

# Temperature rating of portfolios, indexes, & companies

## Consultation Webinar

Online webinar: April 30, 2020

Nate Aden, Nico Fettes, Chris Weber, Eoin White



# SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

PARTNER ORGANIZATIONS



IN COLLABORATION WITH

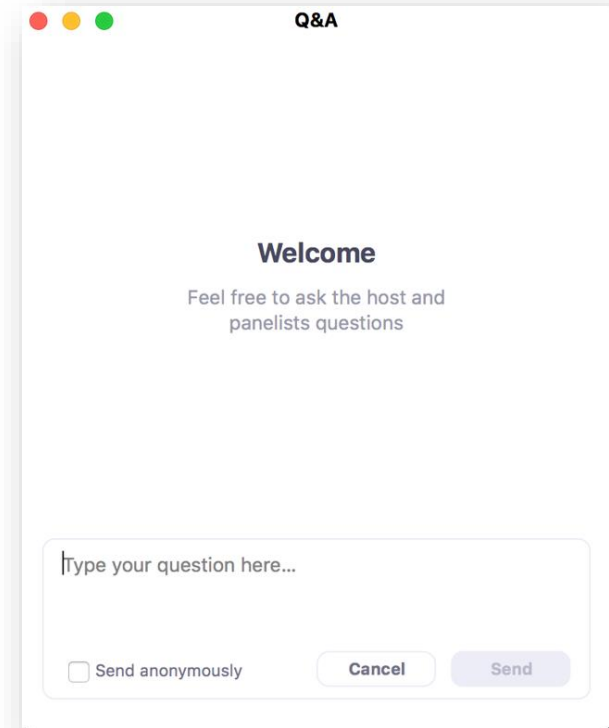


## Temperature Scoring I Welcome

This webinar is being recorded for public distribution. Slides and recording will be published.

There will be time for discussion and questions at multiple points throughout the webinar.

**Please type your questions into the Q&A/chat box.**



The image shows a screenshot of a Q&A chat box interface. At the top, there are three colored window control buttons (red, yellow, green) and the title "Q&A". The main content area displays the word "Welcome" in bold, followed by the text "Feel free to ask the host and panelists questions". Below this is a text input field with the placeholder text "Type your question here...". At the bottom left, there is a checkbox labeled "Send anonymously". At the bottom right, there are two buttons: "Cancel" and "Send".

## Temperature Scoring I Today's Speakers



**Nate Aden**  
Senior Fellow  
naden@wri.org  
**World Resources Institute**



**Eoin White**  
Target Validation Analyst  
Eoin.White@cdp.net  
**CDP**



**Chris Weber**  
Global Climate & Energy Lead Scientist  
chris.weber@wwf.org  
**WWF**



**Nico Fettes**  
Head of Climetrics  
Nico.Fettes@cdp.net  
**CDP**

## Temperature Scoring I Agenda

| AGENDA ITEM   | PRESENTED / MODERATED BY           | TIME ALLOCATION   |
|---|------------------------------------|-------------------|
| <b>SBTi framework for financial institutions</b>              | <b>Nate Aden</b>                   | <b>15 minutes</b> |
| <b>SBTi temperature scoring methodology</b>                   | Eoin White/Chris Weber/Nico Fettes | 30 minutes        |
| <b>Method refinement and stakeholder consultation process</b> | Eoin White                         | 15 minutes        |
| <b>Next steps and opportunities for participation</b>         | Nate Aden                          | 10 minutes        |
| <b>Questions and discussion</b>                               | ---                                | 20 minutes        |

# Science-based targets for financial institutions

In 2018, the SBTi launched a project to help financial institutions align their lending and investment portfolios with the ambition of the Paris Agreement.

The project audience includes universal banks, pension funds, insurance companies and public financial institutions.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



## SBTi-Finance Framework I Project partners and roles

*Managing Partner*



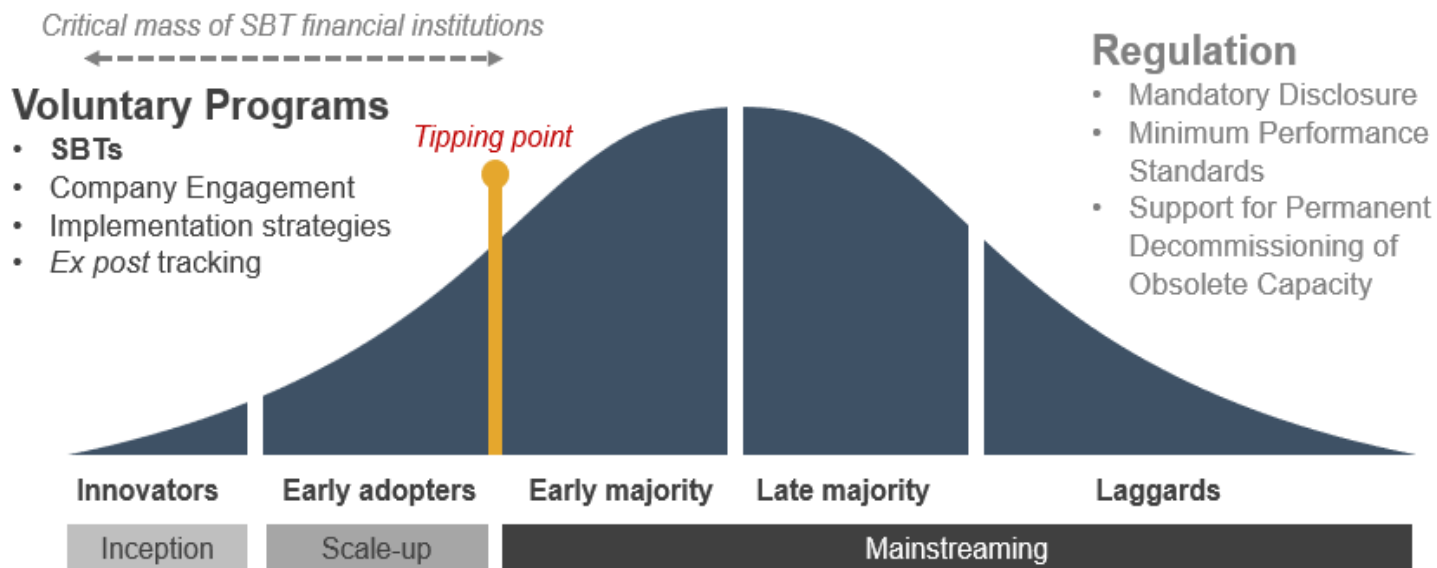
WORLD  
RESOURCES  
INSTITUTE



Technical Partner



## SBTi-Finance Framework I Tipping point theory of change



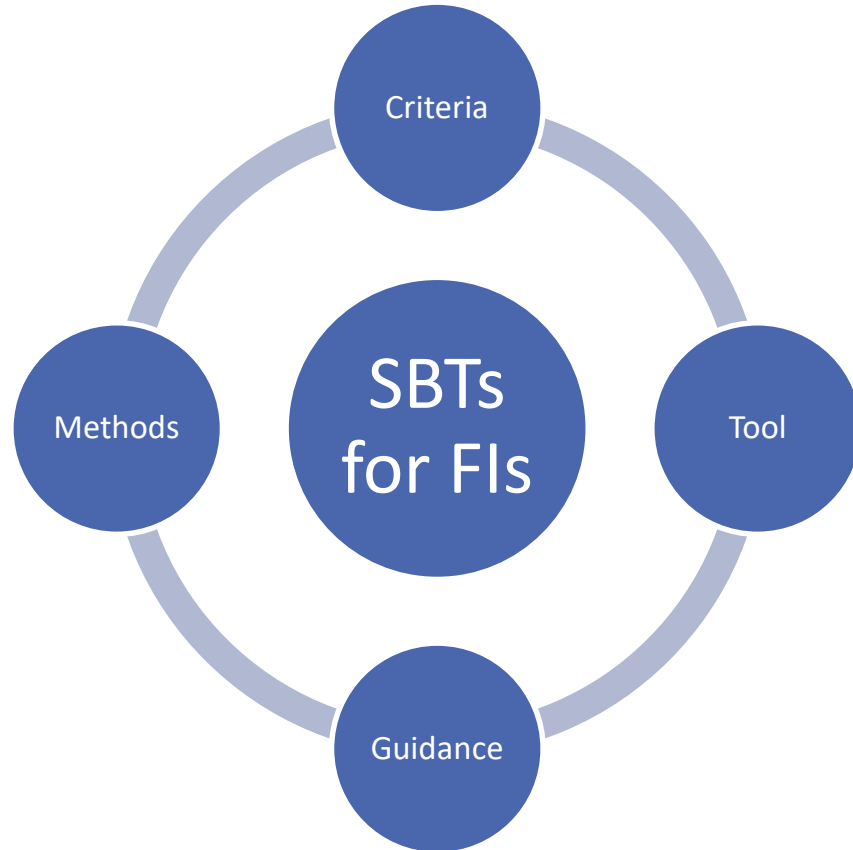
By requiring economic actors to set targets not only for their direct emissions, but for all emissions across their value chain over which they have influence (i.e. scope 2 and 3), the **SBTi seeks to align all relevant economic actors across a value chain behind a common goal and therefore create incentives and eliminate barriers for broader Paris-aligned systemic transformation.**

