Companies should submit targets only at the parent- or group level, not the subsidiary level. Parent companies must include the emissions of all subsidiaries in their target submission, in accordance with the boundary criteria outlined below. In cases where both parent companies and subsidiaries submit targets, the parent company's target must also include the emissions of the subsidiary if it falls within the parent company's emissions boundary given the chosen inventory consolidation approach.*	• All subsidiaries must be reported and included within the parent company GHG inventory in accordance with the chosen inventory consolidation approach. • Subsidiaries excluded from the GHG inventory and/or target boundary must be clearly justified by the company.	**Criterion met if:** • The company reports and accounts for all relevant subsidiaries in the GHG inventory and target boundary. **Criterion not met if:** • The company does not report relevant subsidiaries and fails to include them in the GHG inventory and target boundary. ***OR*** • The company does not provide sufficient justification for the exclusion of specific subsidiaries.
I.II GHG coverage		
C2 – Greenhouse gases *The targets must cover all relevant GHGs as required by the GHG Protocol Corporate Standard.*	• All relevant GHGs required as per the Kyoto Protocol (CO2, CH4, N2O, HFC, PFC, SF6, NF3) must be included. • GHG exclusions must be clearly justified, and not exceed 5% of total S1 and 2 emissions in the GHG inventory and target boundary.	**Criterion met if:** • No GHG exclusions are reported. ***OR*** • Exclusion of one or more GHG(s) is reported, representing no more than 5% of the inventory and target boundary and a reasonable justification is provided.

	• The GHG inventory is assessed to ensure any relevant non-CO2 GHG was not unreasonably omitted.	**Criterion not met if:** • Exclusion of one or more GHG(s) is reported, representing more than 5% of the inventory and the target boundary. ***OR*** • Exclusion of one or more GHG(s) is reported, and no reasonable justification is provided.
I.III Scope coverage		

C3 – Scope 1 and scope 2 *The targets must cover company-wide scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard.*	• At least one target covering scope 1 (S1) and scope 2 (S2) must be submitted. This may be a combined scope 1 and 2 target or separate targets, if each scope's emissions are above the minimum threshold for exclusion (5% of overall scope 1 and 2 emissions). • Either percentage-based emission-reduction targets or renewable electricity procurement targets are acceptable for S2 emissions. • Where a company's scope 1 or 2 emissions are deemed immaterial (i.e., under 5% of total combined scope 1 and 2 emissions), companies may set their SBT solely on the scope (either scope 1 or scope 2) that covers more than 95% of the total scope 1 and 2 emissions. The company must continue to report on both scopes and adjust their targets as needed, according to the GHG Protocol's principle of completeness, and as per C26 and C27. • The SBTi strongly encourages companies that the choice of organizational boundary, as defined by the GHG Protocol Corporate Standard, is in close alignment with the organizational boundary used in the company's financial accounting and reporting procedures.	**Criterion met if:** • Targets cover both S1 and S2 separately or as a combined target. ***OR*** • S1 or S2 make up less than 5% of combined S1+S2 emissions and this scope is not covered by a target (e.g., if S1 makes up 3% of overall S1+S2 emissions, only a S2 target is required if it covers 95% or more of combined S1+S2 emissions). **Criterion not met if:** • No S1 or S2 target is set, and that scope makes up more than 5% of overall S1+S2 emissions.

C4 – Scope 3 *If a company's relevant scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, they must be included in near-term science-based targets. All companies involved in the sale or distribution of natural gas and/or other fossil fuels shall set scope 3 targets for the use of sold products, irrespective of the share of these emissions compared to the total scope 1, 2, and 3 emissions of the company.*	• For companies ***not*** involved in the sale or distribution of natural gas and/or other fossil fuel, at least one S3 target must be set if the S3 emissions are responsible for more than 40% of the total S1+S2+S3 emissions. • For companies involved in the sale, transmission, or distribution of fossil fuels, a scope 3 target on use of sold products must be set regardless of how these emissions contribute to the overall inventory. Please see criterion 22 for further details.	For companies not involved in the sale or distribution of natural gas and/or other fossil fuels: **Criterion met if:** • S3 emissions represent 40% or more of total S1+2+3 emissions. ***AND*** • At least one S3 target has been set. **Criterion not met if:** • S3 emissions represent 40% or more of total S1+2+3 emissions. ***AND*** • No target(s) on S3 have been set. For companies involved in the sale, transmission, or distribution of fossil fuels, companies must follow criterion 22.
I.IV Emissions coverage		
C5 – Scope 1, 2, and 3 allowable exclusions: *Companies may exclude up to 5% of scope 1 and scope 2 emissions combined in the boundary of the inventory and target. Companies may exclude a maximum of 5% of emissions from their total scope 3 inventory.*	Scope 1 and 2: • The GHG inventory for scope 1 and 2 must account for at least 95% of corporate-wide emissions. All exclusions (e.g., activities, facilities) must be clearly justified with estimates of associated emissions value(s). • Specific regions/business activities can be excluded if they represent less than 5% of total S1 and 2 emissions. If specific regions or business sections are excluded from S1 or S2, the company must assess if these emissions are relevant for S3 accounting and account for them per the requirements of the GHG Protocol Scope 3 Standard.	**Criterion met if:** • No GHG emissions are excluded from the S1 and S2 inventory or target boundary. ***OR*** • GHG exclusions of S1 and S2 combined in the inventory and target boundary represent less than 5% of total S1 and S2 emissions. ***AND*** • If exclusions include specific regions or business, the company confirms it will follow the C26 and C27 recalculation criteria and will not include these specifications in the official target language.

	• Total exclusions for the scope 1 and 2 GHG inventory and the scope 1 and 2 target boundary cannot exceed 5%. For example, if a company excludes 2% of from its scope 1 and 2 GHG inventory from excluding a specific facility and a further 3% from its scope 1 and 2 target boundary, total exclusions are 4.94% which is acceptable (100-(0.98*0.97)*100). • If specific regions or business sections are excluded, provided total exclusions remain below 5%, the recalculation of targets is required if those regions/business sections increase significantly as per C27 recalculation criterion. However, companies cannot include specific regions and businesses in the official target language. Scope 3: • The scope 3 GHG inventory must account for at least 95% of corporate-wide scope 3 emissions. • All exclusions (e.g., activities, facilities) must be clearly justified with estimates of associated emissions value(s). • Total exclusions from the scope 3 GHG inventory cannot exceed 5%. For example, if a company excludes 4% of emissions from scope 3 category 1, and this category represents 75% of total scope 3 emissions, then it could not exclude more than an	• No GHG emissions are excluded from the S3 inventory or target boundary. ***OR*** • GHG exclusions from all scope 3 categories combined represent less than 5% of total scope 3 emissions. ***AND*** • All exclusions have been clearly justified with estimates of associated emissions value(s). ***AND*** • If exclusions include specific regions or parts of a business the company confirms it will follow the C26 and C27 recalculation criteria and will not include these specifications in the official target language. **Criterion not met if:** • Exclusions of one or more activities are listed for which no reasonable justification is provided. ***OR*** • The GHG exclusions of S1 and S2 combined in the inventory and target boundary represent more than 5% of total S1 and S2 emissions. ***OR*** • Exclusions of one or more activities in the scope 3 inventory are listed for which no reasonable justification or estimate is provided. ***OR*** • The GHG exclusions from the S3 inventory represent more than 5% of total scope 3 emissions. ***OR***

	additional 2% of scope 3 emissions on aggregate. ● If emissions deemed "negligible" are excluded, these emissions must be quantified and reported within the GHG inventory and noted as being excluded in the description. An estimated or rounded exclusion is not sufficient, e.g., 0.2% is acceptable whereas <1% is not acceptable. The exclusions must be justified with a description of which scope 3 category it relates to, and any requested exclusions must be fully quantified. The SBTi does not recognize emissions perceived to be "negligible" as a rationale for not reporting them. Even if emissions from certain activities or operations are perceived to be negligible, these emissions still must be quantified and reported in the reporting company's GHG inventory. This is regardless of whether the reporting company chooses to exclude them or not, as exclusions must also be quantified and reported.	● Emissions considered negligible are not reported and not quantified.
C6 – Scope 3 emissions coverage for near-term targets *Companies must set one or more emission reduction near-term targets and/or supplier or customer engagement targets that collectively cover(s) at least two-thirds (67%) of total reported and excluded scope*	● S3 targets, collectively, must cover at least two-thirds (i.e., 67%) of total reported and excluded S3 emissions. ● Exclusions in the GHG inventory and target boundary must not exceed 33% of total scope 3 emissions.	**Criterion met if:** ● S3 targets collectively cover at least 67% of total reported and excluded S3 emissions, considering the minimum boundary of each S3 category.

3 emissions considering the minimum boundary of each scope 3 category in conformance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.	• Scope 3 emissions coverage is a product of GHG inventory coverage and target coverage i.e., $Scope\ 3\ emissions\ coverage = GHG\ inventory\ coverage \times target\ coverage$. • Therefore, companies excluding 5% of emissions from the scope 3 inventory must cover at least 70.6% of their total reported scope 3 emissions with a near-term target(s). • Targets addressing optional sources of scope 3 emissions e.g., indirect use-phase emissions do not count towards the two-thirds boundary. For a definition of optional emissions for each scope 3 category, please see Table 5.4 (page 34) of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. • Targets covering categories of emissions that the company plans to reduce by activities outside the company's value chain (i.e., avoided emissions) do not count towards the two-thirds boundary. • Companies can account for projected grid improvements in GHG intensity that contribute to emissions reduction in scope 3 category 11. Companies must provide supplementary materials with detailed calculation methods to support claims on emissions reductions.	**Criterion not met if:** • Target boundary is unclear or covers less than 67% of total reported and excluded S3 emissions. ***OR*** • Companies include categories of emissions they plan to reduce by activities outside of the corporate value chain (e.g., avoided emissions) in the target boundary.

II. Method validity		
C7 – Method validity *Targets must be modeled using the latest version of methods and tools approved by the initiative. Targets modeled using previous versions of the tools or methods can only be submitted to the SBTi for validation within 6 months of the publication of the revised method or sector-specific tools.*	• Companies must use correct target setting methods for their sector. • The latest version of the method/tool must be used to set targets. • Older versions of a method or a tool can only be used within 6 months of the publication of an updated version unless otherwise noted. • The SBTi recommends using the most ambitious decarbonization scenarios that lead to the earliest reductions and the least cumulative emissions.	If an approved SBT method was employed to develop the target: **Criterion met if:** • The latest version of the methods and tools are used to set the targets. ***AND*** • If the company is in a sector that requires a specific method to be used, the appropriate method/tool is used. ***OR*** • An older version of a tool/method was used but the target was submitted within 6 months of the publication of the latest corresponding tool/method. **Criterion not met if:** • If the company is in a sector that requires a specific method to be used, the appropriate method/tool is not used. ***OR*** • An older version of a tool/method was used but the target was submitted after 6 months of the publication of the latest corresponding tool/method.
III. Emissions accounting requirements		
C8 – Scope 2 accounting approach *Companies shall disclose whether they are using a location- or market-based accounting approach as per the GHG Protocol Scope 2 Guidance to calculate base year emissions and to track performance*	• Companies must select consistent approaches for S2 accounting for the base year GHG inventory and tracking progress against S2 targets. • When modeling targets using the SDA, it companies should model purchased heat and	**Criterion met if:** • The method used to account for base year and most recent year S2 inventory is the same. ***AND*** • The method used to track performance towards its S2 target is consistent with the

against a science-based target. The GHG Protocol requires measuring and reporting scope 2 emissions using both approaches. However, a single and consistent approach must be used for setting and tracking progress toward a SBT (e.g., using location-based approach for both target setting and progress tracking).	steam related emissions as if they were part of their direct emissions, i.e., scope 1. • If companies are using a method that does not already embed efficiency gains for the specific sector, market – and the decarbonization projected for the power sector is based on a 1.5°C scenario – these factors should be considered when modeling electricity-related scope 2 targets. • Companies are encouraged to report both market and location-based scope 2 emissions, however, companies setting renewable electricity sourcing targets that will be achieved through market-based mechanisms must report and track using market-based scope 2 emissions.	methods used for the base and most recent year inventories. ***AND*** • If a renewable electricity sourcing target is set that will be achieved through market-based mechanisms, company is using the market-based approach to report and track scope 2 emissions. **Criterion not met if:** • The method used to account for base year and most recent year S2 inventory is not consistent. ***OR*** • The company disclosed a base year S2 inventory, (which includes a consistent approach to both base year and most recent year accounting, if relevant) that is inconsistent with its target performance tracking approach. ***OR*** • If a renewable electricity sourcing target is set that will be achieved through market-based mechanisms, company is not using the market-based approach to report and track scope 2 emissions.
C9 – Scope 3 inventory *Companies must complete a scope 3 inventory covering gross scope 3 emissions for all its emissions sources according to the minimum boundary of each scope 3 category set out by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.*	• Companies must complete a full inventory for gross S3 emissions for all its emissions sources assigned to the appropriate scope 3 categories as set out by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.	**Criterion met if:** • A complete S3 inventory, at a minimum, is conducted for all relevant categories. ***AND*** • Clear justification is provided for categories that are deemed not applicable. ***AND*** • All scope 3 emission sources are reported with no significant exclusions.

