

# SCIENCE BASED TARGETS FOR FINANCIAL INSTITUTIONS

FINANCIAL SECTOR FRAMEWORK LAUNCH

October 1, 2020, 9:00-10:00 AM EST  
Climate Week NYC Webinar



# SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

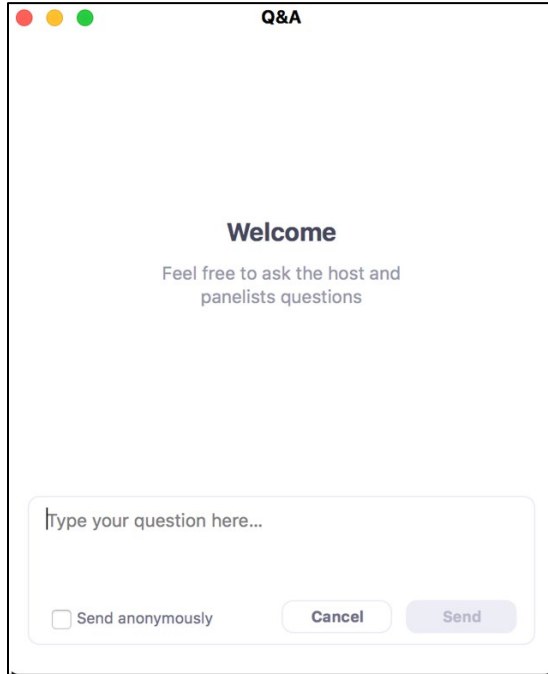
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BUSINESS**

# Welcome



Q&A

**Welcome**

Feel free to ask the host and panelists questions

Type your question here...

Send anonymously

Cancel Send

**This webinar is being recorded. Slides and recording will be available via email.**

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

# Agenda for Today

## TOPICS

## TIME

Welcome, Cynthia Cummis, WRI	5 min
Opening remarks, Mr. Mark Carney	5 min
Opening remarks, Mr. Gonzalo Muñoz	5 min
Overview of the SBTi Finance Framework, Nate Aden, WRI, Donald Linderyd, WWF	20 min
Business case for Amalgamated Bank to set SBTs, Ivan Frishberg	5 min
Financial Sector SBT Guidance and Pilot Target Validation Period, Chendan Yan, WRI	10 min
Next Steps for the SBTi Finance Framework, Nate Aden, WRI	5 min

# Today's Speakers



**Mark Carney**  
Special Envoy for Climate  
Action and Finance  
**United Nations**



**Gonzalo Muñoz**  
UN High Level Climate  
Action Champion for Chile  
**COP26**



**Ivan Frishberg**  
Director of Impact Policy  
**Amalgamated Bank**



**Cynthia Cummis**  
Director of Private Sector  
Mitigation  
**World Resources Institute**



**Nate Aden**  
Senior Fellow  
**World Resources Institute**



**Chendan Yan**  
Associate  
**World Resources Institute**



**Donald Linderyd**  
Project Manger  
Sustainable Finance  
**WWF**

# Global Momentum by the Numbers

991

companies committed to set science-based targets

472

companies with approved targets

\$15.4tn

of estimated market value covered by committed companies

22%

of Global Fortune 500 companies committed

# SCIENCE-BASED TARGETS FOR FINANCIAL INSTITUTIONS

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

The primary audience includes commercial banks, asset managers, asset owners, and mortgage real estate investment trusts (REITs).



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# SBTi Financial Sector Project Team



**Cynthia Cummis**  
Director of Private Sector Mitigation  
**WRI**



**Nate Aden**  
Senior Fellow  
**WRI**



**Chendan Yan**  
Associate  
**WRI**



**Yelena Akopian**  
Communications Officer  
**WRI**



**Eoin White**  
Target Validation Analyst  
**CDP**

## Project Technical Partner:



**Donald Linderyd**  
Project Manger Sustainable  
Finance  
**WWF**



**Chris Weber**  
Lead Energy & Climate  
Scientist  
**WWF**



**Jan Vandermosten**  
Senior Policy Officer,  
Sustainable Finance  
**WWF**



**Giel Linthorst**  
Director Sustainable  
Finance  
**Guidehouse**



**Angélica Afanador**  
Associate Director,  
Sustainable Finance  
**Guidehouse**



# SCIENCE BASED TARGETS FOR FINANCE



SCIENCE  
BASED  
TARGETS

OPENING REMARKS



**Mark Carney**

Finance Adviser to the Prime Minister for COP 26  
and UN Special Envoy for Climate Action and Finance



# SCIENCE BASED TARGETS FOR FINANCE



SCIENCE  
BASED  
TARGETS

OPENING REMARKS



**Gonzalo Muñoz**

UN High Level Climate Action Champion for Chile,  
COP26 Team



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# Overview of SBTi Framework for Financial Institutions

# SBTi Finance Framework | 58 Committed Financial Institutions

ABN Amro Bank N.V.

