

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

Stage	Module
Commit	1 Case for change
	2 Voluntary finance climate action ecosystem
Develop	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
Submit, Communicate, Disclose	8 Validating, disclosing, and recalculating
	9 Governance, change management, and meeting targets

Resources (1/2)

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

Resources (2/2)

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



Module #6: Scope 3 financed emissions – Calculation deep dive and case studies

SBTi financial institution training

THIS TRAINING WAS DEVELOPED
IN COLLABORATION WITH



PARTNER ORGANIZATIONS



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



IN COLLABORATION WITH

WE MEAN
BUSINESS
COALITION



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Key learning objectives

Commit

Develop

Submit

Communicate

Disclose

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

Apply the three methods to develop baseline and set targets

Source the relevant data required to set targets

Decide on trade-offs between the different methods

Module

Scope 1 & 2



Scope 1

E.g., Company facilities

Operations



Scope 2

E.g., Electricity

Operational
emissions
(direct &
indirect)

Scope 3



Operations (Categories 1-14)

E.g., Business travel, office supplies

Financed emissions (Category 15)

GHG emissions associated with an FI's investment, lending, or underwriting portfolios



Client/portfolio

Scope 1

Scope 2

Scope 3*

Financed
emissions

Module #4: Scope 1, scope 2, and scope 3 operational emissions

Module #5: Scope 3 financed – Overview

This module

Module #6: Scope 3 financed emissions – Calculation deep dive and case studies

Module #7: Scope 3 financed emissions – Data considerations & trade-offs

Note: *GHGP names that scope 3 financed emissions should be included if they are significant. Temperature Rating Approach requires submission of scope 1+2+3 target.

Sources: [GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector \(Jun 2022, pg. 13, Fig 3\)](#); [GHGP Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard \(Apr 2013, pgs. 52-54, Table 5.9 and Table 5.10\)](#); [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pgs. 86-88\)](#)

Total emissions must be estimated, often using a combination of inputs

Set boundaries

Calculate baseline

Calculate target

Scope 1

Scope 2

Scope 3 – Ops

Scope 3 – Fin

Total emissions are likely not easily available, but can be estimated because...

1 distinct **physical or business units** can be defined

2 and **emissions factors** for distinct units are available

3 which allow **total emissions** to be approximated

e.g., **Energy consumption** or **Tons of steel produced** or **Revenue**

e.g., $\frac{\text{GHG emissions}}{\text{kWh or ton steel or \$}}$

$\sum (\text{Unit} \times \text{Emissions factor}) = \text{Total Emissions}$

Various sources can be used to calculate total emissions

Set boundaries

Calculate baseline

Calculate target

Scope 1

Scope 2

Scope 3 – Ops

Scope 3 – Fin

Data sources for actual emissions or units...

Actual company emissions and units

provided by the company or verified 3rd party providers



Building energy labels

provided by commercial databases



...and for emissions factors

Physical activity emissions factors e.g., tCO₂e/MWh



Economic activity emissions factors e.g., tCO₂e/\$ rev

via official statistical data or EEIO* tables



*Environmentally-extended input-output
Source: [PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 \(Nov 2020, pgs. 47-96\)](#)

FIs can use three methods for calculating scope 3 financed emissions baseline and targets

Set boundaries

Calculate baseline

Calculate target

Scope 1

Scope 2

Scope 3 – Ops

Scope 3 – Fin

Note: Methods evolve over time, SBTi is developing meta-criteria to evaluate addt. methodologies to ensure transparency and alignment



Access Module 5
“Developing SBTs: Scope
3 financed emissions –
Overview” for more detail

Allowable for FI scope 3 financed emissions



Sectoral Decarbonization Approach (SDA)



Portfolio Coverage Approach (PCA)



Temperature Rating Approach (TRA)

Measures

Emissions per industry-wide unit
(in select, high emitting industries)

% of portfolio with SBTs

Ambition of portfolio’s public targets

Example

Decrease GHG emissions by 30% per m²
(real estate)

Increase % of portfolio with SBTs to 50%

Align portfolio to temperature rating of 1.75°C

— Reducing carbon output —

— Growing engagement —

Sectoral Decarbonization Approach (SDA) is recommended for any sectors that have specific SBTi sectoral guidance

Set boundaries

Calculate baseline

Calculate target

Scope 1

Scope 2

Scope 3 – Ops

Scope 3 – Fin

Sectoral Decarbonization Approach

Key sectors require specific metrics*...



