
SBTs for Financial Institutions

Tool beta testing & guidance feedback launch

July 23rd, 2020, 9:30-10:30 AM EST
Webinar



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

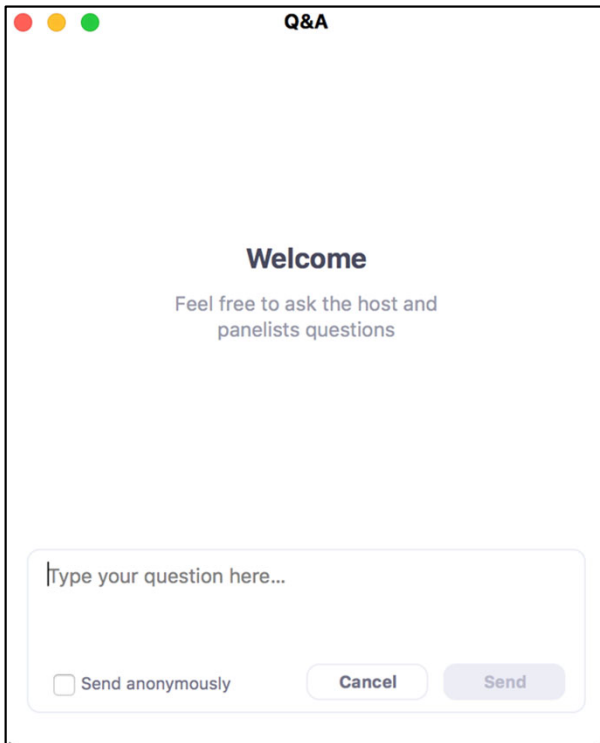
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Welcome



Q&A

Welcome

Feel free to ask the host and panelists questions

Type your question here...

Send anonymously

Cancel Send

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.

Today's Speakers



Nate Aden
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World Resources Institute



Chendan Yan
Associate
World Resources Institute



Donald Linderyd
Project Manger Sustainable Finance
WWF



Chris Weber
Lead Energy & Climate Scientist
WWF



Truman Semans
CEO
OS-Climate



Eoin White
Target Validation Analyst
CDP



Daan van de Meeberg
Senior Business Analyst
Ortec Finance

Agenda for Today

Topic	Time
Introduction and Overview of SBTi-Finance	5 min
SBTi Temperature Rating Method Introduction	5 min
SBTi-Finance Tool for Temperature Rating & Portfolio Coverage	15 min
Tool Beta Testing	5 min
SBTi-Finance Guidance Draft	10 min
Q&A	20 min

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.

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



SBTi-Finance Framework | Committed financial institutions

- *ABN Amro Bank N.V.*
- *Actiam NV*
- *Allianz Investment Management SE*
- *Amalgamated Bank*
- *ASN Bank*
- *Australian Ethical Investment*
- *AXA Group*
- *BanColombia SA*
- *Bank Australia*
- *Bank J. Safra Sarasin AG*
- *BBVA*
- *BNP Paribas*
- *Capitas Finance Limited*
- *Chambers Federation*
- *Commercial International Bank*
- *Egypt (SAE) CIB*
- *Credit Agricole*
- *DGB FINANCIAL GROUP*
- *Eurazeo*
- *Fubon Financial Holdings*
- *FullCycle*
- *Grupo Financiero Banorte SAB de CV*
- *Growthpoint Properties*
- *Hannon Armstrong*
- *Hitachi Capital Corporation*
- *HSBC Holdings plc*
- *ING Group*
- *KLP*
- *La Banque Postale*
- *London Stock Exchange*
- *Mahindra & Mahindra Financial Services Limited*
- *MetLife, Inc.*
- *MP Pension*
- *MS&AD*
- *Insurance Group Holdings, Inc.*
- *Moody's Corporation*
- *Novo Banco, SA*
- *OXI-ZEN Solutions SA*
- *Pension Danmark*
- *Principal Financial Group, Inc.*
- *Raiffeisen Bank International AG*
- *Societe Generale*
- *Sompo Holdings, Inc.*
- *Standard Chartered Bank*
- *Storebrand ASA*
- *Swedbank AS*
- *Swiss Re*
- *T.GARANT BANKASI A.*
- *Teachers Mutual Bank*
- *Tokio Marine Holdings, Inc.*
- *Tribe Impact Capital LLP*
- *TSKB*
- *Vakifbank*
- *Westpac Banking Corporation*
- *YES Bank*
- *Yuanta Financial Holding Co Ltd*
- *Zurich Insurance Group Ltd*

