SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SCIENCE-BASED NET-ZERO

Scaling Urgent Corporate Climate Action Worldwide

SCIENCE BASED TARGETS INITIATIVE ANNUAL PROGRESS REPORT, 2021

VERSION 1.2 – UPDATED JUNE 2022

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ABOUT THE SCIENCE BASED TARGETS INITIATIVE AND THIS REPORT

The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science. The initiative is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), and one of the We Mean Business Coalition commitments. The SBTi's goal is to provide companies worldwide with the confidence that their climate targets are supporting the global economy to halve emissions by 2030, and achieve net-zero before 2050.

The SBTi is now evolving to become a global standard setter, ensuring the highest ambition in credible corporate climate target setting. It defines and promotes best practice, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets. To ensure the integrity of targets, the SBTi's target validation process follows a rigorous protocol aligned to regularly updated criteria based on the latest climate science.

This report shows how the SBTi has risen to the challenge, and became the global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science. The report is structured in four chapters: chapter one highlights growth in approved science-based targets and commitments, chapter two shows that we have reached a critical mass, chapter three showcases progress to date on delivering against targets and chapter four explains how the SBTi is responding to key challenges around the adoption of science-based targets by companies worldwide.

This report uses a number of data sources, including information about companies and financial institutions provided to the SBTi, public CDP disclosure data, information retrieved from company sustainability reports and websites, and publicly available data on global emissions and market capitalization. All chapters and footnotes provide insights and clarifications on how each analysis was conducted and the data sources used. While the data used in the report generally has a December 31 2021 cut-off date, the data used in chapter three and the appendix contains progress on near-term targets as of July 31 2021. The SBTi continues to grow, with more companies committing and setting targets every week. Analysis of progress of science-based targets beyond July 2021 will be detailed in future reports. Accenture supported the SBTi in the development of this report, including with data collection, analysis, insights and final production.

The SBTi Progress Report is released annually. Previous reports can be viewed on the SBTi website.

Partner organizations

CDP DISCLOSURE INSIGHT ACTION

United Nations Global Compact

WORLD RESOURCES INSTITUTE

WWF

FOREWORD

DR. LUIZ FERNANDO DO AMARAL

CHIEF EXECUTIVE OFFICER,
SCIENCE BASED TARGETS INITIATIVE

I am pleased to present the SBTi's 2021 Progress Report. I joined the SBTi at a pivotal time in the fight against climate change and the SBTi's growth. After my first few months, I find myself in awe of the progress achieved, and facing a perfect storm of challenges ahead: The increasing urgency of the global climate crisis; ongoing uncertainty caused by COVID-19; and conflict, particularly the Russian invasion of Ukraine, causing misery and increased uncertainty worldwide.

In the face of these huge challenges, I call on government officials, NGOs, and businesses to unite behind driving urgent climate action aligned with 1.5°C. The latest Intergovernmental Panel on Climate Change (IPCC) reports are all too clear: We're already experiencing the devastating impacts of climate change and continuing the current trajectory equals catastrophe. At this critical time, we cannot let ourselves be divided. We must work, through collaboration, healthy debate and scientific research, to achieve the pace and scale of emissions reductions we desperately need.

It is part of the SBTi's DNA to foster that collaboration, which is fundamental to our work and the development of our robust methods and guidelines. We also fulfill the role of standard and quality assurer, driving corporate ambition from simply doing something to tackle climate change to doing enough in line with the Glasgow Climate Pact, the Paris Agreement and best-in-class science. Our 2021 annual report clearly demonstrates that the SBTi is more needed and valued than ever. Our work is going mainstream – companies with approved science-based targets and commitments now cover more than a third of the global market capitalization. And our impact is demonstrated. In 2020, COVID-19 caused the global economy to reduce emissions by 5%, whereas companies with science-based targets cut emissions by 12%. This is more than what's needed to meet the Paris Agreement; according to the UN Environment Programme, the global economy must cut emissions by 7.6% every year between 2020-2030 to achieve 1.5°C.

We want to continue improving our methods for measuring impact in future reports, but the numbers demonstrate that science-based targets are delivering the real-world emissions reductions we need. In 2021, the SBTi High Impact Sample – which represents the largest companies by market capitalization and emissions worldwide – reached a critical mass, surpassing the threshold with more than a quarter (27%) setting science-based targets. However, we still lack representation globally – with the vast majority headquartered in Europe, the United States and Japan – and in particular sectors. Now, to achieve our mission, we must rapidly scale across every geography and sector, especially in high-emitting sectors and emerging markets.

To drive the exponential growth of science-based targets worldwide, we are transitioning the SBTi from a successful start-up into a consolidated organization by evolving our governance, technical structure and operational efficiencies. We are also continuing to work with partner initiatives to develop sector specific guidance, facilitating science-based target adoption in different parts of the economy. The first years of the SBTi successfully expanded science-based targets from conception to adoption by many. Our goal now is to make net-zero, 1.5°C-aligned science-based targets 'business as usual' for companies worldwide. Evolving our technical governance and operational efficiency, in line with best practice for standard-setting bodies, and further increasing our scientific rigor and sectoral guidelines, are essential to ensure increased growth and impact.

I look forward to working with our Board, leadership, the fantastic SBTi team, partners and others to deliver increased corporate climate action globally.

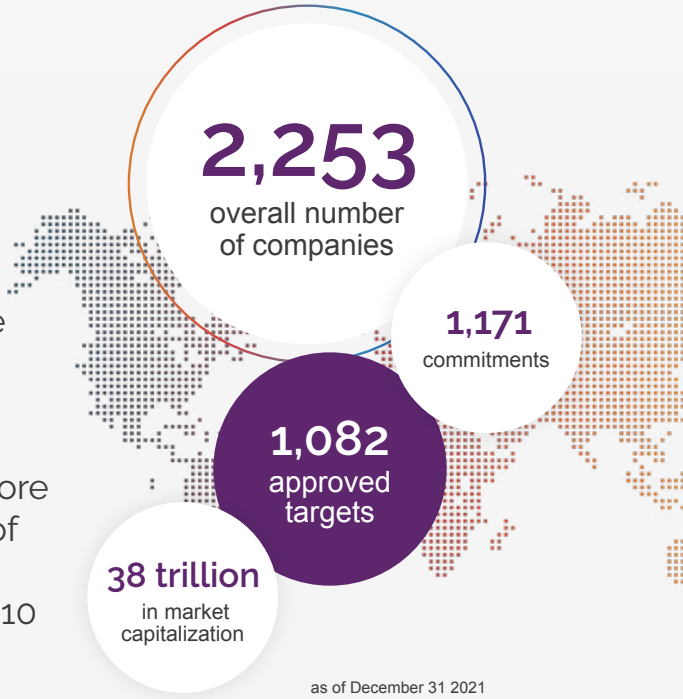
DR. LUIZ FERNANDO DO AMARAL

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

RECORD NUMBERS OF COMPANIES COMMIT AND SET SCIENCE-BASED TARGETS IN 2021 – THE NET-ZERO STANDARD IS THE NEW COMPASS

In 2021, the SBTi entered a period of exponential growth and increasing corporate ambition – doubling the number of new companies setting and committing to set targets and tripling the rate at which new targets were validated. At the end of 2021, more than 2,200 companies covering over a third of global economy market capitalization were working with the SBTi – a rate of more than 110 new companies per month.



The launch of the SBTi Net-Zero Standard ahead of COP26 was a milestone, providing the world's first framework for corporate net-zero target setting. Anchored in climate science and 1.5°C pathways, the Standard requires companies to make rapid and deep emission cuts, through both near- and long-term science-based targets. We want this to become the new normal for all businesses.

Driven by the SBTi's Business Ambition for 1.5ºC campaign and the SBTi ambition update, the majority (80%) of companies with approved targets in 2021 were aligned with 1.5°C. Nearly two-thirds (63%) of companies with 1.5°C-classified targets say they intend to cut emissions at a higher rate than is required. Encouragingly, 96% of SBTi companies with approved science-based targets have targets covering scope 3 emissions.[1]

The most impactful companies are now setting science-based targets as the SBTi reached a 'critical mass' globally and in key regions, with 27% of high-impact companies setting science-based targets worldwide.[2]

These numbers clearly show the appetite, and the potential, for companies to tackle the climate crisis via science-based targets – but considerably more action is still required. A very high proportion of targets are from companies in Europe, the United States and Japan, with relatively few elsewhere in Asia, Africa and Latin America. Sectorally, heavy-emitting industries continue to be under-represented.

[1] Term "SBTi companies" used throughout the report refers to companies with approved targets or commitments.
[2] According to the 'diffusion of innovations' theory, the SBTi takes the threshold of 20% of a system's members as a critical mass, or potential 'tipping point', followed by rapid adoption of science-based targets from the remaining members within a given sector or geography. High-impact companies are defined based on market capitalization and emissions. Refer to chapter three of the report for more information on the critical mass approach and high-impact companies.

1.5°C-aligned companies cutting emissions

2X FASTER

than required

SBTi companies have collectively reduced emissions by **29%** between 2015 and 2020

SCIENCE-BASED TARGETS DELIVER BIGGEST EMISSIONS REDUCTIONS TO DATE

SBTi companies with approved targets are reducing emissions at an accelerating pace, collectively achieving 12% scope 1 and 2 emissions reduction in 2020. This resulted in a total-emissions decrease of 29% between 2015 and 2020 (in comparison to a 25% reduction between 2015 and 2019).[3] Beyond the impact of COVID on global emissions, SBTi companies have delivered excess reductions in comparison to their peers within their countries.

An annual 4.2% emissions reduction is required for 1.5°C-aligned science-based targets. A typical SBTi-approved company has been even more ambitious than the 1.5°C trajectory, with a linear rate of 8.8% scope 1and 2 reductions a year during the period with approved targets. There is, however, a gap in reporting practices: of the 692 companies included in this year's analysis, 46% of companies reported progress on all targets, while 26% reported progress on at least one target. For 28% of companies, no public information on progress against their targets was found, highlighting the need for harmonized reporting against science-based targets.[4]

[3] The GHG inventories for 2021 have not been disclosed to CDP at the time of writing of this report. Refer to the appendix for more details on the methodology used for this analysis.
[4] Figure does not include SMEs. For more information on SMEs, please refer to chapter three of the report.

RESPONDING TO SYSTEMIC CHALLENGES TO TARGET ADOPTION

The SBTi's 2021-2025 strategy aims to close the current ambition and emissions gap by massively scaling up 1.5°C-aligned corporate climate action in the next three years, especially in the areas where it has been lacking to date – the heaviest-emitting sectors and emerging markets.

The SBTi Country Activation and Incubators Projects, which focus on increasing engagement in Latin America, Asia and Africa, have already delivered promising results. Scope 3 and additional sector-specific guidance, especially for financial institutions, are also in development to enable science-based target setting in specific industries and across the value chain.

Setting net-zero science-based targets aligned with 1.5°C is only one element of a company's climate action journey. Businesses also need concrete plans to achieve them and must report on progress in a transparent and consistent way.

> SBTi is working to expand the scope of its climate alignment and certification framework from ambition (target-setting) to performance (target-delivery) through the development of a measurement, reporting and verification (MRV) framework. The framework will provide a clear and standardized mechanism to assess, verify and enhance corporate accountability on progress towards science-based targets.

THE PATH AHEAD

By the end of 2021, global emissions bounced back as the economy began to return to 'business as usual' following COVID-19. The world is currently not on track to halve emissions by 2030. If we are to stand a fighting chance of keeping 1.5°C alive, all companies around the world, across all industries, must now set near- and long-term science-based targets in line with a 1.5°C trajectory.

CHAPTER 1:
A YEAR OF EXPONENTIAL GROWTH

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A YEAR OF EXPONENTIAL GROWTH

2021 WAS A RECORD YEAR FOR SCIENCE-BASED TARGETS

Since its inception in 2015, the SBTi has grown exponentially. The initiative is now evolving to become a global standard setter for corporate emissions reduction targets, providing clarity by grounding corporate target setting in science and credibility through a robust target validation process.

2021 was a record year for the SBTi, as the number of companies setting and committing to set science-based targets doubled to 2,253.[5] This figure includes 1,171 companies that committed to set science-based targets and 1,082 with approved targets – with a global reach in 70 countries and 15 industries (figures from December 31 2021). SBTi companies now cover over a third (35%) of global market capitalization – up from 20% in 2020 and equal to $38 trillion.[6]

> SBTi companies now represent more than a third of the global economy in market cap equal to $38 trillion

[5] After introduction of the Net-Zero Standard, science-based targets are divided into near- and long-term. Throughout this report, for ease of reading, the term "science-based targets" is used to refer to near-term targets, meaning with a target year before 2030.