## SBTi-Finance Framework I Scope

| Included  | Outside of Current Scope  |
|---|---|
| <b>Scope 1 and 2 science-based target methods, criteria, and guidance</b>       | Impact assessment (pending data and evidence availability)                |
| <b>Scope 3 target methods, criteria, and guidance ('how much')</b>              | Additionality (quantification or attribution without sufficient evidence) |
| <b>Disclosure of implementation strategy</b>                                    | Ex-post tracking  |
| <b>Flexibility on actions to achieve targets</b>                                | Implementation requirements ('how')                                       |
| <b>Engagement strategies (via Portfolio Coverage &amp; Temperature Scoring)</b> | Leakage remediation   |
|   | Evaluation of strategies' cost effectiveness                              |



## SBTi-Finance Framework I Framework components



## SBTi-Finance Framework I Project milestones



## SBTi-Finance Framework I Mapping methods to asset classes

| Asset Class                                  | Method                                | Description  |
|--|---------------------------------------|--|
| Real Estate                                  | Sector Decarbonization Approach (SDA) | Emissions-based physical intensity targets are set for non-residential buildings' intensity and total GHG emissions.   |
| Mortgages                                    | SDA                                   | Emissions-based physical intensity targets are set for residential buildings' intensity and total GHG emissions.   |
| Electricity Generation Project Finance       | SDA                                   | Emissions-based physical intensity targets are set for electricity generation projects' intensity and total GHG emissions.   |
| Corporate Instruments (equity, bonds, loans) | SDA                                   | Emissions-based physical intensity targets are set at sector level within the portfolio for sector where sectoral decarbonization approaches are available.                              |
|  | PACTA                                 | Sectors are assessed at individual business activity level for select activities.  |
|  | SBT Portfolio Coverage                | Financial institutions engage a portion of their investees (in monetary or GHG emissions terms) to have their own science-based targets such that they will reach 100% coverage by 2050. |
|  | Temperature Rating                    | Financial institutions apply temperature rating method to come up with base- and target-year temperatures (e.g., 2.6°C in 2019 and 1.7°C in 2025).                                       |

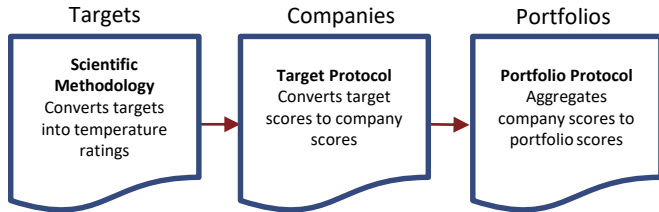
# Background to Temperature Scoring



# Temperature Scoring I Background

**1. Temperature Scoring Methodology:**  
Protocols to translate public targets to scores

**2. Applications**  
Solutions built on top of the open source framework



Open source, public methodology  
Data agnostic



**SBTi**  
**Financial Institutions**  
Methodology



**Data and solutions**  
Insights for investors and corporates



**Corporate and investor**  
applications

## Temperature Scoring I Background

The launch of the IPCC 1.5C report led the SBTi to classify all targets against long term temperature goals to determine relative ambition of approved targets



The SBTi's Foundations of Science Based Target Setting. This document describes the SBTi's framework for developing target-setting methods that are in line with science and for evaluating emissions scenarios associated with these methods. The SBTi have determined the GHG emission pathways that are aligned to three specific temperature pathways: 2C, well-below 2C, 1.5C



# Temperature Scoring I Background

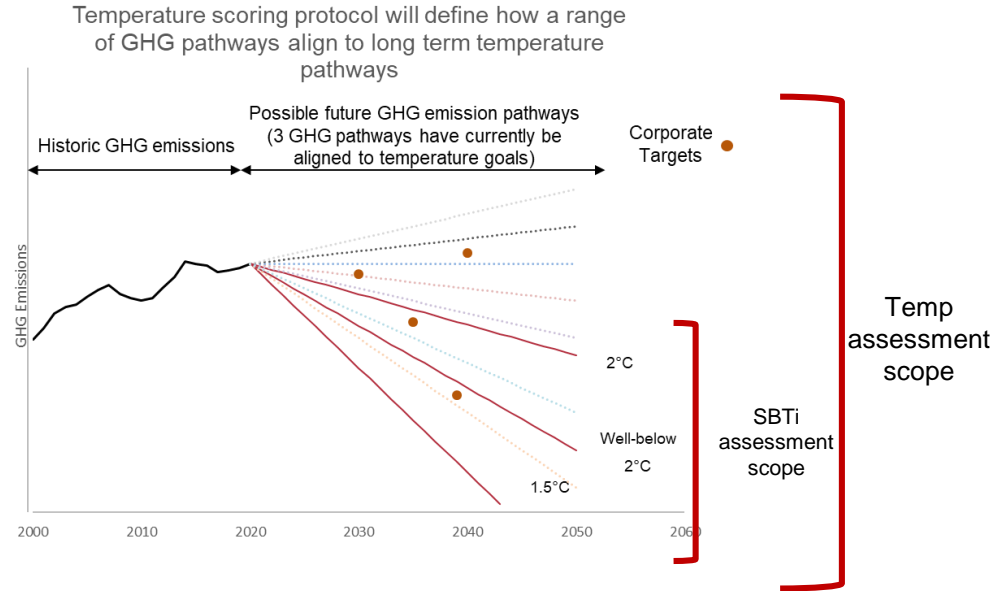
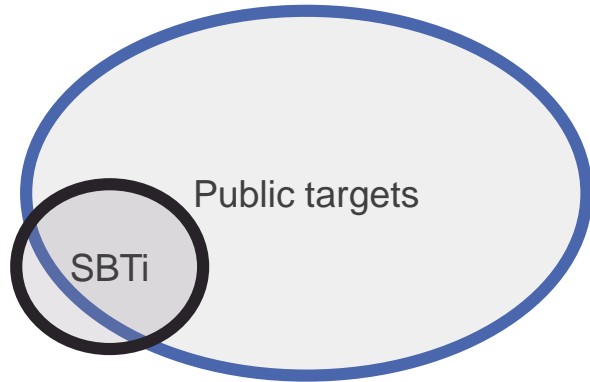
The SBTi's [target validation protocol](#) defines the ambition ranges for absolute and intensity targets based on the absolute emissions contraction and sectors decarbonisation approaches.



| Long-term temperature goal   | Ambition range<br>(global emissions pathway)                                   | Ambition range<br>(sector emissions pathway) |
|--|--|--|
| <b>2°C</b><br>Approx. 50% chance of limiting warming in 2100 to below 2°C                                  | $1.23\% \leq X < 2.5\%$<br><br>annual linear reduction rate over target period | SDA 2DS pathway $\leq X <$ SDA B2DS pathway  |
| <b>Well below 2°C</b><br>Approx. 66% chance of limiting peak warming between present and 2100 to below 2°C | $2.5\% \leq X < 4.2\%$<br><br>annual linear reduction rate over target period  | $X \geq$ SDA B2DS pathway                    |
| <b>1.5°C</b><br>Approx. 50% chance of limiting peak warming between present and 2100 to below 1.5°C        | $X \geq 4.2\%$<br>annual linear reduction rate over target period              | N/A  |

# Temperature Scoring I Background

- ▼ The SBTi have determined the GHG pathways that are aligned to three specific temperature pathways: 2°C, well-below 2°C, 1.5°C;
- ▼ Temperature scoring will assess and rate corporate ambition against a wider range of temperature outcomes (1.5–4°C) . e.g. Company A's GHG emission reduction target of X% reduction in absolute emissions by 2025 implies their ambition is aligned to a Y°C world.