	• Estimates using tools such as the Scope 3 Evaluator to calculate scope 3 emission categories are acceptable, although primary data is preferable and best practice. • Companies must provide sufficient and reasonable justification for categories that are deemed not relevant or applicable, noting C5 on allowable exclusion thresholds. • Sector-specific emission profiles and compliance with the chosen consolidation approach should be addressed during inventory compilation. • Each category reported must meet the minimum boundary requirements. For a definition of the minimum boundary of each scope 3 category, please see Table 5.4 (page 34) of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.	**Criterion not met if:** • A complete S3 inventory is not conducted for all relevant categories. ***OR*** • Clear justification is not provided for categories that are deemed not applicable. ***OR*** • Scope 3 emission sources are reported with significant exclusions above the allowable thresholds as per C5.
C10 – Bioenergy accounting *CO_2 emissions from the combustion, processing and distribution phase of bioenergy – as well as the land use emissions and removals associated with bioenergy feedstocks – shall be reported alongside a company's GHG inventory. Furthermore, these emissions shall be included in the target boundary when setting a science-based target (in scopes 1, 2 and/or 3, as required) and when reporting progress against that target.*	• Companies using bioenergy must report CO_2 emissions from the combustion, processing and distribution phase of bioenergy and the land use emissions and removals associated with bioenergy feedstocks alongside the inventory. • Companies must report direct biogenic CO_2 emissions and removals separately i.e., report gross emissions and gross removals from bioenergy feedstocks. Companies should also report the net emissions from the emissions	**Criterion met if:** • Bioenergy is not being used and no emissions/removals are reported. ***OR*** • Bioenergy is being used and the related bioenergy emissions/removals are reported alongside the inventory and included in the target boundary. ***AND*** • Companies agree to include the footnote with the target language. ***AND*** • Companies provide details on the bioenergy sources, the methods used to calculate

Land-related emissions accounting shall include CO_2 emissions from direct land use change (LUC) and non-LUC emissions, inclusive of N_2O and CH_4 emissions from land use management. Including emissions associated with indirect LUC is optional. *Companies are expected to adhere to any additional GHG Protocol Guidance on bioenergy accounting when released in order to maintain compliance with criterion 10.*	and removals of CO_2 associated with bioenergy. • Companies using bioenergy must disclose the justifications/assumptions on the methods and renewability of the bioenergy sources. This will include assumptions on emission factors. • Companies using bioenergy must also confirm that they will update their inventory if/when the SBTi endorses specific methods/factors for estimating these emissions/removals. • Companies using bioenergy must confirm that CO2 emissions from the combustion, processing and distribution phase of bioenergy and the land use emissions and removals associated with bioenergy feedstocks are included in the target boundary. This applies even if the companies assume net zero carbon emissions from the use of bioenergy. • Land-related emissions accounting shall include CO2 emissions from direct land use change (LUC) and non-LUC emissions, inclusive of N2O and CH4 emissions from land use management. Including emissions associated with indirect LUC is optional. • For targets that include bioenergy, the target language must include the following footnote: *"*The target boundary includes land-related emissions and removals from bioenergy feedstocks."*	bioenergy emissions/removals until SBTi-endorsed method becomes available and agree to adjust its figures in the future if necessary. **Criterion not met if:** • Bioenergy is being used but the related emissions and removals are not disclosed with the GHG inventory. ***OR*** • Bioenergy is being used and disclosed alongside the inventory, but related emissions/removals are not included in the target boundary. ***OR*** • Bioenergy is being used, disclosed alongside the inventory, bioenergy emissions/removals are included in the target boundary, but the company refuses to include the footnote in the target language that *"*The target boundary includes land-related emissions and removals from bioenergy feedstocks.".* ***OR*** • Bioenergy is being used, disclosed alongside the inventory, bioenergy emissions/removals are reported in the corresponding scopes and included in the target boundary, the company agrees to include the footnote in the target language, but does not agree to update its inventory using SBTi-endorsed methodology and factors if they become available in the future. ***OR***

	• The SBTi recommends that companies using or producing biofuel(s) for transport should support their bioenergy GHG accounting with recognized biofuel certification(s) to disclose that the data on land-related emissions and removals represents the relevant biofuel feedstock production.	• Companies claim carbon neutrality of bioenergy without providing relevant evidence (e.g., certification). ***OR*** • The positive impact of exceeding zero emissions due to biogenic removals are being accounted for in a company's target formulation. ***OR*** • The positive impact of exceeding zero emissions due to biogenic removals are being accounted for as progress towards science-based targets. ***OR*** • Removals that are not directly associated with bioenergy feedstock production are being counted as progress towards science-based targets. ***OR*** • Bioenergy is being used and the company complies with all the related requirements but fails to provide proper justifications for the assumptions of net zero carbon emissions from the use of bioenergy.
C11 – Carbon credits *The use of carbon credits must not be counted as emission reductions toward the progress of companies' near-term science-based targets. Carbon credits may only be considered to be an option for neutralizing residual emissions (see Net-Zero C28) or to finance additional climate mitigation beyond their science-based emission reduction targets (see Net-Zero R9).*	• Carbon credits/offsets are not eligible to be included in the GHG inventory or target boundary. • For targets submitted, which are very ambitious (>60% absolute reduction) over a short timeframe, companies should justify how these targets are expected to be met without the use of offsets.	**Criterion met if:** • No use of carbon offsets is disclosed by the company or perceived in the submission form. ***OR*** • The use of carbon offsets is disclosed by the company, but they confirm they will not count them towards the progress of their science-based target.

		Criterion not met if: ● Any form of voluntary or compliance-related offsets is counted as reductions toward the progress of the company's target.
C12 - Avoided emissions *Avoided emissions fall under a separate accounting system from corporate inventories and do not count toward near-term science-based emission reduction targets.*	● Avoided emissions accounting is not permitted in the GHG inventory or target boundary. The following are example claims that are not valid when setting SBTs: ● Product use targets, which claim to "help avoid" product users' emissions in comparison to an alternative product, on a purely hypothetical basis. ● Claims that a product's total lifecycle emissions are lower than alternative products that provide equivalent functions. ● Use of "baselining" to calculate the emissions impact of a product, which is only acceptable for project accounting and different from corporate accounting.	**Criterion met if**: ● No use of avoided emissions is disclosed by the company in the submission form. ***AND*** ● No sign of the use of avoided emissions in the inventory or the target boundary. **Criterion not met if:** ● Submission reveals any use of avoided emissions, either as part of the inventory or the target setting process.
IV. Target Formulation		
IV.I Timeframe		
C13 – Base and target years *Absolute and intensity-based emission reduction near-term targets must cover a minimum of 5 years and a maximum of 10 years from the date the target*	● This criterion applies to percentage-based scope 1 and/or 2 and/or 3 emission reduction targets, either in absolute or intensity-based terms. Supplier engagement targets (see	**Criterion met if:** ● A percentage-based emission reduction target (intensity or absolute) is being set for scope 1 and/or 2 and/or 3. ***AND***

is submitted to the SBTi for validation. The choice of base year must be no earlier than 2015.	C19) and renewable electricity targets (see C21) are exceptions. ● If the target is submitted for validation in the first half of the year (i.e., by the end of June), the timeframe includes the year of submission. If submitted in the second half of the year, the timeframe begins from the start of the following year. ● For example, for targets submitted for validation in the first half of 2023 the valid target years are between 2027 and 2032 inclusive. For those submitted in the second half of 2023 (from 1 July), the valid target years are between 2028 and 2033 inclusive. ● Long-term targets can only be validated in accordance with the Net-Zero Standard Criteria. ● Base years must cover a complete past calendar or financial year. ● Companies must select either a calendar year or a financial year and apply this consistently across the choice of base years for scopes 1, 2 and 3 (if relevant). ● The choice of base year must be no earlier than 2015. ● It is recommended companies use the same base year and most recent year when reporting greenhouse gas inventories to the SBTi, but, if necessary, companies can report a different year for scope 3 when compared to	● The target year is between 5 and 10 years (inclusive) from the date of submission to the SBTi. ***AND*** ● Base year data is for a complete past calendar or financial year. ***AND*** ● The choice of calendar year or financial year is applied consistently for base year and target year for targets covering a specific scope of emissions i.e., if a company chooses to use a fiscal year for a scope 1+2 target, this needs to be applied for both the base year and target year for a scope 1+2 target. ***AND*** ● The choice of a calendar year or a financial year is applied consistently across base years for scopes 1, 2 and 3 (if relevant). **Criterion not met if:** ● The target year is not between 5 and 10 years (inclusive) from the date of submission to the SBTi. ***OR*** ● Base year data is not available for a complete past calendar or financial year. ***OR*** ● Only a long-term target (10 years from the date of submission up to 2050) has been submitted. ***OR*** ● The choice of calendar year or financial year is not applied consistently for base year and target year for targets covering a specific scope of emissions. ***OR***

	scope 1 and 2. Scope 1 and 2 base years and most recent years must be consistent. • It is recommended that companies use the same base years for all near-term targets.	• The choice of a calendar year or a financial year is not applied consistently across base years for scopes 1, 2 and 3 (if relevant).
C14 – Progress to date *The minimum forward-looking ambition of near-term targets is consistent with reaching net-zero by 2050 at the latest, assuming a linear absolute reduction, linear intensity reduction, or intensity convergence between the most recent year and 2050 (not increasing absolute emissions or intensity).*	This criterion is only relevant for percentage-based emission reduction targets. This criterion does not apply to renewable electricity targets. • The most recent GHG inventory provided must be for a complete year. • Companies must provide all the relevant GHG inventory data including a most recent year GHG inventory even if business activities were impacted by the COVID-19 pandemic. • For submissions in 2023, a recent year inventory must be provided that is no earlier than 2021 i.e., allowable most recent years are 2021 and 2022. • If any years subsequent to the base year are unrepresentative, companies must explain why in the Target Submission Form, and indicate the rationale for the choice of most recent year. The representativeness of both the base and most recent year will be thoroughly evaluated during the validation process. • Near-term targets that have been achieved at the time of submission to the SBTi for validation, are not eligible. The achievement of near-term targets due to COVID-19	The criterion is met if the most recent year is no earlier than 2021. ***AND*** **If the target is absolute-based, criterion met if:** • Forward-looking ambition is at a minimum, aligned with reducing emissions 90% by 2050 from base year levels based on a linear reduction between the most recent year and 2050. **If the target is intensity-based, criterion met if:** • SDA pathway is representative of company activities. ***AND*** • The ambition is at a minimum, aligned with reaching the net-zero convergence intensity based on a linear intensity reduction between the most recent year and 2050. ***OR*** • Forward-looking ambition is at a minimum, aligned with the minimum ambition threshold of the relevant 1.5°C pathway between the most recent year and target year. The criterion is not met if the most recent year is earlier than 2021. ***OR*** **If the target is absolute-based, criterion not met if:**