Real estate & mortgages
(kgCO₂e/m²)



Electricity generation
(kgCO₂e/kWh)



Cement and other industrials
(kgCO₂e/ton)

Example



“Eurazeo commits to reduce its real estate investment portfolio GHG emissions **60% per m²** by 2030 from a 2021 base year.”

FI-C17.1 – SDA Targets: targets using the SDA approach must meet defined conditions around 1) boundary 2) ambition 3) time frame and 4) scope of borrower and/or investee targets

*Note: for full list of sectors covered by the SDA approach, please review Table 5-1.

Sources: [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pg. 51-52 Table 5.1, pgs. 68-72\)](#); [Target language and summary Eurazeo](#)

Note: Methods evolve over time, SBTi is developing meta-criteria for new methods

Benefits



Industry recognized and standardized



Simplifies decision-making

Key Considerations



Requires more data



Not applicable to all sectors



[SDA] is... for companies looking for **credibility and also flexibility**... by taking into account the **different situations of each sector**



de volksbank Case study: Sector Decarbonization Approach (1 of 2)



de volksbank #4 Retail Bank in Netherlands
€47.8B Mortgages

Sectoral Decarbonization Approach

Calculate

1 Footprint and emissions

2 Share of emissions

Define

3 Ambition and emissions target

1 Calculate baseline m² of portfolio

Assign an “Energy Grade” per mortgage (provided by Dutch gov.)

Quantify total emissions of portfolio *Key challenge. Additional detail on next page*

2 Determine share of emissions based on outstanding balance

3 Input emissions, growth, & m² into SBTi-provided **target setting tool**

Source: [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pgs. 63-67\)](#)

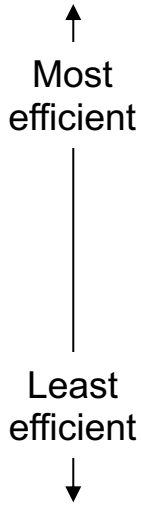
de volksbank Case study: Sector Decarbonization Approach (2 of 2)



1a Note Energy Ratings & Emissions

Home Energy Ratings

Energy Label	kgCO ₂ emitted	% from gas
A	3.9K	62%
B	3.8K	68%
C	3.9K	69%
D	4.0K	73%
E	4.2K	74%
F	4.5K	73%
G	4.4K	73%



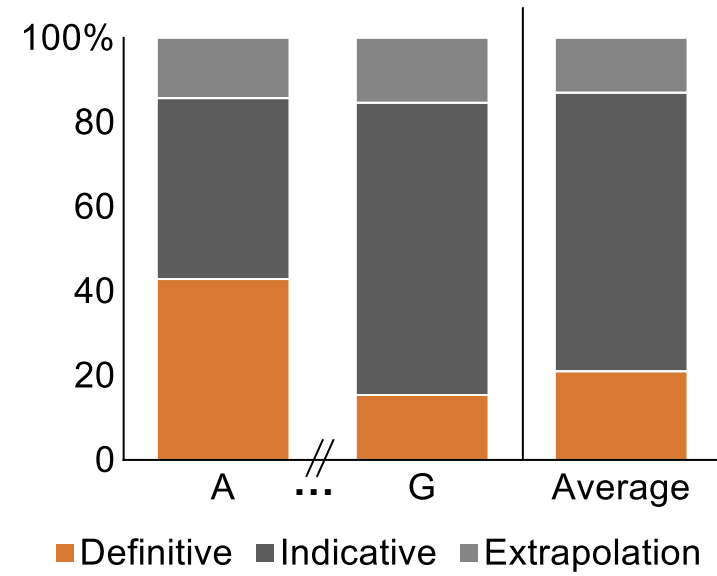
Energy labels provided by Dutch government

Gas represents majority of home emissions

Source: [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pgs. 63-67\)](#)