Actiam NV

Albaraka Türk Participation Bank

Allianz Investment Management SE

Amalgamated Bank

ASN Bank

Australian Ethical Investment

AXA Group

BanColombia SA

Bank Australia

Bank J. Safra Sarasin AG

BBVA

BNP Paribas

Caixa Geral de Depósitos

Capitas Finance Limited

Chambers Federation

Commercial International Bank Egypt

(SAE) CIB

Commerzbank AG

Credit Agricole

DGB FINANCIAL GROUP

Eurazeo

Fubon Financial Holdings

FullCycle

Grupo Financiero Banorte SAB de CV

Hannon Armstrong

Hitachi Capital Corporation

HSBC Holdings plc

ING Group

KLP

La Banque Postale

London Stock Exchange

Mahindra & Mahindra Financial Services

Limited

MetLife, Inc.

MP Pension

MS&AD Insurance Group Holdings, Inc.

Novo Banco, SA

OXI-ZEN Solutions SA

PensionDanmark

Piraeus Bank SA

Principal Financial Group, Inc.

Raiffeisen Bank International AG

SK Securities, Co., Ltd

Societe Generale

Sompo Holdings, Inc.

Standard Chartered Bank

Storebrand ASA

Swedbank AB

Swiss Re

Turkiye Garanti Bankasi A.S.

Teachers Mutual Bank

Tokio Marine Holdings, Inc.