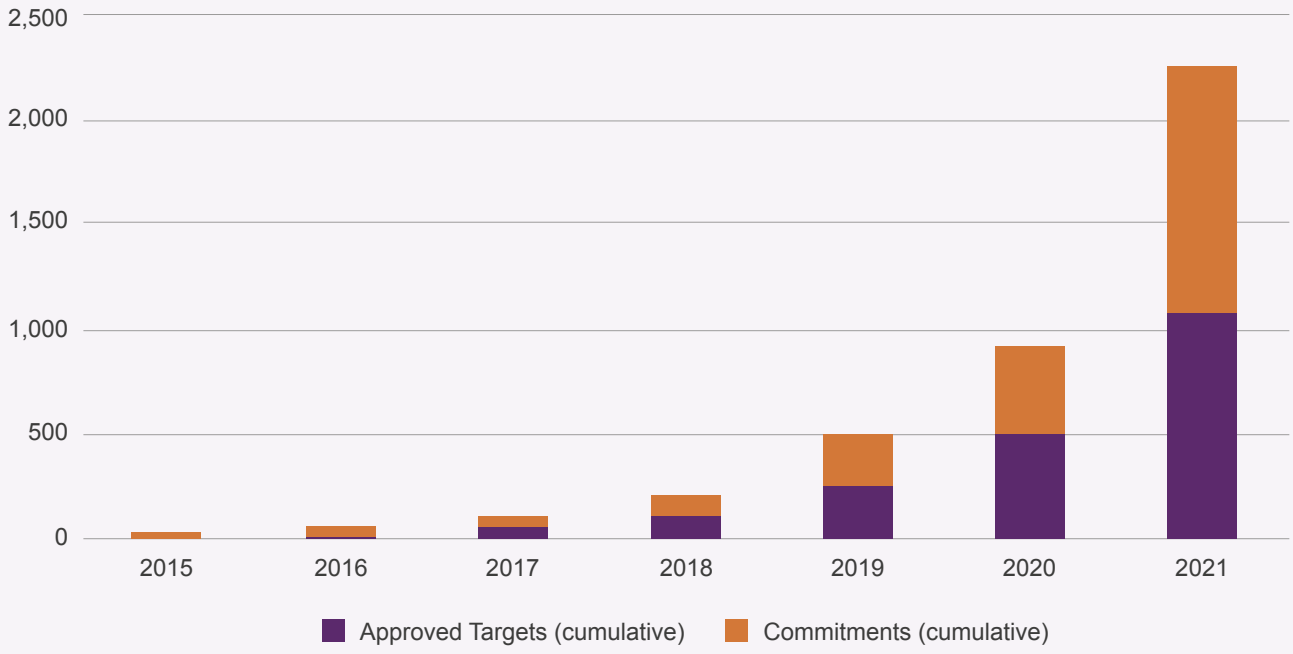
[6] Global market capitalization estimated based on the MSCI ACWI Index retrieved from Bloomberg which equals to around $110 trillion as of December 31 2021. Market capitalization data of SBTi companies was retrieved from Bloomberg with a date of December 31 2021 (data could be retrieved for 53% out of 2,253 companies).

The number of SBTi companies increased at a record pace in 2021 – three times faster than in 2020. More than 1,300 companies set and committed to science-based targets, at a rate of over 110 companies per month, compared with 35 companies per month in 2020. What's more, the rate of companies' target validation more than doubled, from 20 per month on average in 2020, to 49 in 2021, reflecting the initiative's increasing technical capacity and resources to meet demand.

In 2022, the SBTi has continued to experience exponential growth. In the first quarter, almost 500 companies have set or committed to set science-based targets.[7]

A RECORD YEAR FOR NEW APPROVED TARGETS AND COMMITMENTS

Annual cumulative number of companies with approved targets and commitments, 2015–2021.[8]

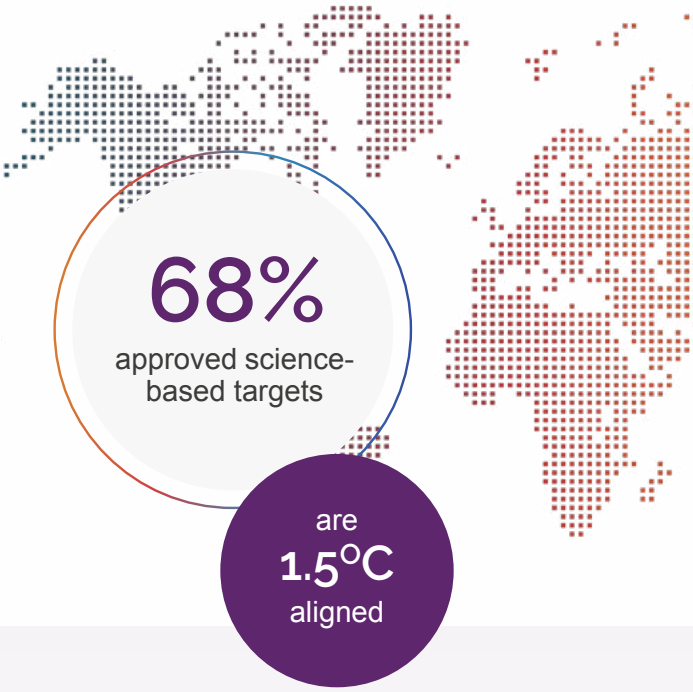


In 2021, there was also a significant uptake in science-based targets by small-medium enterprises (SMEs).[9] 177 SMEs set targets, compared to 29 in 2020. The uptake is linked to the introduction of a streamlined route for SMEs target validation in mid-2020. It enables these companies to immediately set a science-based target for their scope 1 and 2 emissions by choosing from one of two predefined target options. Although SMEs are not required to set scope 3 emissions reduction targets, they must commit to measure and reduce these emissions sources. 209 SMEs now have approved targets.

[7] Note that in Q1 2022, selected companies have been removed due to expired commitments and the updated SBTi policy on fossil fuel companies.
[8] This graph shows the cumulative number of approved targets and commitments on an annual basis as of December 31 2021. Companies that have approved targets and SMEs that have used the streamlined target-setting process are represented as companies with approved targets. The target approval and commitment years reflect the date of the latest company updates (e.g. if a company resubmitted a target, the graph shows the resubmission year). The graph excludes commitments of companies with expired commitments (i.e. committed, but did not set a target after two years).
[9] For the SBTi, an SME is defined as a non-subsidiary, independent company with fewer than 500 employees. This does not include financial institutions or oil and gas companies.

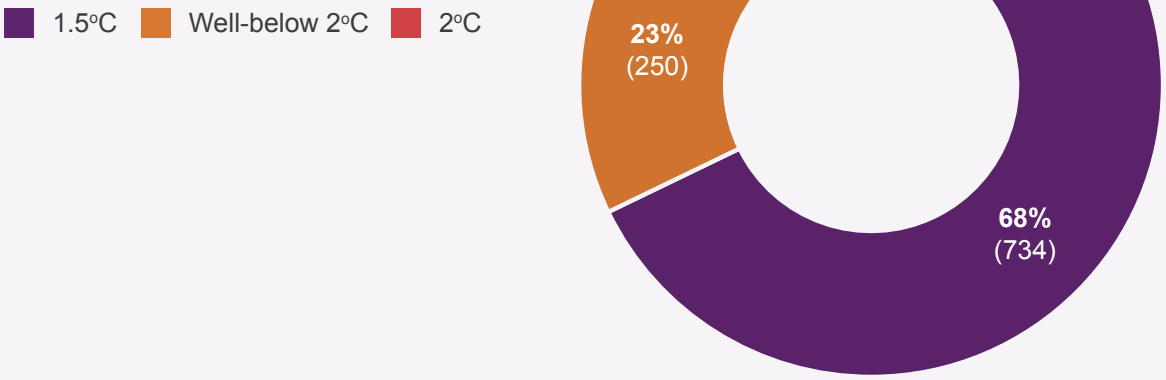
1.5˚C AS THE NEW NORMAL

A majority of SBTi companies' scope 1 and 2 targets are now aligned with 1.5ºC, a positive sign in light of the increased urgency to limit global temperature rise, as laid out in IPCC reports and the Glasgow Climate Pact at COP26. As of December 2021, more than two thirds (68%) of all companies with approved science-based targets were aligned with 1.5ºC, in comparison to 41% in 2020.[10] Nearly two-thirds (63%) of these companies with 1.5˚C-classified targets say they intend to cut emissions at a higher rate than is required, meaning their linear emissions reduction rate exceeds the SBTi's 4.2% minimum threshold for targets aligned with limiting warming to 1.5˚C above pre-industrial levels.



MORE THAN TWO-THIRDS OF SBTi COMPANIES ARE 1.5˚C-ALIGNED

Scope 1 and 2 targets temperature classification of companies with approved targets as of December 31 2021.[11]

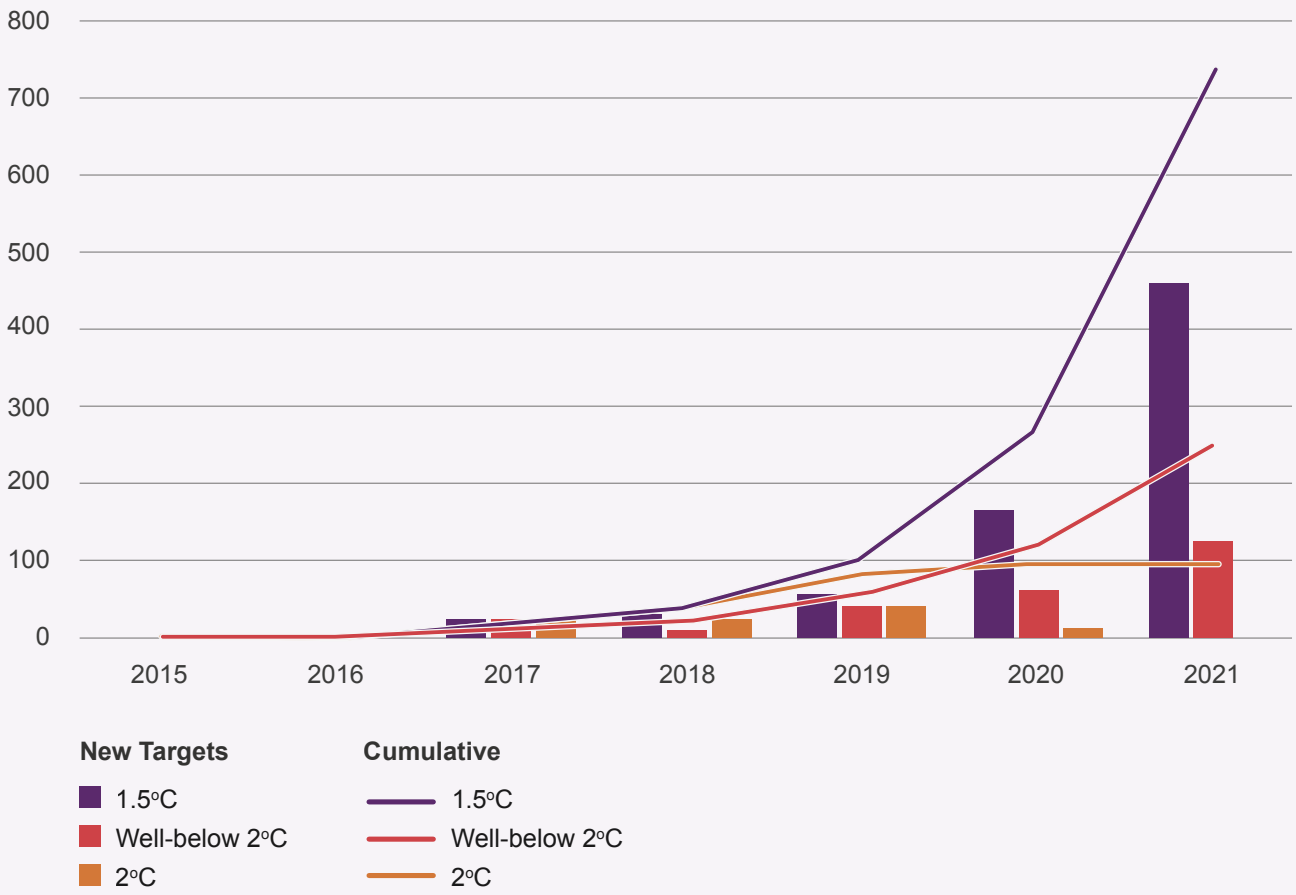


[10] Figure from the SBTi 2020 Progress Report.
[11] Total companies with approved targets equals 1,082. The graph focuses on scope 1 and 2 targets, as these are the targets the SBTi is currently assessing against temperature pathways. This chart reflects the information of the most updated company targets (i.e. target information after voluntary ambition updates or target resubmissions).

