

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

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

# Resources (1/2)

Module	Key resources
<b>Module 1: Case for change</b>	<ul style="list-style-type: none"><li>• <a href="#">SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</a></li><li>• <a href="#">GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</a></li><li>• <a href="#">GFANZ net-zero Financing Roadmaps (Nov 2021)</a></li><li>• <a href="#">Bain &amp; Company Brief – Banks’ Great Carbon Challenge (Jun 2022)</a></li><li>• <a href="#">Official Journal of the European Union - Establishing the Framework for Achieving climate neutrality and amending Regulations (Jul 2021)</a></li></ul>
<b>Module 2: Voluntary finance climate action ecosystem</b>	<ul style="list-style-type: none"><li>• <a href="#">SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</a></li><li>• <a href="#">SBTi Business Ambition for 1.5C (Nov 2021)</a></li><li>• <a href="#">SBTi 2021 Progress Report</a></li></ul>
<b>Module 3: Developing SBTs: Overview</b>	<ul style="list-style-type: none"><li>• <a href="#">SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</a></li><li>• <a href="#">GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</a></li><li>• <a href="#">UN Global Compact Academy Setting Science-Based Targets E-Learning</a></li><li>• <a href="#">UN Global Compact Academy Net-Zero Standard E-Learning</a></li></ul>
<b>Module 4: Developing SBTs: Scope 1, scope 2, and Scope 3 operational emissions</b>	<ul style="list-style-type: none"><li>• <a href="#">SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</a></li><li>• <a href="#">SBTi Target Setting Tool 2.0 (Dec 2021)</a></li><li>• <a href="#">GHG Protocol Corporate Accounting and Reporting Standard (Revised)</a></li><li>• <a href="#">GHG Protocol Scope 2 Guidance (Sep 2015)</a></li><li>• <a href="#">GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013)</a></li></ul>
<b>Module 5: Developing SBTs: Scope 3 financed emissions – Overview</b>	<ul style="list-style-type: none"><li>• <a href="#">SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</a></li><li>• <a href="#">GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013)</a></li><li>• <a href="#">PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)</a></li></ul>

# Resources (2/2)

Module	Key resources
<b>Module 6: Developing SBTs: Scope 3 financed emissions – Calculation deep dive and case studies</b>	<ul style="list-style-type: none"><li>• <a href="#"><u>SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</u></a></li><li>• <a href="#"><u>GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</u></a></li><li>• <a href="#"><u>PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)</u></a></li><li>• <a href="#"><u>CDP &amp; WWF Temperature Rating Methodology (Oct 2020)</u></a></li><li>• <a href="#"><u>Bain &amp; Company Brief – Banks’ Great Carbon Challenge (Jun 2022)</u></a></li></ul>
<b>Module 7: Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs</b>	<ul style="list-style-type: none"><li>• <a href="#"><u>SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</u></a></li><li>• <a href="#"><u>GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</u></a></li><li>• <a href="#"><u>PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)</u></a></li><li>• <a href="#"><u>Bain &amp; Company Brief – Banks’ Great Carbon Challenge (Jun 2022)</u></a></li></ul>
<b>Module 8: Validating, disclosing, and recalculating</b>	<ul style="list-style-type: none"><li>• <a href="#"><u>SBTi Target Submission Form for Financial Institutions</u></a></li><li>• <a href="#"><u>SBTi Booking System</u></a></li><li>• <a href="#"><u>SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</u></a></li><li>• <a href="#"><u>GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</u></a></li><li>• <a href="#"><u>PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)</u></a></li><li>• <a href="#"><u>GHG Protocol Scope 3 Accounting Standards (Apr 2013)</u></a></li></ul>
<b>Module 9: Governance, change management, and meeting targets</b>	<ul style="list-style-type: none"><li>• <a href="#"><u>GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)</u></a></li><li>• <a href="#"><u>SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</u></a></li></ul>