Tribe Impact Capital LLP

TSKB

Vakifbank

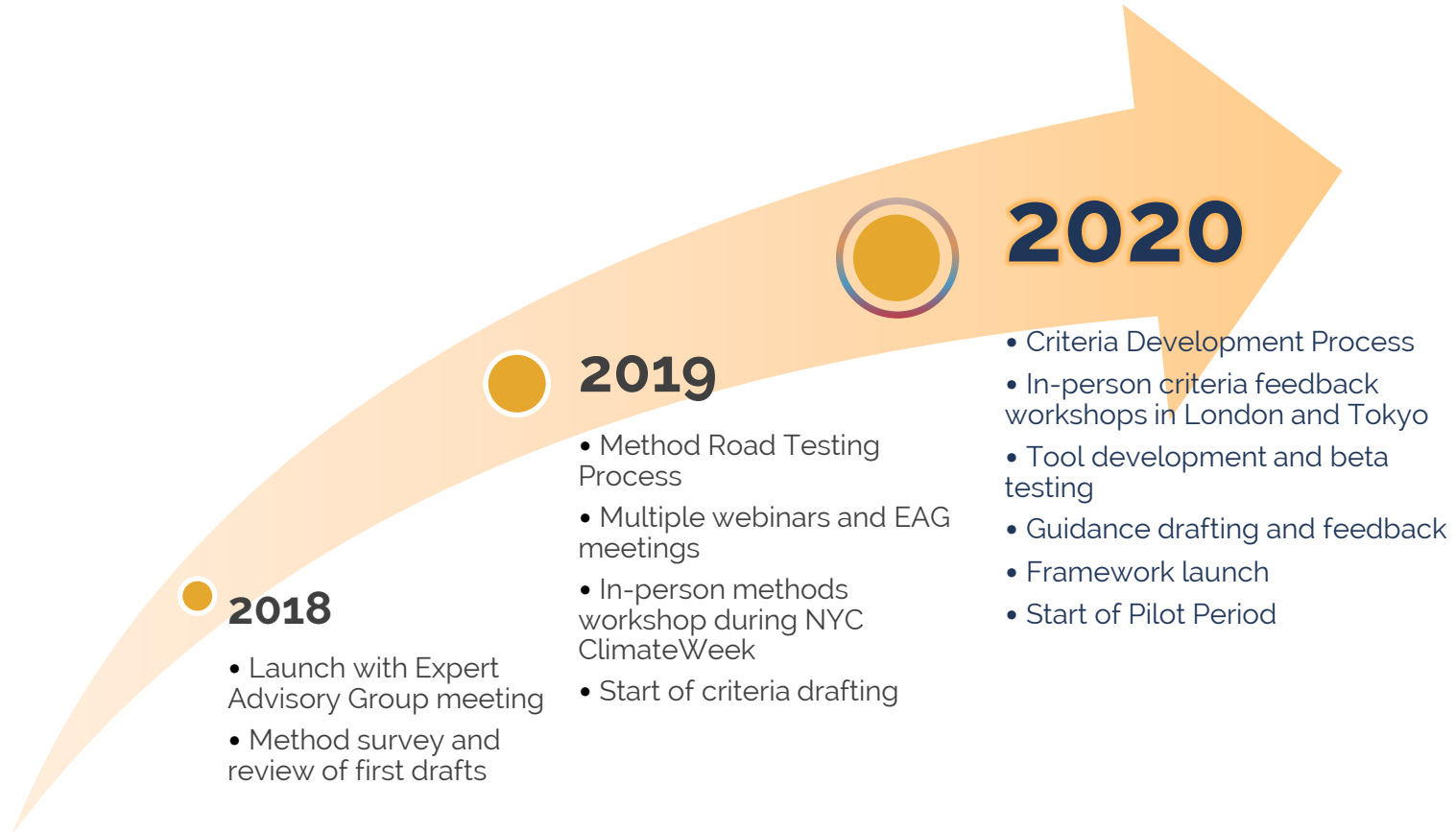
Westpac Banking Corporation

YES Bank

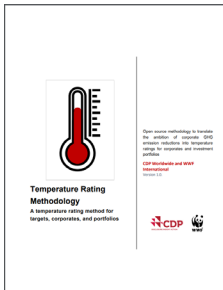
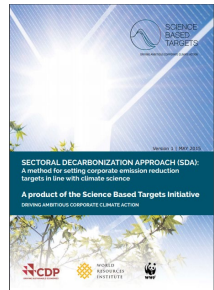
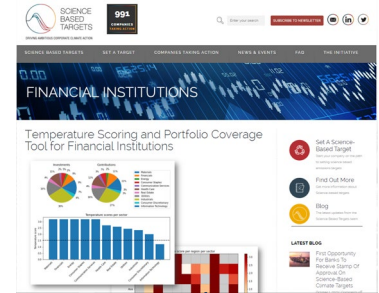
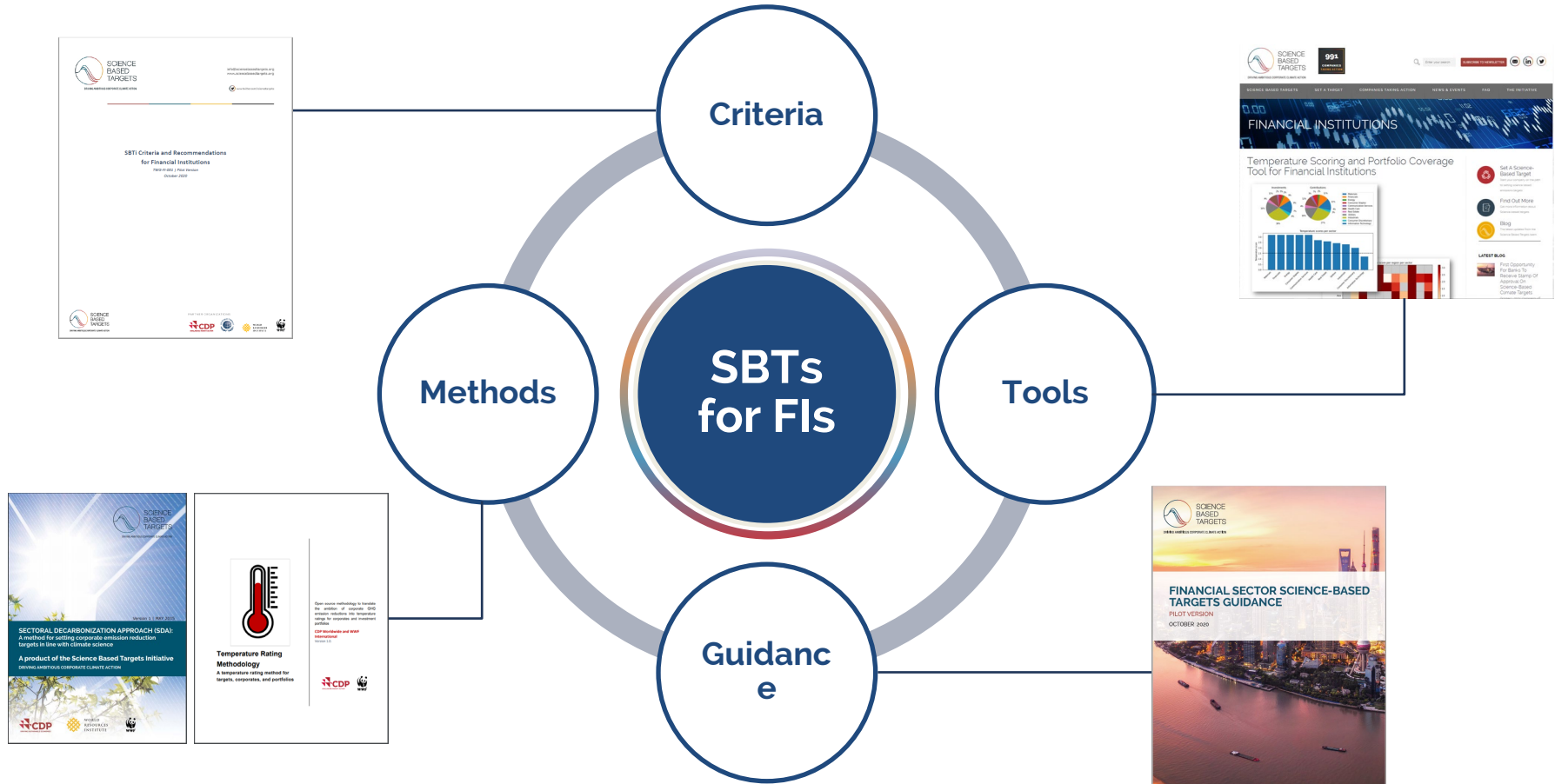
Yuanta Financial Holding Co Ltd