1.5°C alignment becoming mainstream has been supported by more than two years of campaigning through Business Ambition for 1.5°C. In 2021, building on the unprecedented growth in ambition through the campaign, the SBTi announced plans to make 1.5°C the central ambition in its target-setting framework. From July 2022, only target submissions aligned with 1.5ºC will be accepted. Already in 2021, almost 80% of the 587 approved targets were aligned with 1.5°C. Furthermore, 20 companies adjusted their targets to increase ambition through the SBTi's voluntary ambition update process and 52 have resubmitted their target, which can also include an incremental update.

INCREASING MOMENTUM FOR 1.5˚C

Temperature alignment and growth of of scope 1 and 2 targets, 2015–2021.[12]



[12] Scope 3 targets do not currently have a temperature classification and are therefore not included.

BUSINESS AMBITION FOR 1.5°C

BUSINESS AMBITION FOR 1.5˚C CAMPAIGN: MAINSTREAMING 1.5˚C

In 2019, the SBTi, together with the UN Global Compact and We Mean Business, launched the Business Ambition for 1.5ºC campaign to mainstream target setting aligned with a 1.5ºC trajectory and pave the road to net-zero. Over two years, the campaign has grown exponentially, effectively making 1.5˚C-aligned science-based target setting the new normal and bringing together a group of ambitious companies that committed to set net-zero targets even before the Net-Zero Standard was released. As of December 31 2021, 1,131 companies were part of the campaign, from which over 60% have commited to set net-zero targets.

ENGAGING THE VALUE CHAIN

Most companies with approved targets will reduce emissions across their entire value chain.[13] Overall, almost all (96%) of SBTi companies with approved science-based targets have targets for scope 3 emissions, as of December 2021.[14] At the same time, 16% of companies have set supplier engagement targets to incentivize their suppliers to set their own science-based targets.

Scope 3 targets are instrumental in reducing emissions at the pace and scale needed. Upstream and downstream value chains are the largest source of emissions for most industries – sometimes representing more than 90%, especially in high-emitting industries.[15] Addressing scope 3 emissions is also crucial to scale the adoption of science-based targets in emerging economies, as suppliers in developing countries can be encouraged to set science-based targets.

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

[13] The SBTi requires companies to set scope 3 targets if they represent more than 40% of a company's emissions.
[14] 839 out of 873 companies, excluding SMEs. The targets must cover at least 67% of a company's scope 3 emissions.
[15] Accenture, Reaching Net-Zero; based on the sample of 1,022 companies listed on the European stock exchanges.

THE WORLD'S FIRST FRAMEWORK FOR CREDIBLE CORPORATE NET-ZERO

The SBTi's Net-Zero Standard, launched in 2021 ahead of COP26 in Glasgow, is a major milestone for credible corporate climate action. The Standard is the world's first framework to provide a robust, science-based understanding of net-zero, giving business leaders clarity and confidence that their near- and long-term decarbonization plans are aligned with climate science. It includes criteria and recommendations to support businesses in setting net-zero targets through the SBTi, consistent with limiting global temperature rise to 1.5°C.

The Net-Zero Standard requires companies to take action across four areas:

1. **Set near-term science-based targets:** 5-10 year emission reduction targets in line with limiting warming to 1.5°C.
2. **Set long-term science-based targets:** Most companies must reduce emissions by at least 90% no later than 2050.[16]
3. **Neutralize residual emissions:** Any remaining emissions (e.g. up to 10% not covered by the long-term target) must be neutralized with permanent carbon removals.
4. **Beyond value chain mitigation:** Companies are encouraged to take additional action by mitigating emissions beyond their value chains; for example, by purchasing high-quality, jurisdictional REDD+ credits or investing in direct air capture.

In October 2021, seven companies – AstraZeneca (United Kingdom), CVS Health (United States), Dentsu International (United Kingdom), Holcim (Switzerland), JLL (United States), Ørsted (Denmark), and Wipro (India) – had their net-zero targets approved via a pilot program for the Net-Zero Standard.[17] In addition, as of December 2021, 727 companies had committed to set net-zero targets through the Business Ambition for 1.5°C campaign, which was instrumental in highlighting demand for the Net-Zero Standard.

António Guterres - UN Secretary-General

"The Science Based Targets initiative's new Net-Zero Standard is a welcome tool for companies to ensure consistency"

[16] For the Forest, Land and Agriculture (FLAG) industry, a minimum of 80% emissions reduction is required.
[17] As part of net-zero validation, companies need to set near- and long-term targets, as per the Net-Zero Standard criteria. Find out more about these seven companies' targets at www.sciencebasedtargets.org/companies-taking-action.

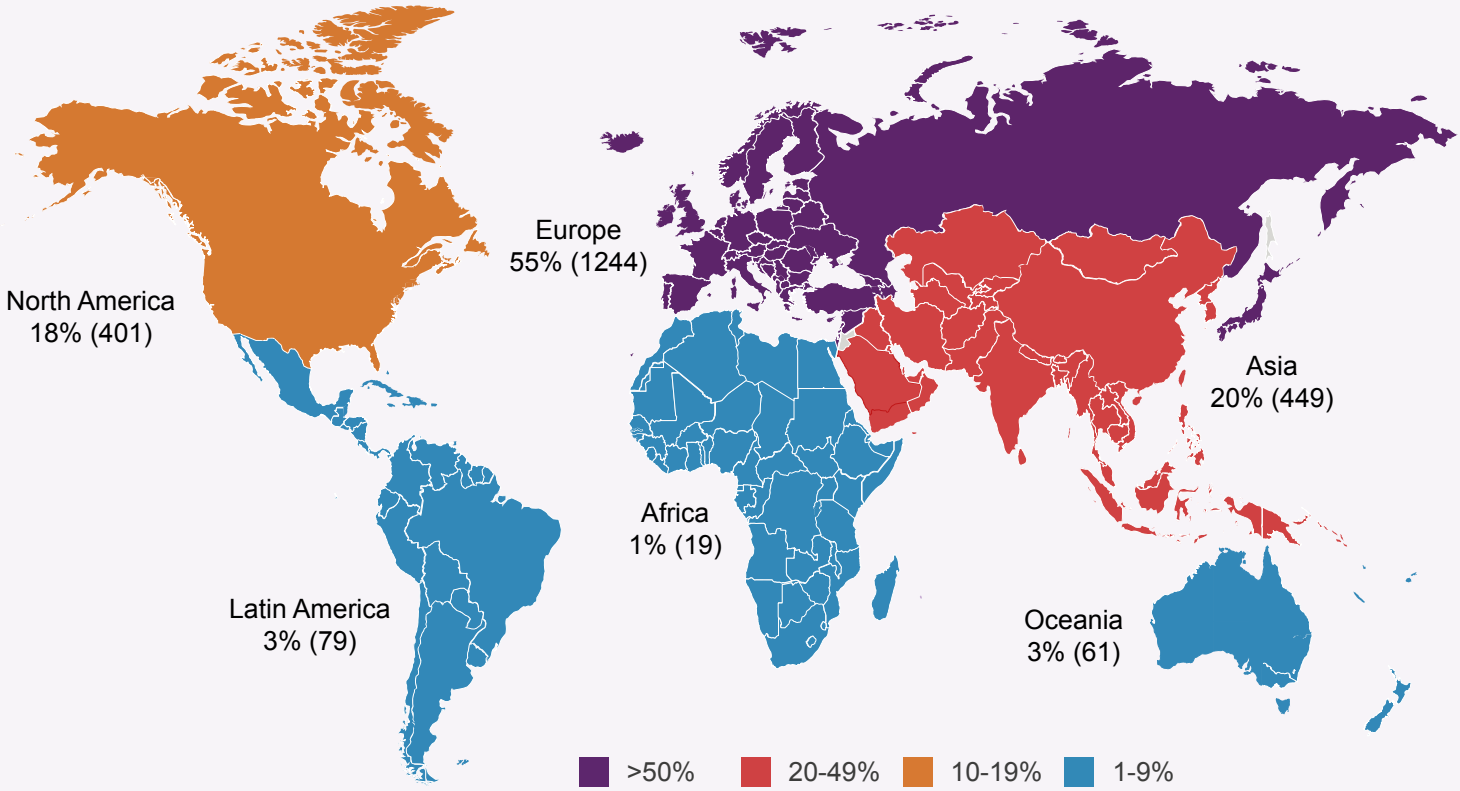
G20 COMPANIES MUST DRIVE ACTION

Although the initiative is growing significantly, uptake is unequal across regions, with Europe in the lead. Accelerating the adoption of 1.5ºC-aligned targets across G20 countries is therefore a key goal of the SBTi 2021-2025 strategy.

To date, some countries of the G7 – especially the United Kingdom, the United States, Japan, France and Germany – have had the most approved science-based targets and commitments. G7 countries represent 55% of all SBTi companies overall, with Canada and Italy still lagging behind. Companies from other members of the G20 make up for 11% of all approved targets and commitments, while non-G20 companies make up over a third (34%), showing the need to increase efforts to further engage companies in emerging economies and developing countries.

GEOGRAPHIC REACH OF SCIENCE-BASED TARGETS

Companies with approved targets and commitments by region as of December 31 2021.[18]

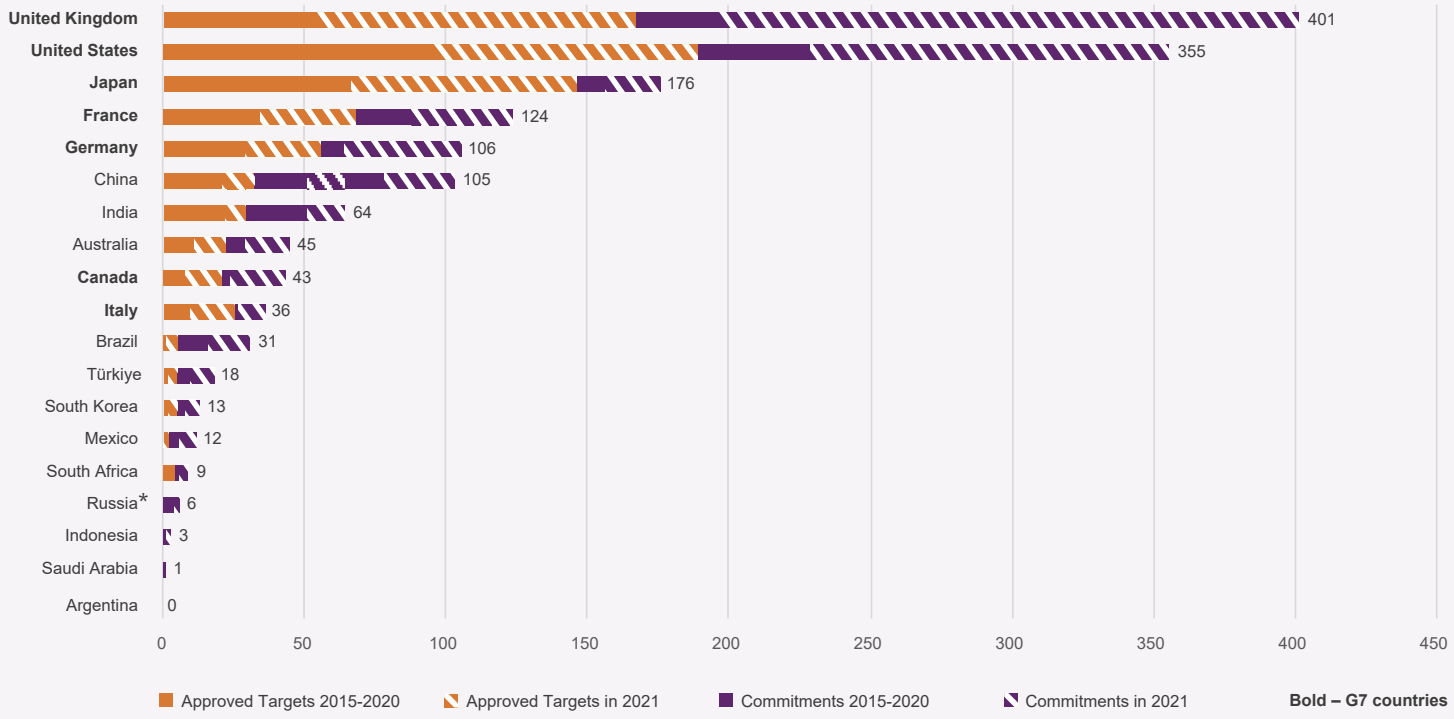


[18] Europe includes Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Jersey, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, and the United Kingdom. Asia includes Bangladesh, Cambodia, China, India, Indonesia, Israel, Japan, Jordan, Kuwait, Lebanon, Malaysia, Pakistan, Philippines, Saudi Arabia, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Türkiye, Vietnam and the United Arab Emirates. Africa includes Egypt, Kenya, Mauritius, South Africa, Uganda and Nigeria. Latin America includes Bolivia, Brazil, Chile, Colombia, Costa Rica, Guatemala, Mexico, Paraguay, Peru and Uruguay. North America includes Bermuda, Canada, and the United States. Oceania includes Australia and New Zealand.