# Module #3: SBT overview

SBTi financial institution training

THIS TRAINING WAS DEVELOPED  
IN COLLABORATION WITH



PARTNER ORGANIZATIONS



United Nations  
Global Compact



WORLD  
RESOURCES  
INSTITUTE



IN COLLABORATION WITH



# Modules

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# Key learning objectives

Commit

**Develop**

Submit

Communicate

Disclose

**After completing this module, individuals will be able to...**

**Articulate how SBTs address climate and help business**

**Explain how emissions reduction targets are set**

**Access relevant tools and stakeholders to set targets**

# A science-based target aligns actions with the Paris agreement



## What is a science-based target?

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Science-based targets (SBTs) use the latest climate research to **align corporate actions and measure progress** towards reducing emissions towards net-zero – with the goal of **limiting global warming to 1.5°C by 2050**

## What makes science-based targets unique?

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- **Build credibility** by science-based foundation
- **Demonstrate commitment** to climate action
- **Anticipate change** in regulations
- **Enhance business** resilience and competitiveness

# The Science Based Targets Initiative provides third-party, scientific verification of decarbonization targets



Comprised of



**2015**



launched with **13** key industries

**2018**



launched **FI-specific** initiative

**Ongoing**



validation for **3,400+** orgs

## Key points of differentiation



**Provides independent third-party assessment**



**Enables comparability and standardization within the industry**



**Leverages strong recognition and usage in the real economy**



**Catalyzes change this decade by differentiating between near-term and net-zero targets**

Note: SBTi participant counts based on week of July 18th, 2022

Source: [SBTi Sectoral Decarbonization Approach \(May 2015, Pgs. 50-63\)](#); [SBTi Financial Institutions - About the Project](#); [SBTi Companies Taking Action](#);



# FIs can engage with both SBTi and GFANZ – SBTi provides third party standards and verifications of targets



SCIENCE  
BASED  
TARGETS  
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

In partnership w/  
**RACE TO ZERO**

Comprised of







WORLD  
RESOURCES  
INSTITUTE

United Nations  
Global Compact

**Coalition that defines, promotes, and validates science-based targets as a 3<sup>rd</sup> party**

-  **Spans most industries, with FI specifics**
-  **Civil society led**
-  **Target focused, with a prescriptive standards approach**
-  **FIs set third-party verifiable ambition**







**GFANZ**  
In partnership w/  
**RACE TO ZERO**

Comprised of<sup>1</sup>

NZBA	NZAM	NZAOA <sup>2</sup>
NZIA	NZICI	NZFSPA

Paris Aligned  
Investment Initiative

**Industry coalitions and alliances to drive change across the financial sector**

-  **Specific to FIs**
-  **Industry led, with a UN partner**
-  **Broader vision and execution focus, recommends methods (e.g., SBTi)**
-  **FIs signal or set self-determined ambition**

Certain alliances (e.g., NZAOA) are moving to more specific requirements

Notes: 1. GFANZ alliances: Net-Zero Banking Alliance (NZBA), Net-Zero Insurance Alliance (NZIA), net-zero Asset Managers initiative (NZAM), net-zero Asset Owner Alliance (NZAOA), net-zero Investment Consultants Initiative (NZICI), net-zero Financial Service Providers Alliance (NZFSPA). 2. See [Net-Zero Asset Owners Alliance — SBTi Finance Comparison Table](#) for more details. This document may be updated over time; refer to the SBTi website for latest information.

# SBTs present an opportunity for financial institutions to influence systemic change toward a 1.5-degree goal

“ *Financial Institutions should **leverage their abilities to influence and engage other actors** as well as focus their financing activities to help achieve economy-wide decarbonization and a just transition, and not simply reduce portfolio exposure to GHG emissions.* ”



SBTi Financial Sector net-zero Science Based Targets ”

“ *The financial sector has the **capability to engage with individuals and corporates on ESG**. This is also the main reason why the financial sector has been expected to play a key role in the trends of ESG development and be given heavy responsibilities.* ”



Joseph N.C. Huang, Chairman E.SUN Bank ”

# SBTi has a five-step process to guide setting emissions targets



A financial institution specific [submission form](#) is **now available**.