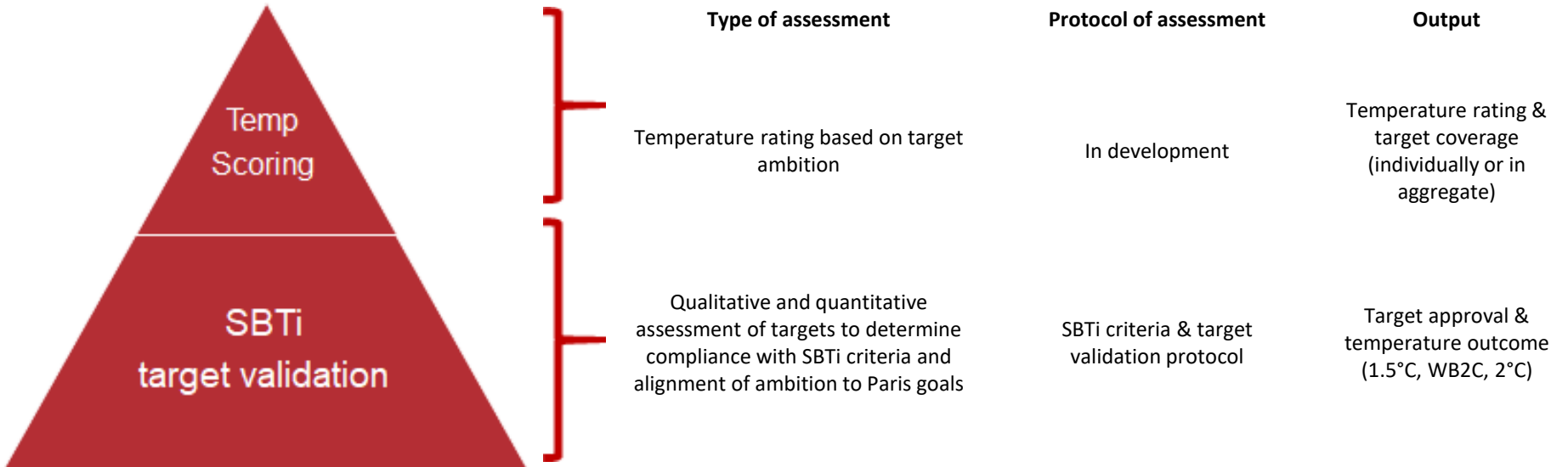
## Temperature Scoring I Background

- Assessing the ambition of corporate targets is complex: expressed with different units, over multiple timeframes covering various types of scopes
  - Scope Coverage: scope 1, scope 2, scope 1+2, scope 3, scope 1+2+3
  - Absolute/Intensity targets: many types of activity indicators e.g. per MWh, per revenue, per tonne of product
  - Timeframes: targets can be set anywhere from 2020-2050
- Translate:** the goal of a temperature rating is to translate targets into a single common and intuitive metric that is linked to the long-term temperature outcomes associated with the ambition of the target.

| Example targets                           | Translated temperature scores |
|---|-------------------------------|
| 30% absolute reduction by 2025            | 1.8°C                         |
| 4% year-on-year reduction by 2030         | 1.9°C                         |
| 50% reduction per unit of revenue by 2030 | 2.1°C                         |
| 25% reduction per MWh by 2025             | 3.1°C                         |



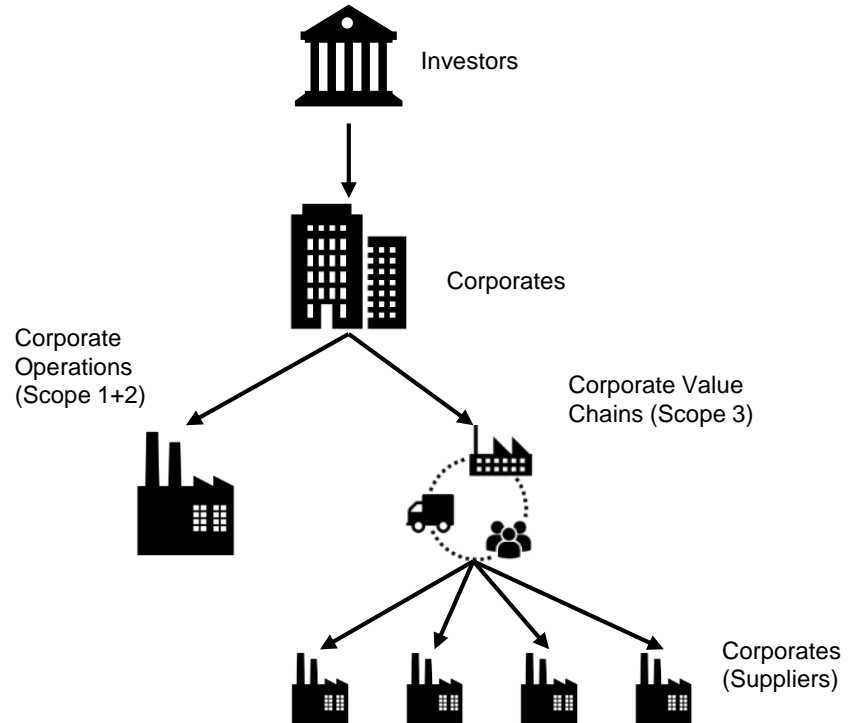
# Temperature Scoring I Background



# Temperature Scoring I Background

The temperature scoring standard enables all actors to use common, intuitive, and consistent metric to rate ambition at various levels.

- 1. Investor:** Investors use temperature scores to assess status and ambition of companies and build Paris-aligned portfolios
- 2. Corporate:** Corporates use temperature scores to classify ambition and highlight leadership. Corporates are scored on both their operational scope 1+2 ambition and value chain, scope 3 ambition
- 3. Value Chain:** Corporates can assess the status of their value chain by rating the ambition of their key suppliers