	pandemic impacts on the levels of business activity does not apply. **<u>If the target is absolute-based:</u>** • Forward-looking ambition (i.e., ambition from the most recent year of data to 2050) must be, at a minimum, aligned with reducing emissions 90% by 2050 from base year levels based on a linear reduction between the most recent year and 2050. **<u>If the target is intensity-based based on a 1.5°C SDA pathway:</u>** • The pathway must be representative of the company's activities. • Companies have two options to meet forward-looking ambition for intensity-based SDA targets: • The forward-looking ambition is aligned with reaching the net-zero convergence intensity based on a linear intensity reduction between the most recent year and 2050. ***<u>OR</u>*** • The forward-looking ambition is aligned with the minimum ambition threshold of the relevant 1.5°C SDA pathway between the most recent year and target year.	• Forward-looking ambition is not aligned with reducing emissions 90% by 2050 from base year levels based on a linear reduction between the most recent year and 2050. **If the target is intensity-based, criterion not met if:** • SDA pathway is not representative of company activities. ***<u>OR</u>*** • The forward-looking ambition is not aligned with reaching the net-zero convergence intensity based on a linear intensity reduction between the most recent year and 2050. ***<u>OR</u>*** • Forward-looking ambition is not aligned with the minimum ambition threshold of the relevant 1.5°C SDA pathway between the most recent year and target year.
V. Ambition		
V.I Scope 1 and 2 near-term targets		

C15 – Level of ambition for scope 1 and 2 near-term targets *At a minimum, scope 1 and scope 2 near-term targets must be consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures.*	• For renewable electricity procurement targets, refer to criterion C21. For percentage-based emission reduction targets, please refer to criterion C16 for absolute scope 1 and 2 targets and criterion C17 for intensity scope 1 and 2 targets.	**If the target is absolute-based, the criterion is met if:** • Company is in compliance with criterion C16. **If the target is intensity-based, criterion met if:** • Company is in compliance with criterion C17. **If the target is absolute-based, the criterion is not met if:** • Company is in non-compliance with criterion C16. **If the target is intensity-based, criterion not met if:** • Company is in non-compliance with criterion C17.
C16 - Absolute targets *Absolute reduction targets for scope 1 and scope 2 are eligible when they are at least as ambitious as the minimum of the approved range of emissions scenarios consistent with the 1.5°C goal.*	• The ambition must be, at a minimum, aligned with the 1.5°C ambition threshold.	**Criterion met if:** • For base years after 2020, the absolute emissions reduction meets the minimum reduction value over the target period as set out below: Minimum value for absolute reduction target = 4.2% x (Target year - 2020) • For base years between 2015 and 2020 (inclusive), the absolute emissions reduction meets the minimum reduction value over the target period as set out below: Minimum value for absolute reduction target = 4.2% x (Target year - base year)

		Criterion not met if: ● For base years after 2020, the absolute emissions reduction does not meet the minimum reduction value over the target period as set out below: Minimum value for absolute reduction target = 4.2% x (Target year - 2020) ● For base years between 2015 and 2020 (inclusive), the absolute emissions reduction does not meet the minimum reduction value over the target period as set out below: Minimum value for absolute contraction target = 4.2% x (Target year - base year).
C17 - Intensity targets *Intensity targets for scope 1 and scope 2 emissions are only eligible when they are modeled using an approved 1.5°C sector pathway applicable to companies' business activities.*	● For scope 1 and 2 intensity targets, the only available methodology is using sector-specific intensity convergence pathways aligned with 1.5°C. ● The pathway must be representative of a company's activities and the ambition must be aligned with the minimum ambition threshold of the relevant 1.5°C SDA pathway between the base year and target year.	**Criterion met if:** ● SDA pathway is representative of company activities. ***AND*** ● The ambition between the base year and target year is aligned with the minimum ambition threshold of the relevant 1.5°C SDA pathway. **Criterion not met if:** ● The choice of SDA pathway is not representative of company activities. ***OR*** ● The ambition between the base year and target year is not aligned with the minimum ambition threshold of the relevant 1.5°C SDA pathway.
V.II Scope 3 near-term targets		

C18 - Level of ambition for scope 3 emissions reductions targets *At a minimum, near-term scope 3 targets (covering the entire value chain or individual scope 3 categories) must be aligned with methods consistent with the level of decarbonization required to keep global temperature increase well-below 2°C compared to pre-industrial temperatures.*	**For absolute percentage-based emission reduction targets:** ● The timeframe ambition (i.e., ambition from the base year to the target year) must be, at a minimum, aligned with the well-below 2°C ambition threshold. **If the target is based on reduction of economic intensity):** ● The intensity targets must be paired with relevant activity growth projections. ● Economic intensity reductions are aligned to at least a 7% economic intensity reduction in annual compounded terms. ● The economic intensity metric must be based on greenhouse gas emissions per unit of value added (GEVA), the calculations of value added must use the formulae set out in "Greenhouse gas emissions per unit of value added ("GEVA") — A corporate guide to voluntary climate action": ● Value added = gross profit. ● Value added = operating profit = earnings before interest and depreciation (EBITDA) + all personnel costs. Personnel costs should include payment to management and board members. ● Value added = sales revenue - the cost of goods and services purchased from external suppliers	**For absolute based percentage emission reduction targets, criterion met if:** ● For base years after 2020, the absolute emissions reduction meets the minimum reduction value over the target period as set out below: Minimum value for absolute contraction target = 2.5% x (Target year - 2020) ● For base years between 2015 and 2020 (inclusive), the absolute emissions reduction meets the minimum reduction value over the target period as set out below: Minimum value for absolute contraction target = 2.5% x (Target year - base year) **For economic intensity-based percentage emission reduction targets, criterion met if:** ● GEVA is used as the chosen economic intensity metric and an acceptable formula has been used to calculate GEVA. ***AND*** ● For base years after 2020, the economic intensity emissions reduction meets the minimum reduction value as set out below over the target period: Minimum value for economic intensity target = 100% - (93%) (Target year - 2020) ● For base years between 2015 and 2020 (inclusive), the economic intensity emissions reduction meets the minimum reduction value over the target period as set out below:

	<u>If target is based on reduction of physical intensity</u>: ● The physical intensity denominator must be representative of the company's emissions in the target boundary. ● The physical intensity denominator corresponds to a measurable product, output or level or service, it cannot be a unit of monetary or economic value. Companies are required to provide a clear definition of the physical intensity unit applied in this type of target. ● If an SDA pathway is available, the timeframe ambition must be aligned with the minimum ambition threshold of the relevant SDA pathway. ● If no SDA pathway is relevant, targets must drive ambitious physical intensity reduction to lead to at least a 7% physical intensity reduction in annual compounded terms.	Minimum value for economic intensity target = 100% - (93%) (Target year – base year) **For physical intensity-based percentage emission reduction targets, criterion met if:** ● If an SDA pathway is available, the timeframe ambition is aligned with the minimum ambition threshold of the relevant SDA pathway. ***<u>OR</u>*** ● For base years after 2020, the physical intensity emissions reduction meets the minimum reduction value as set out below over the target period: Minimum value for physical intensity target = 100% - (93%) (Target year - 2020) ● For base years between 2015 and 2020 (inclusive), the physical intensity emissions reduction meets the minimum reduction value over the target period as set out below: Minimum value for physical intensity target = 100% - (93%) (Target year – base year) **For absolute based percentage emission reduction targets, criterion not met if:** ● For base years after 2020, the absolute emissions reduction does not meet the minimum reduction value over the target period as set out below: Minimum value for absolute contraction target = 2.5% x (Target year - 2020) ● For base years between 2015 and 2020 (inclusive), the absolute emissions reduction

		does not meet the minimum reduction value over the target period as set out below: Minimum value for absolute contraction target = 2.5% x (Target year - base year) **For economic intensity-based percentage emission reduction targets, criterion not met if:** ● GEVA is not used as the chosen economic intensity metric, or an acceptable formula has not been used to calculate GEVA. ***AND*** ● For base years after 2020, the economic intensity emissions reduction does not meet the minimum reduction value as set out below over the target period: Minimum value for economic intensity target = 100% - (93%) (Target year - 2020) ● For base years between 2015 and 2020 (inclusive), the economic intensity emissions reduction does not meet the minimum reduction value over the target period as set out below: Minimum value for economic intensity target = 100% - (93%) (Target year – base year) **For physical intensity-based percentage emission reduction targets, criterion not met if:** ● If an SDA pathway is available, the timeframe ambition is not aligned with the minimum ambition threshold of the relevant SDA pathway. ***OR***

		• For base years after 2020, the physical intensity emissions reduction does not meet the minimum reduction value as set out below over the target period: Minimum value for physical intensity target = 100% - (93%) (Target year - 2020) • For base years between 2015 and 2020 (inclusive), the physical intensity emissions reduction does not meet the minimum reduction value over the target period as set out below: Minimum value for physical intensity target = 100% - (93%) (Target year – base year)
C19– Supplier or customer engagement targets *Near-term targets to drive the adoption of science-based emission reduction targets by their suppliers and/or customers are acceptable when the following conditions are met:* *Boundary: Companies may set engagement targets around relevant and credible upstream or downstream categories.* *Formulation: Companies shall provide information in the target language on what percentage of emissions from relevant upstream and/or downstream categories is covered by the engagement target or, if that information is not available, what percentage of annual procurement spend is covered by the target.* *Timeframe: Companies' engagement targets must be fulfilled within a maximum of 5 years from the date*	• The supplier/customer engagement target boundary must correspond only to the suppliers'/customers' emissions that are being covered by the target. • If suppliers/customers are only required to set SBTs on certain scopes, only those scopes of emissions shall be accounted for in the boundary. • The portion of suppliers/customers that are covered by the target and how much they represent in overall emissions must be disclosed. This can be demonstrated by supplying information on the group, percentage, or theme of suppliers/customers that will be covered by the target. • A high-level plan of supplier/customer engagement should also be included within	**Criterion met if:** • Companies provide information on the percentage of emissions and the relevant categories the target covers. ***AND*** • The target year is a maximum of 5 years from the date the target is submitted for validation. ***AND*** • Companies specify in the target language that their suppliers/customers will have science-based targets that meet the latest SBTi Criteria for Near-term Targets. **Criterion not met if:** • Target year is more than 5 years from the date it was submitted for validation. ***OR***

the company's target is submitted to the SBTi for a validation. *Ambition level: The company's suppliers/customers shall have science-based emission reduction targets in line with the latest version of the SBTi Criteria for Near-term Targets.*	the submission form including the portion of suppliers/customers covered by the target. • Companies may use a "per spend" proxy and must provide an estimate of the emissions coverage associated with that spend to demonstrate that C6 is met. • If using a per spend proxy, the percentage covered must only correspond to the spend on suppliers/customers in the desired scope 3 categories of the target coverage. • The target year, in which suppliers' targets have been set, must be within 5 years (inclusive) from the date of submission. E.g., for targets submitted for validation in the first half of 2023, valid target years are up to and including 2027. For those submitted in the second half of 2023 (from 1 July), valid target years are up to and including 2028. • Supplier/customer engagement targets are required to be set in accordance with the latest version of the SBTi Criteria for Near-term Targets. Official validation of suppliers' targets by SBTi are not required, though companies are welcome to encourage this if they wish. • It is recommended that suppliers/customers classified as a SME, submit targets through the SME streamlined route. • Engagement targets on downstream customers may also be set. If pursuing this route, the company must also disclose how it	• Target does not specify the percentage of all suppliers'/customers' emissions covered by the target. ***OR*** • Target does not specify the requirement for its suppliers/customers to have science-based targets that meet the latest SBTi Criteria for Near-term Targets. Instead, it uses generic language such as GHG reduction or engagement targets.