SBTi-Finance Framework | Project partners and roles

Managing Partner



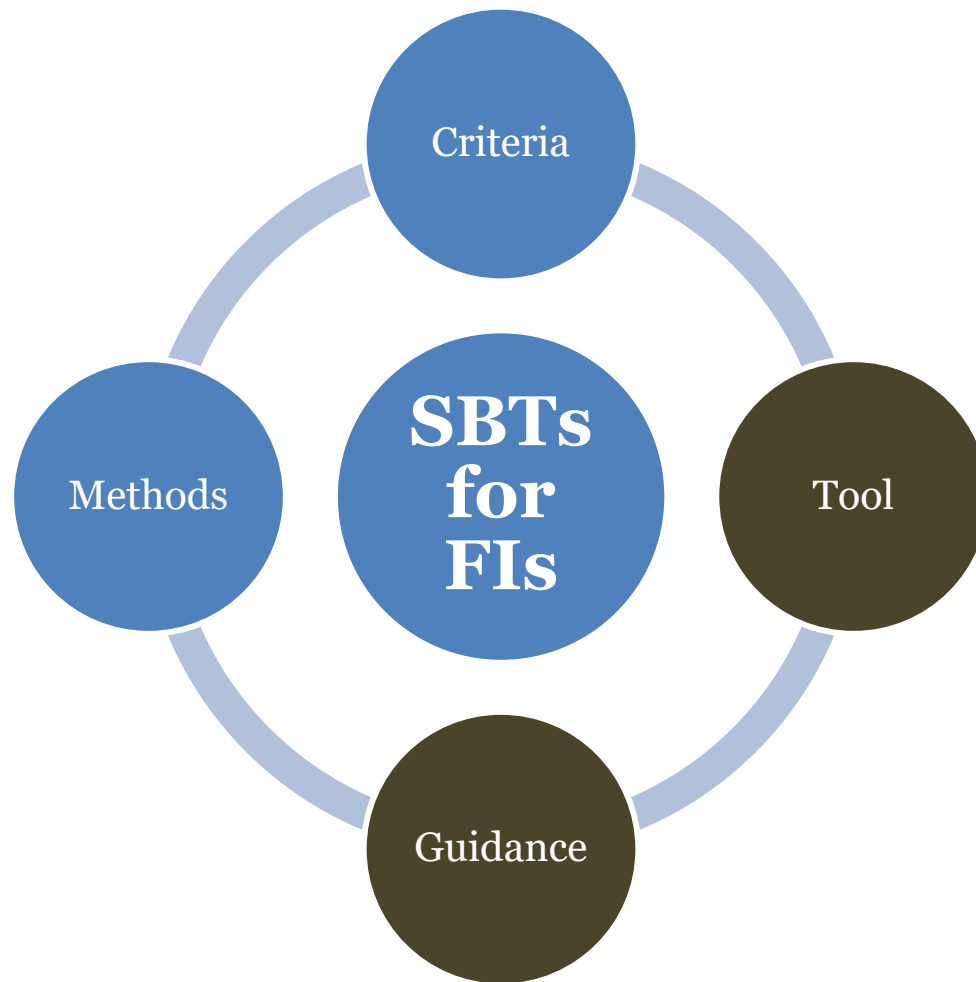
Project Technical Partner



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).

SBTi-Finance Framework | Criteria

A financial institution's submission to SBTi will consist of **scope 1 and 2 targets and scope 3 portfolio targets** that meet the following criteria. Recommendations on best practices will be provided with the criteria.