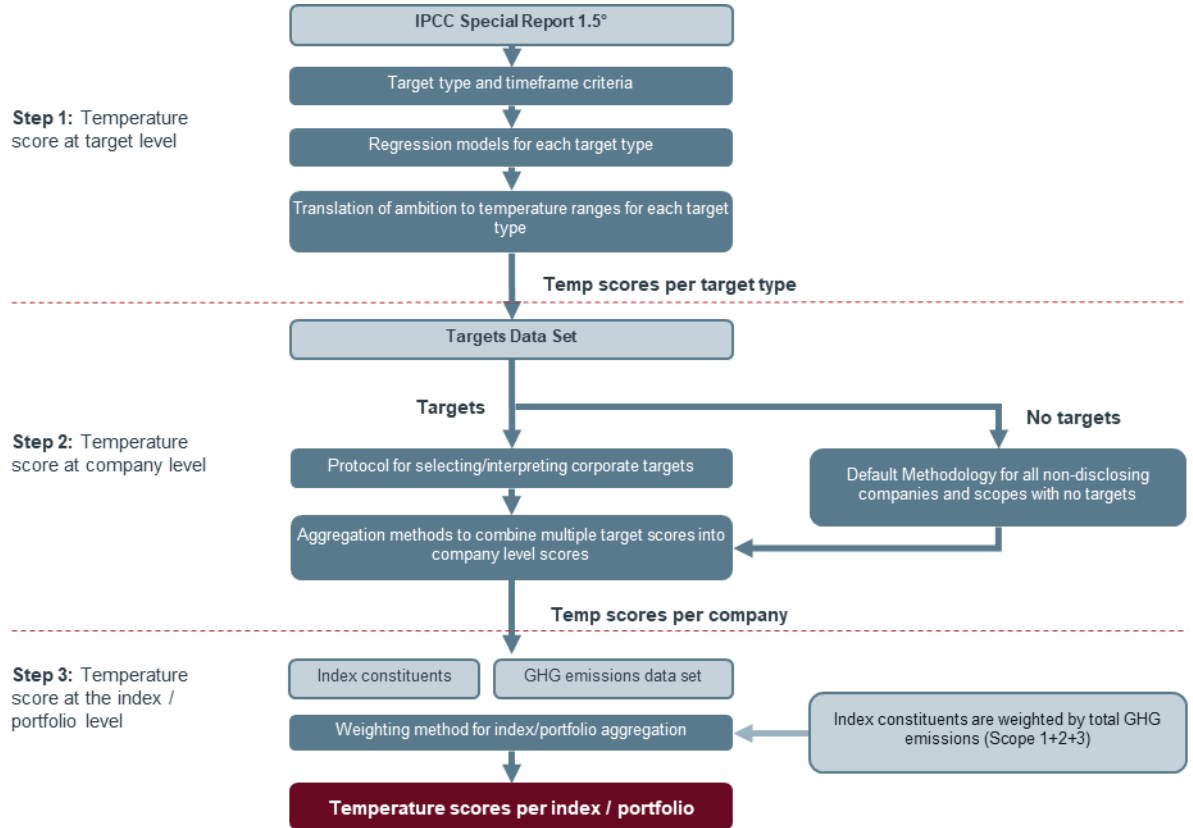
# Methodological Overview



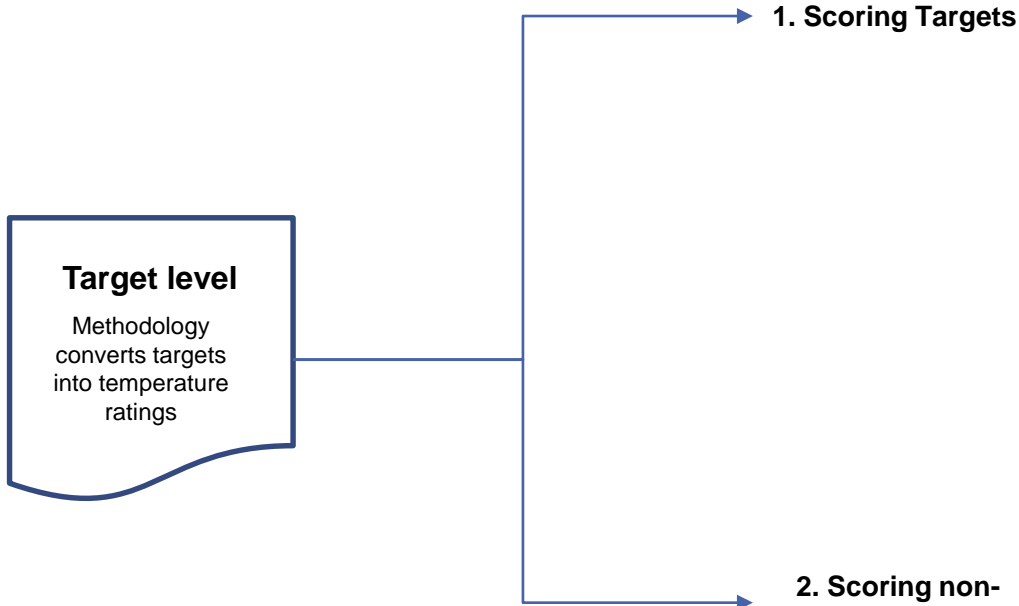
# Methodology I Three Step Process

## Temperature scoring process

1. The protocol for interpreting corporate targets is applied to the cleaned target data.
2. Target scores are aggregated to produce company level scores for scopes and timeframes
3. Company scores are weighted and aggregated to produce portfolio level scores



# Methodology | Step 1 Target Protocol



Assess which types of corporate GHG targets (absolute and GHG intensity reductions) can be matched to scenario variables

| Type of target                           | Scenario benchmark          |
|--|-----------------------------|
| Absolute GHG targets                     | Global GHG emissions        |
| Economic intensity targets               | Global GHG/GDP              |
| CO <sub>2</sub> intensity of electricity | Global CO <sub>2</sub> /MWh |
| etc                                      |                             |

Companies without any relevant, publicly disclosed targets, or without targets covering a particular GHG emissions scope (e.g. scope 3), are still assigned a temperature score (“default temperature score”)

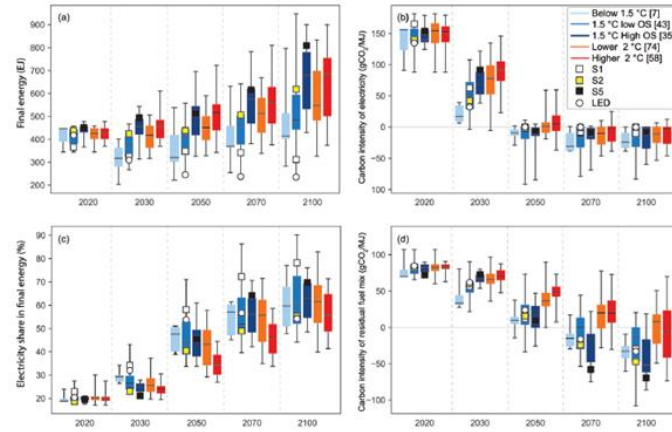
# Methodology | Step 1 Target Protocol

Method tests a hypothesis of a linear relationship between the change (slope) in common scenario metrics (e.g., absolute emissions; emissions/GDP) over specific timeframes relevant to corporate target setting horizons (e.g., 2020-2035) and the resulting global warming in 2100  
 -> Builds on previous work by IPCC and SBTi members

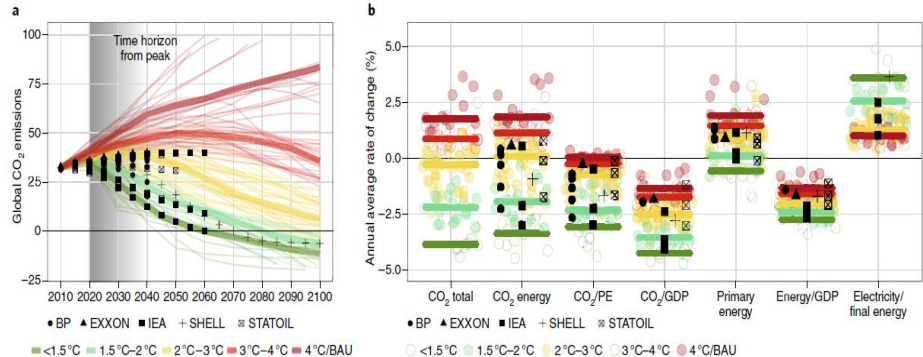
Regression models were developed for each unique combination of:

- key scenario variables/benchmarks; 6
- unique scenario subset (filtering by peak year, max CDR); 56
- key time horizons relevant to corporate targets, (5 to 30 years); 6

=> 56 x 6 x 6 unique regression models



**Figure:** Scenario variables in different timeframes by temperature outcome.  
**Source:** IPCC SR1.5, Chapter 2



**Figure:** Range of slopes for common scenario variables/benchmarks.  
**Source:** Weber et al. (2018) *Nature Climate Change*.