	can credibly influence these customers to set their own targets.	
V.III Combined targets		
C20 – Combined scope targets *Targets that combine scopes (e.g., 1+2 or 1+2+3) are permitted. When submitting combined targets, the scope 1+2 portion must be in line with at least a 1.5°C scenario and the scope 3 portion of the target must be in line with at least a well-below 2°C scenario. For sectors where minimum target ambition is further specified for companies' scope 3 activities, C24 supersedes C20.*	• Targets combining S1+2 must be in line with the ambition criteria C14 and C15. • For targets combining S1, S2, and scope 3 (S3): the S1+2 portion of the target must be in line with criteria C14 and C15 and the S3 portion must be in line with criterion C18.	**For combined S1+2 targets, criterion met if:** • Combined S1+2 portion meets criteria C14 and C15. **For combined S1+2+3 targets, criterion met if:** • The combined S1+2 ambition is in line with C14 and C15. ***AND*** • The S3 portion is in line with criterion C18. **For combined S1+2 targets, criterion not met if:** • Combined S1+2 portion does not meet criteria C14 and C15. **For combined S1+2+3 targets, criterion not met if:** • The combined S1+2 ambition is not in line with C14 and C15. ***OR*** • The S3 portion is not in line with criterion C18.
V.IV Renewable electricity targets		

C21 – Renewable electricity *Targets to actively source renewable electricity at a rate that is consistent with 1.5°C scenarios are an acceptable alternative to scope 2 emission reduction targets. The SBTi has identified 80% renewable electricity procurement by 2025 and 100% by 2030 as thresholds (portion of renewable electricity over total electricity use) for this approach in line with the recommendations of RE100. Companies that already source electricity at or above these thresholds shall maintain or increase their use of renewable electricity to qualify.*	• Targets should be formulated to specifically address the active sourcing of renewable electricity. • For more information, please consult the RE100 Technical Criteria and the Scope 2 Quality Criteria in the GHG Protocol's Scope 2 Guidance. • Companies that are already actively sourcing renewable electricity at or above the minimum thresholds must commit to maintain or increase their use share of renewable electricity to qualify. • Targets that fall between 2025 and 2030 will be accepted if they meet the linear progression of these requirements. Specifically: • 84% by 2026; • 88% by 2027; • 92% by 2028; or • 96% by 2029.	**Criterion met if:** • The active sourcing of renewable electricity in the target year is at or above the minimum share thresholds of at least 80% by 2025, 100% by 2030, and/or intermediate targets in line with this rate of reduction. ***AND*** • The target language explicitly refers to 'active sourcing' of renewable electricity (please refer to RE100's quality criteria for options for actively sourcing renewable electricity). **Criterion not met if:** • The active sourcing of renewable electricity in the target year is below the minimum share thresholds of at least 80% by 2025, 100% by 2030, and/or intermediate targets are not in line with this rate of reduction. ***OR*** • The target language does not explicitly refers to 'active sourcing' of renewable electricity (please refer to RE100's quality criteria for options for actively souring renewable electricity).
V.V Fossil fuel sales, distribution, and other business		

C22 - Sale, transmission, distribution of oil, natural gas, coal as well as other fossil fuels *Companies that sell, transmit, or distribute natural gas – or other fossil fuel products – shall set emission reduction scope 3 targets for the "use of sold products" category, that are at a minimum consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures, irrespective of the share of these emissions compared to the total scope 1, 2, and 3 emissions of the company, company's sector classification, or whether fossil fuel sale/distribution is the company's primary business. Customer engagement targets are not eligible for this criterion.*	This criterion is only relevant for companies that are involved in the sale, transmission, distribution of oil, natural gas, coal as well as other fossil fuels. Companies that derive 50% or more of revenue from fossil fuels cannot have their targets validated at this time and must follow the Oil and Gas sector methodology once published. • Companies must disclose if this criterion is relevant and, if so, must submit a scope 3 target that covers 100% of downstream use of fossil fuels. • Fossil fuels distributed or transmitted must be accounted for in GHG inventory and target boundary, even if they are not sold directly by the company. • The timeframe ambition must be, at a minimum, aligned with the 1.5°C ambition threshold.	**Criterion met if:** • At least one target covering the direct use phase emissions of fossil fuels sold, transmitted, or distributed is set. ***AND*** • Timeframe ambition in absolute terms is aligned with a 1.5°C pathway. **Criterion not met if:** • No target has been set that covers the direct use phase emissions of fossil fuels sold, transmitted, or distributed. ***OR*** • Timeframe ambition in absolute terms is not aligned with a 1.5°C pathway.
C23 - Companies in the fossil fuel production business or with significant revenue from fossil fuel business lines *The SBTi will not currently validate targets for: Companies with any level of direct involvement in exploration, extraction, mining and/or production of oil, natural gas, coal or other fossil fuels, irrespective of percentage revenue generated by these activities. Companies that derive 50% or more of their revenue from the sale, transmission and distribution of fossil fuels, or by providing equipment or services to fossil fuel companies.*	• Companies with any level of direct involvement in exploration, extraction, mining and/or production of oil, natural gas, coal or other fossil fuels, irrespective of percentage revenue generated by these activities, i.e., including, but not limited to, integrated oil and gas companies, integrated gas companies, exploration and production pure players, refining and marketing pure players, oil products distributors, gas distributors and retailers and traditional oil and gas service companies cannot get their targets validated at this stage.	**Criterion met if:** • Company is not involved in exploration, extraction, mining and/or production of oil, natural gas, coal, as well as other fossil fuels i.e., no revenue is generated from these activities. ***OR*** • Company does not derive 50% or more of their revenue from the sale, transmission and distribution of fossil fuels, or providing equipment or services to fossil fuel companies. ***OR***

Companies with more than 5% revenue from fossil fuel assets (e.g., coal mine, lignite mine, etc.) for extraction activities with commercial purposes. *These companies must follow the respective sector methodology, once published.*	• Companies that derive more than 50% of revenue from a) sale, transmission and distribution of fossil fuels, or b) providing equipment or services to fossil fuel companies cannot have their targets validated at this time. • Companies which derive 50% or more of their revenue from fossil fuels must follow the respective sector methodology once published. • Companies with more than 5% revenue from fossil fuel assets (e.g., coal mine, lignite mine, etc.) for extraction activities with commercial purposes cannot have their targets validated at this time and must follow the respective sector methodology, once published. • Companies that can join the SBTi include: • Companies that derive less than 50% of revenue from a) sale, transmission and distribution of fossil fuels, or b) providing equipment or services to fossil fuel companies. • Companies with less than 5% revenue from fossil fuel assets (e.g., coal mine, lignite mine, etc.) for extraction activities with commercial purposes. • Electric utilities that mine coal for their own power generation.	• Company has less than 5% revenue from fossil fuel assets (e.g., coal mine, lignite mine, etc.) for extraction activities with commercial purposes. **Criterion not met if:** • Company is involved in exploration, extraction, mining and/or production of oil, natural gas, coal as well as other fossil fuels i.e., revenue is generated from these activities. ***OR*** • Company does derive 50% or more of their revenue from the sale, transmission and distribution of fossil fuels, or providing equipment or services to fossil fuel companies. ***OR*** • Company has more than 5% revenue from fossil fuel assets (e.g., coal mine, lignite mine, etc.) for extraction activities with commercial purposes.

	• Subsidiaries of fossil fuel companies may join the SBTi if the subsidiary itself is not considered a fossil fuel company. • For more information, please visit SBTi's policy on fossil fuel companies.	
VI. Sector specific guidance		
C24 - Requirements from sector-specific guidance *Companies must follow requirements for target setting and minimum ambition levels as indicated in relevant sector-specific methods and guidance – at the latest, 6 months after the sector guidance publication. A list of the sector-specific guidance and requirements is available below and in the Target Validation Protocol for Near-term Targets.*	• If a company operates within a sector where sector-specific guidance is available, it must follow the latest guidance within 6 months of its publication.	**Criterion met if:** • No sector-specific guidance is relevant or available for the company's sector. ***OR*** • Sector-specific guidance is available, and the latest version is followed. ***OR*** • The company uses an older version of sector-specific guidance for a submission within 6 months of a newer publication. **Criterion not met if:** • Sector-specific guidance is available, and the latest version is not followed. ***OR*** • The company uses an older version of sector-specific guidance for a submission after 6 months of a newer publication.
VII. Reporting and recalculation		
C25 - Frequency *The company shall publicly report its company-wide GHG emissions inventory and progress against published targets on an annual basis.*	• Companies must state where they will disclose the progress and the frequency of the issuance of their public GHG inventory report and progress against their target. • The SBTi recommends disclosure through standardized, comparable data platforms	**Criterion met if:** • The company commits to publicly reporting its GHG inventory and target progress on an annual basis. ***AND*** • States where this information will be disclosed.

	such as CDP's annual questionnaire, though annual reports, sustainability reports and the company's website are acceptable. • For more substantive reporting guidance on how the SBTi recommends companies should publicly report on their GHG emissions inventory and annual progress against their published science-based targets, please visit the Corporate Manual.	**Criterion not met if:** • The company does not commit to publicly reporting its GHG inventory and target progress on an annual basis. ***OR*** • It is not stated where this information will be disclosed.
C26 - Mandatory target recalculation *To ensure consistency with the most recent climate science and best practices, targets must be reviewed, and if necessary, recalculated and revalidated, at a minimum every 5 years. For companies with targets approved in 2020 or earlier, targets must be reviewed and revalidated by 2025, if necessary. Companies with an approved target that requires recalculation must follow the most recent applicable criteria at the time of resubmission. A company's base year emissions recalculation policy must include a significance threshold of 5% or less that is applied to emission recalculations or in the absence of a base year emissions recalculation policy, a company must agree to apply a 5% significance threshold for emission recalculations.*	• Companies must state whether they will review, and if necessary, recalculate and revalidate their targets, at a minimum, every 5 years. • SBTi's significance threshold is defined as a cumulative change of five percent or larger in an organization's total base year emissions (tCO_2e). • All companies must adhere to the SBTi's 5% significance threshold. • For more information on base year recalculation policies, please visit page 35 of the GHG Protocol Corporate Standard. • A company's base year emissions recalculation policy must include a significance threshold of 5% or less that is applied to emission recalculations. • In the absence of a base year emissions recalculation policy, a company must agree to apply a 5% significance threshold for emission recalculations.	**Criterion met if:** • The company commits to review, and if necessary, recalculate and revalidate their targets at a minimum every 5 years. ***AND*** • The company commits that they will follow the most recent criteria if re-submitting targets. ***AND*** • The company agrees to adhere to the SBTi's 5% significance threshold for base year emissions recalculation. ***OR*** • The company's base year emissions recalculation policy has a significance threshold of 5% or less. **Criterion not met if:** • The company does not commit to review, and if necessary, recalculate and revalidate their targets at a minimum every 5 years. ***OR*** • The company does not commit that they will follow the most recent criteria if re-submitting targets. ***OR***