1b Assign Energy Grades

Data availability by Energy Label

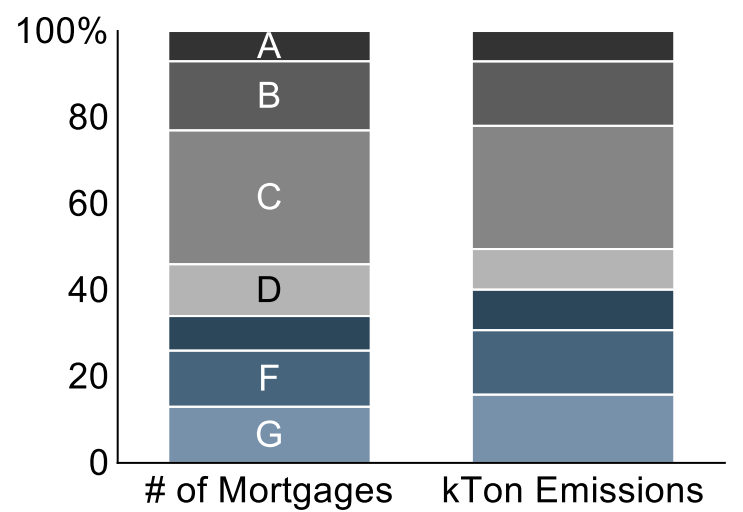


Only ~20% of data was definitive; assumptions made for rest of portfolio



1c Estimate Total Emissions

De Volksbank Mortgage Portfolio Summary



Collected internal mortgage & m² data and estimated emissions

Determined strategy of electrifying households (vs. improving quality)

Portfolio Coverage Approach (PCA) allows for progress with minimal data maturity

Set boundaries

Calculate baseline

Calculate target

Scope 1

Scope 2

Scope 3 – Ops

Scope 3 – Fin

Portfolio Coverage is defined as...



(1) whether companies **set SBTs**



(2) increases by an **annual set amount** to reach **100% coverage**

Example



*“Sycomore AM commits to **56% of listed equity and bonds portfolios** setting SBTi validated targets by 2030”*

FI-C17.2 – PCA Targets: targets using the PCA approach must meet defined conditions around 1) boundary 2) ambition 3) formulation and 4) time frame

Sources: [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022 pgs. 51-52 Table 5.1, pgs. 68-72\)](#); [Target language and summary Sycomore](#)

Note: Methods evolve over time, SBTi is developing meta-criteria for new methods

Benefits



Easily communicated



Can be done without emissions data

Key Considerations



Engaging companies can be resource intensive



*...La Banque Postale AM found the portfolio coverage analysis as the **friendliest method**, for internal and public **disclosure purposes**, among the three methods.*

Set boundaries

Calculate baseline

Calculate target

Scope 1

Scope 2

Scope 3 – Ops

Scope 3 – Fin



#5 Asset Manager in France
€235B AUM

Portfolio Coverage Approach

Categorize

1 Identify number of SBTs in portfolio

Determine

2 Preferred weighting methods

Define

3 Ambition and commitment targets

1 Understand which portfolio companies have SBTs set or committed

2 Select method to quantify coverage*

AUM

CO₂

MCAP / EV

! Key Challenge. Additional detail on next page

3 Engage highest-priority investees to reach 100% of portfolio with SBTs by 2040**

Note: La Banque Postale's currently approved target uses the temperature rating approach. *Guidance allows participants to use different coverage methods for different asset classes where necessary. **2040 timeline is mandated to allow borrowers and/or investees to implement their companies' targets to achieve an economy-wide net-zero transformation by 2050.

Source: [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pgs. 76-81\)](#)

Case study: Portfolio Coverage Approach (2 of 2)



1 Identify Commitment Status

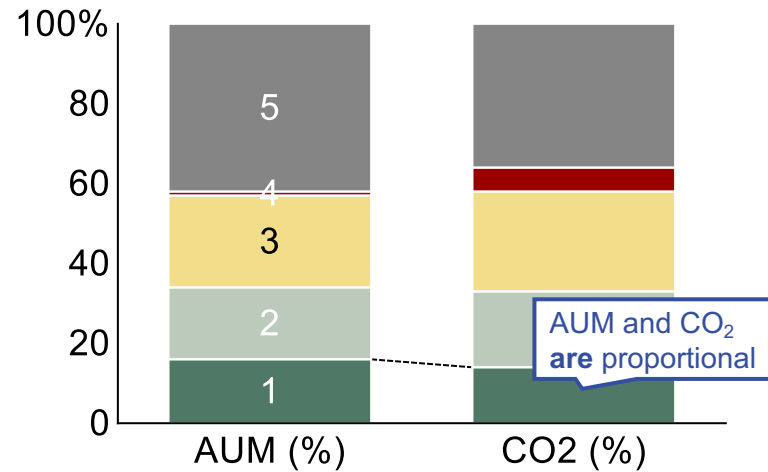
SBT Status	Category
SBTi: Set	1
SBTi: Committed	2
Ongoing process	3
No emissions initiative	4
No information	5

