SBTs for Financial Institutions
Beta User

August 7th, 2020, 16:00-17:00 CEST

Workshop

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION
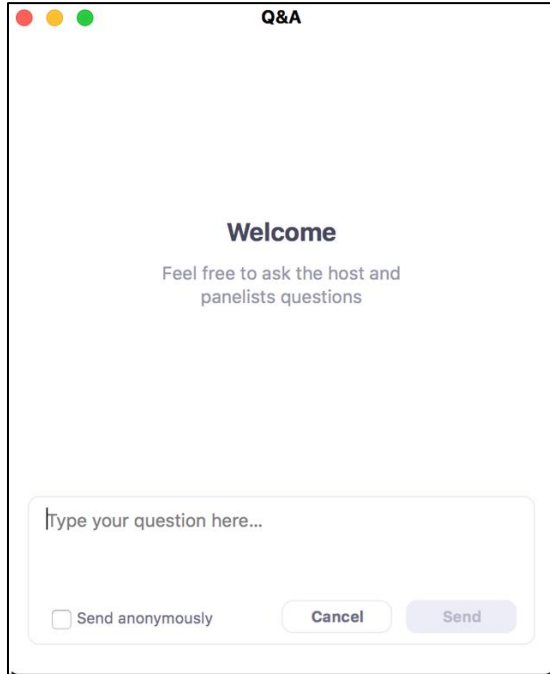
PARTNER ORGANIZATIONS

CDP
DISCLOSURE INSIGHT ACTION

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WORLD RESOURCES INSTITUTE

WWF

IN COLLABORATION WITH

WE MEAN BUSINESS

Welcome

This webinar is being recorded. Slides and recording will be posted to our website. They will also be emailed to you.

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

Please type your questions into the Q&A box or raise your hand to speak.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Today's Speakers

Lisa Eichler
Co-Head Climate & ESG Solutions
Ortec Finance

Hewson Baltzell
President & COO
Helios Exchange

Donald Linderyd
Project Manager Sustainable Finance
WWF

Eoin White
Target Validation Analyst
CDP

Agenda for Today's Interactive Session

Topic	Time
Introduction and Overview of SBTi-Finance	10 min
SBTi-Finance Tool Demo	15 min
Output interpretation & Running 'What-if' analysis	25 min
Any remaining questions	10 min

Today's Goal is to get you up to speed in using the SBTi Finance tool for analysis and target setting.

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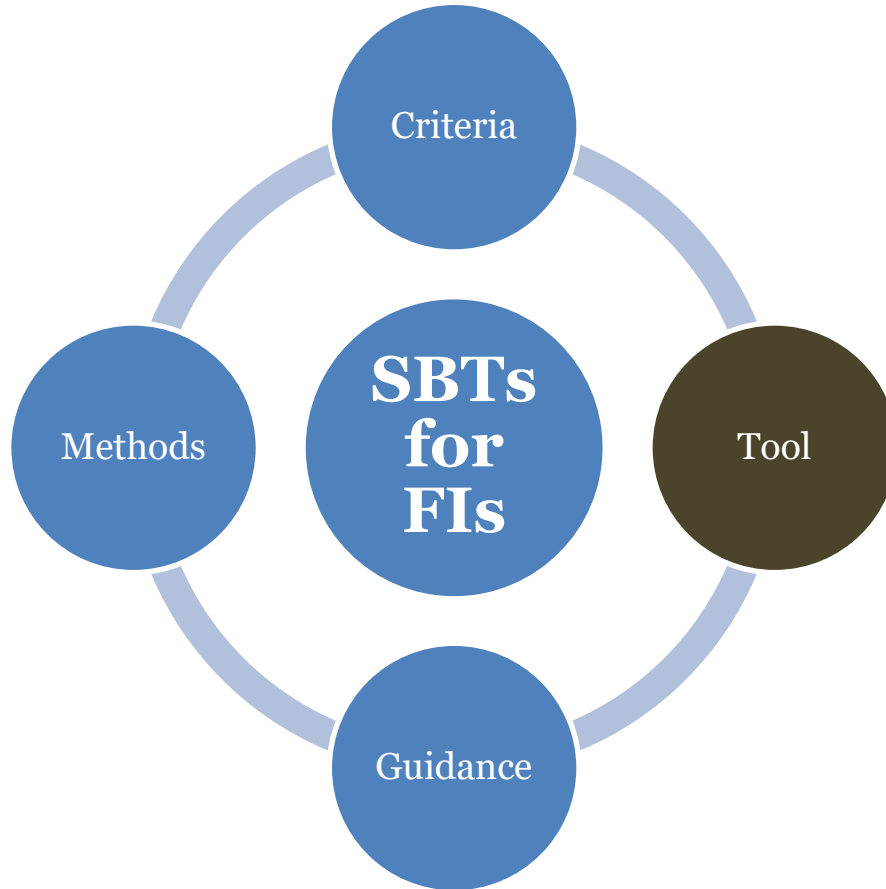# SBTi-Finance Framework | Project partners and roles