Zurich Insurance Group Ltd

# SBTi Finance Framework | Project Process and Timeline




# SBTi Finance Framework | Framework Components



## SBTi Finance Framework | 3 Methods for Finance Sector Targets

For the first phase of this project, the SBTi supports three methods for financial institutions. The SBTi developed criteria specific to these three methods.



**Sectoral  
Decarbonization Approach  
(SDA)**

**SBT Portfolio  
Coverage  
Approach**

**Temperature  
Rating Approach**

## SBTi Finance Framework | Method & Asset Class Coverage Links

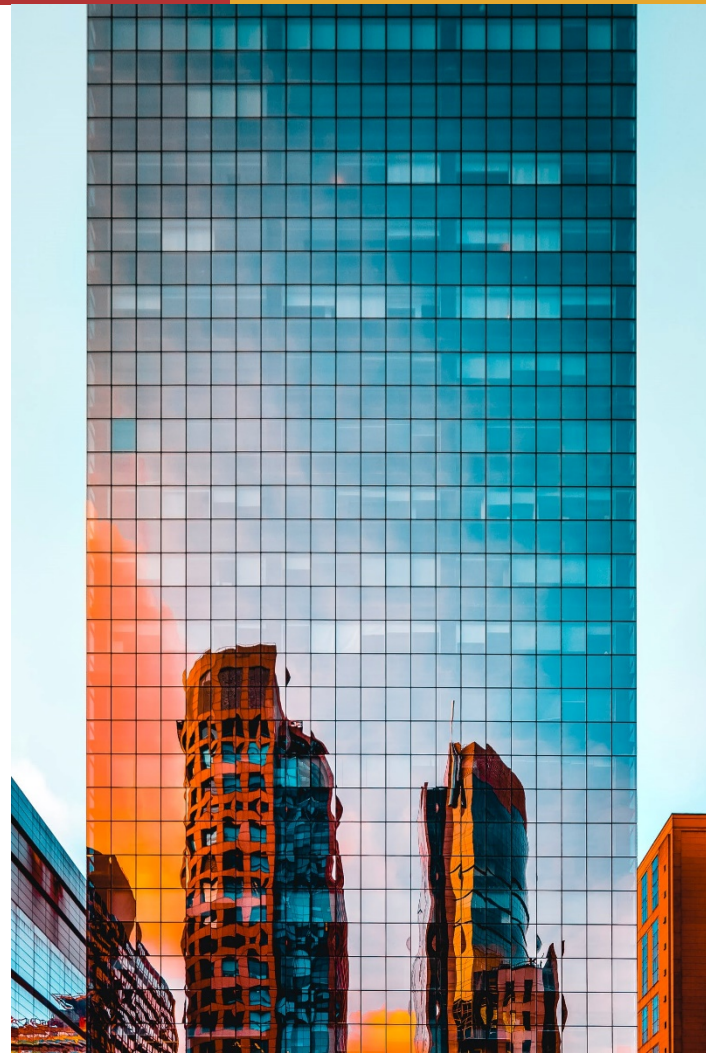
Asset Class	Method	Description
Real Estate	Sector Decarbonization Approach (SDA)	Emissions-based physical intensity targets are set for non-residential buildings' intensity and total GHG emissions.
Mortgages	SDA	Emissions-based physical intensity targets are set for residential buildings' intensity and total GHG emissions.
Electricity Generation Project Finance	SDA	Emissions-based physical intensity targets are set for electricity generation projects' intensity and total GHG emissions.
Corporate Instruments (equity, bonds, loans)	SDA	Emissions-based physical intensity targets are set at sector level within the portfolio for sector where sectoral decarbonization approaches are available.
	SBT Portfolio Coverage	Financial institutions engage a portion of their investees to have their own science-based targets such that they will reach 100% coverage by 2040.
	Temperature Rating	This approach enables financial institutions to determine the current temperature rating of their portfolio and take actions to align their portfolios to ambitious long-term temperature goals by engaging with portfolio companies to set ambitious targets (e.g., 2.6°C in 2019 and 1.7°C in 2025).