GHG Emissions Inventory and Target Boundary

- C1: Scopes
- C2: Significance thresholds
- C3: Bioenergy Accounting
- C4: Greenhouse gases

Scope 1 and 2 Target Timeframe

- C5: Base and target years
- C6: Progress to date

Scope 1 and 2 Target Ambition

- C7: Level of ambition
- C8: Absolute vs. intensity
- C9: Method validity
- C10: Offsets
- C11: Avoided emissions

Scope 2

- C12: Approaches
- C13: Renewable Electricity Procurement

Scope 3 - Portfolio Emissions Screening and Target Setting Requirement

- C14: Requirement to Set Target(s) on Investment and Lending Activities
- C15: Portfolio Target Coverage
- C16: Timeframe of Portfolio Targets
- C17: Level of Ambition for Portfolio Targets
- C18.1: SBT Portfolio Coverage Targets
- C18.2: Portfolio Temperature Alignment Targets
- C19: Phase Out of Coal Investments

Reporting

- C20: Implementation reporting
- C21: Disclosure of Target(s) Portfolio Coverage

Recalculation and Target Validity

- C22: Target Recalculations
- C23: Target Validity

SBTi-Finance Tool Goals

- Temperature Rating & Portfolio Coverage Methodologies
- Open Source
- Transparent
- Data Agnostic
- Any User Interface
- Workflow Tool for Front & Back Office

Background to Temperature Scoring



Temperature Scoring and SBTi Finance Tool | Context

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

2. Applications

Solutions built on top of the open source method and codebase



SBTi Financial Institutions

Target setting methods, temperature alignment methodology and codebase



Open source, public methodology
Data agnostic



Bloomberg
Portfolio Temperature
Rating Application



CDP
Temperature Dataset
based on CDP Target Data



ISS ESG
Portfolio Temperature Score
Input Data and Application



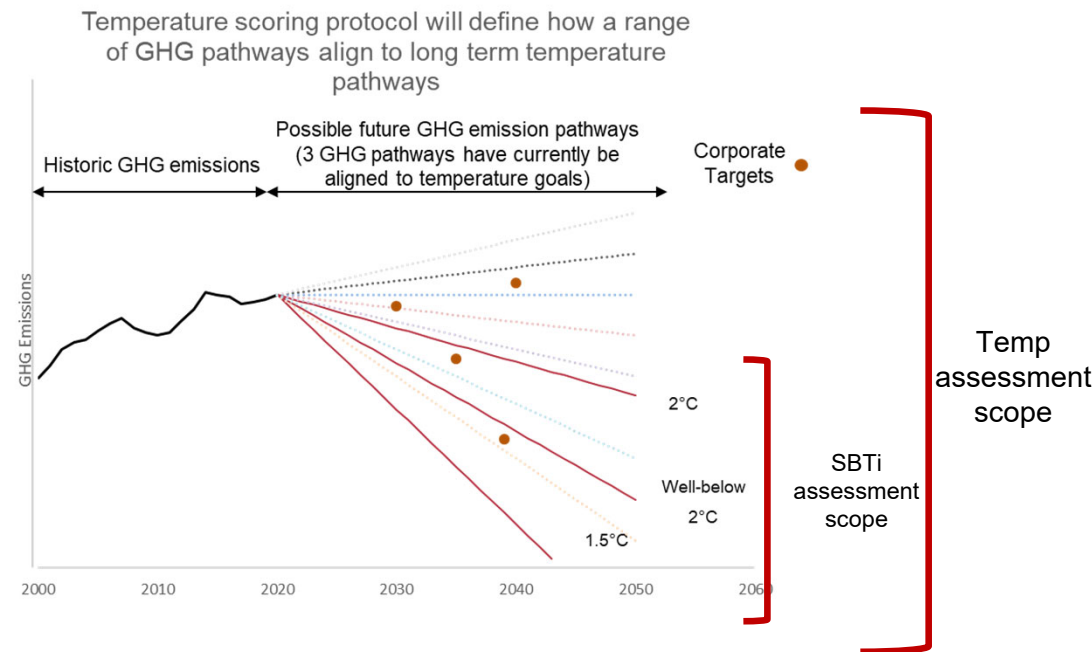
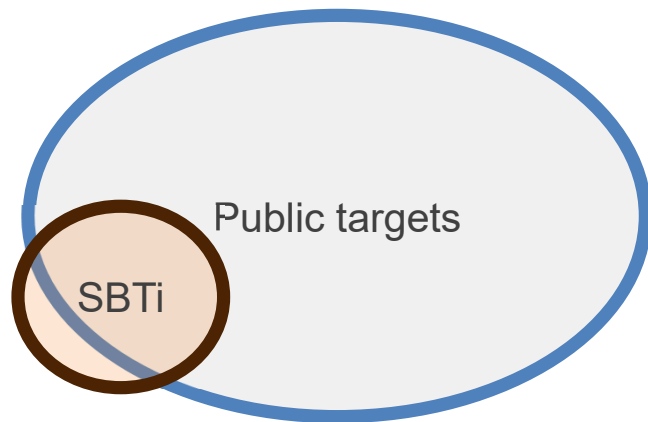
Urgentem
Portfolio and Company
Temperature Alignment Module