Managing Partner

*Project Technical Partner*

Finance Tool Project Partner

SBTi-Finance Framework | Framework components

SBTi-Finance Framework | Tool method & asset class coverage

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.
	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 2040.
	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).

Finance Tool
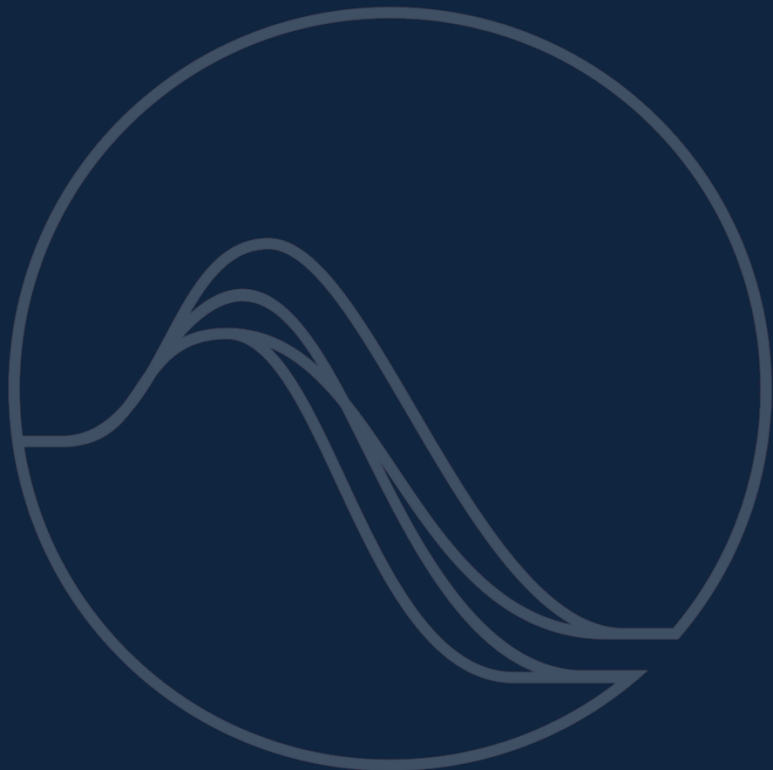
SBTi-Finance Tool Goals

- Temperature Rating & Portfolio Coverage Methodologies
- Open Source
  - Continued development
- Transparent
  - From corporate ambition through to portfolio temperature score
- Data Agnostic
  - Any data provider & own data lake
- Any User Interface
  - Service provider & homegrown decision support & portfolio management solutions
- Workflow tool for
  - Portfolio managers & CIOs
  - ESG & Financial analysts
  - Risk managers & Compliance

SBTi-Finance Tool Development Team

- Science Based Target initiative (SBTi)
  - WWF (project manager)
  - CDP
  - World Resources Institute
- Developers (open RFP selection process)
  - Ortec Finance
  - OS-Climate
- Data & Service Providers
  - Bloomberg
  - CDP
  - ISS
  - Trucost
  - Urgentem
- Users
  - Net-Zero Asset Owner Alliance

Temperature Alignment & Portfolio Coverage – Tool Structure

Input

- ISS, Bloomberg, CDP, …
- Company SBT & non-SBT emissions targets
- Ambition
- Timeframe
- Scope
- Coverage
- Absolute & Intensity targets