# SBTi Finance Framework | Criteria

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

1. GHG Emissions Inventory and Target Boundary
2. Scope 1 and 2 Target Time Frame
3. Scope 1 and 2 Target Ambition
4. Scope 2
- 5. Scope 3 – Portfolio Target Setting Requirements**
- 6. Reporting**
7. Recalculation and Target Validity

**Sections 5 and 6** of the criteria are designed specifically for financial institutions' target setting, progress-tracking, and action reporting practices for their investment and lending activities.





# SBTi Finance Framework | Temperature Scoring and Portfolio Coverage Tool

The tool is:

Open Source &  
Fully Transparent

Data & UI  
Agnostic

Integrated into  
Commercial &  
Homegrown Solutions

Workflow tool for  
Portfolio Managers  
& Analysts

Development  
Team: SBTi + Data  
Providers + Users

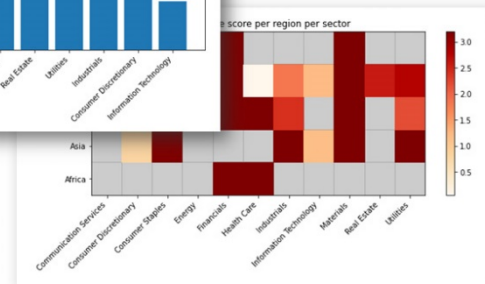
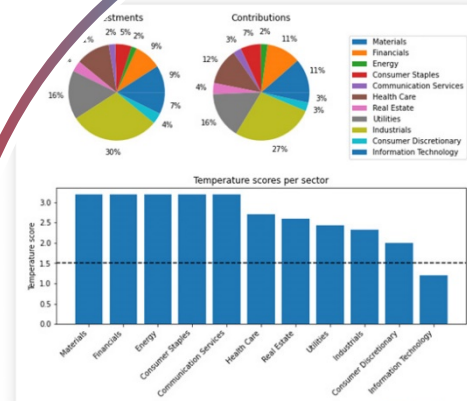


## Integrate via Python or API into:

- Commercial platforms
- Asset managers' inhouse solutions
- Supported by Bloomberg, CDP, ISS ESG, MSCI, Ortec Finance, OS-Climate, Trucost & Urgentem.



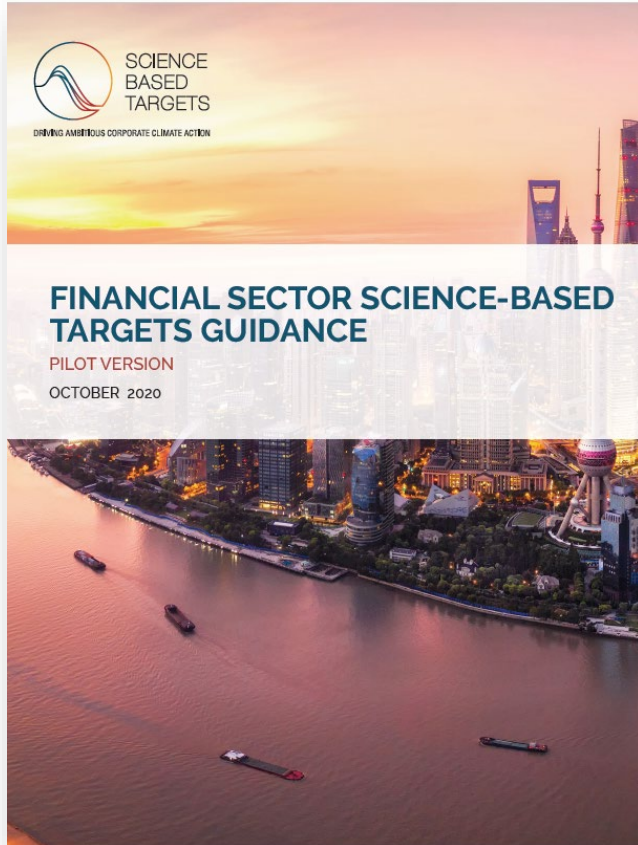
**SBTi Finance Tool provides analysis, modelling, and reporting for alignment and target setting purposes.**



Learn more:

<https://sciencebasedtargets.org/finance-tool/>

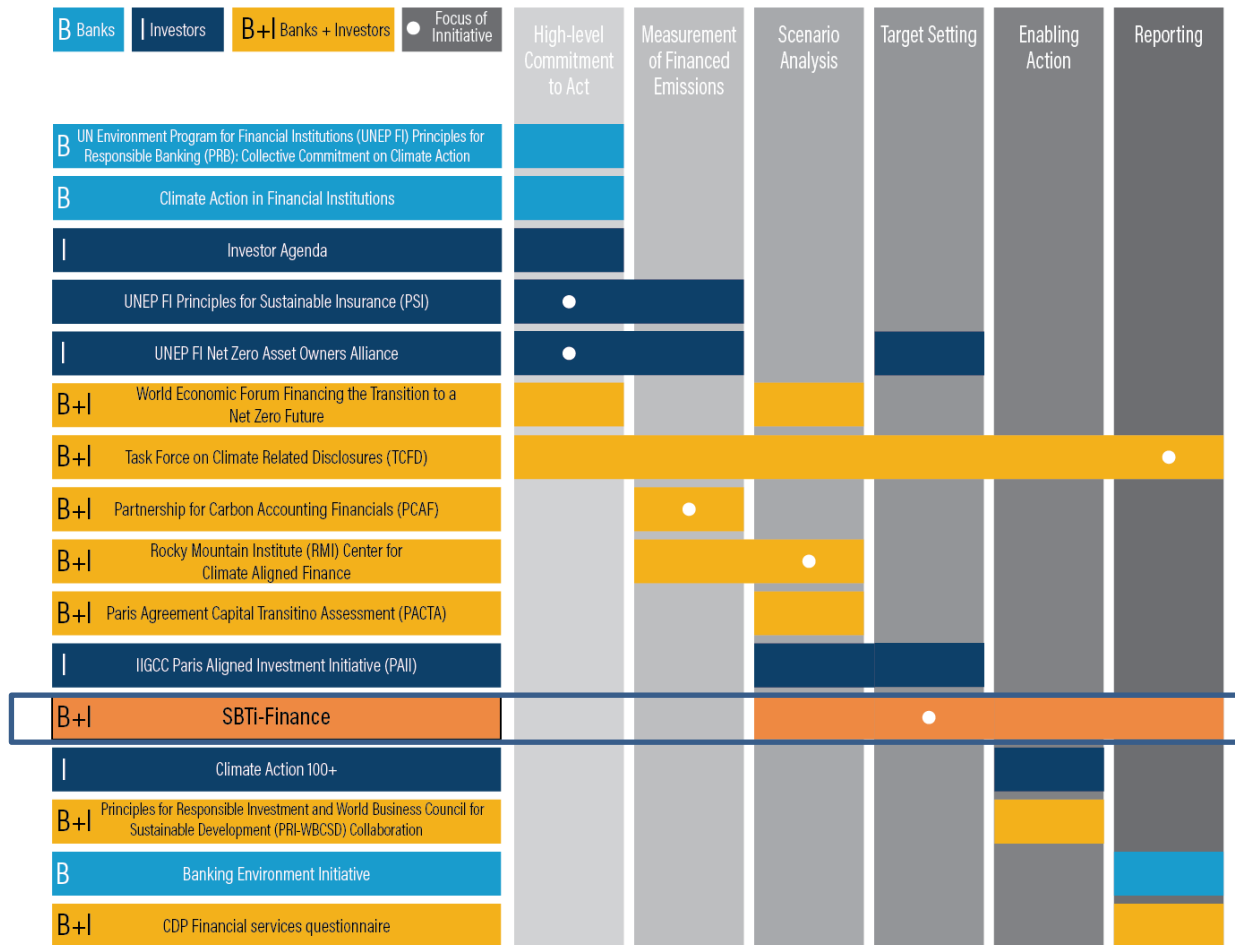
# SBTi Finance Framework | Guidance



## 8 Case Studies

Institution	Method
Amundi	Temperature Rating Method
Bank J. Safra Sarasin	SDA for Real Estate
Storebrand	SDA for Real Estate
Eurazeo	SBT Portfolio Coverage
La Banque Postale	SBT Portfolio Coverage & SDA
Mizuho Financial Group	SDA for Electricity Generation Project Finance
De Volksbank	SDA for Mortgages
Wells Fargo & Company	PCAF

SBTi's Finance framework contributes to the wider ecosystem of related initiatives through its transparent and robust target setting platform and disclosure requirements



Source: Financial Sector Science Based Targets Guidance (Pilot Version), based on 2019 PCAF figure

# FINANCIAL INSTITUTION PERSPECTIVE FROM AMALGAMATED BANK



**Mr. Ivan Frishberg**  
Director of Impact  
Policy



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# FINANCIAL SECTOR SCIENCE-BASED TARGETS GUIDANCE

Pilot Version

# What's In The Financial Sector SBT Guidance?

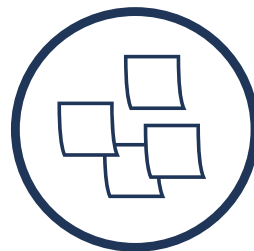
The guidance document ties the three other components of the Framework together and provides recommendations on how to set portfolio SBTs.