More service providers are joining the project to build solutions based on our methodology and code

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Temperature Scoring | 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.

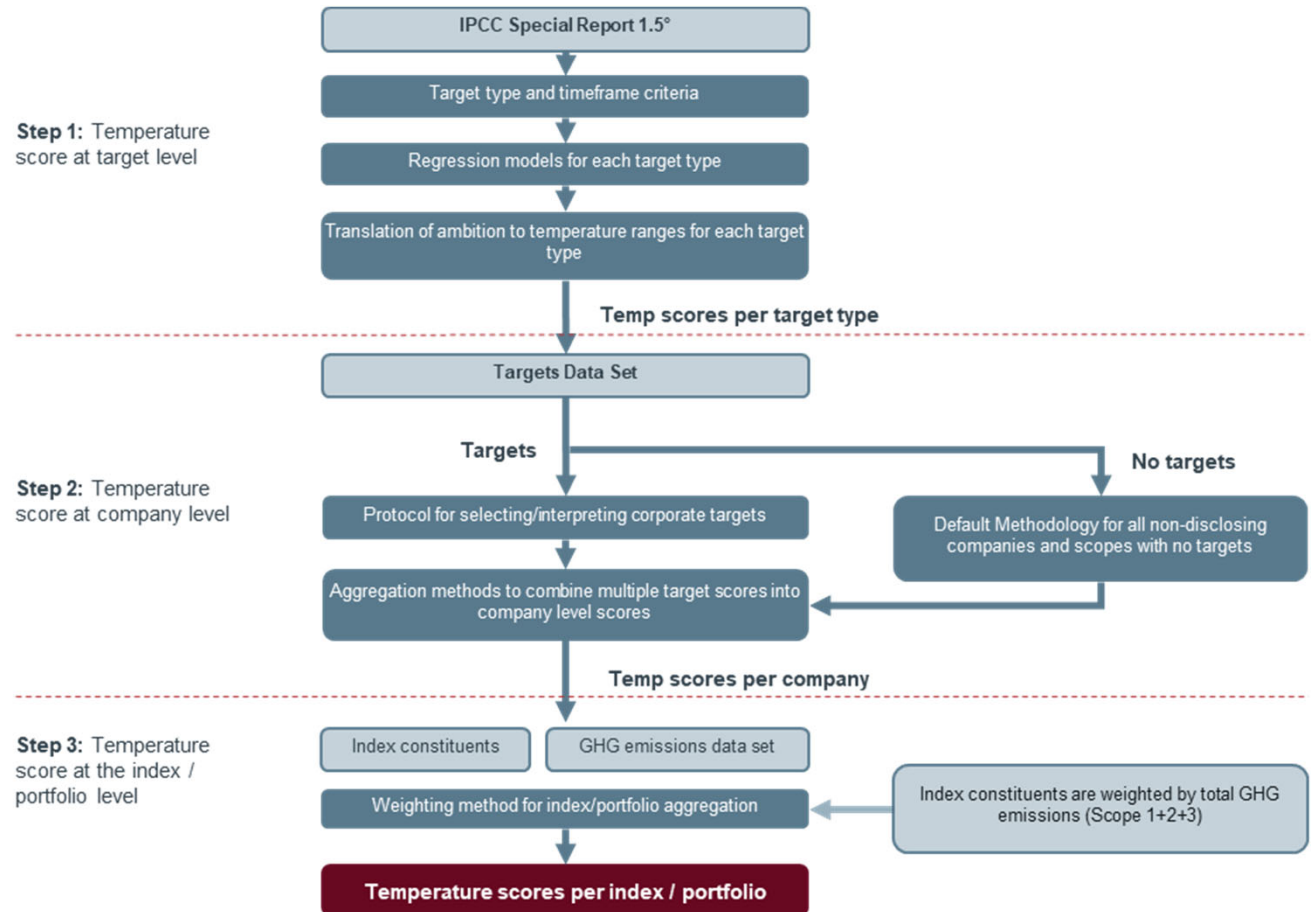


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Methodology | Three Step Process

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



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 – Development Process