Measure Alignment & Target Setting Tool

- Open Source Methodology & Codebase
- Convert company targets → Temperature Score
- Aggregate to portfolio, sector, market, …
- Measure alignment with Paris Agreement
- Set portfolio emissions reduction target
- Target companies for action
  - Engage / Divest / Portfolio shifting

Output

- Integrate tool output with existing infrastructure:
- Bloomberg, CDP, ISS, …
- Asset Managers' proprietary solutions
- Users
- Portfolio Manager
- Financial Analysts
- ESG Team / Analysts
- Risk Manager
- CIO
- Compliance
- Corporate Engagement
- Submit target to SBTi
- EU Paris Alignment Disclosure Regulation

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Tool DEMO

SBTi-Finance Tool – Three ways to test

AWS (Amazon Web Services)

- Easy to get started
- Online tool
- Continuously updated
- Web browser interface
- http://beta.sbti-tool.org

Docker

- Runs on your local hardware
- No internet connection required after install
- Need to update application manually
- Web browser interface
- https://hub.docker.com/r/sbti/sbti_tool

Python

- Download from GitHub (https://github.com/OFBDABV/SBTi)
- Full access to code
- Integrate with your infrastructure

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Temperature Alignment & Portfolio Coverage – Tool User Steps

Import Portfolio

- User data

Or

- Hypothetical dataset (provided by SBTi)

Set User Options/Choices

- Default score
- Aggregation method
- Data source
- Timeframes and Scopes
- Result elements
- "What if" scenarios

Calculate Scores

- Portfolio scores
- Aggregated scores
- Timeframes and Scopes
- Temperature scores companies

Select Output Options

- All individual company scores + selected columns
- All data including fields within the tool
- Anonymization option

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API settings (leave empty to use the defaults)

Choose the following filters for data-filtering or aggregation of columns.
Use CTR-click to deselect items.

Default temperature score

| 3.2 | ⌄ |

Aggregation method

| WATS | ⌄ |

Choose additional outputs:
- Columns to display
- Additional temperature scores per category

Select additional columns to display

Choose the desired columns:

company_id
Country
Region
Industry_lvl1

Choose categories to group the output by

Group the data by category:

Country
Region
Industry_lvl1
Industry_lvl2

Calculate scores

Portfolio temperature scores

Group	Time frame	Temperature score	Companies with vs. without targets	
s1s2	mid	2.57°C	32.4% / 67.6%	Contributors
s1s2s3	mid	2.94°C	16.9% / 83.1%	Contributors

Portfolio coverage

Portfolio coverage
30.09%

Temperature scores grouped by categories

Group	Time frame	Category	Temperature score	Category contribution	
s1s2	mid	Africa	3.20°C	4 %	Contributors
s1s2	mid	Asia	2.53°C	20 %	Contributors
s1s2	mid	Europe	2.91°C	34 %	Contributors
s1s2	mid	North America	1.93°C	32 %	Contributors
s1s2	mid	Oceania	3.20°C	2 %	Contributors
s1s2	mid	South America	3.20°C	8 %	Contributors

Additional temperature scores based on the user inputs. Here shown per region.

Scenarios (default: With current targets, rest of portfolio business as usual)

Choose the preferred scenario for calculation of the temperature scores.

○ With current targets, rest of portfolio business as usual
◉ Scenario 1: "What-if" - all companies set targets (default scores go to 2.0)
○ Scenario 2: "What-if" - all companies with targets get SBTs (scores from targets are capped at 1.75)
○ Scenario 3a: "What-if" - the 10 highest contributors to the portfolio set targets (scores of 10 highest contributors are capped at 2.0)
○ Scenario 3b: "What-if" - the 10 highest contributors to the portfolio set SBTs (scores of 10 highest contributors are capped at 1.75)

Insights for target setting:
- Change the exposures per company in the portfolio input
- Rerun the calculation based on hypthetical scenarios

Download options

Non-anonymized   ○ Anonymized

Choose whether to anonymize the downloadable data.