Decide **categories** for **level of commitment**

Use **SBTi website** to identify portfolio company **SBT status**

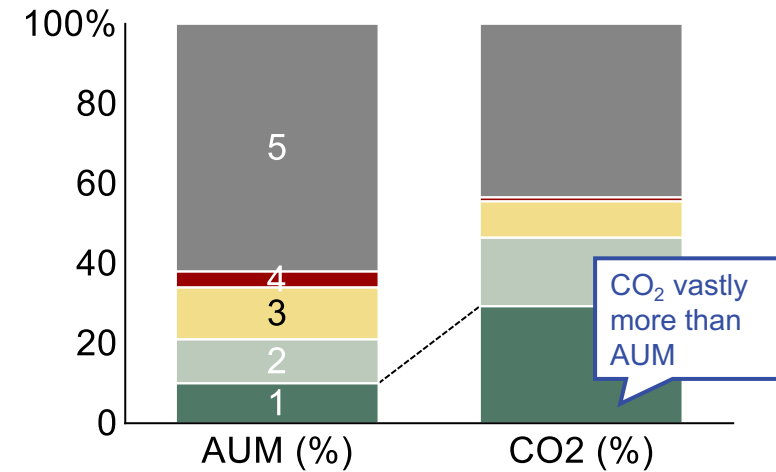
2a Equity Portfolio

% of Assets by SBT status



2b Bonds Portfolio

% of Assets by SBT status



CO₂ data may not always be available; estimate as needed

AUM value and **CO₂** emissions are **not always proportional**

Data helps portfolio managers **prioritize** highest value initiatives

Source: [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pgs. 76-81\)](#)

Temperature Rating Approach (TRA) is recommended for non-SDA industries with more data availability

Set boundaries

Calculate baseline

Calculate target

Scope 1

Scope 2

Scope 3 – Ops

Scope 3 – Fin

TRA uses two aggregate temp. scores which are...



Based on **companies' GHG targets** (default rating of 3.2°C for those with no targets)



Calculated for scope **1+2** and **1+2+3**



Decreased by an **annual set amount** to reach their targets

Example

Schroders

“Schroders plc commits to align its **scope 1 + 2 + 3** portfolio temperature score by invested value within common stock, preferred stock, corporate bonds, ETFs and REITs **from 3.13°C in 2019 to 2.29°C by 2030.**”

FI-C17.3 – TRA Targets: targets using the TRA approach must meet defined conditions around 1) boundary 2) ambition 3) time frame and 4) scope of borrower and/or investee targets

Note: Methods evolve over time, SBTi is developing meta-criteria for new methods

Benefits



Identifies highest emitting portfolio components



Uses readily available data

Key Considerations



Less intuitive to communicate



We believe it is **best practice... to use a temperature alignment methodology, [to avoid] ... pulling capital and scrutiny away from **the areas of financial markets where change is needed most.****”

Schroders ”




#1 Asset Manager in EU
€1.5T AUM

Temperature Rating Approach

Gather


1  **Portfolio target data**

Aggregate


2  **Temperature rating**

Define

3  **Ambition and commitment targets**

1  **Gather targets** and calculate temp scores for portfolio companies
Categorize portfolio companies lacking targets or GHG data