**Submit** form and book expert **review** through [SBTi target validation service booking system](#).

FI have up to **2 years\*** to have their targets approved and announced by SBTi once they commit

# Financial institutions must consider many aspects when decarbonizing; SBTi helps companies set meaningful targets

## GFANZ net-zero Transition Plan Framework

### Foundations

1. Objectives and priorities

### Implementation Strategy

1. Products and services
2. Activities and decision-making
3. Policies and conditions

### Engagement Strategy


1. Clients and portfolio companies
2. Industry
3. Government and public sector

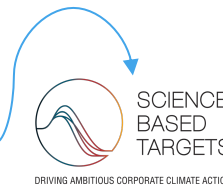
### Metrics and targets

1. Metrics and targets

### Governance

1. Roles, responsibilities, and remuneration
2. Skills and culture


 **GFANZ** provides a framework for financial institutions to act on net-zero targets




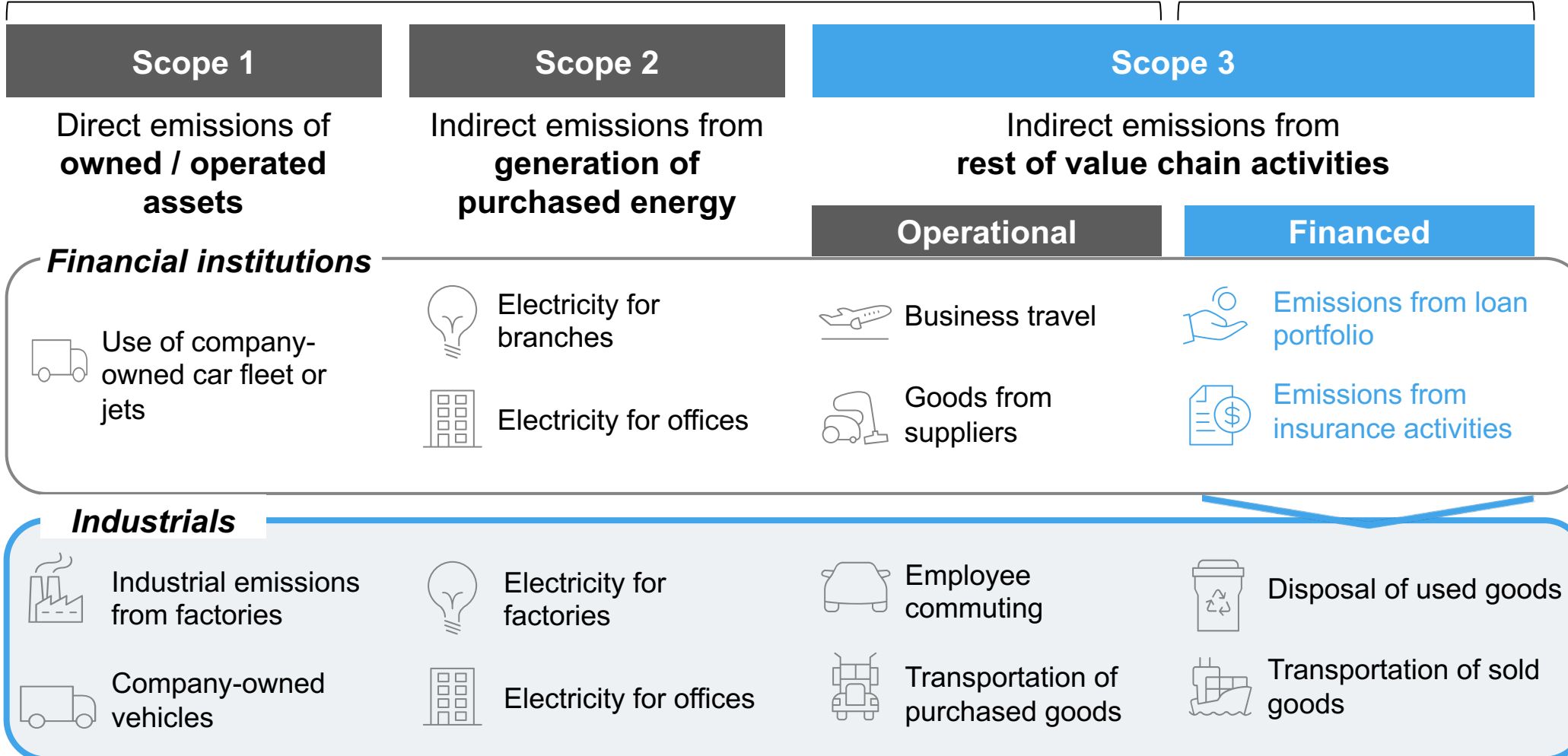
**SBTi** helps companies set meaningful, science-based emission reduction targets in pursuit of transformational change