Calculate scores

Temperature scores per company   Download selection   Download all

company_name	scope_category	time_frame	temperature_score	Country	Region	sector
Advanced Micro Devices, Inc	s1s2	mid	1.83	United States	North America	Industrials
Adobe Systems Inc.	s1s2	mid	2	United States	North America	Utilities
Capgemini Group	s1s2	mid	1.65	France	Europe	Consumer Discretionary

Inputs (3 x 7 x 3 x 3 x 7 = 1,323)

Category	Comment	1	2	3	4	5	6	7
Dafault Temperature Score	Score assigned to all companies within the portfolio that do not have a emission reduction target that passes the Target Validation Protocol	3.2	3.9	4.5				
Aggregation method	Methods to aggregate the temperature scores of individual companies into a score for the potfolio	WATS	TETS	MOTS	EOTS	ECOTS	AOTS	ROTS
Timeframe	Timeframe to show in the output Short-term: up to 4 years Medium-term: 5 to 15 years Long-term: longer than 15 years	short	mid	long				
Scope	Emission scopes to show in the outputs	s1s2	s3	s1s2s3				
Select additional columns to display	User defined							
"What-if" Scenarios	Scenario for calculation of the temperature scores	Base	Scenario 1	Scenario 2	Scenario 3a	Scenario 3b	Scenario 4a	Scenario 4b
	Default Setting	With current targets, rest of portfolio business as usual	"What-if" - all companies without targets set 2 °C targets	"What-if" - all companies with targets set well below 2 °C targets	"What-if" - the 10 highest contributors to the portfolio set 2 °C targets	"What-if" - the 10 highest contributors to the portfolio set well below 2 °C targets	"What-if" all engagement target companies set 2 °C targets	"What-if" all engagement target companies set well below 2 °C targets

Comparison of "What-if" scenarios

company_name	Country	Industry_lvl3	scope category	time frame	reduction ambition	Base — With current targets, rest of portfolio business as usual — temperature score	Scenario 1 — "What-if" - all companies without targets set 2°C targets — temperature score	Scenario 2 — "What-if" - all companies with targets set well below 2°C targets — temperature score	Scenario 3a — "What-if" - the 10 highest contributors to the portfolio set 2°C targets — temperature score	Scenario 3b — "What-if" - the 10 highest contributors to the portfolio set well below 2°C targets — temperature score	Scenario 4a — "What-if" all engagement target companies set 2°C targets — temperature score	Scenario 4b — "What-if" all engagement target companies set well below 2°C targets — temperature score
Company 1	Russian Federation	Oil and Gas â€" Exploration and F	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 2	United States	Air Freight and Logistics	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 3	United States	Biotechnology and Pharmaceutic	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 4	United States	Biotechnology and Pharmaceutic	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 5	United States	Drug Retailers	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 7	Germany	Telecommunication Services	s1s2	mid	0	2.7	2.7	1.75	2.7	2.7	2.7	2.7
Company 8	United States	Processed Foods	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 9	United States	Electrical and Electronic Equipme	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 10	Japan	Hardware	s1s2	mid		3.2	2	1.75	2	1.75	3.2	3.2
Company 12	Italy	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 13	United States	Investment Banking and Brokerag	s1s2	mid	0.35	1.86	1.86	1.75	1.86	1.86	1.86	1.86
Company 14	Australia	Metals and Mining	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 15	United Kingdom	Household and Personal Products	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 16	Australia	Commercial Banks	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 17	United States	Investment Banking and Brokerag	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 18	United States	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 19	United States	Software and IT Services	s1s2	mid		3.2	2	1.75	3.2	3.2	2	1.75
Company 20	Canada	Commercial Banks	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 21	United States	Software and IT Services	s1s2	mid		3.2	2	1.75	3.2	3.2	2	1.75
Company 22	United States	Asset Management and Custody	s1s2	mid		3.2	2	1.75	3.2	3.2	2	1.75
Company 23	United States	Telecommunication Services	s1s2	mid	0.25	2.09	2.09	1.75	2.09	2.09	2.09	2.09
Company 24	Spain	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 25	Norway	Oil and Gas â€" Exploration and F	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2