Encouragingly, 2021 saw increases in target adoption and commitments from companies in G20 countries that are significantly contributing to global emissions, such as China and India, as well as Brazil, South Korea and South Africa.

G20 BREAKDOWN IN APPROVED TARGETS AND COMMITMENTS

Country view of G20-based companies with approved targets and commitments as of December 2021.



* The SBTi released a policy for Russian and Belarusian companies on April 19 2022, which is available on the SBTi website.

MORE ENGAGEMENT NEEDED IN HIGH-EMITTING SECTORS

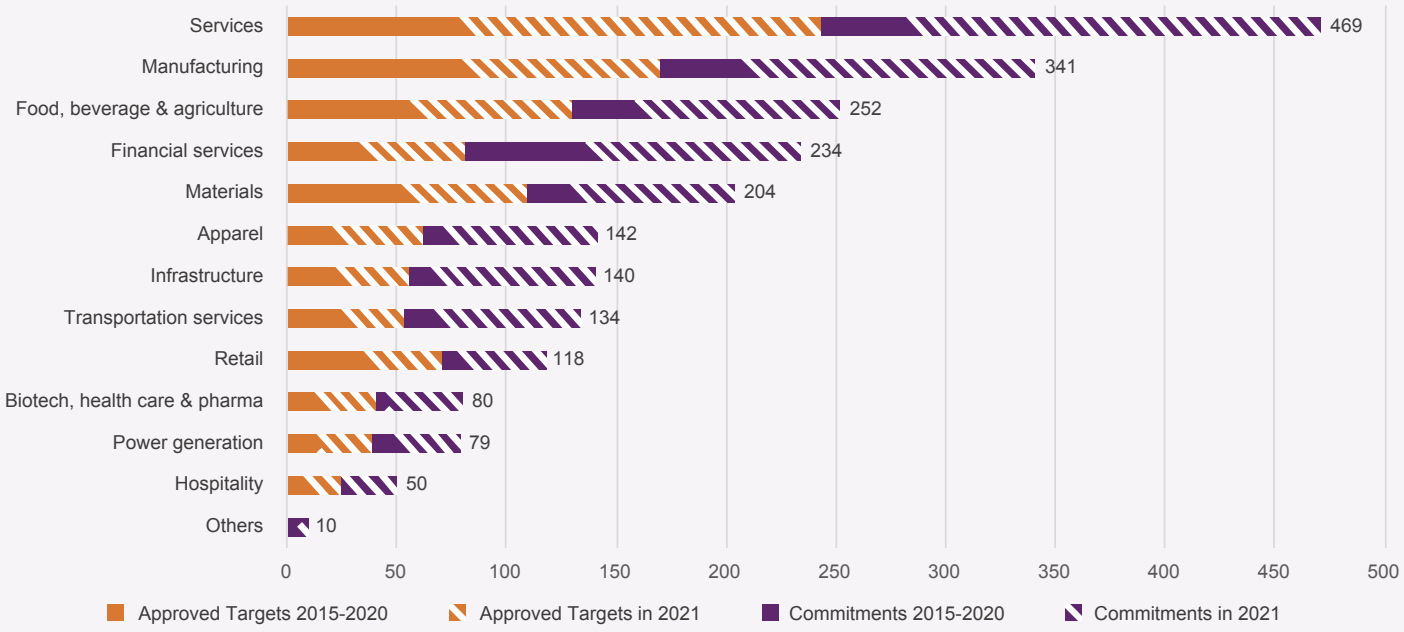
In 2021, the SBTi continued to see more uptake in some industries than others.[19] Companies joining the initiative in 2021 were predominantly in the services, manufacturing, food, beverage and agriculture industries, which currently make up nearly half (47%) of all SBTi companies.

Some of the most impactful companies driving climate action in those industries include Microsoft, Mastercard and Adobe in the services industry; Nestlé, The Coca-Cola Company and PepsiCo in food, beverage and agriculture; Apple, Siemens AG and Schneider Electric in manufacturing; and Mercedes-Benz, Ford Motor Company and General Motors in car manufacturing.

Some industries, such as power generation or transportation services, are much more emissions-intensive than others and are still lagging behind.[20] The SBTi is working to engage more companies in such high-emitting sectors. However, there are a number of notable examples of companies with science-based targets from those industries, such as Holcim, Saint Gobain and Cemex in materials, and Iberdrola and Enel in power generation.

SCIENCE-BASED TARGETS BY INDUSTRY

Total number of companies by industry with approved targets and commitments as of December 31 2021.



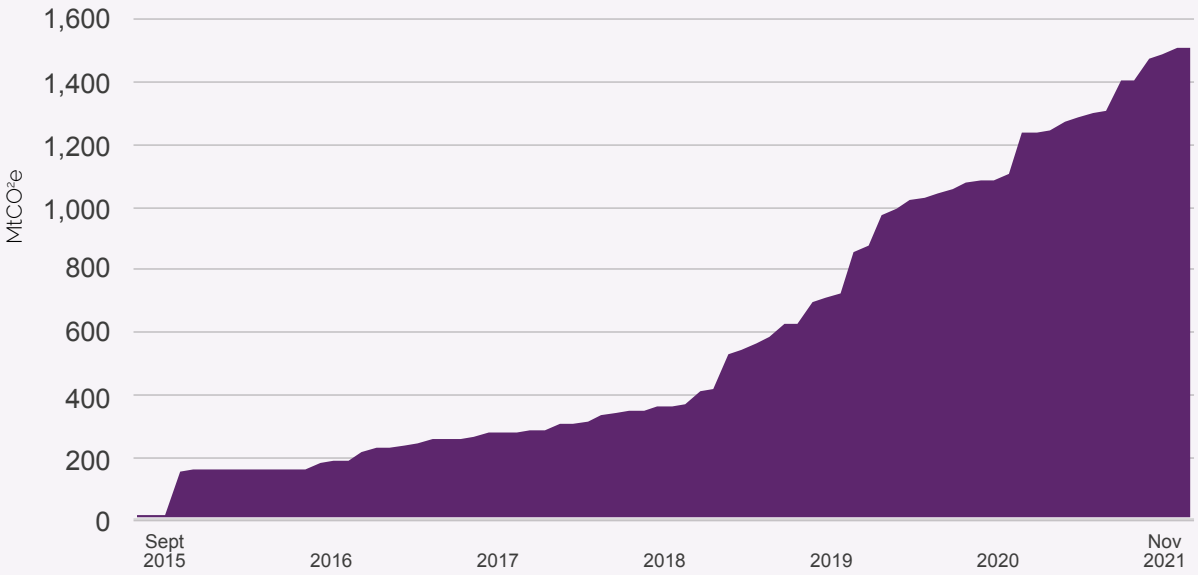
[19] Industries were defined by assigning each company sector as per the SBTi Target dashboard under an industry category from the CDP's Activity Classification System (CDP-ACS). Financial services sector was separated from the services sector. Industries marked as 'others' include international bodies, mineral extraction and fossil fuels.
[20] IEA, Emissions by sector.

INCREASING EMISSIONS COVERAGE OVER TIME

In line with the increasing number of companies setting and committing to set science-based targets, there has been a major increase in scope 1 and 2 emissions coverage in the SBTi since 2015, as shown in the chart below. The amount of scope 1 and 2 emissions covered by the SBTi has increased more than ten-fold between 2015 and 2021, from 145 million to 1.5 billion tonnes of CO_2e.[21] This is equivalent to the combined annual emissions from Japan and Brazil in 2020.[22]

INCREASE IN SCOPE 1 AND 2 EMISSIONS COVERAGE

SBTi-approved companies' scope 1 and 2 emissions coverage ($MtCO^2e$) over time.[23]



> As of December 2021, the total committed annual emissions reductions across all approved science-based targets was 53 million tonnes CO_2e,[24] equivalent to taking 11 million cars off the road each year.[25]

Despite the massive uptake of science-based targets in 2021 and increasing emissions coverage, there is still much to be done. Currently, the world is not on track to achieve the goals of the Paris Agreement. Maintaining the current level of global corporate and governmental action will increase global temperatures by 3ºC by 2050, spelling disaster for people and the planet.[26] There is a need for a massive acceleration in companies setting science-based targets, across all countries and sectors, to ensure the world aligns with 1.5ºC.

[21] Companies may submit GHG inventories from multiple years to the SBTi, and may resubmit targets accompanied by updated or more recent inventories over time. For this analysis, the most recently received emissions data corresponding to the latest available inventory year was used for each company. Each company is shown on the graph with the date when its targets were first approved by the SBTi. Figures may differ from last year's progress report due to resubmissions from large emitters over the course of 2021 resulting in updated emissions figures.

[22] Emissions by country retrieved from Global Carbon Project (Japan 1,030 MtCO2e, Brazil 467 $MtCO_2e$).

[23] This graph shows the emissions covered by 863 companies with approved targets. It excludes companies with targets approved through the SBTi's streamlined SME route.

[24] This refers to scope 1 and 2 targets that were approved as of December 2021. This estimate of planned emissions reductions applies to the simplifying assumption that SBTi companies reduce their emissions in a linear manner. Note that this is not necessarily how companies achieve their targets.

[25] US EPA GHG equivalencies calculator.

[26] See the climate action tracker: https://climateactiontracker.org/global/temperatures/.

CHAPTER 2:
REACHING A CRITICAL MASS

CHAPTER 2:
REACHING A CRITICAL MASS

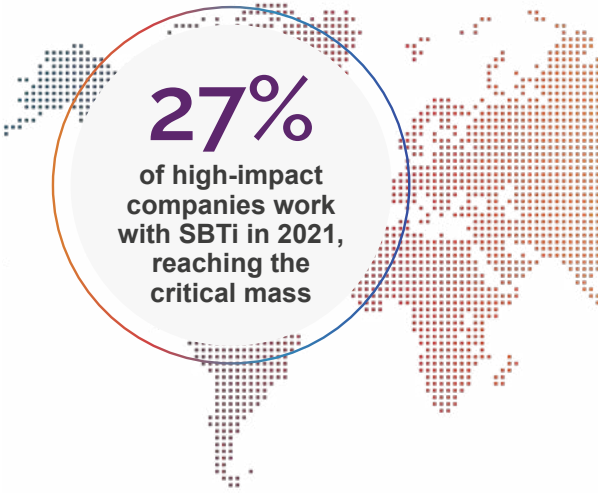
THE SBTi THEORY OF CHANGE IS BECOMING REALITY

According to the SBTi's theory of change based on the 'diffusion of innovations' theory, adoption of an innovation by 10-25% of a system's members is followed by rapid adoption from the remaining members.[27] The SBTi takes the threshold of 20% as a critical mass, or potential 'tipping point', for setting science-based targets within a given sector or geography.

To measure progress towards the 20% critical mass threshold, this analysis uses a sample of 2,233 companies, with a potential "high impact" on climate mitigation. The "High Impact Sample" was curated by CDP in 2019 and considers companies as "high-impact" based on a combination of greenhouse gas (GHG) emissions and market capitalization, using the MSCI ACWI Index as a starting point.[28] This sample covers around $67 trillion worth of market capitalization and emissions, equivalent to the total annual emissions of the United States and the European Union combined.[29] As the sample represents the largest, heaviest-emitting companies, they are the key private sector players to be engaged in science-based climate action due to their influence on market standards, width of supply chain and emissions reduction potential.

In 2021, the SBTi High Impact Sample reached a critical mass globally and in key regions, surpassing the threshold with more than a quarter (27%) of high-impact companies setting science-based targets. Based on market capitalization, SBTi companies represent half of the high-impact companies, equivalent to $33 trillion out of $67 trillion.[30]

As of December 2021, 598 SBTi companies are high-impact, including 386 with approved targets and 212 with commitments. There was a significant uptake of science-based targets in the High Impact Sample in 2021, with 308 additional high-impact companies setting targets or making commitments.