Temperature Scoring Protocols

Open source

Translating targets to temperature scores & portfolio coverage

Developed by:

- WWF
- CDP

Alignment Method & Target Setting Tool

Open Source

Enable investors to align portfolios to °C goal / portfolio coverage

Action companies

Developed by:

- SBT-Finance
- Ortec Finance
- OS-Climate

Investor solutions

Commercial Application

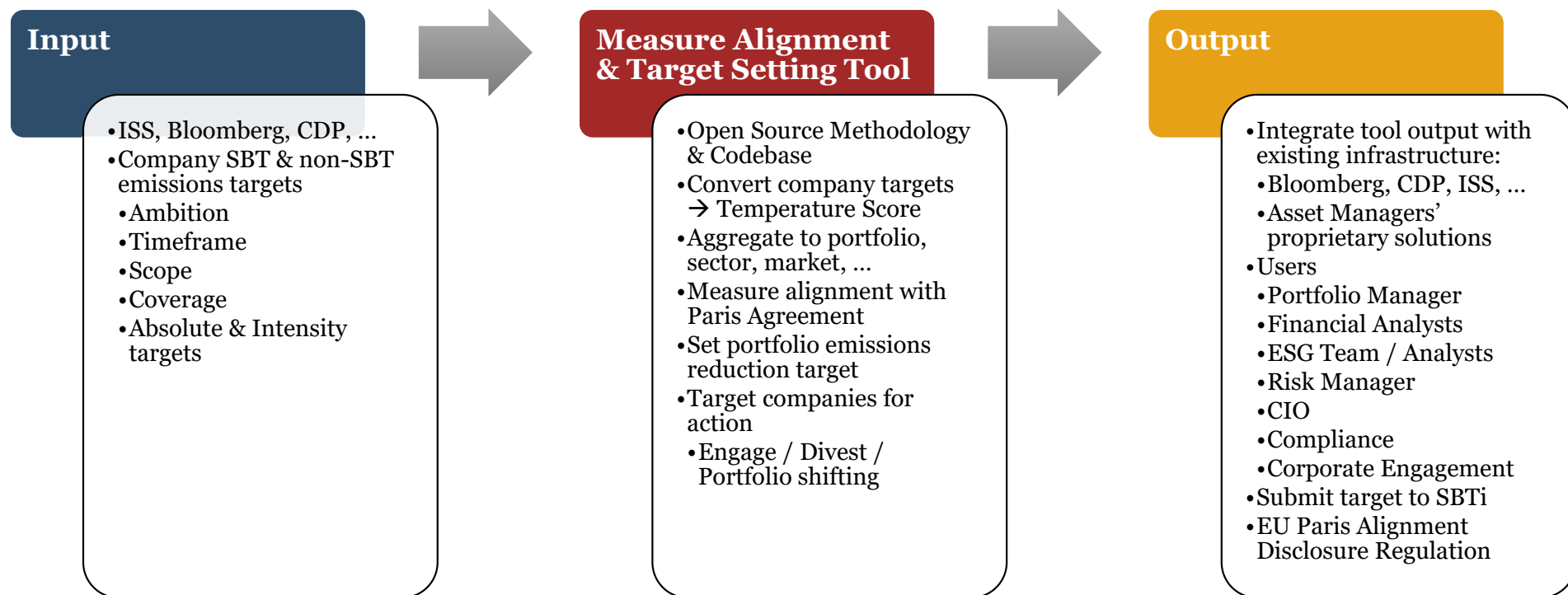
Integrating data sources & workflow

ISS, Bloomberg, CDP, Trucost, ...