Key challenge. Additional detail on next page

2  **Assign** default scores to funds not addressed by targets

Select a method to determine a weighted aggregated portfolio temperature rating

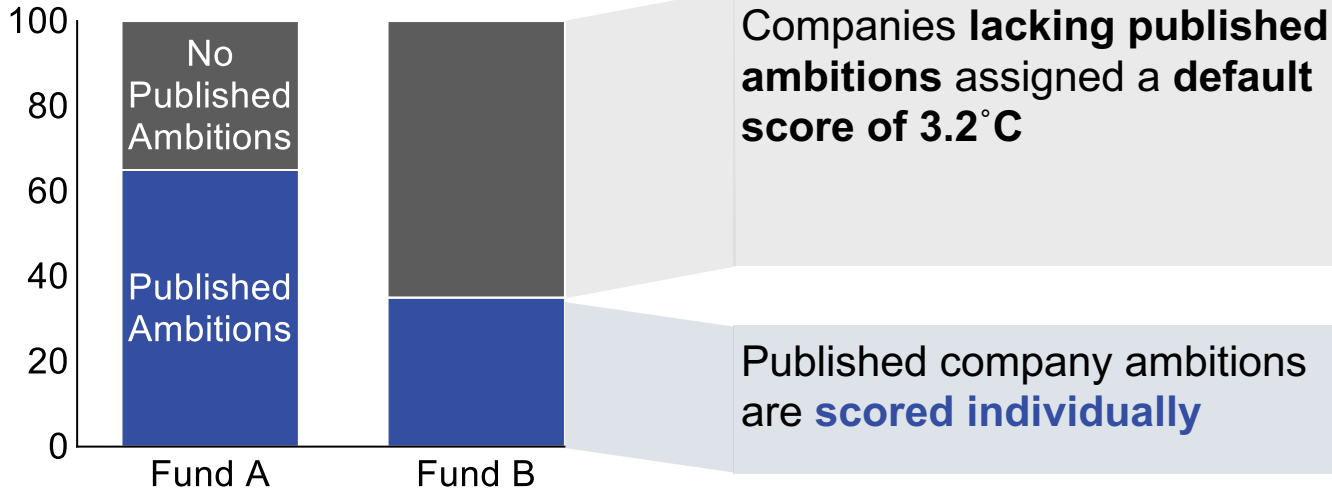
Key challenge. Additional detail on next page

3  **Set targets to...**
Achieve a temperature rating of well-below 2°C at latest by 2040*

*Note: 2040 timeline is mandated to allow borrowers and/or investees to implement their companies' targets to achieve an economy-wide net-zero transformation by 2050.
Source: [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pgs. 88-92\)](#)



% Portfolio companies by set ambitions



1 Gather Targets & Scores

Companies lacking published ambitions assigned a default score of 3.2°C

Published company ambitions are scored individually

Funds gather published portfolio company ambitions

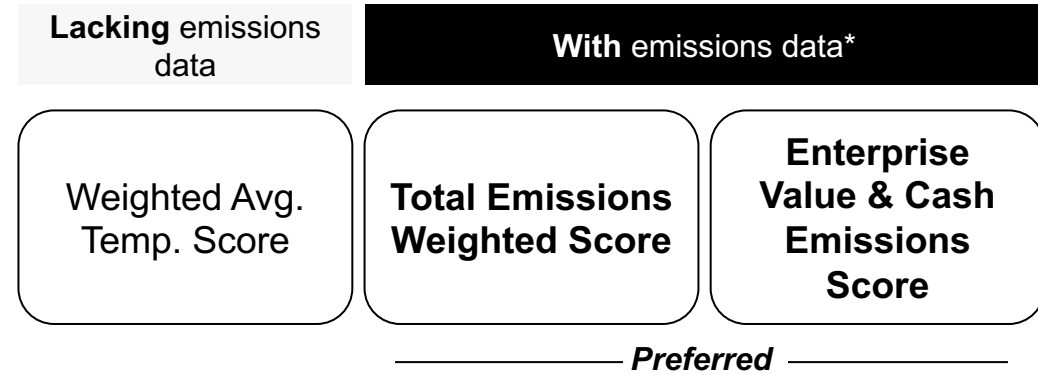
Funds will have different levels of incomplete data



2 Aggregate Scores

Select a method best-suited to data quality

/ NON-EXHAUSTIVE



Weighted Average Temperature Score is suitable for funds with poor emissions data

Enterprise Value and Cash Emissions Temperature Score is best-aligned to PCAF

*Note: Comprehensive list of weighting methods: Weighted average temperature score (WATS); Total emissions weighted temperature score (TETS); 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)

Source: [SBTi Financial Sector Science-Based Targets Guidance \(Feb 2022, pgs. 88-92\)](#); [CDP Temperature Rating Methodology \(Oct 2020, Table 8 pgs. 24-26\)](#)