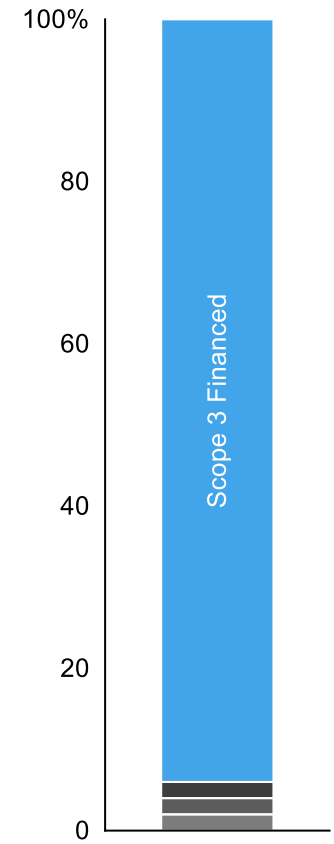
# Emissions are counted through three scopes (1, 2, and 3)

 GREENHOUSE GAS PROTOCOL GHGP provides accounting approach for Scope 1, 2, and 3 operational emissions

 PCAF Partnership for Carbon Accounting Financials PCAF provides approach for Scope 3 financed emissions

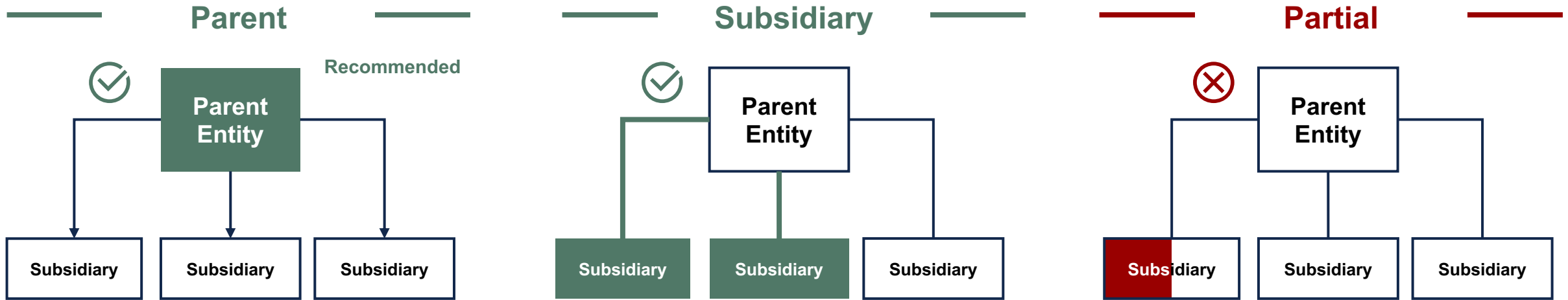


Emissions by scope of FI



Note: Examples are illustrative and not exhaustive of all categories within scopes

# Targets should cover emissions from the entire business



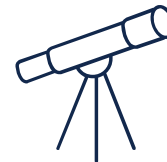
*FI-C5 – Subsidiaries: Recommended (vs. shall / must) that FIs submit targets only at parent level*

*FI-C2 – Significance Thresholds: May exclude up to 5% of scope 1 and 2 emissions*

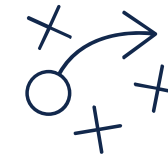
## Why be comprehensive?