Submit emission reduction target to SBTi for validation

EU Paris Agreement Alignment Disclosure Regulation (2021)

Temperature Alignment & Portfolio Coverage – Tool Structure



Tool Demo



SBTi-Finance Tool – Three ways to test

AWS (Amazon Web Services)

- Easy to use
- Online tool
- Continuously updated
- Web browser interface
- <http://beta.sbti-tool.org>

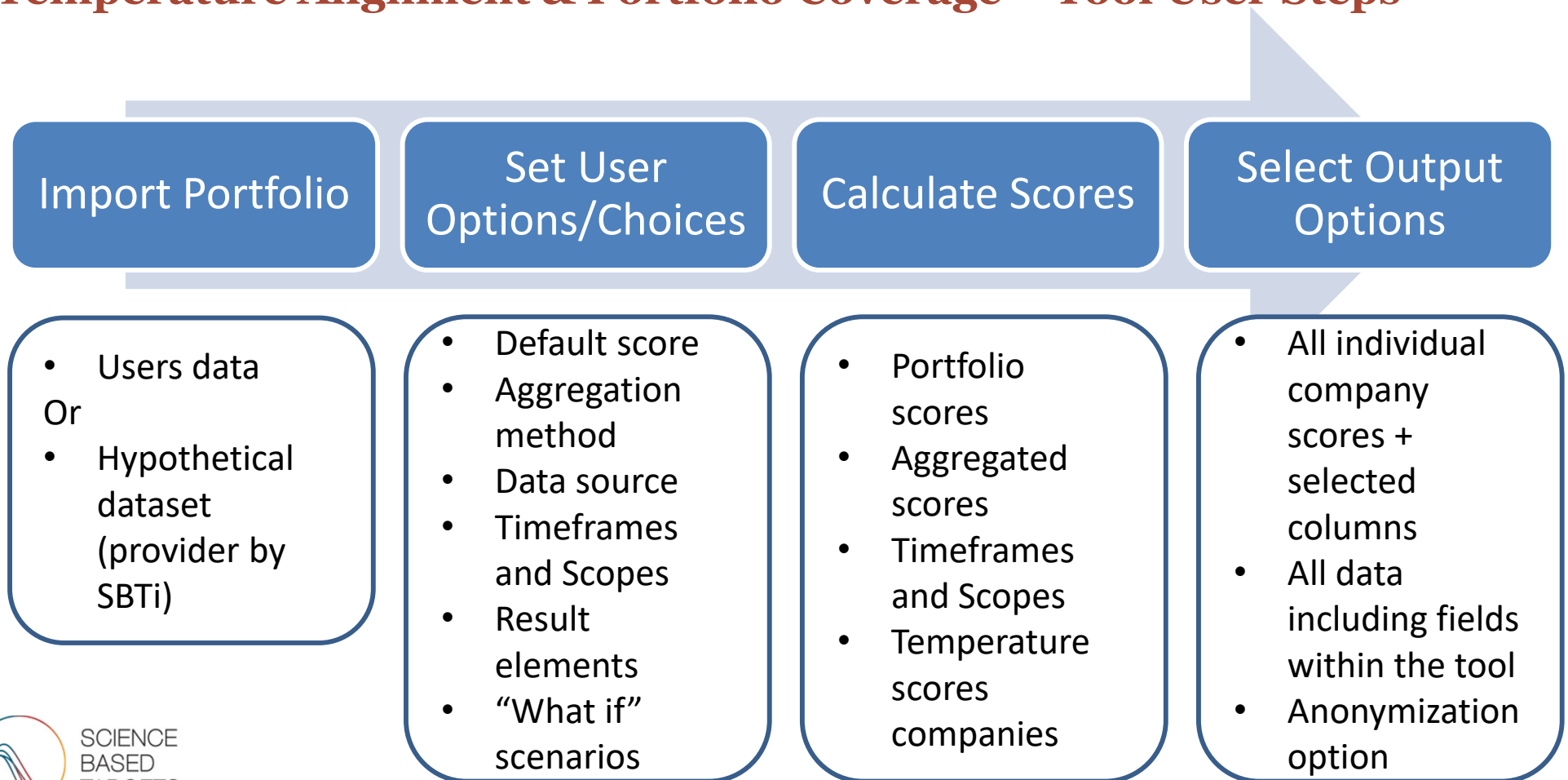
Docker

- 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

Temperature Alignment & Portfolio Coverage – Tool User Steps



SBTi-FI Temperature Scoring

Select portfolio excel file:

PortfolioData sample.xlsx

Should include company name, company ID, ISIN and investment value.

Skip rows

Map your columns to input fields

Company_name
Company_ID
ISIN
Investment value

company_name	▼
company_id	▼
ISIN	▼
investment_value	▼

- Import portfolio holdings
- map columns of excel to input fields

- Choose data provider (In beta testing phase only Excel)
- Upload data set

Select data provider (without selection, dummy sample data is used)

For BETA-release only use Excel.

Excel

Choose File DataProvider_Sample.xlsx

Use this file upload to provide your own dataprovider.

Upload Dataprovider

Upload succeeded

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.

Choose which default temperature score and aggregation method to use.

Default temperature score

Aggregation method

Time frame (default: mid)

Choose the desired timeframe:

short
mid
long

Choose which
time frames and
scopes to report

Scope (default: s1s2, s1s2s3)

Choose the desired scope:

s1s2
s3
s1s2s3

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_lv1

Choose categories to group the output by

Group the data by category:

Country
Region
Industry_lv1
Industry_lv2

Calculate scores

Press the button to calculate scores and inspect the results

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

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