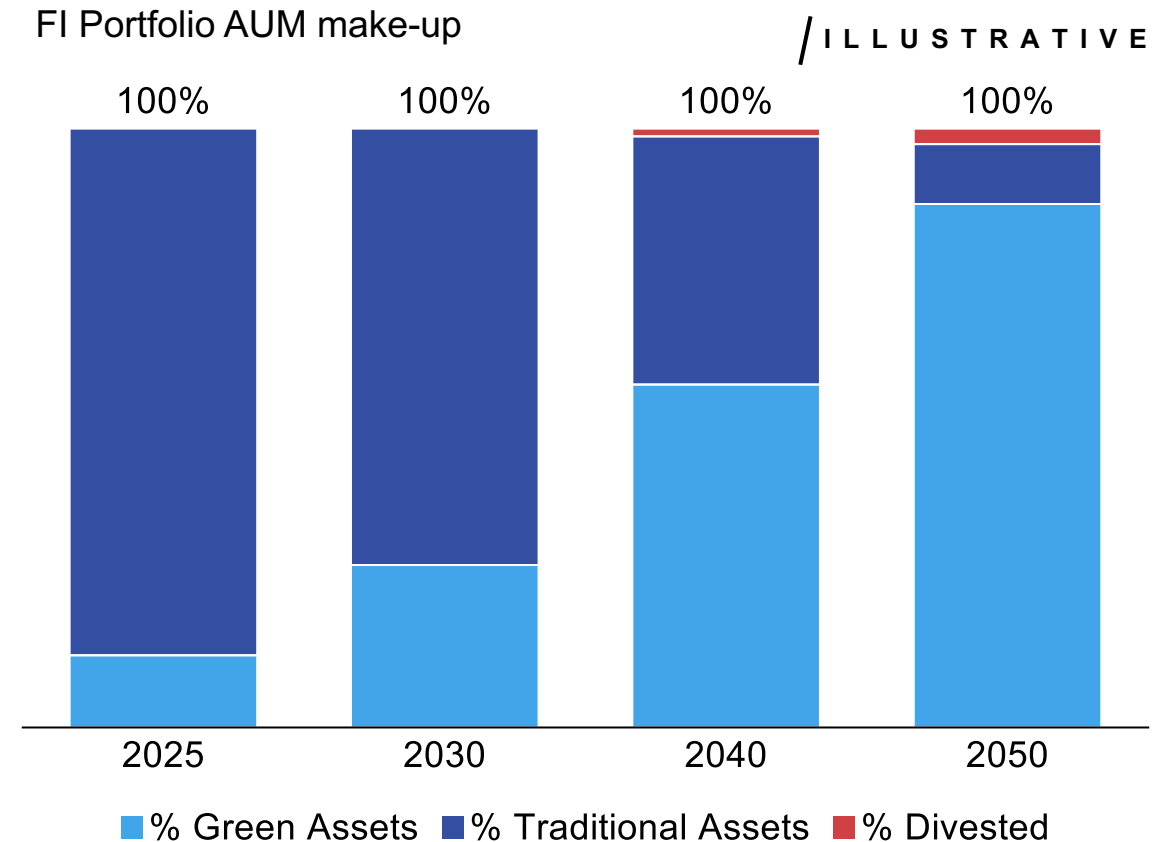
Ultimately, the objective is to transform financing and clients towards decarbonization

Scope 1 Scope 2 Scope 3 – Ops **Scope 3 – Fin**

Fls' targets will serve as a signal ...

- 1 **\$2-5T/year through 2040**
to reach net-zero transformation
- 2 **Opportunity to lead the market**
during the transformation period
- 3 **Stakeholder engagement** will have
compounding returns
- 4 **Engagement leads to better tracking**
and data quality

... as companies and portfolios shift to be more green



Note: Illustrative portfolio represents a "Pioneer" example; "Pioneer" financial institutions represent those with early, strong commitment to climate mitigation. Please review Bain & Company's Banks' Great Carbon Challenge brief for more details. Source: [Bain & Company Brief – Banks' Great Carbon Challenge \(Jun 2022\)](#)

Key learnings

- **Sectoral Decarbonization Approach** is preferred for covered sectors
- **Portfolio Coverage Approach** is based on engagement and requires the least amount of data
- **Temperature Rating Approach** anchors on engagement but is recommended when FIs mature their portfolios' data
- **Data challenges will exist throughout** – FIs must make assumptions until data matures over time
- FIs can use their influence to **increase data quality across their portfolio**



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