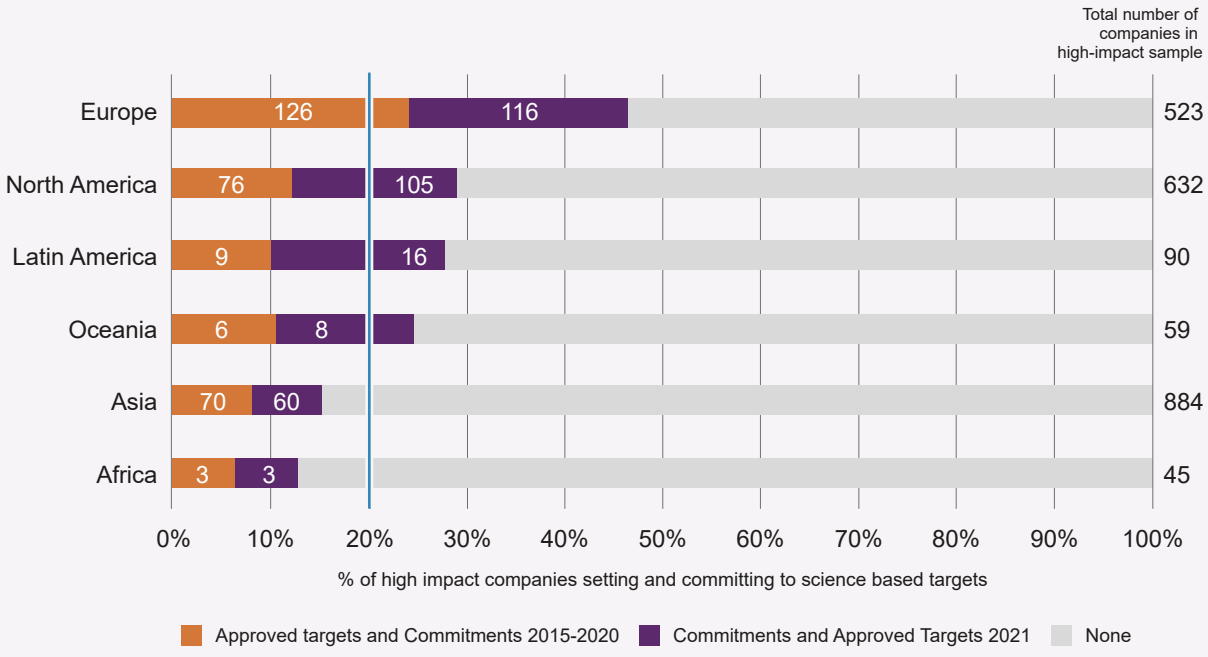
[27] Reference to the SBTi 2020 Progress Report and ROGERS, E. M. (2003). Diffusion of innovations. New York, Free Press.
[28] Refer to the Context & Methodology of The 2021 CDP Science-Based Targets Campaign Sample for a description of the methodology of the CDP Climate High-Impact Sample. For purposes of the present analysis, 2,233 instead of 2,237 companies were analyzed to reflect the current operational status of the companies in this list.
[29] CDP, CDP Science-based targets campaign. Final progress report: 2020 campaign.
[30] Market capitalization data of SBTi companies was retrieved from Bloomberg with a date of December 31 2021 (data could be retrieved for 574 out of 598 companies). As for the high-impact companies, market capitalization data of SBTi companies was retrieved from Bloomberg as of 17 February 2022 (data could be retrieved for 1,712 out of 2,233 companies).

REACHING A CRITICAL MASS IN KEY REGIONS, COUNTRIES AND INDUSTRIES

Europe is leading with 46% of high-impact companies having set or committed to science-based targets in 2021, compared to 34% of companies in 2020. Encouragingly, three regions – North America, Latin America and Oceania – crossed the 20% threshold in 2021.

MAJORITY OF WORLD'S REGIONS REACHED CRITICAL MASS ADOPTION

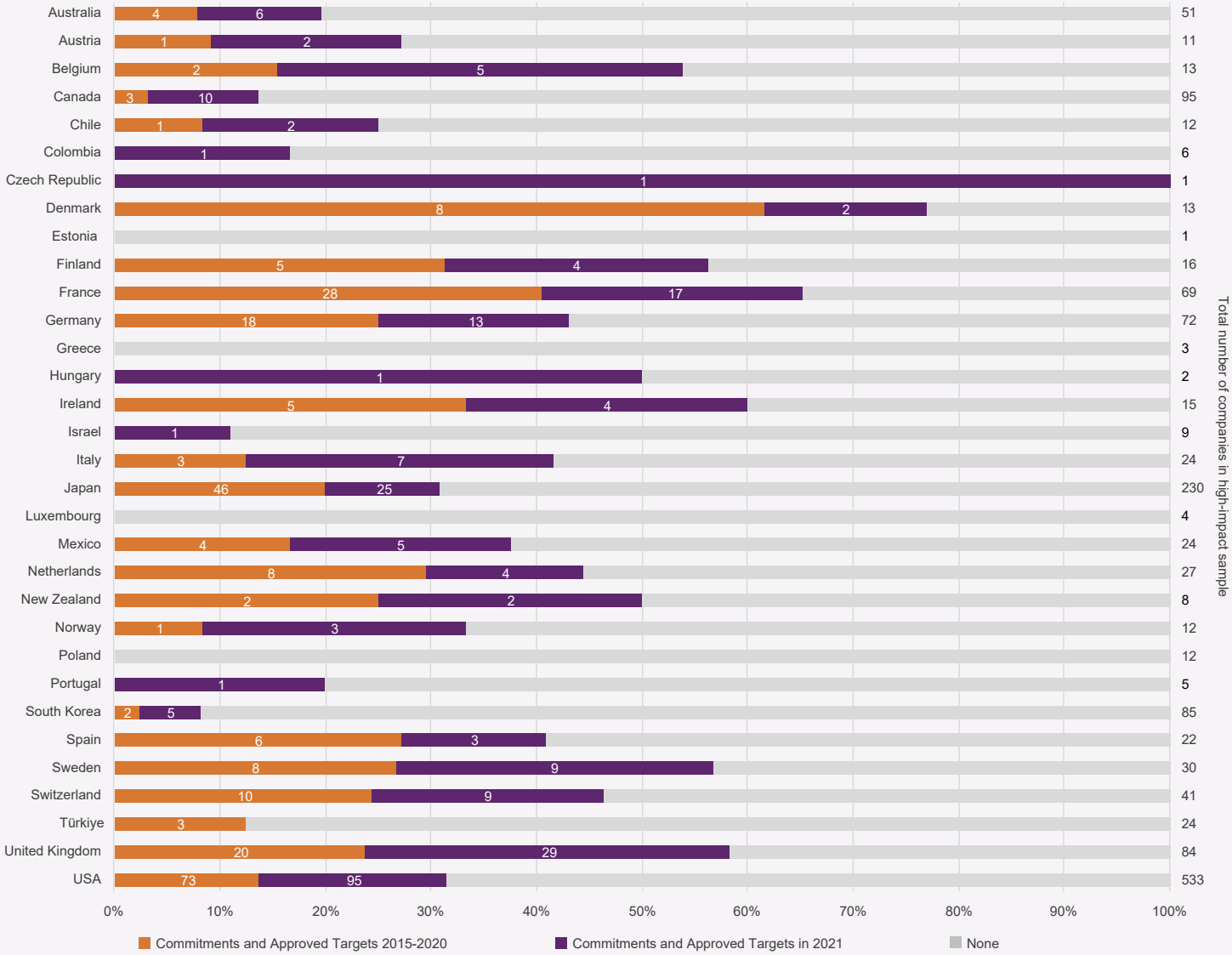
High-impact companies' commitments and approved targets per region as of December 31 2021.



Uptake of science-based targets among high-impact companies has also been significant across all regions and countries. On average, 2021 saw a 14% increase in the number of high-impact companies with targets or commitments across all countries. The majority (almost 80%) of Organisation for Economic Co-operation and Development (OECD) countries have crossed the 20% threshold, with Denmark, France, Ireland and the United Kingdom leading the way.[31]

CRITICAL MASS PROGRESS IN OECD COUNTRIES

High-impact companies with approved targets and commitments in OECD countries as of December 31 2021.

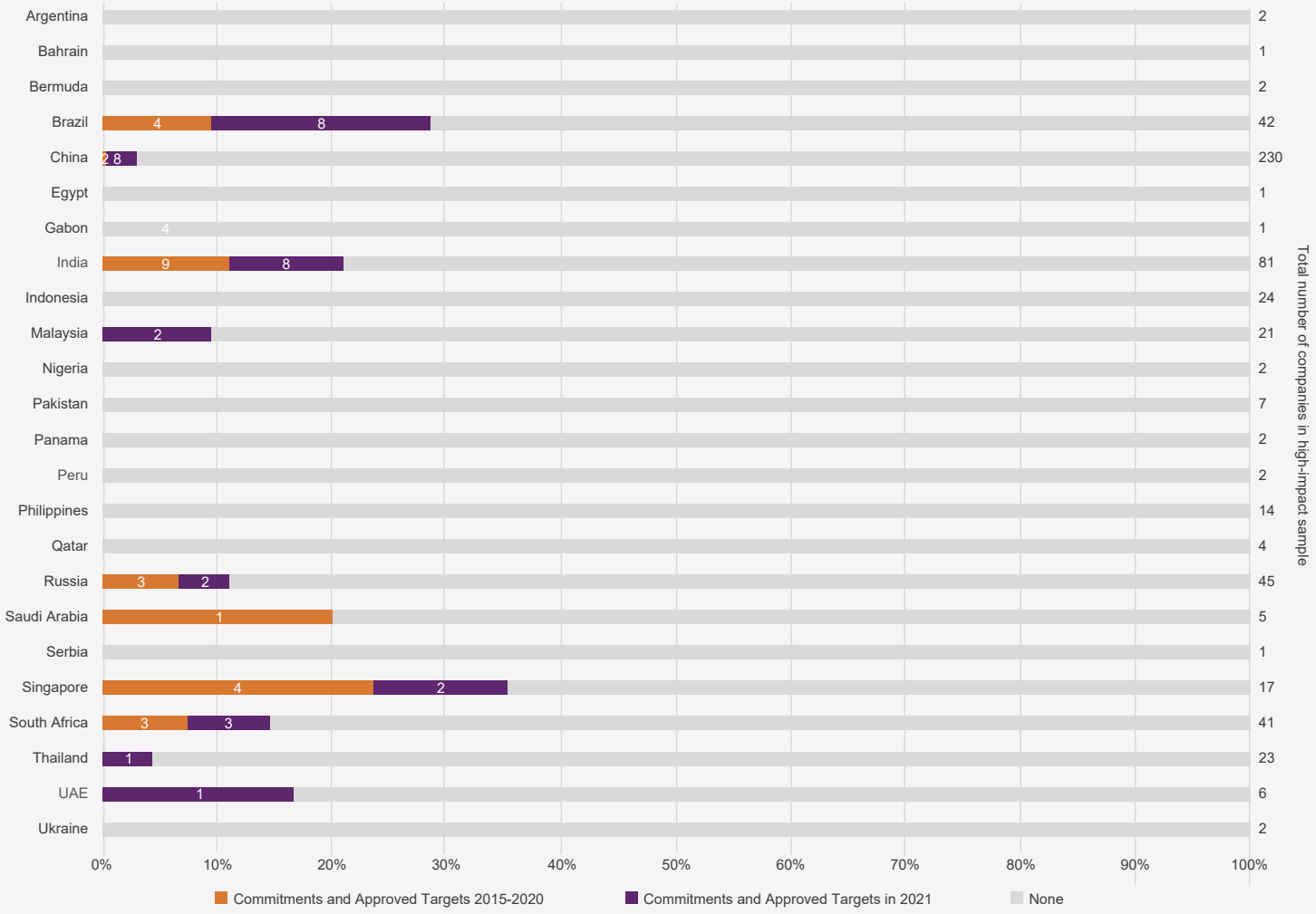


[31] Excludes Czech Republic, which reached 100%, but only has one high impact company.

While progress is still slower in non-OECD countries, Brazil and Saudi Arabia crossed the 20% threshold in 2021, joining India and Singapore which reached a critical mass in 2020.