# Methodology | Step 1 Target Protocol

Final scenario set and time horizon chosen by combination of:

- goodness of fit (adj R<sup>2</sup>)
- alignment to SBTi's precautionary view of overshoot/CDR (max 10 Gt/yr)

Results:

- total 133 scenarios from SR1.5 ensemble
- Adj. R<sup>2</sup> ranges from
  - 0.71-0.85 over 15 years
  - 0.84-0.93 over 30 years

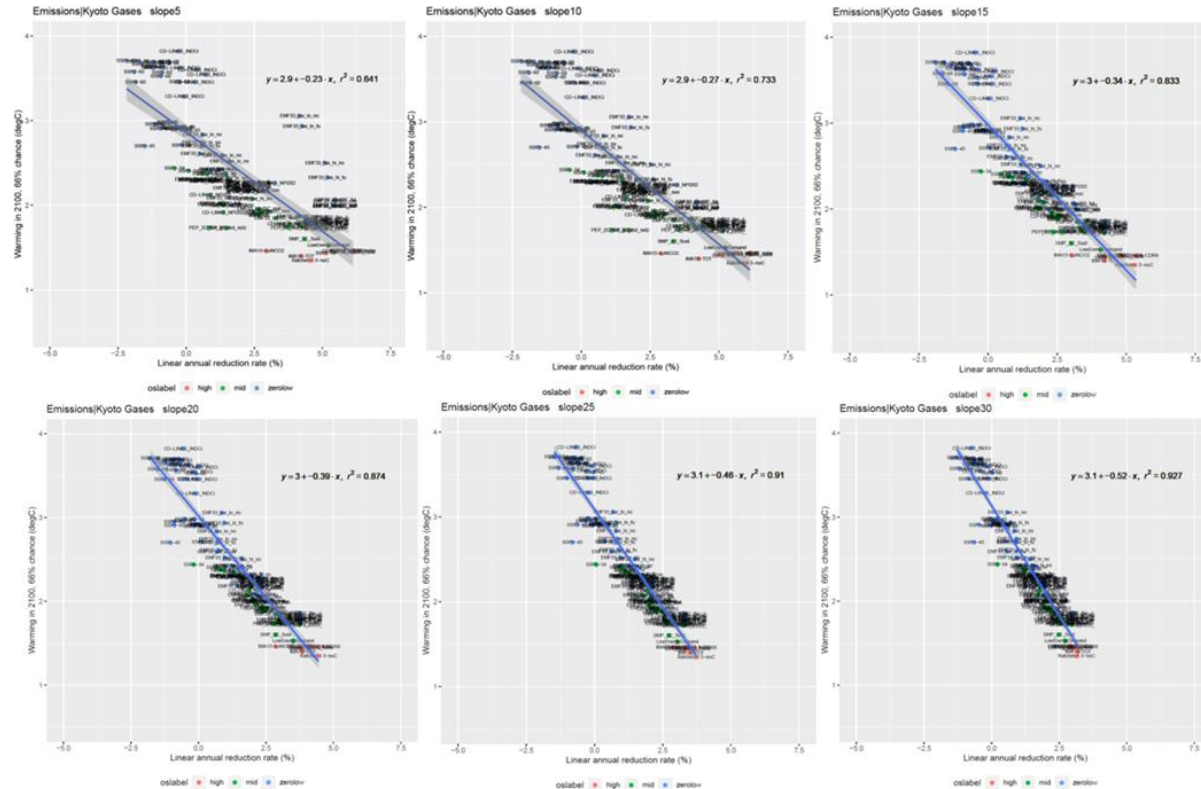


Figure: Regression results for chosen scenario set, 5-30 years, for global GHGs



## Methodology I Step 2 Target Protocol

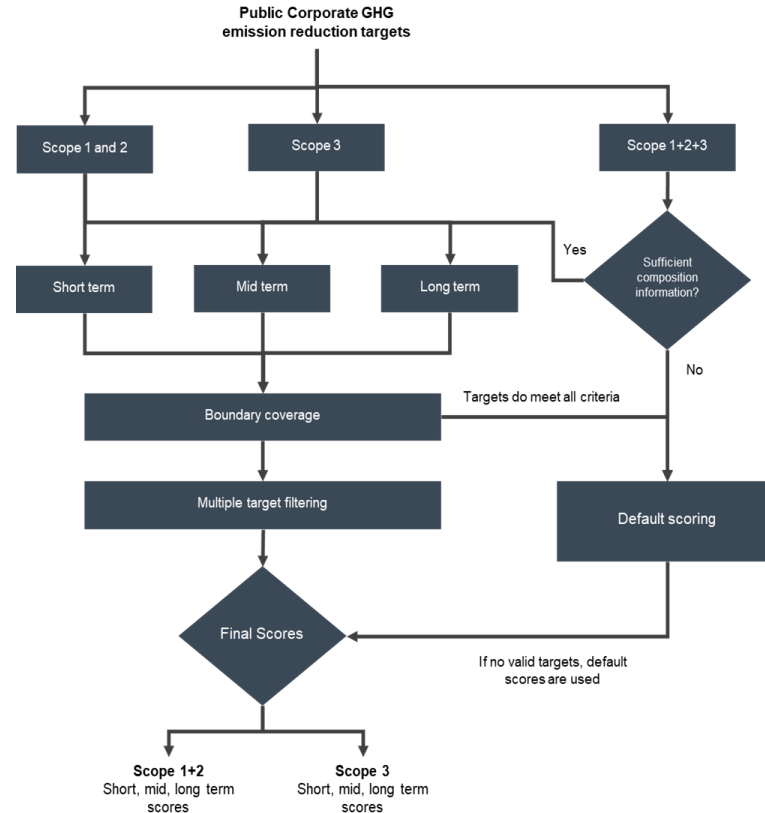
Five key quality criteria to assess the validity of targets

| Step                 | Description   |
|----------------------|---|
| 1. Target Types      | Defines which targets can be scored, e.g. absolute targets, intensity targets. Electricity procurement, net zero, engagement targets are not scored   |
| 2. Scope Coverage    | Scope 1+2 and scope 3 targets (if scope 3 > 40% of total) are scored.<br><br>These scored will be aggregated to produce a scope 1+2+3<br>If a scope is not covered by targets, a default score will be used   |
| 3. Boundary Coverage | Criteria based on two approaches: setting a minimum coverage at 95% (scope 1 and 2) and 67% (scope 3), or using a weighted approach e.g. emissions not covered in a scope are scored using default approaches |
| 4. Target timeframe  | Targets can be scored over short (2021-2024), mid (2025-2035) and long (2035-2050) timeframes   |
| 5. Progress          | The first version will focus exclusively on forward looking targets. Ambition is measured from base year to target year. Targets completed by the reporting year are not valid                                |

# Methodology I Step 2 Company Protocol

## Step by Step guide

- Identify valid target types
- Classify companies by scope
- Classify companies by timeframe
- Apply boundary coverage criteria
- Multiple target filtering
  - Select target with highest boundary coverage
  - Select later target years
  - Absolute targets prioritized



## Methodology | Step 2 Company Protocol

**Outputs at a company level:** produce one temperature score for each scope and applicable timeframe.

|                                | Short-term<br>2021-2024                      | Mid-term<br>2025-2035   | Long-term<br>2035-2050  |
|--------------------------------|--|---|---|
| Scope 1+2<br>GHG: 450,000t     | No target/<br>default score:<br><b>3.2°C</b> | Yes<br><b>1.8°C</b>   | Yes<br><b>1.9°C</b>   |
| Scope 3<br>GHG: 2,100,000t     | No target/<br>default score:<br><b>3.2°C</b> | No target/<br>default score:<br><b>3.2°C</b>  | No target/<br>default score:<br><b>3.2°C</b>  |
| Scope 1+2+3<br>GHG: 2,550,000t | No target/<br>default score:<br><b>3.2°C</b> | GHG weighting applied to produce a<br>composite score:<br><br>$\frac{(450,000 \times 1.8^\circ\text{C}) + (2,100,000 \times 3.2^\circ\text{C})}{(450,000 + 2,100,000)} =$ <b>2.95°C</b> | GHG weighting applied to produce a<br>composite score:<br><br>$\frac{(450,000 \times 1.9^\circ\text{C}) + (2,100,000 \times 3.2^\circ\text{C})}{(450,000 + 2,100,000)} =$ <b>2.97°C</b> |

## Methodology I Step 3 Portfolio Protocol

### 1. Definition of three weighting objectives & six principles, including

Support GHG disclosure by companies, allow portfolio alignment, standardisation of metrics, comparability, applicability, clarity etc.