**Ensure meaningful emissions reduction**



**Prepare future of the company**



**Drives change throughout company**

# SBTi is primarily focused on near-term targets in order to catalyze reductions in this decade

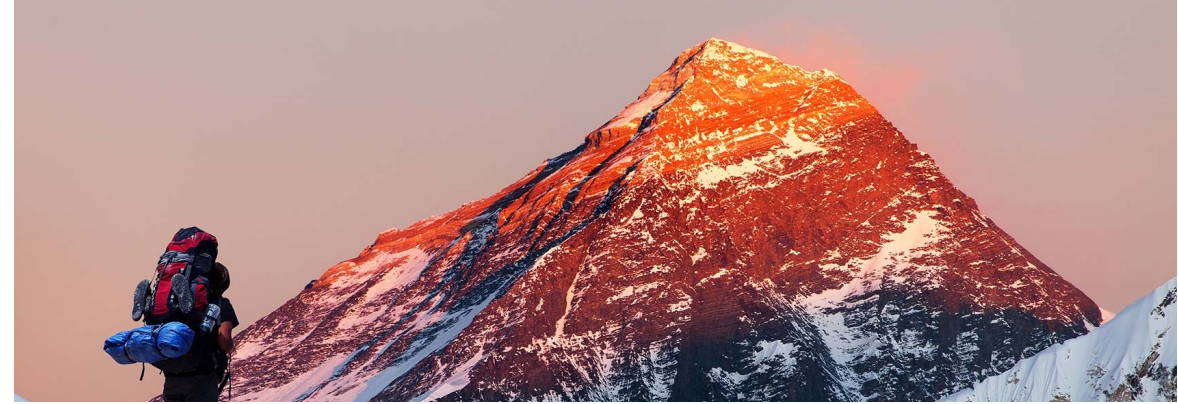


## Near-term target

- Target year is **5 to 15 years** from submission date
- **Required** to submit for Scope 1, 2, and 3 (financed only)
- Must align with **Well-Below 2°C Pathway** (at minimum)

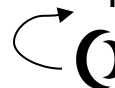
**Primary focus for SBTi target setting**

*FI-C6 – Base and Target Years*



## Long-term target

- Target year is **more than 15 years** from submission date
- **Encouraged** to submit long-term targets (up to 2050)
- Must align with **Well-Below 2°C Pathway** (at minimum)

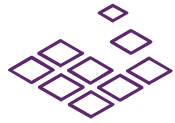
 **GFANZ** GFANZ requires complete neutralization of emissions and minimal reliance on offsets (only to be used for emissions resulting from operational or supply decisions outside of a company's control)



SBTi is developing the first global standard for [financial sector net-zero target setting](#), consistent with limiting global temperature rise to 1.5°C