CRITICAL MASS PROGRESS IN NON-OECD COUNTRIES

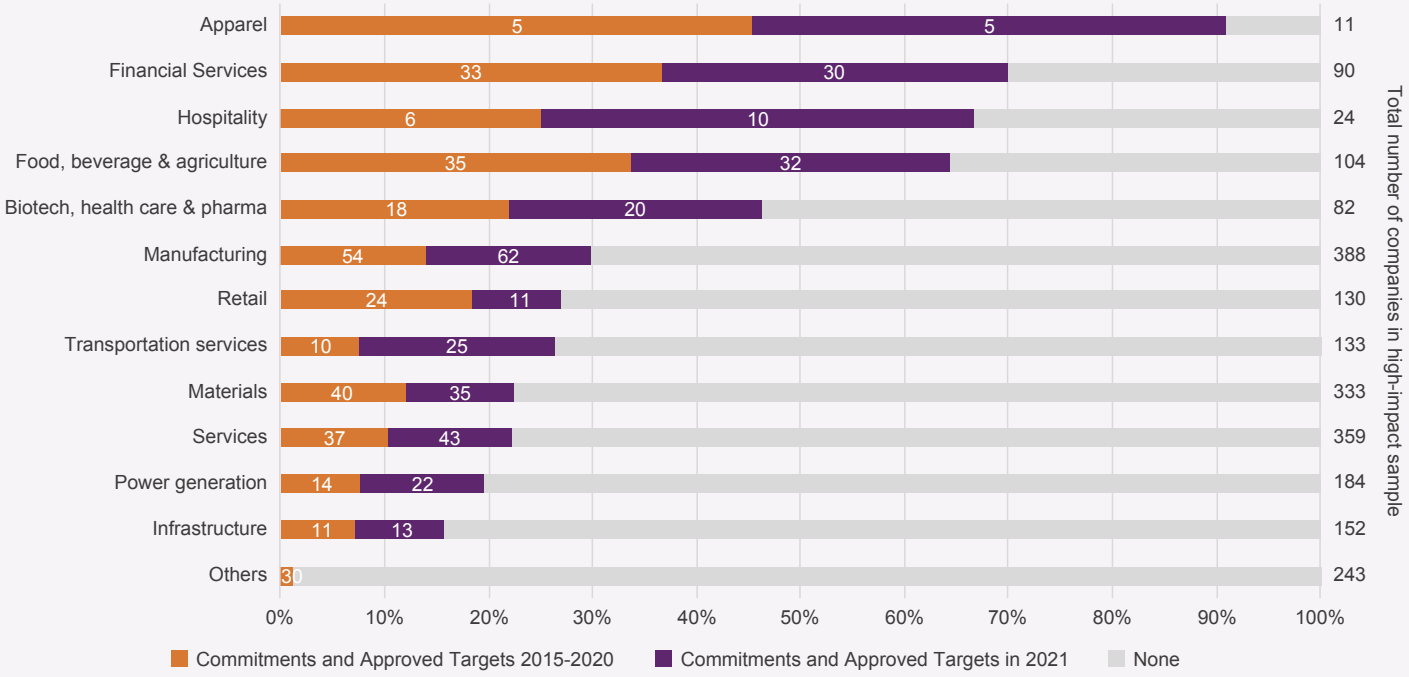
High-impact companies approved targets and commitments in non-OECD countries as of December 31 2021.



In most industries, SBTi companies reached or surpassed a critical mass in 2021, including five new industries crossing the 20% threshold. Heavy industries, such as manufacturing, transportation, infrastructure, power generation and materials, represent a significant share of the High Impact Sample. Encouragingly, most have just reached the 20% threshold, with the exception of infrastructure and power generation, showing the persisting gap in these industries.

CRITICAL MASS PROGRESS BY INDUSTRY

High-impact companies by industry with approved targets and commitments as of December 31 2021.[32]



[32] Industries were defined by assigning each company sector as per the SBTi Target dashboard under an industry category from CDP's Activity Classification System (CDP-ACS). Financial services sector was separated from the services sector. 'Others' includes fossil fuels.

CHAPTER 3:
SCIENCE-BASED TARGETS RESULT IN BIGGEST EMISSIONS REDUCTION TO DATE

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SCIENCE-BASED TARGETS RESULT IN BIGGEST EMISSIONS REDUCTION TO DATE

SBTi COMPANIES REDUCE EMISSIONS AT AN ACCELERATING PACE

2020 saw record emissions reductions for companies with science-based targets. On average, between 2015 and 2020, companies with approved targets reduced combined scope 1 and 2 emissions by 29%, in comparison to a 25% reduction between 2015 and 2019.[33]

2020 saw a year-on-year reduction in scope 1 and 2 emissions of 12%, an increase compared to previous years, which saw emissions reductions of 5-10% per year. In absolute terms, the difference between 2015 and 2020 emissions reductions is 419 $MtCO_2e$, equivalent to 1.3x the United Kingdom's total emissions in 2020.[34]

SBTi companies collectively reduced emissions by

29%

between 2015 and 2020

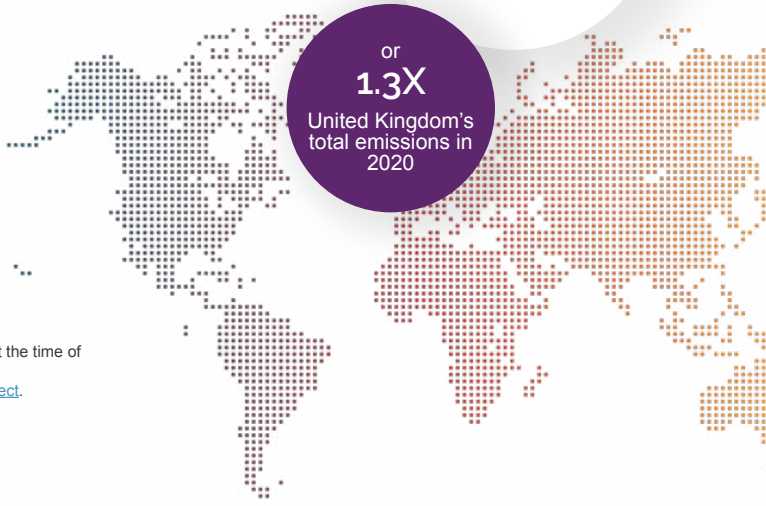
equivalent to

419 $MTCO_2E$

or

1.3X

United Kingdom's total emissions in 2020



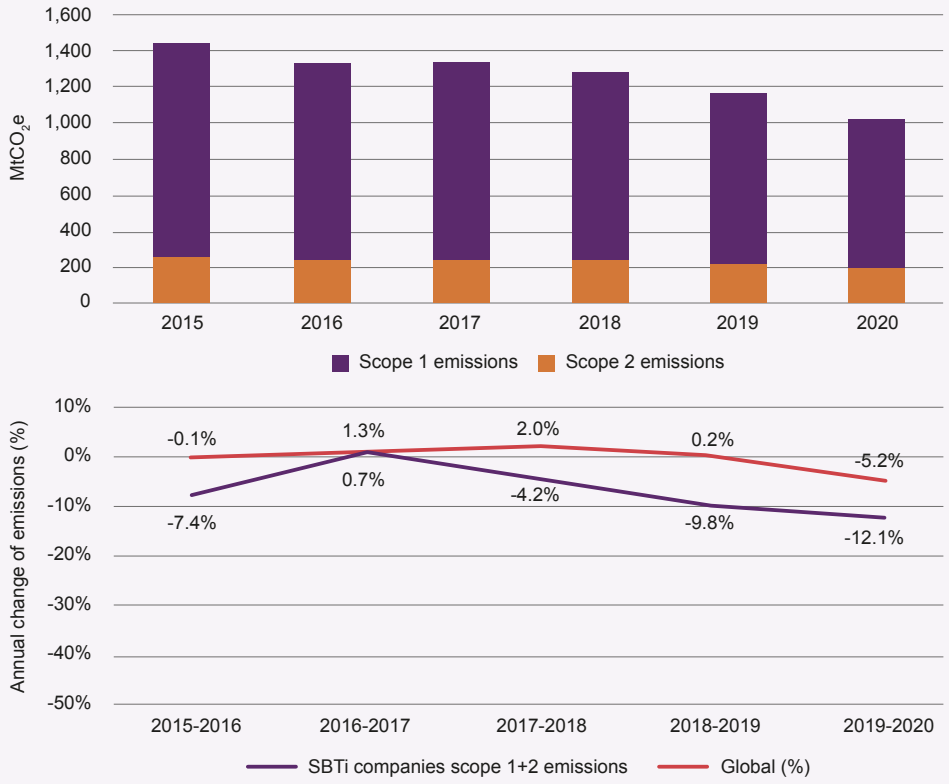
[33] The GHG inventories for 2021 have not been disclosed to CDP for most companies at the time of writing of this report. See footnote 39 for more details.
[34] United Kingdom's emissions in 2020 (330 $MtCO_2e$) retrieved from Global Carbon Project.

A typical SBTi-approved company has reduced its annual scope 1 and 2 emissions at a linear rate of 8.8% since setting its targets, while 4.2% is the annual reduction required by the SBTi for a 1.5ºC trajectory alignment. SBTi companies are cutting emissions twice as fast as needed to align with 1.5°C.

These figures are to be put in perspective with the impact of COVID, which saw a 5% decrease in global emissions in 2020.[36] Yet, despite this impact, SBTi-approved companies have delivered excess reductions. To understand the impact of geographical representation, the emissions reductions were analyzed in countries where at least 20 SBTi-approved companies are based.[37] Those 20 countries covered 87% of all SBTi companies with approved targets. The analysis showed that the selected countries reduced emissions by 10% in 2020 on average - a significant difference to the global 5% emissions decline, but still smaller than the 12% emissions reduction from SBTi-approved companies. This indicates that SBTi-approved companies on average achieved overall higher emissions reduction from a geographical perspective.[38]

COMPANIES WITH APPROVED TARGETS SIGNIFICANTLY REDUCED EMISSIONS IN 2021, EXCEEDING GLOBAL TRENDS

Gross scope 1 and 2 emissions and annual change rates of companies with approved targets compared to global emissions (2015-2020)[39,40]



[35] A typical SBTi-approved company corresponds to the median percentage among companies in the SBTi with approved targets at a time. This includes 272 out of 691 companies with approved targets (excluding SMEs) between January 1 2015 and July 31 2021, for which could be obtained publicly reported scope 1 and market-based scope 2 emissions figures for both 2020 and their year of joining.

[36] Nature, Carbon emissions rapidly rebounded following COVID pandemic dip: Global Carbon Project.

[37] Including the total emissions in economies with more than 20 SBTi companies: Australia, Belgium, Canada, Denmark, Finland, France, Germany, India, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, United Kingdom and the United States. Emissions data from Global Carbon Project.

[38] However, note that this analysis does not allow for various other factors such as representation of industries, public vs. private sector performance, self-selection of SBTi companies, companies' operations' location, etc. There is also the potential for double-counting from parent companies and subsidiaries that both have approved targets and double-counting between power generation companies' scope 1 emissions and power consumers' scope 2 emissions.

[39] 448 companies with approved targets were included in this graph based on availability of reliable emissions data for all years and scopes shown. Emissions data come from the CDP climate change questionnaire and Bloomberg. For the calculation of emissions over time, years were assigned by the end date of the accounting period in order to account for companies using a financial year in a standardized manner. 2020 is the last year shown because most companies did not report a 2021 inventory to CDP in 2021. This time series represents available emissions data of companies between 2015 and 2020, so in many cases reflects emissions data before a company joined the SBTi.

[40] This graph shows scope 1 emissions and scope 2 market-based emissions, where available. As per the Greenhouse Gas Protocol scope 2 guidance, if a company's market-based data was not available, location-based data was used to represent the lowest-granularity market-based data. For more information on market-based emissions, see the GHG Protocol scope 2 guidance.

COMPANIES ARE CUTTING EMISSIONS BUT BETTER REPORTING IS NEEDED

Progress reporting is integral to the credibility of companies' science-based targets. All companies with targets shall publicly report progress against published targets annually as per the SBTi Criteria and Recommendations. The SBTi recommends public disclosure through standardized, comparable data platforms such as CDP's climate change annual questionnaire, companies' reports or directly on their websites.

In its 2020 Progress Report, the SBTi analyzed for the first time the overall emissions trends of companies with approved science-based targets between 2015 and 2019. This year, the SBTi has undergone an assessment of publicly available reported target progress data for all near-term approved science-based targets as of July 31 2021. This group consists of 834 companies (including SMEs) whose target progress was expected to be reported.[41] The detailed results of the assessment, and the description of the methodology followed, are in the appendix.