### 2. Assessment of four weighting approaches against objectives & principles:

|          |   |
|----------|---|
| Option 1 | Weighted average temperature score (WATS)   |
| Option 2 | Total emissions weighted temperature score (TETS)                                 |
| Option 3 | Market Owned emissions weighted temperature score (MOTS)                          |
| Option 4 | Enterprise Owned emissions weighted temperature score (EOTS)                      |
|          | <i>Enterprise Value + Cash Owned emissions weighted temperature score (ECOTS)</i> |
|          | <i>Total Assets emissions weighted temperature score (AOTS)</i>                   |

# Methodology | Step 3 Portfolio Protocol

## 3. Calculation of scores for three sample portfolios

high, medium, low impact under each approach

## 4. Discussion of results

Recommended approach:

*Enterprise owned emissions weighted temperature score (EOTS)*

|                         | WATS      |             | TETS      |             | MOTS      |             | EOTS      |             |
|-------------------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|
|                         | Scope 1+2 | Scope 1+2+3 | Scope 1+2 | Scope 1+2+3 | Scope 1+2 | Scope 1+2+3 | Scope 1+2 | Scope 1+2+3 |
| High impact portfolio   | 2.76      | 3.05        | 2.94      | 3.13        | 3.07      | 3.17        | 3.00      | 3.18        |
| Medium impact portfolio | 2.20      | 2.94        | 2.06      | 3.01        | 1.95      | 3.09        | 1.96      | 3.09        |
| Low impact portfolio    | 1.93      | 2.56        | 1.64      | 2.34        | 1.69      | 2.19        | 1.72      | 2.13        |

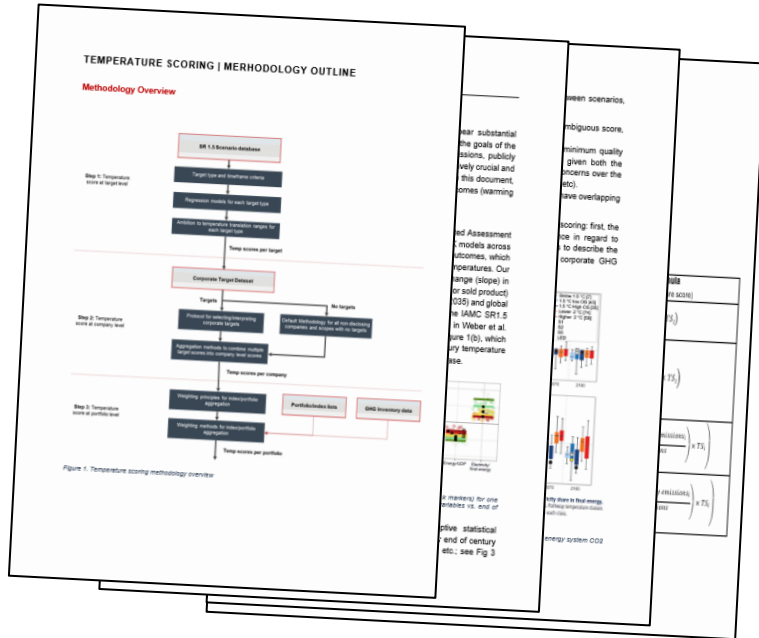
| High impact portfolio   |                             |                  |                      |   |   |   |   |                                    |  |  |  |
|-------------------------|-----------------------------|------------------|----------------------|---|---|---|---|------------------------------------|--|--|--|
| Company                 | CO <sub>2</sub> Activity    | Portfolio weight | Investment value (€) | Market owned emissions Scope 1 & 2 (tCO <sub>2</sub> e) | Market owned emissions Scope 1 & 2 & 3 (tCO <sub>2</sub> e) | Enterprise owned emissions Scope 1 & 2 (tCO <sub>2</sub> e) | Enterprise owned emissions Scope 1 & 2 & 3 (tCO <sub>2</sub> e) | Temperature score Scope 1 & 2 (°C) | Temperature score Scope 1 & 2 & 3 (°C) | Scope 1 & 2 emissions (tCO <sub>2</sub> e) | Scope 1 & 2 & 3 emissions (tCO <sub>2</sub> e) |
| Air Liquide             | Isopropyl base chemicals    | 30%              | 1.0                  |   |   |   |   | 1.8                                | 3.0                                    |  |  |
| BHP                     | Iron ore mining             | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| CB&I                    | Oranar                      | 30%              | 1.0                  |   |   |   |   | 2.0                                | 3.0                                    |  |  |
| Danier AG               | Admexiles                   | 30%              | 1.0                  |   |   |   |   | 1.5                                | 1.7                                    |  |  |
| Air France-HM           | Passenger airlines          | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| Nord-Hydro              | Aluminum                    | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| Royal Dutch-Shell       | Oil & gas refining          | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| TataPower Co            | Coal generation             | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| Veeva Systems           | IT services                 | 30%              | 1.0                  |   |   |   |   | 2.0                                | 3.0                                    |  |  |
| LG Chemical             | Chemicals                   | 30%              | 1.0                  |   |   |   |   | 2.0                                | 3.0                                    |  |  |
| <b>Total</b>            |                             | <b>30%</b>       | <b>3.0</b>           | <b>5.0</b>  | <b>32.0</b>   | <b>11.3</b>   | <b>32.3</b>   |                                    |  | <b>27.0</b>                                | <b>1,966.0</b>                                 |
| Medium impact portfolio |                             |                  |                      |   |   |   |   |                                    |  |  |  |
| Company                 | CO <sub>2</sub> Activity    | Portfolio weight | Investment value (€) | Market owned emissions Scope 1 & 2 (tCO <sub>2</sub> e) | Market owned emissions Scope 1 & 2 & 3 (tCO <sub>2</sub> e) | Enterprise owned emissions Scope 1 & 2 (tCO <sub>2</sub> e) | Enterprise owned emissions Scope 1 & 2 & 3 (tCO <sub>2</sub> e) | Temperature score Scope 1 & 2 (°C) | Temperature score Scope 1 & 2 & 3 (°C) | Scope 1 & 2 emissions (tCO <sub>2</sub> e) | Scope 1 & 2 & 3 emissions (tCO <sub>2</sub> e) |
| 3M Company              | Specialty chemicals         | 30%              | 1.0                  |   |   |   |   | 1.8                                | 3.0                                    |  |  |
| ASML Holding            | Electronic components       | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| Roche                   | Pharmaceuticals             | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| Cummins                 | Superalloys, fuel & engines | 30%              | 1.0                  |   |   |   |   | 1.7                                | 3.0                                    |  |  |
| Konecranes              | Medical equipment           | 30%              | 1.0                  |   |   |   |   | 1.6                                | 3.0                                    |  |  |
| LG Electronics          | Household appliances        | 30%              | 1.0                  |   |   |   |   | 1.6                                | 3.0                                    |  |  |
| Hydrex Corporation      | Fuel cells                  | 30%              | 1.0                  |   |   |   |   | 1.7                                | 1.7                                    |  |  |
| QNH Corporation         | Industrial machinery        | 30%              | 1.0                  |   |   |   |   | 1.8                                | 3.0                                    |  |  |
| Saint-Gobain            | Glass products              | 30%              | 1.0                  |   |   |   |   | 2.0                                | 3.0                                    |  |  |
| Alcoa Corp              | Industrial machinery        | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| <b>Total</b>            |                             | <b>30%</b>       | <b>3.0</b>           | <b>1.1</b>  | <b>36.0</b>   | <b>67</b>   | <b>3.8</b>  |                                    |  | <b>25.7</b>                                | <b>2,437.0</b>                                 |
| Low impact portfolio    |                             |                  |                      |   |   |   |   |                                    |  |  |  |
| Company                 | CO <sub>2</sub> Activity    | Portfolio weight | Investment value (€) | Market owned emissions Scope 1 & 2 (tCO <sub>2</sub> e) | Market owned emissions Scope 1 & 2 & 3 (tCO <sub>2</sub> e) | Enterprise owned emissions Scope 1 & 2 (tCO <sub>2</sub> e) | Enterprise owned emissions Scope 1 & 2 & 3 (tCO <sub>2</sub> e) | Temperature score Scope 1 & 2 (°C) | Temperature score Scope 1 & 2 & 3 (°C) | Scope 1 & 2 emissions (tCO <sub>2</sub> e) | Scope 1 & 2 & 3 emissions (tCO <sub>2</sub> e) |
| Abbia Inc               | Software                    | 30%              | 1.0                  |   |   |   |   | 1.7                                | 2.0                                    |  |  |
| Burberry Group          | Apparel & footwear          | 30%              | 1.0                  |   |   |   |   | 1.5                                | 1.6                                    |  |  |
| Anheuser-Busch InBev    | Alcoholic beverages         | 30%              | 1.0                  |   |   |   |   | 1.8                                | 1.8                                    |  |  |
| Ballou Company          | Baked goods & confectionery | 30%              | 1.0                  |   |   |   |   | 1.6                                | 1.6                                    |  |  |
| Calsonic Corporation    | Automotive                  | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| Microsoft Corp          | Software                    | 30%              | 1.0                  |   |   |   |   | 1.5                                | 2.0                                    |  |  |
| Novartis                | Pharma                      | 30%              | 1.0                  |   |   |   |   | 3.0                                | 3.0                                    |  |  |
| Danone Waters           | Beverages                   | 30%              | 1.0                  |   |   |   |   | 1.6                                | 3.0                                    |  |  |
| AXA Group               | Insurance                   | 30%              | 1.0                  |   |   |   |   | 3.0                                | 1.6                                    |  |  |
| Verifone Group          | Telecommunications services | 30%              | 1.0                  |   |   |   |   | 1.5                                | 3.0                                    |  |  |
| <b>Total</b>            |                             | <b>30%</b>       | <b>3.0</b>           | <b>1.2</b>  | <b>1.6</b>  | <b>3.0</b>  | <b>1.3</b>  |                                    |  | <b>1.4</b>                                 | <b>1,111.0</b>                                 |