		● The company's base year emissions recalculation policy has a significance threshold of above 5%. ***OR*** ● The company's base year emissions recalculation policy has a significance threshold that is based off qualitative considerations rather than the SBTi's 5% significance threshold. ***OR*** ● The company refuses to adhere to the SBTi's 5% significance threshold for base year emission calculations.
C27 – Triggered target recalculation *Targets should be recalculated, as needed, to reflect significant changes that could compromise relevance and consistency of the existing target.* *The following changes should trigger a target recalculation:* ● *Scope 3 emissions become 40% or more of aggregated scope 1, 2 and 3 emissions.* ● *Emissions of exclusions in the inventory or target boundary change significantly.* ● *Significant changes in company structure and activities (e.g., acquisition, divestiture, merger, insourcing or outsourcing, shifts in goods or service offerings).* ● *Significant adjustments to the base year inventory, data sources or calculation methodologies, or changes in data to set targets such as growth projections (e.g., discovery of significant errors or a*	Targets must be recalculated, as needed, to reflect significant changes that would compromise the relevance and consistency of the existing target. Targets should be recalculated as soon as possible to reflect significant changes to remain relevant to the current company structure and operations. The following changes would trigger a target recalculation: ● Scope 3 emissions become 40% or more of scope 1, 2, and 3 emissions. ● Exclusions in the inventory or target boundary change significantly. ● Significant changes in company structure and activities (e.g., acquisition, divestiture, merger, insourcing or outsourcing, shifts in product or service offerings). ● Significant adjustments to the base year inventory, data sources or calculation methodologies.	**Criteria met if:** ● Emissions inventory and targets are consistent with the current business structure. ***AND*** ● Company agrees to recalculate targets should significant changes compromise the relevance and consistency of existing target(s). **Criteria not met if:** ● Emissions inventory and targets are not consistent with the current business structure. ***OR*** ● Company disagrees to recalculate targets should significant changes compromise the relevance and consistency of existing target(s).

number of cumulative errors that are collectively significant). *● Other significant changes to projections/assumptions used in setting the science-based targets.*	● Significant changes in data used to calculate the targets such as growth projections (e.g., discovery of significant errors or several cumulative errors that are collectively significant). ● Other changes to projections/assumptions used with science-based target setting methods.	
C28 - Target validity *Companies with approved targets must announce their target publicly on the SBTi website within 6 months of the approval date. Targets unannounced after 6 months must go through the approval process again unless a different publication time frame has been agreed in writing with the SBTi.*	● If officially approved by the SBTi, companies must announce their targets at any time within 6 months of the approval date. ● Targets unannounced after 6 months must be resubmitted to the SBTi for a complete validation. ● The SBTi recommends that companies check the validity of target-related projections annually. The company should notify the SBTi of any significant changes and report these major changes publicly, as relevant.	**Criteria met if:** ● Targets are approved by the SBTi. ***AND*** ● Targets are publicly announced by the company within 6 months of the approval date. **Criteria not met if:** ● Targets are approved by the SBTi. ***AND*** ● Targets are not publicly announced by the company within 6 months of the approval date.

3. Assessing target ambition

There are ten target-setting methods, which are summarized in *Table 2*. The minimum ambition of near-term targets calculated using these methods is described in Section 3.1. Section 3.2 includes an explanation of how forward-looking ambition is assessed.

Table 2. Summary of SBT methods and eligible timeframes, sectors, and scopes per method

Target type	Target-setting method	Description	Eligible timeframes	Eligible sectors	Eligible scopes
Absolute targets	1. Cross-sector absolute reduction	Absolute emissions are reduced by an amount that is, at minimum, consistent with the cross-sector pathway. Also referred to as "absolute contraction".	Near-term and long-term.	All sectors except the power, maritime and FLAG sectors.	Any
	2. Sector-specific absolute reduction	Absolute emissions are reduced by an amount that is, at minimum, consistent with a sector-specific pathway	Depends on sector pathway	Depends on sector pathway	Any
Intensity targets	3. Sector-specific intensity convergence	Physical emissions intensity targets are calculated based on all companies in a sector converging to a sector-specific emissions intensity by 2050 or sooner. Also referred to as "physical intensity convergence" or "Sectoral Decarbonization Approach (SDA)".	Near-term and long-term	Depends on sector pathway	Any
	4. Scope 3 economic intensity reduction	Economic emissions intensity is reduced by an amount that is, at minimum, consistent with well-below 2°C for near-term targets and 1.5°C for long-term targets.	Near-term and long-term	All sectors	Scope 3 only

	5. Scope 3 physical intensity reduction	Physical emissions intensity is reduced by an amount that is, at minimum, consistent with well-below 2°C for near-term targets and 1.5°C for long-term targets.	Near-term and long-term	All sectors	Scope 3 only
Other targets	6. Renewable electricity	Companies actively procure at least 80% renewable electricity by 2025 and 100% renewable electricity by 2030.	Near-term and long-term	All sectors	Scope 2 only
	7. Engagement	Companies or financial institutions (FIs) set a target for suppliers or customers or investment/lending representing a certain percent of emissions/assets under management (AUM) to set their own SBTs.	Near-term only	All sectors	Scope 3 only
FIs	8. Portfolio Coverage (FIs)	FIs increase the percentage of portfolio companies who have validated SBTs, with the goal that all portfolio companies have validated SBTs by 2040.	Near-term targets set within 5 years.	FIs	Scope 3 category 15 “investments” for FIs. Portfolio companies are expected to cover scope 1, 2 and 3 (when relevant).
	9. Temperature Rating (FIs)	FIs increase the percentage of portfolio companies who have ambitious targets, that are at least well-below 2°C aligned (but not necessarily validated by the SBTi). The weighted average temperature alignment of all portfolio companies must reach 1.5°C by 2040.	Near-term targets set within 5 years.	FIs	Scope 3 category 15 “investments” for FIs. Portfolio companies are expected to cover scope 1, 2 and 3 (when relevant).

	10. SDA for portfolios	Consistent with SDA application for companies, only financing to companies within the same sector are weighted to produce a portfolio level intensity target.	Near-term targets set within 5-10 years in the future.	All eligible sectors covered by SDA pathways.	Scope 3 category 15 "investments" for FIs. SDA sector targets must cover eligible scopes required in the SDA tool for each sector.

3.1 Minimum ambition thresholds

3.1.1 Cross-sector absolute reduction

Using this method, the minimum ambition of near-term scope 1 and/or scope 2 targets is a 4.2% linear annual reduction between the base year and target year plus an adjustment for base years later than 2020. With this adjustment, targets with a base year later than 2020 must reduce emissions by at least the same amount overall as targets with a 2020 base year, as shown by the formula below. Targets at this ambition level are consistent with limiting warming to 1.5°C. For companies using a base year earlier than the most recent year, scope 1 and/or scope 2 targets must also have sufficient forward-looking ambition (FLA), as described in section 3.2.1.

$$Absolute\ reduction\ target_{Scope\ 1,2} = \begin{cases} Base\ year \leq 2020, & 4.2\% \times (Target\ year - Base\ year) \\ Base\ year > 2020, & 4.2\% \times (Target\ year - 2020) \end{cases}$$

For near-term scope 3 targets, the minimum ambition is a 2.5% linear annual reduction between the base year and target year plus an adjustment for base years later than 2020, as shown by the formula below.

$$Absolute\ reduction\ target_{Scope\ 3} = \begin{cases} Base\ year \leq 2020, & 2.5\% \times (Target\ year - Base\ year) \\ Base\ year > 2020, & 2.5\% \times (Target\ year - 2020) \end{cases}$$

3.1.2 Sector-specific absolute reduction

Using this method, the minimum ambition of near-term targets is calculated based on a sector-specific absolute reduction emissions pathway. This method is only eligible for companies in the following sectors:

- Information and Communication Technology (ICT)

All sector-specific absolute emissions pathways currently available are aligned with limiting warming to 1.5°C. For companies using a base year earlier than the most recent year, scope 1 and/or scope 2 targets must also have sufficient FLA, as described in section 3.2.1.

For companies in the ICT sector, this method is only eligible when target ambition exceeds that of the cross-sector absolute method.

3.1.3 Sector-specific intensity convergence

Using this method, which is also referred to as "physical intensity convergence" or "Sectoral Decarbonization Approach (SDA)", the minimum ambition of near-term targets is calculated based on a sector-specific emissions intensity convergence pathway and company input data. This method allows physical emissions intensity metrics and targets to be derived for heavy-emitting sectors and processes such as road transport, aviation, electricity generation and the production of basic materials. These sector-specific metrics reflect the different pace at which different sectors and economic activities can decarbonize in 1.5°C and well-below 2°C-aligned pathways. The method can be used for any scope, except for scope 3 in cases prohibited by sector-specific guidance.

For scope 1 and/or scope 2 targets, only 1.5°C-aligned pathways are eligible. Scope 1 and/or scope 2 targets with a base year earlier than the most recent year must also have sufficient FLA, as described in section 3.2.2. For scope 3 targets, well-below 2°C-aligned pathways are also eligible.

Sector-specific pathways are available or in development for energy supply sectors, transport sectors, industry sectors including cement and steel, the buildings sector, and sectors with significant FLAG emissions. The following sectors are required to use the sector-specific intensity method to calculate near-term SBTs:

- Power generation
- Maritime transport

3.1.4 Scope 3 economic intensity reduction

Using this method, the minimum ambition of near-term scope 3 targets is calculated based on a 7% year-on-year economic emissions intensity reduction between the base year and target year plus an adjustment for base years later than 2020, as shown by the formula below.

$$\underset{Scope\ 3}{Economic\ intensity\ target} = \begin{cases} Base\ year \leq 2020, & 100\% - (93\%)^{(Target\ year\ -\ Base\ year)} \\ Base\ year > 2020, & 100\% - (93\%)^{(Target\ year\ -\ 2020)} \end{cases}$$

3.1.5 Scope 3 physical intensity reduction

Using this method, the minimum ambition of near-term scope 3 targets is calculated based on a 7% year-on-year physical emissions intensity reduction between the base year and target year plus an adjustment for base years later than 2020, as shown by the formula below:

$$\frac{Physical\ intensity\ target}{Scope\ 3} = \begin{cases} Base\ year \leq 2020, & 100\% - (93\%)^{(Target\ year\ -\ Base\ year)} \\ Base\ year > 2020, & 100\% - (93\%)^{(Target\ year\ -\ 2020)} \end{cases}$$

Eligible denominators for using the scope 3 physical intensity method must be a representative measure of a company activity intrinsically related to the emissions boundary of the target. Eligible activity types for applying this method include:

Activity type examples	Activity unit examples
Company size	Employee headcount, FTE, office/retail area, etc.
Production input	Amount procured of raw materials.
Production output	Volume of production, sales, built area.
Level of service	Payload or passenger distance, number of users/subscriptions, service output per unit.

Please note that non-physical denominators such as profit, value added, revenue, sales, etc. cannot be used for calculating targets using the scope 3 physical intensity method. Sector-specific intensity targets can also be used to cover scope 3 emissions, except in cases prohibited by sector-specific guidance.