This analysis shows that the majority of the companies are progressing well against their targets. Among the companies reporting on progress, 76% show a promising trajectory on the comparison between the time of the target elapsed, and the percentage of the target achieved.[42]

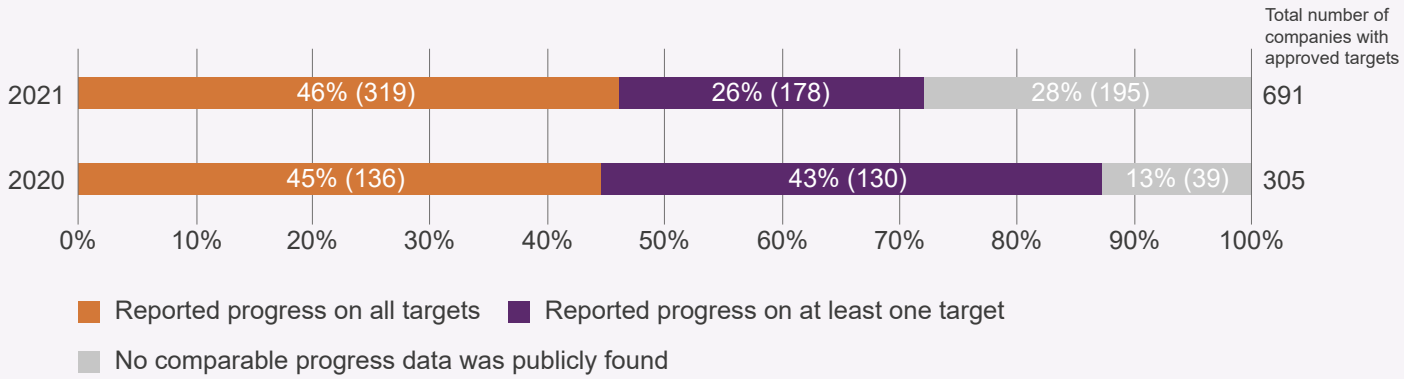
While this progress is impressive, there is an enduring gap in climate reporting among SBTi-approved companies, both in terms of disclosure and comprehensiveness of reporting against their published targets. In 2021, only 46% of companies with science-based targets (excluding SMEs) reported progress fully on all targets. Almost one in three (26%) reported for at least one target, but information for their other target(s) was reported in ways that were incomparable or lacked information and contextual data, or could not be publicly found. For around 28% of all companies no public information on their progress against their science-based targets was found or it was reported in ways that were incomparable, or lacked information and contextual data. 72% of companies with science-based targets publicly reported progress against their targets in some form, compared to 87% in 2020. More information on the reporting of progress on science-based targets can be found in the appendix.

[41] From the group of 834 companies, 61% (512) responded publicly to the CDP 2021 climate change questionnaire. For the cases where CDP responses did not match to the validated target and for the remaining companies, including non-public CDP responses (52 cases), a desk research was performed. Refer to the appendix for more details on the methodology used for this analysis.

[42] The progress against targets was assessed for 912 out of 1,142 targets of 514 companies that self-reported progress on at least one of their targets. This estimation used the formula: (1-% target timeframe elapsed) / (1-% progress against targets). Companies with a target progress equal or higher than 100% were excluded. Consult the appendix for more information on target progress. If the ratio was higher than or equal to 0.5, the company would have higher chances to achieve the target. This calculation excludes targets that have self-reported to have a progress equal or higher than 100%. CDP Worldwide & ADEME, 2020. ACT - Assessing low-carbon transition: Generic sector methodology. Refer to the appendix for details. The comparison has been performed under the assumption that the company is progressing their targets in a linear way. This is a simplified view and might not be representative of individual companies, industries, or regional specificities.

REPORTING GAP AMONG SBTi-APPROVED COMPANIES WIDENED IN 2021

Reporting status of companies with approved targets in 2021 (as of July 31 2021) vs 2020 (as of 30 November 2020). Numbers may not add up to 100% due to rounding[43]



For this year's edition, the progress of SMEs using the streamlined SME route was also reviewed, noticing significantly lower levels of disclosure on target progress compared to larger companies. Out of 142 SMEs which were part of this analysis, target performance information was found in public sources for only 12%.

These results highlight the need to improve transparency, consistency and completeness of the disclosure of progress and delivery of science-based targets over time. This could be bridged by strengthening reporting requirements, supported by guiding resources on disclosure.

[43] Figures do not include SMEs for comparison purposes between years.

CHAPTER 4:
ADDRESSING SYSTEMIC CHALLENGES TO SCIENCE-BASED TARGETS

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ADDRESSING SYSTEMIC CHALLENGES TO SCIENCE-BASED TARGETS

THE SBTi IS RESPONDING TO SYSTEMIC CHALLENGES TO TARGET ADOPTION

Through the analysis of the growth and impact of SBTi companies in 2021, a number of gaps have been identified, notably in terms of geographical and sectoral reach, but also regarding transparent disclosure and reporting practices. The SBTi strategy 2021-2025 is tailored to respond to these challenges, and aims to close the current ambition and emissions gap by massively scaling up 1.5°C-aligned corporate climate action in the next three years, especially in the areas where it has been lacking to date, i.e. the heaviest-emitting sectors and emerging markets, and through the development of a measurement, reporting and verification (MRV) framework.

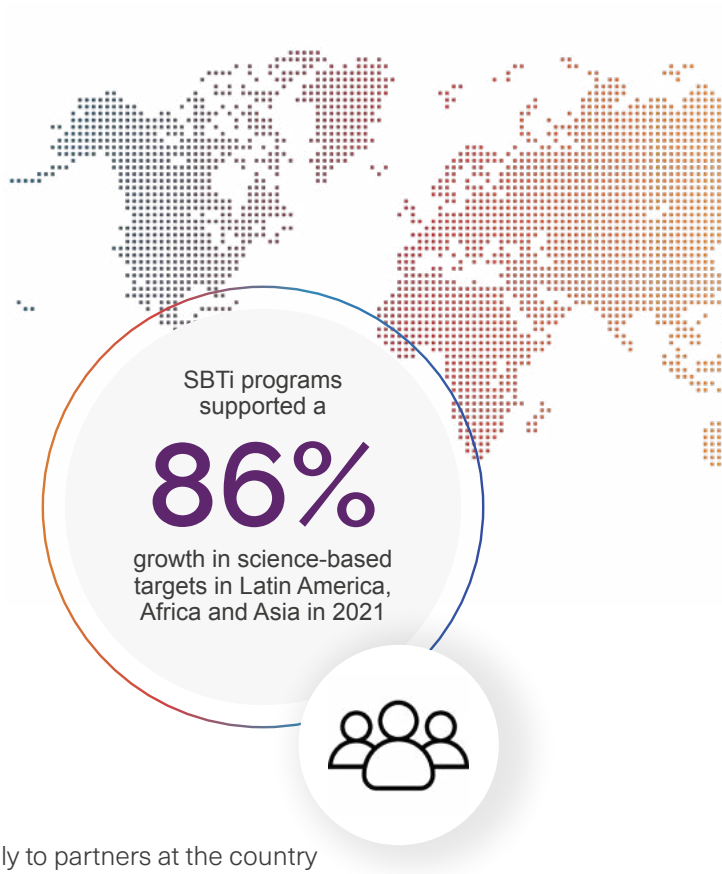
BRIDGING THE GLOBAL GAPS: THE SBTi COUNTRY ACTIVATION AND INCUBATOR PROJECTS

The SBTi has grown exponentially in recent years, especially in Europe, the United States and Japan. However, there are still significant regional gaps, with fewer companies from developing regions, especially Africa, Latin America and Southeast Asia.

Overall, companies based in non-OECD countries account for fewer than 15% of SBTi companies, while those countries represent 67% of global emissions.[44] Asia alone is responsible for 53% of global emissions, yet Asia-based companies represent 20% of all SBTi approved targets and commitments.[45]

The biggest gaps are currently in Africa and Latin America. Although these regions currently represent only 7% of global emissions and host fewer global companies, they include economies with among the highest growth rates.[46] As such, it is crucial for these countries and companies to anchor their development in line with the Paris Agreement.

To help bridge these global gaps, the SBTi launched the Country Activation Project in 2020, and has supported country Incubators in India and Mexico. These projects have delivered promising results in 2021, and are planning to scale up in the coming years.



The **Country Activation Project** connects the SBTi directly to partners at the country level from Africa, Latin America and Southeast Asia. Since its launch, the project has successfully built the technical capacity of SBTi local partners through the first "Train the Trainers" – a learning program that gathered almost 200 participants from 25 countries. It also designed and delivered activities specifically for companies in those key regions, with more than 3000 participants joining; and translated SBTi resources into key languages, such as Portuguese and Spanish.

The SBTi has also supported the work of the **Incubators in India and Mexico**, projects in which SBTi partner organizations work collectively to disseminate the initiative and support companies in their countries, pursuing opportunities to connect the SBTi to the national context of the climate agenda, and break down barriers to adoption of science-based targets.

Overall, these programs supported an 86% growth in the number of SBTi companies in these regions in 2021, with a total of 36 new Latin American companies and 42 new African and Asian companies. The SBTi will continue implementing and strengthening the Country Activation and Incubators Projects in 2022.

[44] Global Carbon Project.
[45] ibidem
[46] ibidem

EXPANDING SBTi SECTORAL REACH AND SUPPLY CHAIN ENGAGEMENT: SCOPE 3 AND SECTORAL GUIDELINES

Although adoption of science-based targets, especially among high-impact companies, has progressed in many industries, some are still lagging behind. These include retail, transportation services, materials, power generation and infrastructure. To help deliver more engagement and emission reduction at scale, particularly in heavy-emitting industries, the SBTi is building detailed 1.5°C pathway sector guidelines, including for the cement, steel, buildings and chemicals industries, all to be finalized between 2022 and 2023. Guidelines for forest, land and agriculture (FLAG) are also in development and will include methods on deforestation and other land-related impacts. The SBTi has already published detailed 1.5°C guidelines for apparel & footwear, aviation, financial institutions, information and communications technology and power.

Scope 3 emissions reduction is a key challenge for companies, often due to a lack of visibility and monitoring of suppliers' data. Companies also face engagement gaps between their suppliers and procurement teams. The majority (55%) of companies setting science-based targets are based in Europe. Because these companies are often high-emitting global corporations whose operations and supply chains span many regions, engaging these companies can have a significant impact on emissions. To address this challenge, the SBTi is undertaking a review of a scope 3 target setting methods and criteria and developing a Supplier Engagement Toolkit to help companies develop and track supplier engagement targets.

BRINGING FINANCIAL INSTITUTIONS ON BOARD

Financial institutions play a crucial role in accelerating the global adoption of science-based targets, through directing capital away from high carbon activities and decarbonizing financial portfolios.[47] According to CDP, financial portfolio emissions are over 700 times larger than their direct emissions on average. However, only 25% of financial institutions disclosing through CDP are currently reporting portfolio emissions.[48] Fewer than half of CDP-disclosing financial institutions, and 27% of insurers, report actions to align portfolios with the Paris Agreement.[49]

Financial institutions are key to unlocking the system-wide change needed to decarbonize the global economy and reach net-zero by 2050. In 2021, the SBTi published the world's first guidelines for financial institutions and private equity companies to set science-based targets covering their investment and lending portfolios. In 2021, three financial institutions had targets approved - La Banque Postale, KB Financial Group and EQT - via the pilot phase of the SBTi's guidance for this sector. Since 2015, a further 117 financial institutions have also committed to set science-based targets.

The SBTi is now developing a Net-Zero Standard for Financial Institutions, to be released in 2023. The SBTi is also working to bring these standards in line with other initiatives, such as UN Environment Programme net-zero initiatives, TCFD reporting and the Glasgow Financial Alliance for Net Zero.

BRIDGING THE CREDIBILITY AND REPORTING GAP: CORPORATE CLIMATE ACCOUNTABILITY

2021 was also a year of renewed scrutiny and skepticism over corporate climate action. Greenwashing by some corporate actors, including a proliferation of net-zero pledges that are not always backed by robust science-based decarbonization plans, has undermined public trust and the credibility of private sector claims. Based on the UN Global Compact-Accenture CEO Study, 57% of CEOs believe they are making sufficient efforts to limit the global rise in temperature to 1.5°C. Yet, only 2% of these CEOs have validated their science-based targets in line with a 1.5°C trajectory.

> Following the words of the UN Secretary General António Guterres:
>
> "There is a deficit of credibility and a surplus of confusion over emissions reductions and net-zero targets, with different meanings and different metrics."

[47] SBTi, Taking the Temperature and UNEP FI, Financial Institutions Taking Action on Climate Change.
[48] CDP, Financial Services Disclosure Report 2020.
[49] Ibidem.

The SBTi Net-Zero Standard was launched ahead of COP26 in Glasgow to answer this credibility challenge, bring back trust and anchor net-zero corporate action in climate science. It provides a clear, science-based definition and pathway to net-zero, in line with a 1.5°C trajectory. The Standard requires companies to set both near- and long-term targets, to ensure immediate action, rather than postponing decarbonization. The credibility and robustness of targets is ensured through a thorough, independent target validation process by SBTi experts.[50]

Setting net-zero science-based targets aligned with 1.5°C is only one element of a company's climate action journey. Businesses then need concrete plans to achieve them and importantly, must report on progress in a transparent way. The credibility gap is also rooted in these transparency and accountability challenges.

Currently, emissions disclosure is a voluntary option, and the majority of the companies do not disclose sufficient climate data.[51] Methods of emissions disclosure differ significantly among companies, from reporting through established systems like CDP, to corporate websites, sustainability reports or press releases. The lack of robust methodology for calculating emissions is also a challenge, with many companies relying heavily on estimates, especially for scope 3 emissions.[53] These inconsistent ways of disclosing progress, and limited scrutiny of emissions reporting, negatively impact transparency and corporate accountability.