Business case for setting SBTs



Guidance to use the criteria, methods and tools to prepare a SBT submission



Case studies from global financial institutions



Recommendations on target communication



Recommendations on steps that FIs can take to achieve their targets

# Communicating Science Based Targets



FIs shall formulate target language as follows:

- A **scope 1 and 2 target** following the target language template
- A **headline scope 3 portfolio target** that describes for which asset classes targets are set, and how much of their total portfolio is covered; and
- Specific target language templates for **asset-level targets**

## Example Targets

Financial Institution A commits to reduce absolute scope 1 and 2 GHG emissions [XX]% by [target year] from a [base year].

A commits to achieve SBTs in [asset classes] by [target year] from a [base year]. Financial Institution A's portfolio targets cover [XX]% of its total investment and lending activities by [unit].

SDA for real estate: FI A commits to reduce its real estate portfolio GHG emissions XX% per square meter by 2030 from a 2017 base year.  
SBT Portfolio Coverage: FI A commits that XX% of its equity portfolio within the [asset class or sector] by [unit] will have set science-based targets by 2024.

# Communicating strategies to achieve portfolio SBTs



It's crucial that financial institutions provide transparency to stakeholders about the actions they plan to take to achieve their portfolio targets.

- At the time of target submission, FIs shall **submit a brief summary of the strategy and actions the FI will implement to reach their portfolio SBTs** and **why** they selected these actions.
- This summary shall be provided by the FIs with their target submission and **will be published**, alongside the SBTs, on the SBTi website.

## Example Language

Financial Institution A will implement the following strategy and actions to achieve its targets:

- Example: Financial Institution A aims to steer its [XX dollar amount] corporate equity, bonds, and loan book in power generation, steel, cement, and aviation through actively supporting clients' low-carbon transition. For example, it will offer more favorable interest rates to investees that set and stay on track to meet ambitious climate goals. Financial Institution A selected these actions because [add reasons].



# Launching the pilot target validation phase for financial institutions

1.



COMMIT

2.



DEVELOP

3.



SUBMIT

Submissions from the **first 20 financial institutions** will be assessed **free of charge**.

The target submission form will be posted on the [project website](#)

Contact [targets@sciencebasedtargets.org](mailto:targets@sciencebasedtargets.org) to express your interest!

**Starting from today**, FIs have up to **2 years** to have their targets approved and announced by SBTi once they commit.

**Previously committed FIs** will have **24 months from today** to do so.

4.

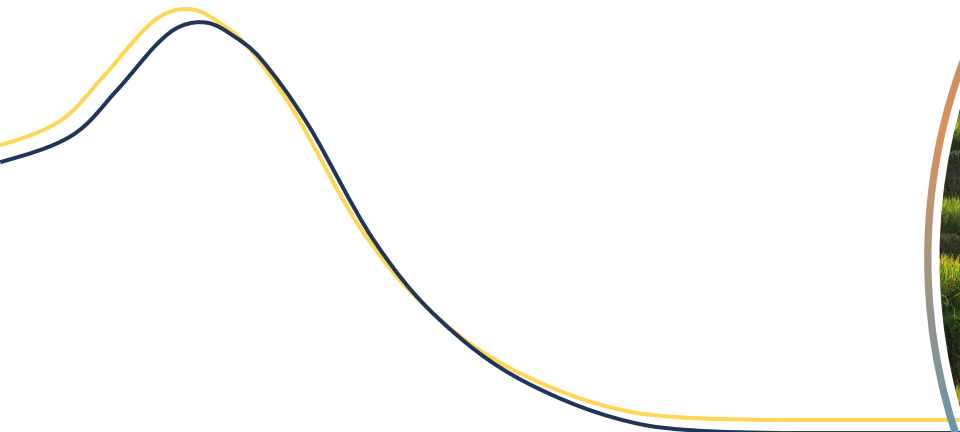


COMMUNICATE

5.



DISCLOSE



# NEXT STEPS



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# SBTi Finance Framework | Phase 2 Strategy (*Contingent on Funding*)

Launch pilot target validation phase

Provide outreach and training

Publish updated criteria and guidance next April

Scope net-zero framework for financial institutions

Explore additional asset class coverage (e.g., underwriting, sovereign debt, IPOs)