Focus in on companies with targets

	Base	Scenario 1	Scenario 2	Scenario 3a	Scenario 3b	Scenario 4a	Scenario 4b
	With current targets, rest of portfolio business as usual	"What-if" - all companies without targets set 2 °C targets	"What-if" - all companies with targets set well below 2 °C targets	"What-if" - the 10 highest contributors to the portfolio set 2 °C targets	"What-if" - the 10 highest contributors to the portfolio set well below 2 °C targets	"What-if" all engagement target companies set 2 °C targets	"What-if" all engagement target companies set well below 2 °C targets

company_name	Country	Industry_lvl3	scope category	time frame	reduction ambition	temperature score	temperature score	temperature score	temperature score	temperature score	temperature score	temperature score
Company 7	Germany	Telecommunication Services	s1s2	mid	0	2.7	2.7	1.75	2.7	2.7	2.7	2.7
Company 13	United States	Investment Banking and Brokerage	s1s2	mid	0.35	1.86	1.86	1.75	1.86	1.86	1.86	1.86
Company 23	United States	Telecommunication Services	s1s2	mid	0.25	2.09	2.09	1.75	2.09	2.09	2.09	2.09
Company 29	United States	Aerospace and Defense	s1s2	mid	0.35	1.92	1.92	1.75	1.92	1.92	1.92	1.92
Company 39	Australia	Commercial Banks	s1s2	mid	0.3	1.92	1.92	1.75	1.92	1.92	1.92	1.92
Company 41	United Kingdom	Household and Personal Products	s1s2	mid	0.26	2.02	2.02	1.75	2.02	2.02	2.02	2.02
Company 50	United States	Automobiles	s1s2	mid	0.36	1.83	1.83	1.75	1.83	1.83	1.83	1.83
Company 53	United States	Insurance	s1s2	mid	0.27	2.09	2.09	1.75	2.09	2.09	2.09	2.09
Company 55	United States	Waste Management	s1s2	mid	0.3	1.92	1.92	1.75	1.92	1.92	1.92	1.92
Company 56	Canada	Oil and Gas â€" Midstream	s1s2	mid	0.28	2.01	2.01	1.75	2.01	2.01	2.01	2.01
Company 59	United Kingdom	Commercial Banks	s1s2	mid	0.9	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Company 68	Switzerland	Asset Management and Custody	s1s2	mid	0.8	1.38	1.38	1.38	1.38	1.38	1.38	1.38
Company 70	United States	Asset Management and Custody	s1s2	mid	0.5	1.78	1.78	1.75	1.78	1.78	1.78	1.78
Company 80	Germany	Air Freight and Logistics	s1s2	mid	0.75	1.32	1.32	1.32	1.32	1.32	1.32	1.32
Company 83	United States	Electric Utilities and Power Generation	s1s2	mid	0.31	1.89	1.89	1.75	1.89	1.89	1.89	1.89
Company 88	United States	Insurance	s1s2	mid	0.17	2.34	2.34	1.75	2.34	2.34	2.34	2.34
Company 91	United States	Airlines	s1s2	mid	0.2	2.18	2.18	1.75	2.18	2.18	2.18	2.18
Company 109	Japan	Electrical and Electronic Equipment	s1s2	mid	0.32	1.86	1.86	1.75	1.86	1.86	1.86	1.86
Company 110	United States	Software and IT Services	s1s2	mid	0.22	2.12	2.12	1.75	2.12	2.12	2.12	2.12
Company 111	United States	Processed Foods	s1s2	mid	0.22	2.12	2.12	1.75	2.12	2.12	2.12	2.12
Company 112	Japan	Household and Personal Products	s1s2	mid	0.06	2.55	2.55	1.75	2.55	2.55	2.55	2.55
Company 118	Spain	Software and IT Services	s1s2	mid	0.6	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Company 120	United Kingdom	Commercial Banks	s1s2	mid	0.4	1.74	1.74	1.74	1.74	1.74	1.74	1.74