*FI-R4 – Target Year*

# There are three steps for developing a target



1

## Set boundaries

Determine where to start and what to include



2

## Calculate baseline

Know where the organization currently stands



3

## Calculate target

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

### Degree of effort:



These steps are often the most challenging and time consuming



# Strategic questions must be answered to set the right target

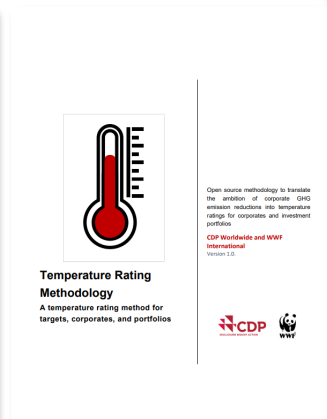
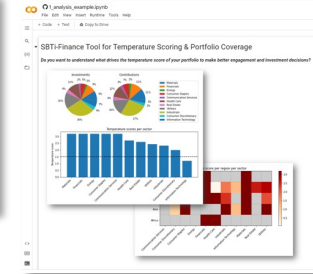
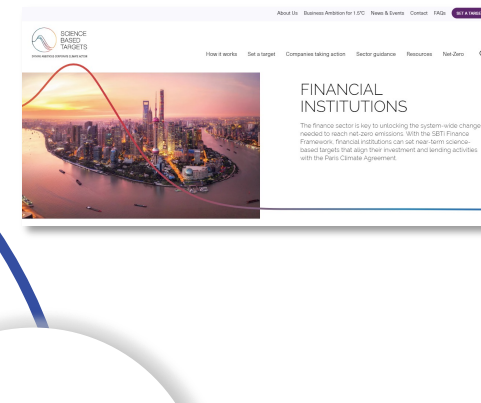
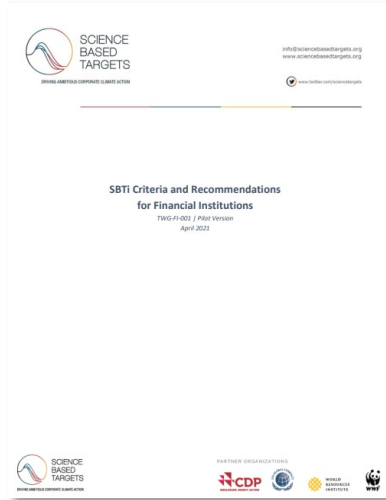
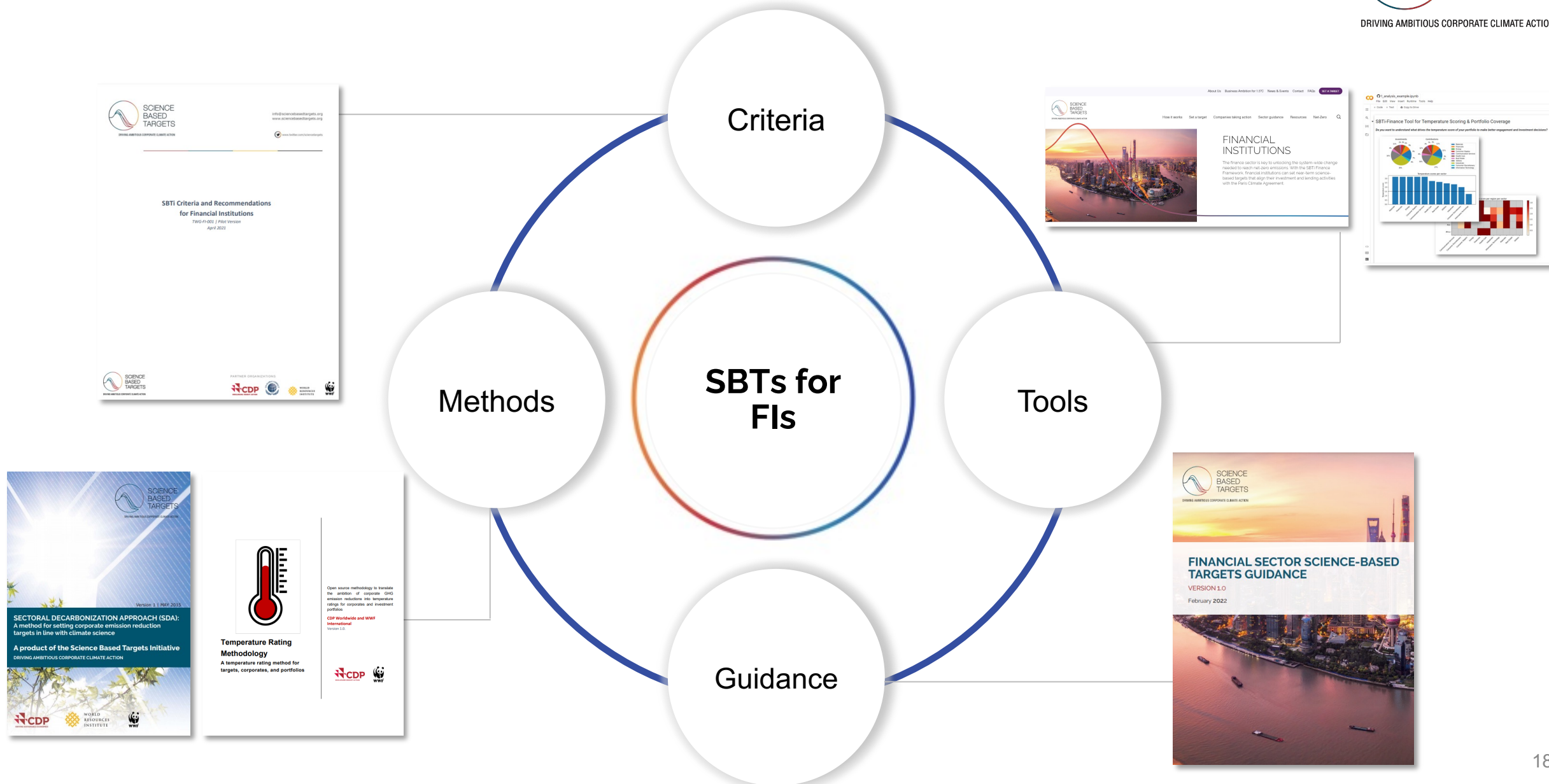