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

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

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

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)

Download options

Non-anonymized Anonymized

Choose whether to anonymize the downloadable data.

Calculate scores

Download results to .csv file.
Possible to anonymize portfolio holdings

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

Beta Testing



SBTi-Finance Tool Beta Testing: 2020-07-23 – 2020-08-13

Why should you participate?

- **Integrate temperature rating** into your investment process early & better understanding of methodology & tool prior to release (September 2020)
- Prepare for **EU Disclosure Regulation** (March 2021)
- Participate in building an open source solution for temperature ratings

Expectations

- **Test on range of equity & bond portfolios**, across regions, sectors, strategies
- **Report** on ease of use, performance, data input, readability of output & usefulness for analysis for target setting
- **Share** types of securities tested, options chosen in tool and results.
 - Tool can **anonymize holdings** & provide transparency of data shared
- Online / Offline **survey**

Support

- Microsoft **Teams** group – support, feedback & discussion (developers & other beta testers)
- **Email** – support & feedback

SBTi-Finance Tool Beta Testing – Data needs

Portfolio holdings

- Security identifier, sector, region

List of reduction targets, per target:

- Target class / type: Absolute / Intensity / Scope
- Coverage / % emissions in scope
- Ambition / % reduction from base year
- Base, Start & End year
- GHG emissions per scope
- Industry classification & Sector
- SBTi status - validated target or not

For aggregation purposes:

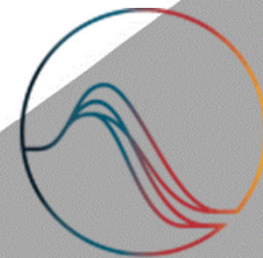
- Revenue, Market capitalization
- Enterprise value, Total assets
- Cash & equivalents