# Consultation Process



# Consultation I Documents for review

1. Methodology will be open for review and comment. Participants can review draft document



2. Online Survey: ask specific methodological questions e.g. default methodology, portfolio aggregation steps

## Temperature Scoring Consultation Survey

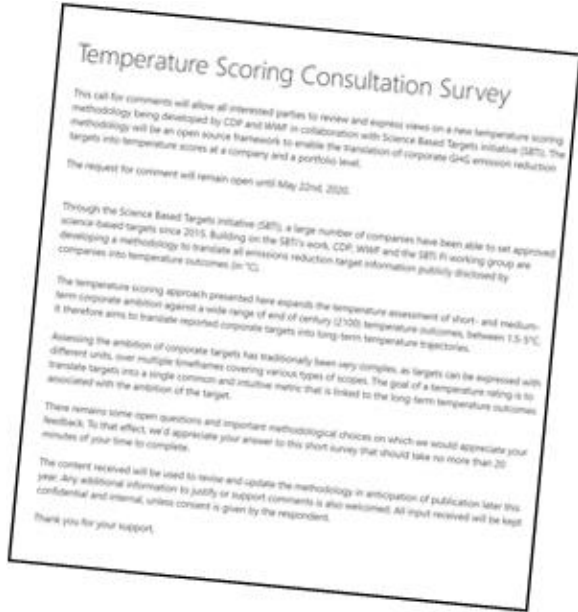
Through the Science Based Targets initiative (SBTi), a large number of companies have been able to set approved science-based targets since 2015. Building on the SBTi's work, CDP, WWF and the SBTi FI working group are developing a methodology to translate all emissions reduction target information publicly disclosed by companies into temperature outcomes (in °C).

The temperature scoring approach presented here expands the temperature assessment of short- and medium-term corporate ambition against a wide range of end of century (2100) temperature outcomes, between 1.5-5°C. It therefore aims to translate reported corporate targets into long-term temperature trajectories.

7. For companies who do not disclose targets publicly, or whose public target does not meet the criteria, a default scoring approach is used. What is your preferred approach to default scoring? \*

- Companies with no valid targets, should not be scored
- Uniform default score applied to all companies, regardless of sector
- Sector by sector default score, taking account of different BAU pathways for each sector
- Default scores should only be applied at a company level, but not used for portfolio level scoring
- Default scores should not be applied at a company level, but only included for portfolio screening
- Other

# Consultation I Survey Overview



|                                   |   |
|-----------------------------------|---|
| <b>Part 1: Introduction</b>       | General Information and familiarity with using targets and temperature scores to assess corporate ambition                                    |
| <b>Part 2: Target Protocol</b>    | Space for open comments on the approach to scenario selection and regression modelling.<br>Seeking feedback on the default scoring approaches |
| <b>Part 3: Company Protocol</b>   | Seeking feedback on the criteria for emissions coverage within scopes and timeframes used when generating temperature scores.                 |
| <b>Part 4: Portfolio Protocol</b> | Seeking feedback on the six weighting options presented, to understand which is the most relevant for temperature scoring.                    |



## Consultation I Key Questions

### Target Protocol

1. General feedback on scenario approach and regression models  
For companies who do not publicly disclose targets, we are seeking feedback on the approach to default scores
2. Should a default score be applied?  
If yes, which level should it be applied at i.e. company and/or portfolio level
3. Feedback on the approach to defining the temperature score e.g. 3.2°C

### Company Protocol

4. Which approach to scope coverage is most suitable for temperature scoring i.e. should the same strict thresholds of the SBTi be employed, or a weighting approach that limits the score to the coverage of emissions
5. Scores can be generated across 3 timeframes, short, mid, long-term. When it comes to using temperature scores, we are seeking feedback on which timeframes would be most relevant

### Portfolio Protocol

6. Feedback on which of the six approaches to weighting temperature scores in a portfolio is most credible

## Consultation I Consultation timeline

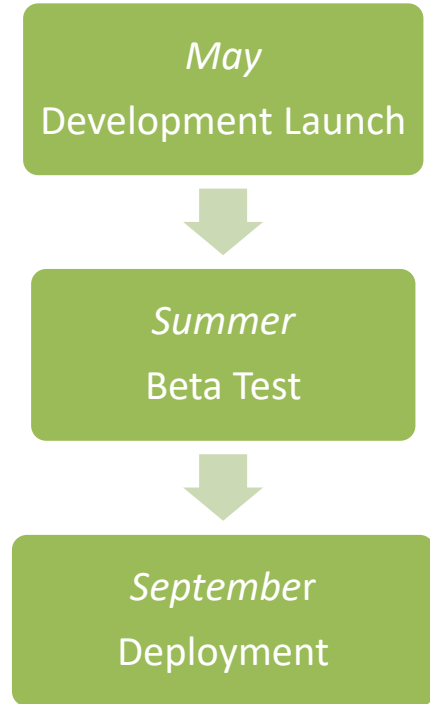
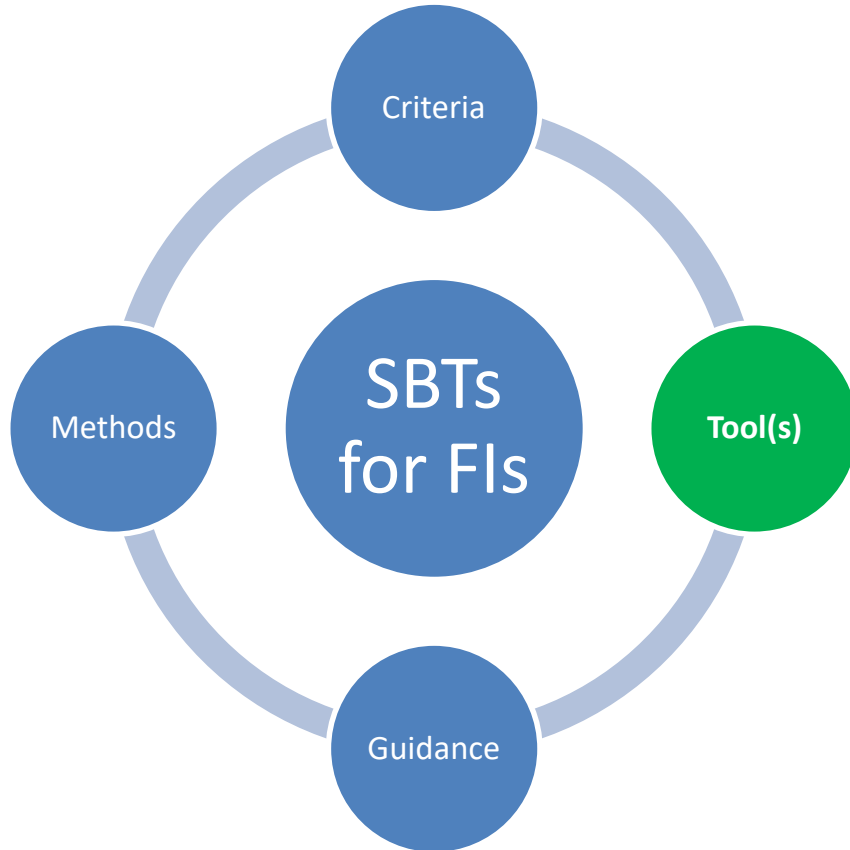
- The consultation period will open on April 30 and run until May 22.
- The content received will be used to revise and update the methodology in anticipation of publication later this year. Any additional information to justify or support comments is also welcomed.
- All input received will be kept confidential and internal