Focus in on sectors that should have targets

|						Base	Scenario 1	Scenario 2	Scenario 3a	Scenario 3b	Scenario 4a	Scenario 4b
						With current targets, rest of portfolio business as usual	"What-if" - all companies without targets set 2 °C targets	"What-if" - all companies with targets set well below 2 °C targets	"What-if" - the 10 highest contributors to the portfolio set 2 °C targets	"What-if" - the 10 highest contributors to the portfolio set well below 2 °C targets	"What-if" all engagement target companies set 2 °C targets	"What-if" all engagement target companies set well below 2 °C targets
company_name	Country	Industry_lvl3	scope category	time frame	reduction ambition	temperature score	temperature score	temperature score	temperature score	temperature score	temperature score	temperature score
Company 1	Russian Federation	Oil and Gas â€" Exploration and F	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 12	Italy	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 14	Australia	Metals and Mining	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 18	United States	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 24	Spain	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 25	Norway	Oil and Gas â€" Exploration and F	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 27	United States	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 36	Russian Federation	Oil and Gas â€" Exploration and F	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 42	Italy	Oil and Gas â€" Exploration and F	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 50	United States	Automobiles	s1s2	mid	0.36	1.83	1.83	1.75	1.83	1.83	1.83	1.83
Company 56	Canada	Oil and Gas â€" Midstream	s1s2	mid	0.28	2.01	2.01	1.75	2.01	2.01	2.01	2.01
Company 58	United States	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 60	United States	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 73	Thailand	Oil and Gas â€" Exploration and F	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 77	Germany	Automobiles	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 83	United States	Electric Utilities and Power Gener	s1s2	mid	0.31	1.89	1.89	1.75	1.89	1.89	1.89	1.89
Company 85	France	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 90	United Kingdom	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 91	United States	Airlines	s1s2	mid	0.2	2.18	2.18	1.75	2.18	2.18	2.18	2.18
Company 97	France	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 98	United States	Automobiles	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 102	United States	Chemicals	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 107	Canada	Metals and Mining	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 119	United States	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2
Company 122	United States	Electric Utilities and Power Gener	s1s2	mid		3.2	2	1.75	3.2	3.2	3.2	3.2

Analyze aggregation methods

Depending on the nature of your investments, select different aggregation methods and compare results

| Weighted average temperature score (WATS)	Total emissions weighted temperature score (TETS) Scopes 1, 2, & 3	Market Owned emissions weighted temperature score (MOTS)	Enterprise Owned emissions weighted temperature score (EOTS)	Enterprise Value + Cash emissions weighted temperature score (ECOTS)	Total Assets emissions weighted temperature score (AOTS)	Revenue owned emissions weighted temperature score (ROTS)
Temperature Score:						
2.89	2.94	2.90	2.90	2.93	3.01	2.89

Illustrative Temperature Score Results
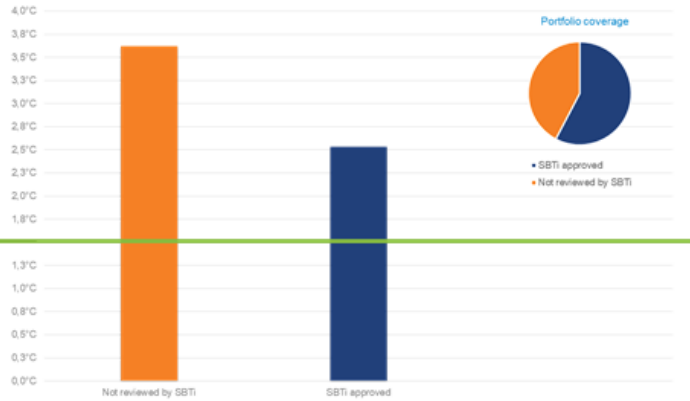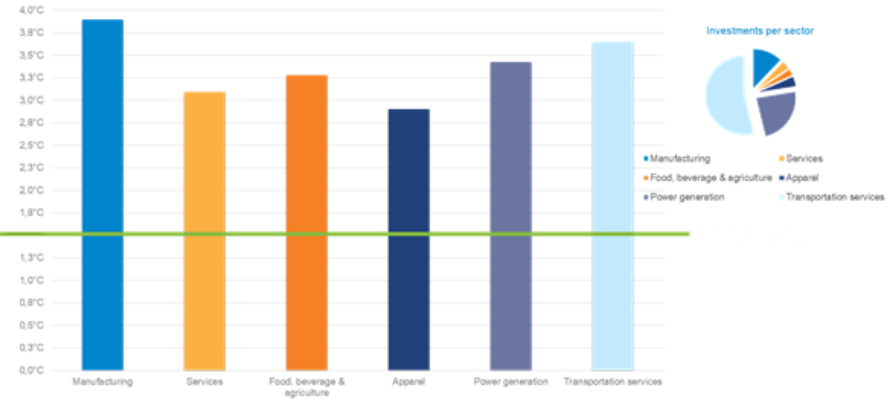
Illustrative alignment insights