The SBTi is expanding its climate alignment and certification framework from ambition (target-setting) to also include performance (target-delivery) through the development of a measurement, reporting and verification (MRV) framework. This framework, will provide a clear and standardized mechanism to assess, verify and enhance corporate accountability on progress towards science-based targets. The SBTi aims to release technical aspects of the framework ahead of COP27, releasing the full framework ahead of COP28. It will present companies with clear expectations and set guidance on how to report, assess and verify progress against the achievement of targets. This will enhance reporting data quality, and the accountability of SBTi companies, reinforcing trust and confidence among stakeholders.

> The SBTi is expanding climate alignment and certification framework from ambition (target-setting) to performance (target-delivery) through the development of a measurement, reporting and verification (MRV) framework

[50] To ensure fairness and objectivity, every company is assigned to a lead reviewer and an appointed approver. The reviewer performs the desk review of the submission, prepares the deliverables, organizes a feedback call if necessary, and acts as the point of contact between the company and the SBTi throughout the validation process. The approver acts as a peer reviewer on the completed desk review. For all target submissions, the reviewer and approver assigned are employed by two different partner organizations. The SBTi target validation team is trained with a background in GHG Protocol and further supported with expertise in SBTi methodologies and sector guidance.
[51] CDP, 2% of companies worldwide worth $12 trillion named on CDP's A List of environmental leaders.
[52] WEF, The Supply Chain Opportunity.

PRIVATE SECTOR HAS THE POWER TO TRIGGER GOVERNMENT ACTION

To fully decarbonize the global economy and build a truly resilient and sustainable future, regions, businesses and governments must work together to harness the ambition loop — a positive feedback loop in which private sector and government climate action are mutually supportive. When companies listed in an index move toward more ambitious action, they create a shift that can influence the real economy beyond indexes, and send strong market signals to policymakers.[53]

In an ambition loop, decisive business leadership supports bold policy action, which in turn accelerates further climate action. This can unlock faster progress on national objectives and bigger market opportunities. For businesses, the push comes from long-term, clear and consistent government policies, which provide the clarity and confidence corporates need to achieve their targets faster and invest further in climate action.

For governments, the push comes from leading businesses that help demonstrate commercial demand and economic possibilities. Corporate climate action and advocacy lend political and economic support to government efforts, so they can deliver on existing policy goals sooner, and advance new, bolder targets and policies.

It is critical that many more companies engage consistently in policy advocacy in support of ambitious climate policy, which is fundamental to reaching net-zero by 2050 and enabling companies to deliver on their science-based targets.

> Companies must also act to ensure that they are not funding trade associations or business groups that have a track record of weakening and delaying climate policy in key countries.

Failure to do this critically undermines the ambition loop and will ultimately make it harder for individual companies to deliver on their science-based targets.

[53] SBTi, Taking the Temperature.

THE ROAD TO 2050

THE ROAD TO 2050

Global emissions bounced back by the end of 2021 as the economy recovered from COVID-19. The world is not on track to halve emissions by 2030 and we face more disruption from climate change than ever before.

> To use the words of the United Nations Secretary-General
>
> "As current events make all too clear, our continued reliance on fossil fuels makes the global economy and energy security vulnerable to geopolitical shocks and crises."

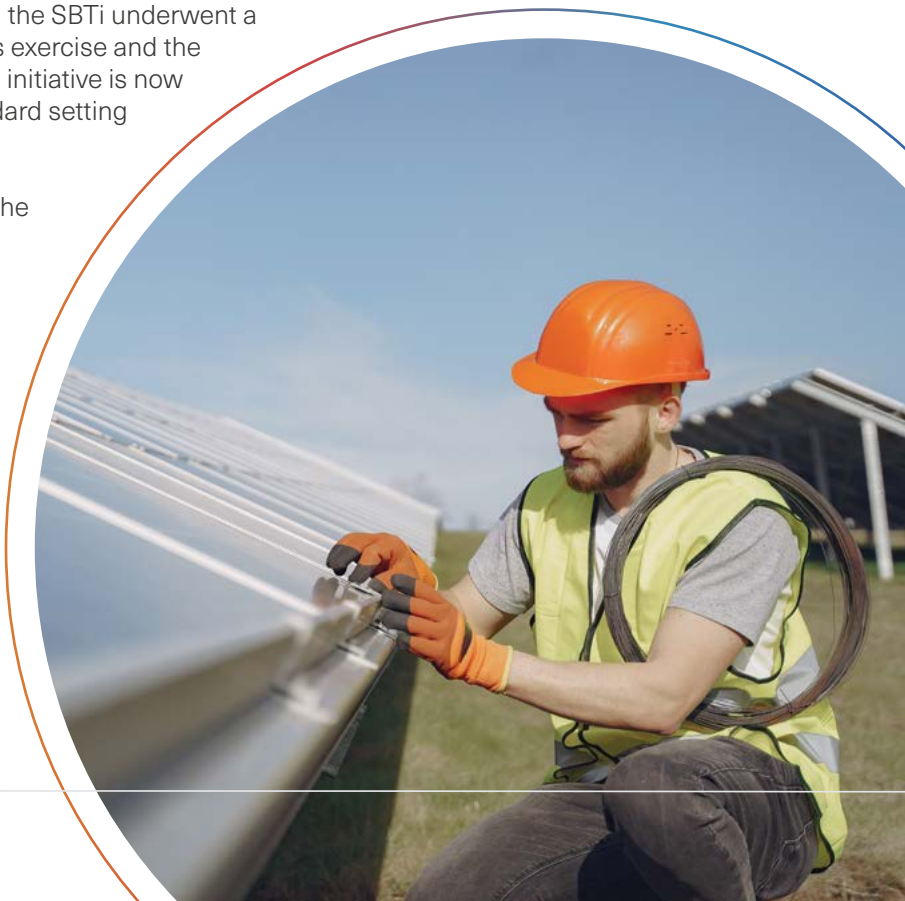
In this alarming context, business has more responsibility than ever, with a central role to play in keeping the 1.5°C Paris Agreement goal alive through halving emissions by 2030 and achieving net-zero emissions by 2050. According to a study by the UN Global Compact and Accenture, 49% of CEOs worldwide report that their companies are already experiencing the damaging effects of extreme weather events, especially through supply chain interruptions.[54] This is just the beginning, as increased market volatility, loss of assets, worsening workforce health and wellbeing, and many other challenges will accelerate as climate crisis impacts keep unfolding.

Encouragingly, 2021 was a year of exponential growth for science-based targets and companies setting science-based targets are delivering large scale and measurable emissions reductions. But if we are to achieve 1.5°C and close the current emission gap, we need many more companies around the world, and across all industries, to set and implement ambitious near- and long-term science-based targets. To speed up massive climate action, the SBTi is focusing on G20 economies and high-emitting industries, as well as the financial industry to drive large-scale corporate action.

To enable this projected expansion, the SBTi is updating its governance and operating model. In 2021, the SBTi underwent a strategic review process. As a result of this exercise and the rapid growth in science-based targets, the initiative is now evolving in line with best practice for standard setting organizations.

The SBTi is constantly evolving to ensure the highest standards for corporate, science-based climate action.

Now, all companies from all regions and sectors must take action.



[54] UN Global Compact-Accenture, The 2021 United Nations Global Compact–Accenture CEO Study on Sustainability: Climate Leadership in the Eleventh Hour.

METHODOLOGY

METHODOLOGY FOR ASSEMBLING PER-COMPANY AND PER-TARGET DATA

This analysis includes 692 companies and 142 small-or-medium sized enterprises (SMEs) that had their near-term targets approved as of July 31 2021. Resubmissions or voluntary ambition updates that were approved or published after this date were not included in this analysis. For these 834 entities with approved targets, the following methodology was used to match publicly reported information with their published target details in order to show their self-reported progress towards targets. 1,705 near-term targets were reviewed as part of this analysis.

Progress data as represented in the report have been reported publicly by companies themselves, and data presented should not be interpreted as confirmation or validation of a company's progress towards or achievement of targets.

Target progress data sources

- Publicly available target progress data taken from CDP self-reported responses of companies (2021 climate change questionnaire, in the targets and performance section, under questions C4.1a, C4.1b, C4.2a, and C4.2b).
- Collected publicly available information provided in sustainability or other corporate reports, company websites, or non-financial reports.

Exclusions

- Certain early approved targets that do not allow for comparative reporting and/or targets for which progress could not be tracked and presented at the time of writing the report, including embodied carbon targets, efficiency and performance targets, cumulative emission reduction targets, and net-zero targets.
- Targets that are no longer active (i.e. replaced by newer targets). Note that some of these archived targets are no longer active because companies consider them 'achieved' and have replaced them with further targets.
- Targets with a target year in the past and targets set in 2021.

Matching methodology for companies disclosing publicly to CDP

The process for matching SBTi published targets to CDP-reported targets involved a combination of automated matching and manual review. Of the 834 companies included in analysis, 61% responded publicly to the CDP 2021 climate change questionnaire (499 companies and 13 SMEs).

Matching was performed in the following order and prioritization:

- First-degree matching of data was done against base year, target year, target value, scope(s) covered, and emission intensity metric/activity indicator (in case of intensity targets).
- Second-degree matching included allowing for base year differences of ±1 year, target year differences of ±1 year, and target value differences of ±1 (to account for rounding differences), in addition to the first-degree matching above.[55]
- For target scopes reported to CDP in a one-to-many or many-to-one fashion, all target scope combinations were matched and reported in the most disaggregate fashion. A company may have set a combined scope 1, 2 and 3 target but reported two targets to CDP corresponding to scopes 1 and 2 and scope 3 (reverse also occurs). For these multiple matches, the information on progress is presented as reported at the original target prior to the aggregation and the target progress is not calculated. These cases have been identified in the appendix.
- Manual review was conducted to resolve any inconsistencies in data (data quality or data input errors).
- Information on scope 3 categories covered was also presented, where applicable.
- The base year was not used as a matching criterion for supplier engagement targets because the base year is not named in the target language.

[55] The "latest data year" for progress against targets is identified as the end year of the accounting period disclosed to CDP or other data sources.

- Cases where the "Please explain" field in the target section of the CDP climate change questionnaire indicated a clear divergence from the approved target, such as use of offsets, were not considered a match even when all other data points coincided.

Desk research

For the cases where CDP responses did not match the validated target, for the remaining companies or SMEs disclosing privately to CDP (56 cases), and for the remaining 322 companies and SMEs, a desk research was performed. This included the research, collection and analysis of publicly available information provided in sustainability or other corporate reports, company websites, and/or non-financial reports, using techniques such as keyword searches and similar match criteria, when data was available.

The desk research was performed between February and March 2022 and used the latest resources available at the time of review. Information or reports published after this date were not considered and will be reviewed for next year. The analysis followed the same logic as the matching methodology for CDP disclosure described above. Information of progress against targets was only considered when it was explicitly stated that it referred to an approved science-based target. In some cases, progress was derived from GHG emissions data, when they were associated with the approved target(s).

Furthermore, additional external research was not conducted for companies that reported target data to CDP as it was assumed that companies would provide all relevant target data via CDP disclosure, if they were present. Similarly to the automated matches, cases where use of offsets was included in the calculation of target progress were not presented in the analysis.

Results of the per-target data review

From 1,705 targets reviewed in this analysis, we present progress information of 929 targets (54%) that were matched either with CDP climate change questionnaire data (90%) or other publicly available sources (10%). In addition, 46% of the targets reviewed in this analysis were not reported in the appendix. There are a few reasons why progress was not shown for these targets:

- Publicly available progress data was found but the targets are not reported in the appendix because it was not certain that the company's reported target corresponds to the SBTi target or there were differences in the data fields used for matching, as described above. Examples of such circumstances include targets with discrepancies in target value (greater than ±1 point), different activity units (for intensity targets), base/target year differences that cannot be accounted for by a financial year, differences in target types (absolute target reported as intensity target), and targets could not be matched post aggregation or disaggregation of scopes.
- Progress for some targets set in or after 2021 was not found. Progress disclosure was not expected to be found for many of these targets, as they may have been set after the CDP disclosure deadline or would not have meaningful progress to be reported.
- No matching publicly reported data was available. These include targets from companies that did not report publicly to CDP in 2021 and for which no other published target progress information was found through the desk research.
- The company clearly indicates the used offsets in the calculation of the target progress.

Disclaimer

The data points and the insights mentioned throughout the report in the form of texts, graphs and in the appendix table have been calculated/written based on the data provided by the SBTi from various sources internal to their database, public CDP disclosure data, and data obtained by Accenture from public company reports and other public sources. Accenture was not responsible for verifying and shall not be responsible for the accuracy of any of the data sources, data points, data-driven insights mentioned throughout the report.

APPENDIX

Access the table containing the science-based target progress performance per-company and per-target here.

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SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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