Develop process to review additional methods

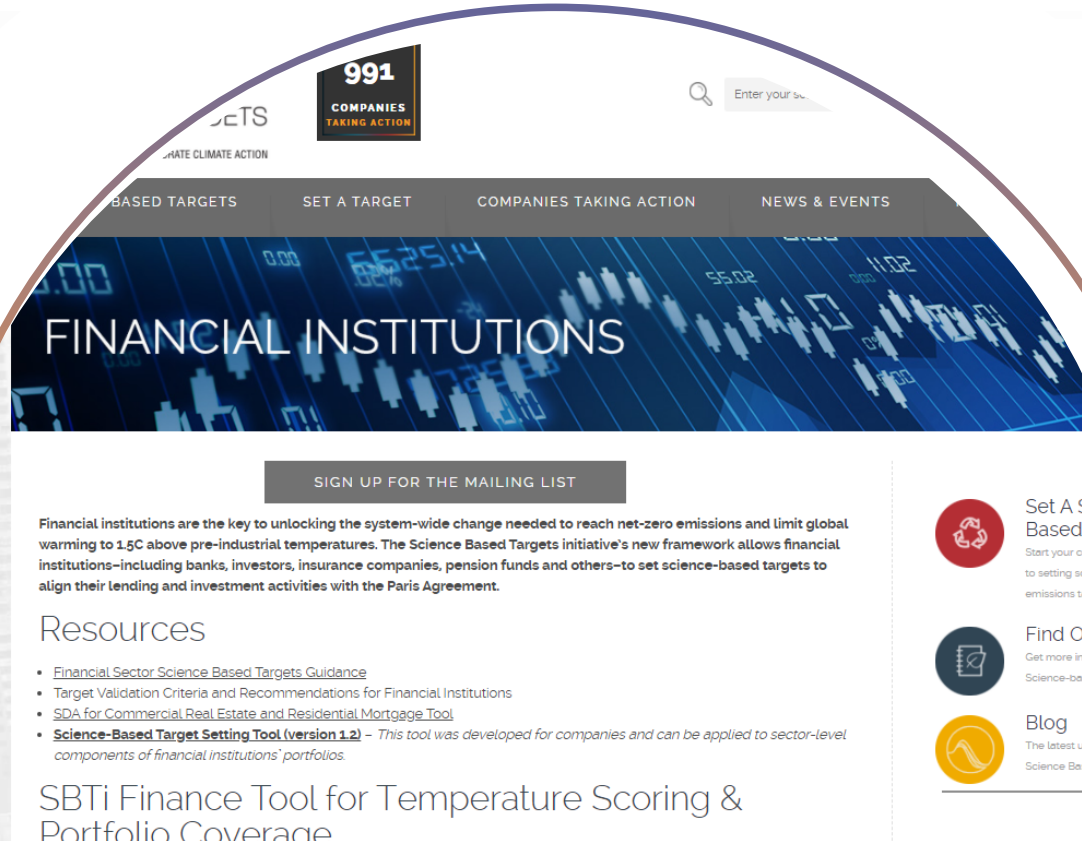
# SBTi Finance Framework | Upcoming Training and Webinars

Date	Topic	Region
October 13	Tool Training for Users	Asia/EU + US/EU
October 14	Tool Training for Developers	Asia/EU + US/EU
October 15	SBTi Framework for Financial Institutions	AUS/Asia
November 10	SBTs for Financial Institutions	Asia
November (TBD)	Deep Dive SBTi Finance Methods and Criteria	North America
November (TBD)	Deep Dive SBTi Finance Methods and Criteria	Asia/EU

# SBTi Finance Framework | More Information and Engagement

Please **visit our project site** for more information and opportunities for engagement.

Sign up for the mailing list to join the Stakeholder Advisory Group and receive email updates on this work.



The screenshot shows the website for Financial Institutions. At the top, there is a navigation bar with the following items: 'SBTi', 'COMPANIES TAKING ACTION', 'BASED TARGETS', 'SET A TARGET', 'COMPANIES TAKING ACTION', and 'NEWS & EVENTS'. A search bar is located on the right side of the navigation bar. Below the navigation bar is a large blue banner with the text 'FINANCIAL INSTITUTIONS' and a background of financial charts and data. Below the banner is a button that says 'SIGN UP FOR THE MAILING LIST'. Below the button is a paragraph of text: 'Financial institutions are the key to unlocking the system-wide change needed to reach net-zero emissions and limit global warming to 1.5C above pre-industrial temperatures. The Science Based Targets initiative's new framework allows financial institutions—including banks, investors, insurance companies, pension funds and others—to set science-based targets to align their lending and investment activities with the Paris Agreement.' Below the paragraph is a section titled 'Resources' with a list of links: 'Financial Sector Science Based Targets Guidance', 'Target Validation Criteria and Recommendations for Financial Institutions', 'SDA for Commercial Real Estate and Residential Mortgage Tool', and 'Science-Based Target Setting Tool (version 1.2) - This tool was developed for companies and can be applied to sector-level components of financial institutions' portfolios.' On the right side of the screenshot, there are three circular icons: a red one with a recycling symbol, a dark blue one with a document icon, and a yellow one with a hand icon. To the right of these icons is text: 'Set A Science Based Target', 'Find Out More', and 'Blog'.



# SCIENCE BASED TARGETS

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