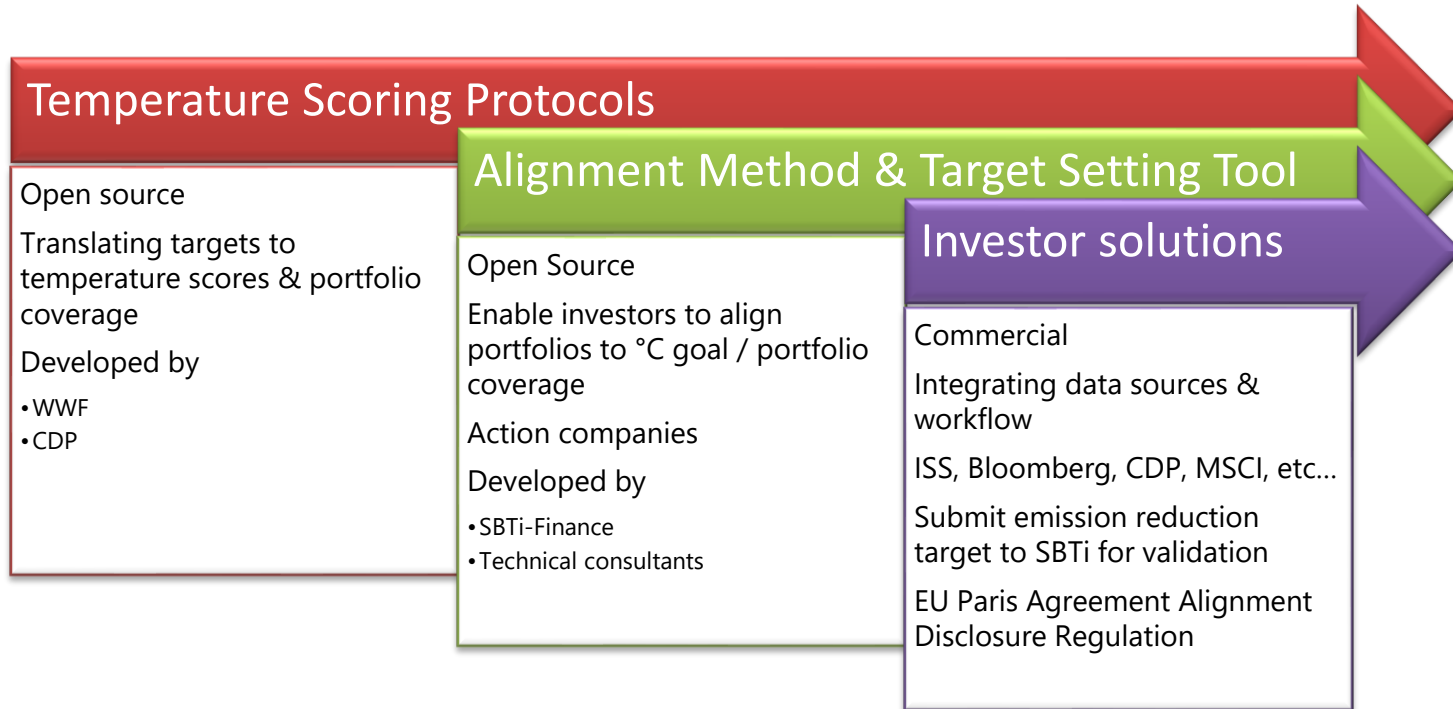
# Next Steps for SBTi Finance Framework



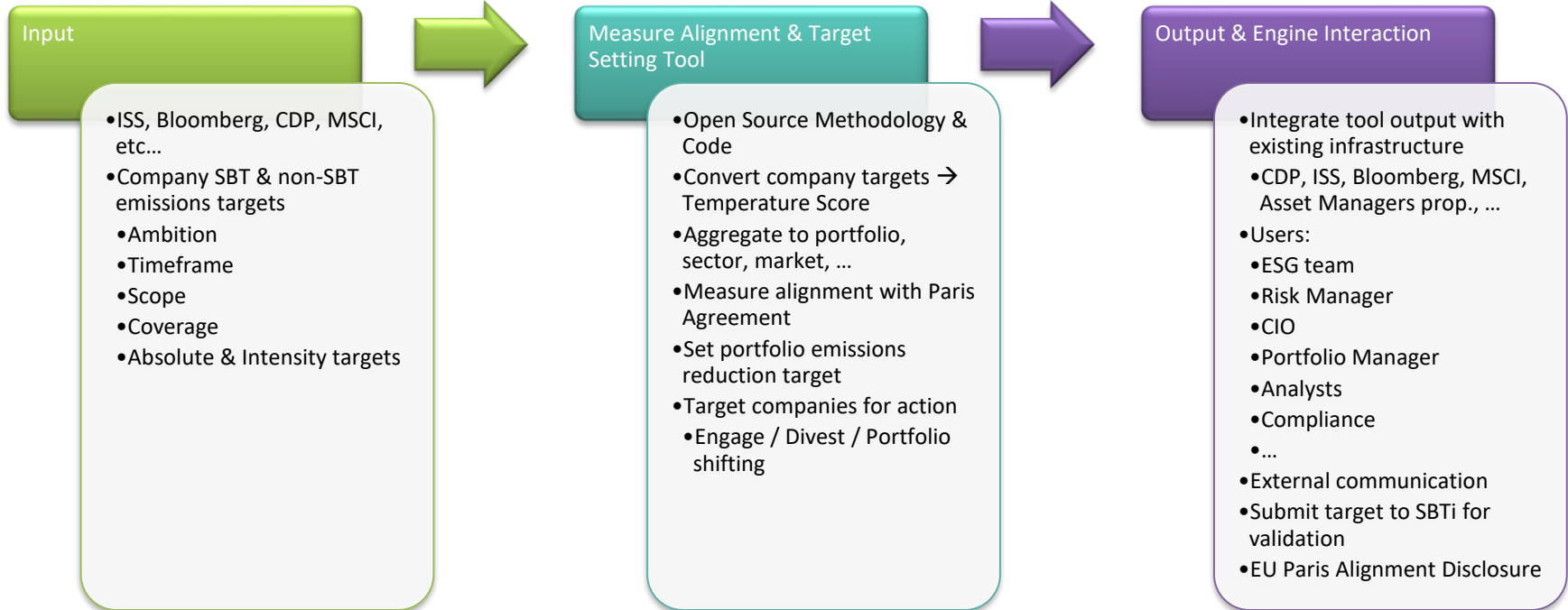
## Next Steps I Tool development process



## Next Steps I Temperature alignment and portfolio coverage



## Next Steps I Temperature Alignment and Portfolio Coverage



## Next Steps | Opportunities for participation

### SBTi-Finance Framework

- Stakeholder list
- Criteria feedback
- May 19 webinar
- Guidance review
- Commit to setting SBT
- Submit target for review

### SBTi-Finance Temperature Alignment Method

- Review method
- Complete survey

### SBTi-Finance Tool Development

- Join working group
  - User developer
  - Data & service providers
- Beta test tool
- Integrate tool



# Questions & discussion





SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



Thanks for your time!

If you haven't already, **join SBTi/FI stakeholder list**

at <https://sciencebasedtargets.org/financial-institutions/>



[www.sciencebasedtargets.org](http://www.sciencebasedtargets.org)



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