Key question

Consider

	<b>Boundaries</b>	<b>Approach &amp; Asset Classes</b>	<b>Number of targets</b>	<b>Near-term horizon</b>	<b>Long-term horizon</b>
<b>Key question</b>	Do targets apply to <b>whole firm</b> or subsidiaries?	How will you account for <b>reductions</b> ? What asset classes to include?	How <b>many</b> targets to set? For what categories? Will you <b>group</b> across classes?	When will you achieve <b>near-term goals</b> ?	When will you achieve <b>long-term goals</b> ?
<b>Consider</b>	<ul style="list-style-type: none"> <li>How you will <b>message</b> why boundaries were selected</li> <li>How you will balance impact with <b>achievability</b></li> </ul>	<ul style="list-style-type: none"> <li>What <b>data</b> your <b>company</b> can generate</li> <li>How the target will <b>impact growth or business model</b></li> </ul>	<ul style="list-style-type: none"> <li>What <b>data</b> your <b>customers</b> can provide</li> <li>What your organization can <b>control or influence</b></li> </ul>	<ul style="list-style-type: none"> <li>How much <b>disruption</b> your org. can handle</li> <li>The <b>upfront investment</b> you can afford</li> </ul>	<ul style="list-style-type: none"> <li>Net-zero by 2050 is becoming <b>industry standard</b></li> <li>Can your org. achieve these goals <b>sooner</b></li> </ul>

# SBTi provides foundational resources to guide the calculations




# Internal collaboration is also essential for setting targets

/ ILLUSTRATIVE EXAMPLE, THERE ARE OTHER MODELS

## Announce intent

 **CEO and/or Board** commit to set targets

 **CSO directs the process** typically with involvement of

- CFO or equivalent
- Risk
- Strategy

## Iterate with stakeholders to define targets using expert insight

Work led by **Sustainability Manager...**



... using **insights** from

- SBTi
- GFANZ
- Clients
- Consultants
- Others

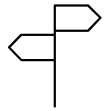
## Finalize targets

**CSO recommends** path forward

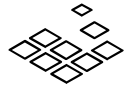
**CEO and/or Board** decides

**Business units** execute on path forward

# We hear common challenges at the start



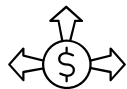
The SBTi **guidance keeps changing**



We want to **set targets for a subset** of our portfolio



We have **poor data quality**



Our **portfolio churns** quickly



We feel incentivized to **divest vs. engage**

# FIs still believe the benefit is worth the challenge

“ *...our ambition is to strengthen our international leadership, recognized by extra-financial agencies. We also want to drive an in-depth transformation of our business models towards a just transition, of which respect for the planet’s limits is a key component.* ”



Philippe Heim  
Executive Board Chairman of La Banque Postale



“ *Amalgamated Bank is a leader in climate action and advocacy for transformative activities and policies across the banking sector. **SBTi’s validation of our net-zero targets demonstrates that positive change is possible**, and we hope to see other banks take action.* ”



Priscilla Sims Brown  
President and CEO of Amalgamated Bank



“ *Schroders believes that in order for businesses to survive and thrive they need to adopt long-term sustainable business models. **Setting ambitious targets now will catalyze change to protect and enhance business value** in the long term.* ”

**Schroders** Global Head of Sustainable Investments at Schroders



# Key takeaways

- A science-based target **aligns commitments with the Paris agreement's goals**
- **SBTi is the only third-party validator** of science-based targets, which provides a five-step process and numerous tools for accomplishing
- **Companies should set near-term targets** that cover at least Scope 1, 2, and 3 financed emissions across the full legal entity



# THANK YOU FOR LISTENING

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WE MEAN  
BUSINESS  
COALITION



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 [info@sciencebasedtargets.org](mailto:info@sciencebasedtargets.org)