S1+2 GHG emissions and temperature score overview
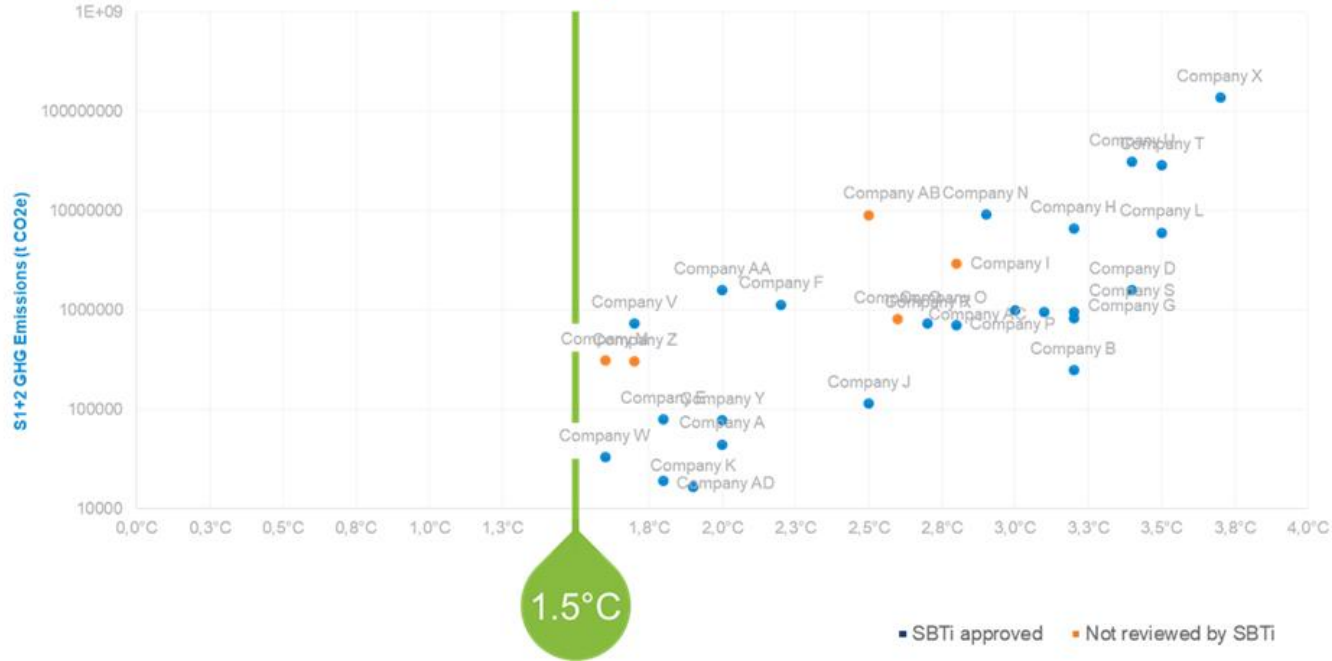
The analysis delivers current temperature alignment insights per holding.

Q & A

SBTi-Finance Tool - Support

- MS Teams group dedicated to support, feedback and discussion around the Temperature Scoring tool – registration link in "_read_me.docx" in documentation folder below & when you register as a beta tester.
- Email: finance@sciencebasedtargets.org
- Documentation: http://docs.sbti-tool.org/

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Appendix

SBTi-Finance Tool