3.1.6 Renewable electricity targets

Targets to actively source renewable electricity are an acceptable alternative to scope 2 emission reduction targets. *Table 3* presents the minimum acceptable thresholds for renewable electricity procurement. Targets at this ambition level are consistent with limiting warming to 1.5°C.

Table 3. Renewable electricity procurement thresholds for 1.5°C

Metric measured	2025	2026	2027	2028	2029	2030
Renewable electricity procurement share (% of total scope 2 electricity that is renewable)	80%	84%	88%	92%	96%	100%

3.1.7 Engagement targets

Please see *Table 1* for further information. Engagement targets currently cannot be temperature classified.

3.2 Forward-looking ambition for scope 1 and 2 targets

The minimum forward looking ambition (FLA) of near-term scope 1 and/or scope 2 targets must be consistent with reaching net-zero by 2050, assuming a linear absolute reduction, linear intensity reduction, or intensity convergence between the most recent year and 2050 (not increasing absolute emissions or intensity). This is meant to reward early action, while ensuring that targets drive continued mitigation during a company's transition to net-zero, consistent with the Net-Zero Standard. Once companies reduce emissions by the amount needed to achieve a long-term SBT based on the Net-Zero Standard (e.g., 90% absolute reduction), "maintenance" targets that do not require further emissions reductions are eligible under this criterion.

For companies using the most recent year as a base year, this section is not relevant and does not affect minimum target ambition. For companies using an earlier base year, the SBTi Tool must be used to calculate the minimum ambition of near-term scope 1 and/or scope 2 targets including FLA.

Details on how FLA is calculated for cross-sector absolute reduction, sector-specific absolute reduction and sector-specific intensity convergence are explained in Sections 3.2.1 and 3.2.2 below.

3.2.1. Cross-sector and sector-specific absolute targets

Using these methods, the FLA of near-term scope 1 and/or scope 2 targets needs to be consistent with reaching net-zero by 2050, assuming a linear absolute reduction between the most recent year and 2050 (not increasing absolute emissions). This results in an "FLA adjustment," which prevents companies from setting targets that have already been achieved but still rewards companies for early action by allowing

them to count past emissions reductions toward achieving near-term SBTs. The closer a company gets to reducing emissions 90% from the base year, the less they need to reduce forward-looking emissions for an eligible near-term SBT. The exact size of the FLA adjustment depends on the base year, most recent year, target year, and the size of past emissions reductions, as described by the following formula.

$$FLA\ adjustment = max\begin{cases} RTD + \left[\frac{(Target\ year - Most\ recent\ year)}{(2050 - Most\ recent\ year)} \times (NZA - RTD)\right] - A_0 \\ 0 \end{cases}$$

Where:

RTD = Percentage reduction (%) to date expressed as the reduction between base year and most recent year.

NZA = Percentage reduction (%) required for reaching net zero in 2050 from the chosen target base year (90%).

A_0 = Minimum target ambition (%) based on the cross-sector absolute reduction or sector-specific absolute reduction before FLA adjustment.

3.2.2 Sector-specific intensity convergence

Using this method, the FLA of near-term scope 1 and/or scope 2 targets needs to be consistent with reaching net-zero by 2050, assuming a linear intensity reduction or intensity convergence between the most recent year and 2050. There are two options for ensuring that FLA meets SBTi criteria:

Option 1. The emissions intensity reduction between the most recent year and the target year meets or exceeds a linear intensity reduction rate between the most recent year and 2050.

Similar to the FLA adjustment using cross-sector absolute reduction, this can be expressed using an "FLA adjustment," as described by the following formula:

$$FLA\ adjustment = max\begin{cases} RTD + \left[\frac{(Target\ year - Most\ recent\ year)}{(2050 - Most\ recent\ year)} \times (NZA - RTD)\right] - A_0 \\ 0 \end{cases}$$

Where:

RTD = Percentage reduction (%) to date expressed as the reduction between base year and most recent year.

NZA = Percentage reduction (%) required for reaching the sector's emissions intensity in 2050 from the chosen target base year (depends on sector and base year intensity).

A_0 = Minimum target ambition (%) based on the sector-specific intensity method before FLA adjustment.

Option 2. The emissions intensity reduction between the most recent year and target year is consistent with intensity convergence between the most recent year and 2050.

In other words, the target needs to be consistent with the ambition required from the sector-specific intensity method using most recent year data. In some cases, this will require a larger reduction than calculated by the sector-specific intensity convergence using base year data.

4. SBTi requirements and best practice in GHG accounting

This section details nuances in GHG accounting that SBTi requires and recommends as best practice for certain sectors and/or topics.

Table 4. Overview of SBTi requirements and best practice in GHG accounting

Topic	Guidance
Accounting for downstream emissions from intermediate products	According to the GHG Protocol Corporate (Scope 3) Standard, "In certain cases, the eventual end use of sold intermediate products may be unknown. For example, a company may produce an intermediate product with many potential downstream applications, each of which has a different GHG emissions profile, and be unable to reasonably estimate the downstream emissions associated with the various end uses of the intermediate product. In such a case, companies may disclose and justify the exclusion of downstream emissions from categories 10, 11, and 12 in the report (but should not selectively exclude a subset of those categories)." The passage from GHG Protocol is relevant for intermediate products such as chemicals where the end product is varied and unknown. Emissions from other intermediate products such as computer microchips, automotive parts, etc. do have specific applications at the end of their life and downstream emissions must be accounted for. Wherever possible, companies shall try to account for the downstream emissions of intermediate products and if there are certain exclusions of downstream emissions in scope 3 category 10, 11 and 12 related to intermediate products, companies must provide a robust exclusion justification.
Accounting for emissions from transport-related fuels, general fuel use and purchased electricity	For any transport-related emissions from fuel use, emissions must be reported on a well-to-wheel (WTW) emissions boundary (well-to-wake for aviation and maritime transport)

	that reflects direct use emissions from fuel combustion (tank-to-wheel, TTW) and upstream emissions related to fuel production and distribution (well-to-tank, WTT). For purchased fuels, fuel related emissions must be accounted for on a WTW basis i.e., TTW emissions which are equivalent to scope 1 emissions and WTT emissions reported in scope 3 category 3 "fuel-and-energy-related activities". Furthermore, the upstream emissions of purchased electricity (WTT emissions) must be accounted for in scope 3 category 3 "fuel- and energy-related activities" if not accounted for in scope 1 and/or 2. For more information, consult Table 5.4 (page 34) of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
Emission allocation from ports	Companies must define the geographical boundary of the relevant ports in which they operate and disclose their chosen boundary. Ships sitting in port must account for the emissions related to port usage. If a shipping company is a customer of a port i.e., they pay the port for use of facilities, these emissions are deemed to be direct use-phase emissions (scope 3 category 11).
Retiring versus selling assets within a company	If a company sells a company asset, this is classified as a structural change according to the GHG Protocol Corporate Standard and shall trigger a recalculation of a company's base year emissions. Emissions are simply transferred from one company to another without any change of emissions released to the atmosphere. Alternatively, if a company retires a company asset (removes an asset or part of an asset from the asset portfolio without revenue generation), a company can consider this to be an emissions reduction within their organizational boundary.
Insetting	There are multiple definitions for the term "insetting" (also referred to as supply chain interventions) and no standardization of the term, which makes it difficult to give a clear determination of what can and can't be included within scope 3 reductions. Insetting is used to describe interventions that are wholly contained within a scope 3 value chain boundary of a company or interventions partially within their scope 3 supply chain boundary (spanning their supply chain and other companies' supply chains). Accounting approaches for insetting also vary with the use of both project accounting and corporate accounting.

	As this issue has not been settled to date in the GHG Protocol process, the SBTi recommends a conservative approach at this time. Companies should only include emission reductions or removals (removals only in the case of FLAG targets) from "insetting" projects that use a corporate accounting approach and are wholly contained within their supply chains or the portion of a "partially-included" project that is within their supply chain and linked directly to sourcing. For further information, please see this resource. Further work is ongoing to standardize the definition of insetting/supply chain interventions and clear accounting methodologies. For these reasons, the SBTi will assess insetting on a case-by-case basis during the validation process and may not approve their use.
Green gas/biogas	The SBTi currently recommends that companies follow the guidance within the GHG Protocol and Corporate Standard on the use of green gas. Currently, the GHG Protocol does not allow the use of green gas certificates to reduce scope 1 emissions. However, this topic is being discussed as part of the current GHG Protocol land sector and bioenergy guidance development process. As such, the SBTi cannot guarantee that these certificates would be a valid approach to meeting your science-based target.
Accounting for emissions from non-rechargeable batteries	Emissions from production and waste of non-rechargeable batteries must be accounted i.e., production emissions accounted for in scope 3 category 1 "purchased goods and services", waste in operations accounted for in scope 3 category 5 "waste" and emissions from the end use of batteries accounted for in scope 3 category 12 "end-of-life treatment of sold products".
Renewable Energy Certificates (RECS)	Companies may use Renewable Energy Certificates (RECs) as a measure to reduce scope 2 market-based emissions. However, the RECs need to be purchased and used within the same market, and cannot be used as a reduction mechanism for markets that the certificates were not purchased from. For more information please consult the RE100 Technical Criteria and the Scope 2 Quality Criteria in the GHG Protocol's Scope 2 Guidance.
Market-based scope 3 accounting	The SBTi continues to follow Greenhouse Gas Protocol guidance, which has no framework for market-based scope 3 accounting. Therefore, the SBTi does not permit

	market-based accounting in scope 3, including the purchase of market-based renewable electricity instruments on behalf of the reporting company's suppliers, customers, lessors, lessees, franchisees, or investments.
Mandatory versus optional scope 3 targets	Companies may request to include targets to reduce optional scope 3 emissions in the target language. For companies that wish to include a supplemental/optional target on optional scope 3 emissions, the below needs to be followed: • The optional scope 3 target will be assessed separately by the SBTi review team compared to the mandatory scope 3 target(s). • The reduction plans for the target(s) covering optional scope 3 emissions is credible, ambitious and practical. • Should the target be approved, the target language covering the optional scope 3 target should be separated in a standalone sentence from the rest of the target language. • In the GHG inventory submitted to the SBTi, the mandatory scope 3 emissions representative of the minimum boundary shall be included in the inventory table. For a definition of optional emissions for each scope 3 category, please see Table 5.4 on page 34 and section 5.5 “Descriptions of scope 3 categories” of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
Direct use-phase emissions versus indirect use-phase emissions	In scope 3 category 11 “use of sold products”, direct use-phase emissions are required to be reported, whereas the reporting of indirect use-phase emissions are optional. Please refer to the GHG Scope 3 Standard for a definition of direct and indirect use-phase emissions. The direct use-phase emissions of final products shall be calculated based upon the lifetime consumption of the product(s). The allocation methodology shall be disclosed for the direct use-phase of components, except for car engines wherein 100% of the direct use-phase emissions of the car/vehicle shall be reported. Furthermore, the calculation methodology shall be disclosed for indirect use-phase emissions.

	Table 5 lists illustrative examples of what should be allocated as direct use-phase emissions versus indirect use phase emissions in scope 3 category 11 "use of sold products". This table is not exhaustive of the examples of direct and indirect use-phase emissions.

Table 5. Direct and indirect use phase emissions accounted for under scope 3 category 11

Sector	Direct use-phase emissions	Indirect use-phase emissions	Notes
Automobiles and components	• Engines. • Headlights. • Air conditioning system. • Heaters.	• Tyres. • Bumpers. • Seatbelts.	
Apparel		• Washing and drying of clothes.	
Architecture, engineering and design companies	• Architecture, engineering and design companies must allocate the emissions from the use of building projects that have been constructed as direct use-phase emissions.		
Energy and Electric Utilities	• Fuels and feedstocks. • Rechargeable batteries (energy loss). • Chargers. • Electricity transmission and distribution equipment (transmission loss and no-load consumption).	• Rechargeable batteries (energy stored and transmitted).	• First charge of the rechargeable battery before sale must be allocated to scope 2 of the producers.