Data availability

- Collaborating data providers & dummy sample data

Sing up for beta testing:
<https://mailchi.mp/sciencebasedtargets/betatest>

Financial Sector *Science Based Targets Guidance*



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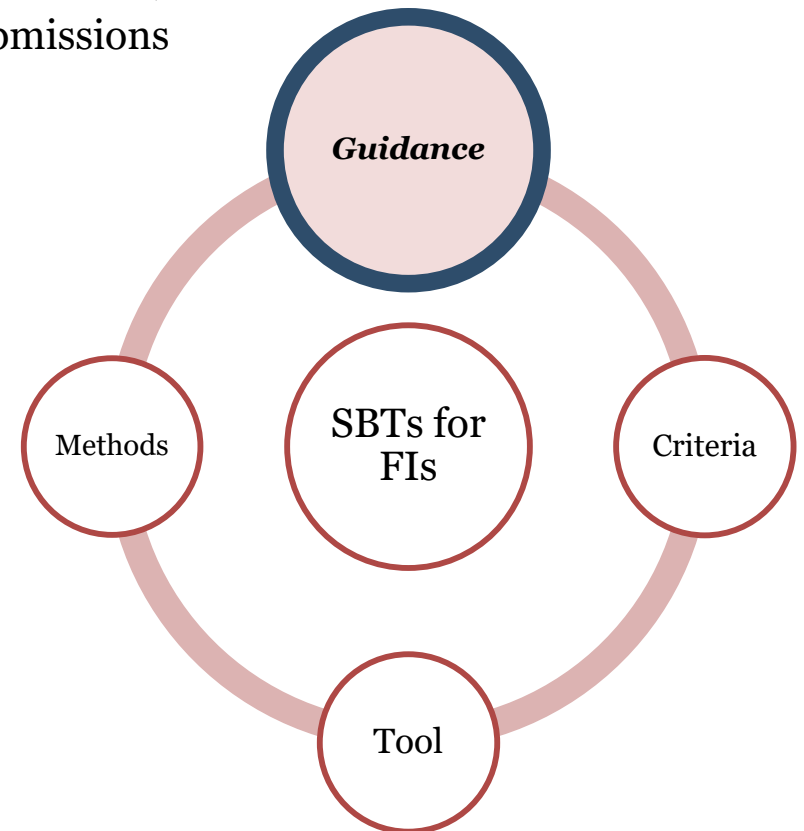
CONSTRUCTION DAILY REPORT

What's in the Financial Sector Science Based Targets Guidance?

The guidance ties the criteria, methods and tools together. It's meant to be a “**one-stop-shop**” to support financial institutions' target submissions to SBTi.

It includes:

- Business case for setting SBTs.
- Guidance to use criteria, methods and tools to prepare for a submission to SBTi
- Case studies from global financial institutions on their application of various methods
- Recommendations on steps that FIs can take to achieve their targets
- Recommendations on target communication, as well as how FIs aim to reduce greenhouse gas emissions in the real economy through the steps they take to implement their targets.



Guidance outline and draft release date

Guidance Outline

- *Introduction*
- *Business case for financial institutions to set SBTs*
- *Compiling a GHG inventory for scope 1, 2, and 3 emissions*
- *How to set science-based targets*
 - *How to set SBTs for scope 1 and 2 emissions*
 - *How to set scope 3 portfolio SBTs*
 - *How to set SBTs for scope 3 Category 1-14*
 - *Case studies*
- *Disclosure and phase out of fossil fuel investments*
- *SBTi-Finance target validation processes*
- *How to achieve SBTs*
- *How to communicate SBTs and actions taken to achieve them*
- *Discussion and areas for further research*



- Guidance draft release date: August 6th



- A **survey** will be distributed with the guidance to collect feedback
- Feedback will be accepted through August 27th



Next Steps

SBTi-Finance Framework | Project milestones

SBT-Finance
Tool Beta Release
July 2020

SBTi-Finance
Framework
September 2020

Guidance Draft
August 2020

SBTi- Validated FI
Targets
November 2020

SBTi-Finance Framework | Opportunities for participation

SBTi-Finance Framework

- Guidance review
- Commit to setting an SBT
- Submit target for review (after Sept)

SBTi-Finance Tool Development

- Join working group
 - Users
 - Data & service providers
- Beta test tool
 - <https://mailchi.mp/sciencebasedtargets/betatest>
- Integrate tool

Q & A





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