	• Sold piping systems (lost heat and cooling). • Power step-up and- down transformers. • Other power system equipment (lost electricity, heat and cooling).		
Electronics	• Displays. • Microchips. • Memory drives. • Cameras.	• Computer housing. • Camera lenses.	
Food and beverage		• Cooling of ice for beverages. • Frying/microwaving/cooking of frozen meals or any other food item. • Use of household food waste disposer (for food producers). • Direct cooling or heating of products in homes of consumers.	• The cooling or heating of products in retail, hotels, restaurants, pharmacies or hospitals must be allocated to scope 3 category 9 “downstream transportation and distribution”.
Household appliances	• Large and small household appliances, from washing machines to electric toothbrushes. • Lightbulbs. • Smart-home products.	• Smart-home software use i.e., the use of computers, smartphone, and/or router energy	

	• Charcoal and lighter fluid for barbecues.	consumption due to the use of the software.	
Software and telecommunication services		• Software i.e., the energy consumption of computers or other electronic device due to the use of software). • Telecommunication contracts i.e., the energy consumption of cell phones due to the use of the network.	• The energy consumption of the servers that run cloud-based software must be allocated to scope 3 category 1 “purchased goods and services” of the software provider.
Transport and logistics	• If a shipping company is a customer of a port i.e., they pay the port for use of facilities, these emissions are deemed to be direct use-phase emissions of a port.	• Maintenance of transport infrastructure e.g., roads, bridges, airports etc.	
On-premises services	• Emissions from the use of client facilities for the provision of services (e.g., cooking in client kitchens; cleaning equipment that uses client electricity).		

5. Sector-specific requirements

Sector-specific guidance and methods are currently available for many sectors. All new, sector-specific guidance that becomes available will be uploaded to the sector guidance page on the SBTi website. The SBTi has sector-specific requirements related to the use of target-setting methodologies and minimum ambition levels for near-term target setting. The eligible methods set out in *Table 6* below concentrate on scope 1 and 2 near-term targets, unless otherwise specified.

Table 6. Sector-specific requirements for near-term targets

Sector	Eligible methods	Guidance and further notes
Aluminium	When setting SBTs, companies can set targets using the cross-sector pathway (absolute targets only).	Guidance is being developed for the aluminium sector and is currently in the scoping phase.
Apparel and footwear	When setting SBTs, companies can set targets using the cross-sector pathway (absolute targets only).	Optional guidance is available for companies in the apparel and footwear sector.
Aviation	When setting SBTs, companies providing air transport services can set targets using the physical intensity convergence method using the pathways available in the SBTi Aviation tool. The target boundary must cover well-to-wake emissions (WTW), as specified in the SBTi Aviation Guidance. Alternatively, when setting SBTs, companies can set targets using the cross-sector pathway (absolute targets).	For all transport-related emissions across all sectors, companies shall report these emissions on a well-to-wheel (WTW) basis in their GHG inventory (well-to-wake for aviation). For aviation this is the sum of both scope 1 emissions from jet fuel combustion and scope 3 category 3 "fuel- and energy-related activities" emissions from upstream production and distribution of jet fuel. Aviation target formulation and communication must explicitly state that targets are exclusive of non-CO_2 factors. Targets must include a footnote stating that non-CO_2 factors which may also contribute to aviation-induced warming are not included in this target and whether the company has publicly reported or commits to publicly report its non-CO_2 impacts.
Buildings	When setting SBTs, companies in these sectors are recommended to set absolute targets or intensity targets using the residential buildings pathway, service buildings pathway, or cross-sector pathway (absolute targets only).	Real Estate Investment Trusts (REITs) wishing to set targets must specify if they are a mortgage-based or equity-based REIT. Equity REITs must pursue the regular target validation route for companies. Mortgage REITs must instead

	Please note scope 3 must include emissions from use of sold products for architecture/design firms.	utilize the Financial Institutions guidance for setting SBTs. The SBTi is developing guidance for companies operating in the built environment.
Cement	When setting SBTs, companies are recommended to set absolute or intensity targets using the cement pathway, or cross-sector pathway (absolute targets only).	The SBTi has released guidance to aid companies in the cement industry in setting science-based targets.
Chemical	When setting SBTs, companies can set targets using the cross-sector pathway (absolute targets only).	The SBTi is developing guidance for companies in the chemicals sector. Companies that produce or sell fluoro-gases (or products that use HFCs) must account for and report emissions during the use of these gases in cooling units/refrigerants or in industrial applications in their GHG inventory under scope 3 category 11 “use of sold products”.
Financial Institutions	Sufficient ambition if in line with the cross-sector pathway (absolute targets only) or relevant SDA pathways (e.g., Services/ Commercial buildings). Sector-specific criteria and methods are available for financial institutions to align their investments and lending with Paris-aligned climate stabilization pathways.	The SBTi guidance for financial institutions outlines in detail the target setting requirements for setting both scope 1+2 and scope 3 targets for investment and lending activities. The SBTi also has separate guidance developed for private equity firms.
Forest, Land and Agriculture (FLAG)	Companies with significant FLAG emissions are required to set targets (see criteria in the next table column). These are separate from their SBTs that cover all non-FLAG emissions. FLAG targets must use the FLAG-sector pathway (absolute targets) or a commodity pathway (intensity targets). Commodity pathways are available for 11 commodities: beef, chicken,	The following companies are required to set FLAG targets: 1) Companies with FLAG emissions that total 20% or more of overall emissions across scopes. 2) Companies in the following sectors: • Forest and Paper Products– Forestry, Timber, Pulp and Paper, Rubber. • Food Production– Agricultural Production. • Food Production– Animal Source.

	dairy, leather, maize, palm oil, pork, rice, soy, wheat, and timber and wood fiber. Companies in the forest products sector are required to use the commodity pathway for timber and wood fiber. The FLAG target must cover at least 95% of FLAG-related scope 1 and 2 emissions. The FLAG target must cover at least 67% of FLAG-related scope 3 emissions. Please see the FLAG Guidance for further guidance and criteria.	• Food and Beverage Processing. • Food and Staples Retailing. • Tobacco. Please see the FLAG Guidance.
Fossil Fuel Sale/Transmission/ Distribution* **This information is only applicable to companies that receive less than 50% of their revenue from fossil fuel sale, transmission, or distribution.*	In addition to following the guidance for the primary sector, companies must set targets for scope 3 category 11 "use of sold products" using absolute reduction aligned with at least 1.5°C ambition thresholds.	Targets must be set for scope 3 category 11, irrespective of the share of these emissions compared to the total scope 1, 2 and 3 emissions of the company. Separate scope 3 targets may need to be set in this case. Companies with more than 50% of their revenue from fossil fuel sale, transmission, or distribution cannot officially validate targets at this stage.
Information and communication technology providers	When setting SBTs, companies in these sectors must use the cross-sector pathway (absolute targets only).	The SBTi guidance for ICT companies including mobile networks operators, fixed networks operators and data centres operators outlines in detail the target setting requirements for setting scope 1 and 2 targets.
Iron and Steel	When setting near-term SBTs, companies in these sectors can set targets using the cross-sector pathway (absolute targets only). When setting long-term SBTs, companies in these sectors can set targets using the cross-sector pathway (absolute reduction targets) or using the long-term sector intensity pathway (intensity targets).	The SBTi is developing guidance for companies in the steel sector.
Maritime Transport	Companies in Maritime Transport **must** use the sector-specific pathway.	On the transport sector page, you can find the Maritime Transport Guidance and the Maritime Transport Target Setting Tool.

	Near-term targets can be no earlier than 2030. All companies setting near-term science-based targets covering emissions from own operations (e.g., vessel owners or operators) shall also submit long-term science-based targets along with their near-term target submission. For maritime transport emissions, a long-term science-based target means reducing emissions to a residual level in line with 1.5°C scenarios by no later than 2040.	Please note that companies using this guidance to set near-term science-based targets covering scope 3 emissions from subcontracted maritime transport operations (e.g., cargo owners or shippers) are not required to submit long-term science-based targets. For **all** transport-related emissions across all sectors, companies shall report these emissions on a well-to-Wheel (WTW) basis in their GHG inventory (well-to-wake for aviation and maritime transport).
Oil and gas	The SBTi is developing a new methodology for companies in the oil and gas sector to set science-based targets. Currently, the SBTi is unable to accept commitments or validate targets for companies in the oil and gas or fossil fuels sectors. Please see our policy for further information and those that are excluded from this.	Companies in this sector include - but are not limited to - integrated oil and gas companies, integrated gascompanies, exploration and production pure players, refining and marketing pure players, oil products distributors, gas distributors and retailers and traditional oil and gas service companies. Please see the Oil and Gas sector webpage for more information. The SBTi will assess companies on a case-by-case basis to determine sector classification for SBTi validation purposes. Therefore, the SBTi reserves the right to not move forward with a company's validation, until methods/guidance have been developed/completed. About fossil fuel service companies: Service companies are defined as companies that support exploration, extraction, mining or production of fossil fuels, and other significant activities along the fossil fuels value chain, not covered by sale, transportation or distribution category. The expectation is that such companies need to account for the indirect emissions

		related to the fossil fuels directly or indirectly managed by the company. Given the limitation of accounting standards and target setting methods for these sectors, the SBTi reserves the right to not move forward with a company's validation. The SBTi expects that the oil and gas sector guidance will help inform the rules for these. About fossil fuel assets: Companies that have dormant or active fossil fuel assets (e.g., coal mine, lignite mine, etc.) for extraction activities with commercial purposes (meaning sales), cannot officially validate targets at this stage, until further specific methods and guidance. The SBTi recommends companies to decommission fossil fuel assets, instead of divesting, as this approach better reflects the need to phase-out fossil fuels in our global economy, as science indicates is necessary. If a company completely decommissions/divests from fossil fuel assets, they will no longer be considered under these rules, and can submit targets as per standard route. The SBTi recommends companies to follow the GHG Protocol for base year recalculations.
Power Generation	The intensity convergence method **must** be used by power generation companies, as specified in the Guidance for Electric Utilities. For power sector companies, long-term science-based targets must reduce emissions to a residual level in line with 1.5°C scenarios by no later than 2040 using the Sectoral	Please see the Power/Electric utilities Guidance . As explained in the guidance for electric utilities, power generation companies are expected to set at least two targets. The first is a scope 1 target over all electricity generation modelled using the 1.5°C aligned power SDA that is expressed in terms of MWh energy generated. The

	Decarbonization Approach.	second is an all sold electricity target covering the portion of scope 1 and direct biogenic CO_2 and scope 3 category 3 emissions associated with all sold electricity. This target must also be modelled using the 1.5°C aligned power SDA and expressed in intensity terms. For power generation companies that distribute and sell fossil fuels, a third target must be set covering 100% of emissions from downstream use of fossil fuels. This should be an absolute target that aligns with a 1.5°C mitigation pathway. In order to meet the 67% scope 3 coverage threshold, power companies may need to set a target over other scope 3 categories as well.
Pulp and Paper	When setting SBTs, companies can set targets using the cross-sector pathway (absolute targets only).	Guidance is being developed for the pulp and paper sector and is currently in the scoping phase.
Road and rail	When setting SBTs, companies can set targets using the cross-sector pathway (absolute targets only).	Target setting guidance will be updated along with sector trajectory but you can view the transport sector guidance here. For all transport-related emissions across all sectors, companies shall report these emissions on a well-to-wheel (WTW) basis in their GHG inventory (well-to-wake for aviation and maritime transport).
Transport OEMs/Automakers	The SBTi is temporarily pausing near- and long-term target validations and target updates for automakers until 1.5°C scope 3 targets for use-phase emissions from new road vehicles are developed and approved. Please see our policy for further information.	This applies to automakers. Auto part manufacturers can still set targets using the cross-sector absolute reduction.

6. Target classification definition

Target classification describes the ambition of a company's emissions reduction target, relative to a long-term temperature goal. This classification, however, does not imply that a company's overall ambition and business strategy are aligned with a temperature goal, as SBTi does not conduct comprehensive

assessments of companies' business models or strategies, and the current classification does not extend to scope 3, i.e., does not cover its full GHG inventory.

Submitted targets must meet all relevant qualitative and quantitative SBTi Criteria for Near-term Targets before being classified against a long-term temperature goal. Targets covering each scope are assessed to ensure compliance with the SBTi Criteria for Near-term Targets, while only targets covering scope 1 and/or scope 2 emissions are currently assessed to determine alignment with long-term temperature goals based on the thresholds described in Section 3. *Figure 1* outlines how the target classification procedure fits into the overall validation process. For all non-power generation and non-maritime companies setting targets using the sector-specific intensity convergence approach, the ambition is assessed using both the sector-specific intensity convergence and cross-sector absolute reduction requirements, with the more ambitious classification being used to classify the company.

Figure 1. Target classification procedure

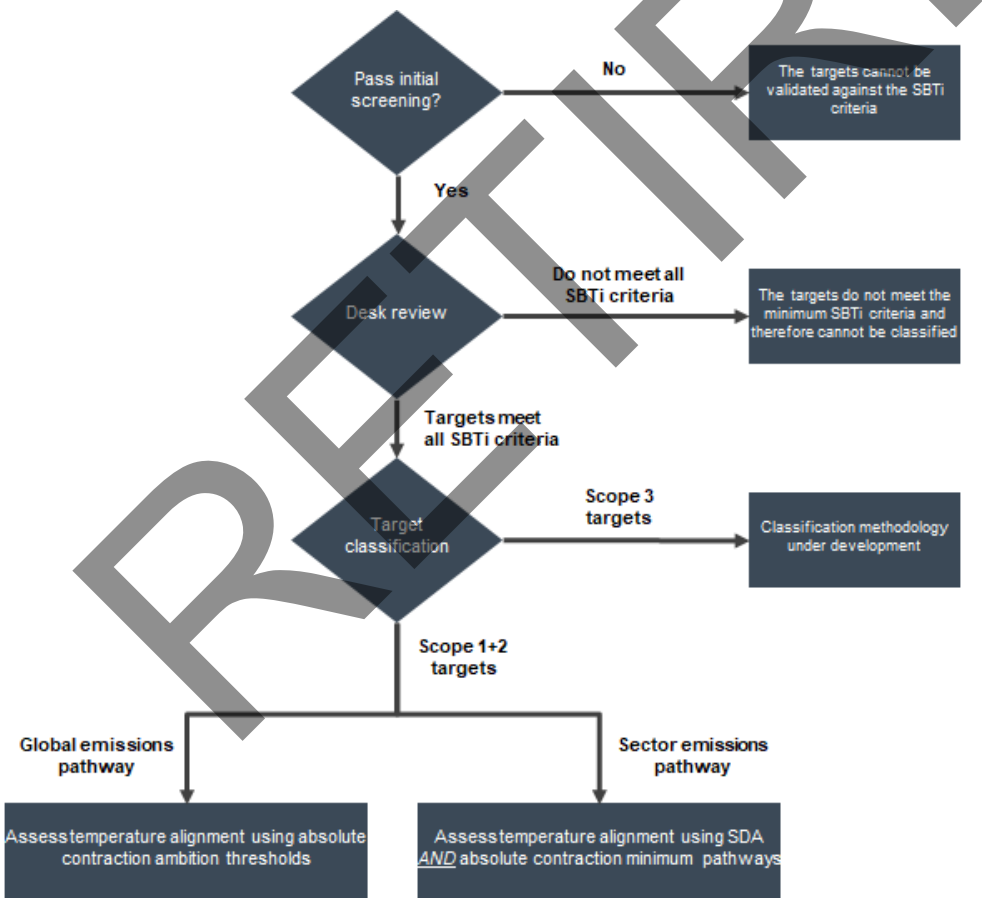

Table 7 presents the ambition ranges used to classify scope 1 and/or scope 2 targets against the three long-term temperature goals.

Table 7. Ambition ranges for target classification

Long-term temperature goal	Ambition range (global emissions pathway)	Ambition range (sector emissions pathway)
1.5°C Approx. 50% chance of limiting peak warming between present and 2100 to below 1.5°C	If base year on or before 2020 X ≥ 4.2 % annual linear reduction rate over the target period If base year after 2020 X ≥ 4.2 % annual linear reduction rate from a 2020 start year	X ≥ SDA1.5DS pathway for power generation and maritime transport sectors

6.1 Target classification rules

Targets are classified based on the target type and scope coverage. *Table 8* summarizes the classification rules for a range of targets and scope combinations.

Table 8. Classification rules for target formulations

Target formulations	Classification description
Absolute or intensity scope 1 and 2 combined targets modelled using the cross-sector absolute reduction approach	These targets are classified using the cross-sector absolute reduction thresholds (column 2 in *Table 7* above).
Scope 1 and 2 combined intensity targets modelled using the sector-specific intensity convergence approach	Scope 1 and 2 intensity targets modelled using the sector-specific intensity convergence approach are compared and classified against the 1.5°C Scenario in the Science-based Target-setting Tool and/or the SDA Transport tool. If the absolute reduction of emissions results in a higher ambition classification under the cross-sector absolute reduction approach, then the higher of the classifications is used to classify the target.
Single scope targets	If single scope 1 or scope 2 targets are submitted in addition to combined scope 1 and 2, the classification is based on the combined scope 1 and 2 target. If single scope 1 or scope 2 targets are submitted, the classification is based on the reduction of scope 1 and 2 emissions combined.
Renewable electricity targets	If renewable electricity targets are additional to absolute/intensity scope 1 and 2 targets the classification is based on the scope 1 and 2 targets and not the renewable electricity target. Renewable electricity targets that are in line with our current thresholds are 1.5°C aligned.

Single scope + renewable electricity targets	If a single scope 1 target and a renewable electricity target are set, the resulting classification will be based on an emissions weighted average reduction across the scopes. Renewable electricity procurement targets will be converted to absolute reductions based on the assumption that the procured renewable electricity has zero GHG emissions associated with its use. Heating, steam and cooling-related emissions not covered by renewable electricity targets will be considered separately when the aggregate scope 2 target ambition is calculated.
Multiple near-term targets	If multiple near-term scope 1 and 2 targets are submitted, the classification is based on the target with the furthest target year. E.g., if a company has two scope 1 and 2 targets with target years of 2025 and 2030, then temperature alignment is based on the 2030 target.
Combined scope targets (scopes 1+2+3)	Companies must provide the breakdown ambition for combined scope targets (scopes 1+2+3), i.e., the ambition of the scope 1+2 portion and the ambition of the scope 3 portion of the target. The classification of the company is then based only on the scope 1+2 ambition.
Scope 3 targets	Companies are welcome to set scope 3 targets that exceed minimum ambition or to update the level of ambition of scope 3 targets. However, the SBTi is currently not temperature classifying scope 3 targets.

Target classifications only consider the timeframe ambition (i.e., ambition from the base year to the target year). This means forward looking ambition (i.e., ambition from the most recent year of data to 2050) is not used to determine target classifications. The SBTi assesses the temperature alignment of a target using the timeframe ambition to best reflect a company's long-term ambition and target trajectory.

7. Target wording requirements

The SBTi has specific guidance for target wording to increase comparability and transparency among approved targets. Companies are required to follow specific guidelines for target wording and the SBTi reserves the right to not approve targets that deviate from this guidance. What may appear to be minor nuances may significantly alter the target's intention. *Table 9* provides recommended target template wording for each type of target. Please see the SBTi's target submission form to see the latest recommendations for the target language.

Table 9. Recommended target language templates

Target type	Recommended target language
Absolute targets	[Company name] commits to reduce absolute [enter scopes] GHG emissions [percent reduction] % by [target year] from a [base year] base year.
Intensity targets	[Company name] commits to reduce [enter scopes] GHG emissions [percent reduction] % per [unit] by [target year] from a [base year] base year.

Supplier and customer engagement targets	[Company name] commits that [percent]% of its suppliers/customers [by spend/ revenue/ emissions] covering [name scope 3 categories], will have science-based targets by [target year].
Renewable electricity procurement targets	For companies who have not yet achieved 100% renewable electricity: [Company name] commits to increase annual sourcing of renewable electricity from [percent]% in [base year] to [percent]% by [target year]. **OR** For companies already sourcing 100% renewable electricity: [Company name] commits to continue annually sourcing 100% renewable electricity through [target year]. The wording must specify a target year up to 2030 for renewable electricity procurement targets.
Combined scope 1, 2 and 3 targets	The SBTi recommends that for combined scope 1, 2 and 3 targets when the scope 1+2 and scope 3 ambition differs, not only the combined scope 1+2+3 target is published, but also the disaggregate scope 1+2 and scope 3 target language for transparency. For example, [Company name] commits to reduce absolute scope 1,2 and 3 GHG emissions [percent reduction] % by [target year] from a [base year] base year. Within this target, [Company name] commits to reduce absolute scope 1 and 2 GHG [percent reduction] % by [target year] from a [base year] base year and reduce absolute scope 3 GHG [percent reduction] % by [target year] from a [base year] base year.
Scope 3 targets category coverage	It is best practice for the target language to refer to specific scope 3 categories covered, e.g., purchased goods and services, or use of sold products. However, the target must not refer to specific activities e.g., purchasing of building materials.
Base year and target year are the same	If a company has the same base year and target year for scope 1 and 2 and scope 3, it is preferable to not repeat the specific years for the scope 3 language. Instead, companies should use the language “within the same timeframe” for the scope 3 target year portion of the target language.
Financial years	If a company chooses to use a financial year, a financial year must be used for both the base year and target year. Fiscal years shall follow the date range that a company uses for reporting purposes. The date range for fiscal years must be disclosed with the target language displayed on the SBTi website for transparency.
Targets sets on different business streams	Companies may express their company-wide GHG emission reduction targets separately according to their different business streams, activities or units.

	For example, Company A commits to reduce absolute scope 1 and 2 GHG emissions from non-revenue activities [insert target reduction percentage] % by [insert target year] from a [insert base year]. Company A also commits to reduce scope 1 and 2 GHG emissions from revenue activities [insert target reduction percentage] % per revenue passenger kilometer traveled by [insert target year] from a [insert base year] base year.
Optional indirect use-phase emissions	In the target language, the target on either the direct or indirect-use phase emissions needs to be separated from the rest of the target language. For example, Company A commits to reduce absolute scope 3 GHG emissions from purchased goods and service [insert target reduction percentage] % by [insert target year] from a [insert base year]. Company A also commits to reduce indirect use phase emissions [insert target reduction percentage] % by [insert target year] from a [insert base year].
General	For clarity and transparency, percentage emissions reductions shall be expressed up to two decimal points.
Use of bioenergy	If a company is using bioenergy, the following footnote is required to be included in target language: “*The target boundary includes land-related emissions and removals from bioenergy feedstocks."