

# PROCEDURE FOR VALIDATION OF SBTi TARGETS

Version 1.0

December 2023

## VERSION HISTORY

| Version | Change/update description   | Date finalized    | Effective date     |
|---------|---|-------------------|--------------------|
| 1.0     | <p>Combined the SBTi Corporate Manual v2.1 and the Target Validation Protocol for Near-term Targets v3.1 to provide comprehensive step-by-step guidance for companies that would like to commit to SBTi, develop and submit targets and track progress against targets.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Updates with new SBTi SME criteria</li> <li>• Further explanation on the rationale and approach taken for base-year adjustment of targets with a base-year later than 2020.</li> </ul> | December 20, 2023 | From June 20, 2024 |

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## 1. ABOUT THE SCIENCE BASED TARGETS INITIATIVE

The Science Based Targets initiative (SBTi) drives corporate climate action by enabling businesses and financial institutions globally to set science-based greenhouse gas (GHG) emissions reduction targets.

It was formed as a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI), the World Wildlife Fund (WWF), and the We Mean Business Coalition. The SBTi's goal is to enable companies worldwide to do what climate science requires of the global economy: to halve emissions by 2030, and achieve net-zero before 2050. The SBTi develops criteria and provides tools and guidance to enable businesses and financial institutions to set GHG emissions reduction targets in line with what science tells us is needed to keep global heating below 1.5°C.

Greenhouse gas (GHG) emissions reduction targets are considered to be “science-based” if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement - to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

## 2. OBJECTIVE AND SCOPE OF SBTi VALIDATION

The objective of SBTi Validation is to ensure consistent, stringent, assessment of corporate and financial institution targets in line with the SBTi Standards and guidance.

## 3. SUMMARY OF ROLES AND RESPONSIBILITIES

### SBTi Services Department

The SBTi Services Department is responsible for reviewing, querying, and assessing validations according to this Procedure. The Services Department includes the Target Validation Team, Target Operations Team and Validation Credibility Assurance. The Services Department reports to the SBTi's Chief Operating Officer (COO).

The Services Department works cross-functionally with the Compliance Department, where needed, to ensure that:

- The interdependencies between SBTi Standards and SBTi Validation is conducted formally and thoroughly;
- Applicable documentation for the validation process is clear, public and that the latest versions are shared with all parties involved, before they become applicable
- Processes and procedures are in place for assessing complaints and appeals, including relevant policy adherence and that these are handled accordingly.

## 4. OVERVIEW OF THE SBTi'S TARGET-SETTING PROCESS AND VALIDATION PROCEDURE

### Who can join the Science Based Targets initiative?

The SBTi promotes corporate climate action and encourages organizations from all sectors to demonstrate leadership by setting science-based emissions reduction targets. This includes financial institutions, joint ventures, cooperatives and state-owned enterprises. The SBTi is especially keen to welcome organizations in the highest-emitting sectors, who play a crucial role in ensuring the transition to a net-zero economy. The exception is oil and gas companies as their targets cannot yet be officially validated.

The SBTi does not currently assess targets for cities, local governments, public sector institutions, educational institutions or non-profit organizations. However, we encourage these stakeholders to consider near-term and net-zero SBT setting methods when developing targets independently. Cities can register their interest in setting targets through the Science Based Targets Network (SBTN). Public sector institutions that meet the small and medium-sized enterprise (SME) criteria can submit targets through the [SME route](#).

#### SBTi financial sector

In October 2020, the SBTi formally launched its target setting framework for Financial Institutions (FIs). A specific set of criteria and guidance for FIs has been developed and must be followed by all relevant FIs.

The SBTi defines a FI as a company whose business involves the arrangement and execution of financial and monetary transactions, including deposits, loans, investments, and currency exchange. More specifically, the SBTi deems a company a financial institution if 5% or more of its revenue or assets comes from the activities described above.

#### Small and medium-sized enterprises (SMEs)

In recognition of the important role SMEs must play in global climate action as well as the limited resources available to companies of this size, the SBTi has established a separate expedited route for these companies. This simplified approach for SMEs balances the need for them to take account of emissions across their value chains without imposing too great a burden.

For the SBTi's definition of a SME, please refer to the Small and Medium Sized Enterprises (SMEs) [FAQs document](#). SMEs can immediately set a near-term SBT for their scope 1 and 2 emissions by choosing from predefined target options. SMEs can also set net-zero targets using this streamlined route. Unlike larger companies, the SBTi does not require SMEs to set near-term targets for their scope 3 emissions at this time. However, SMEs must commit to measure and reduce their scope 3 emissions and scope 3 targets are required for a net-zero target.

SMEs who opt to use the standard target validation route rather than the streamlined SME route must meet all standard validation criteria.

## Commitment

### How to commit

Companies that wish to commit to set a near-term or net-zero SBT may submit the SBTi Commitment Letter. By signing the letter, companies commit to submitting a near-term or net-zero science-based emissions reduction target in line with SBTi's target-setting criteria within 24 months with the latest version of SBTi Standards and guidance. If the company already has an emissions reduction target or net-zero target, the letter confirms its interest in having its existing targets verified against a set of near-term/net-zero criteria developed by the SBTi or developing new targets that will align with these near-term/net-zero criteria.

The SBTi strongly encourages companies to commit before submitting targets to the initiative for validation; however, companies may choose to move straight to developing and submitting targets for validation. Companies are urged to aim for the highest level of ambition in their target setting, and are encouraged to commit to net-zero and automatically join the United Nations Framework Convention on Climate Change (UNFCCC) Race to Zero.

The list of committed companies is updated on the SBTi website every week. Companies that have committed will receive guidance on how to communicate their near-term and/or net-zero commitment. The SBTi reserves the right to perform due diligence before accepting new near-term and/or net-zero commitments.

SMEs are not required to sign the Commitment Letter, and they can use the SME science-based target setting form specifically designed and solely designated for SMEs. This pathway enables SMEs to bypass the initial SBT near-term and net-zero commitment stages and the standard target validation process.

The SBTi encourages companies to start the target development process and submit targets for validation as early as possible. Companies have 24 months to submit targets to the SBTi for validation. Refer to the [SBTi Commitment Compliance Policy](#) for more information.

## Developing a target

Targets must be submitted within 24 months of signing the commitment letter, and must be submitted in line with the latest versions of the SBTi standards and guidance that the SBTi considers critical for qualifying a target as "science-based". The SBTi has developed a suite of tools and guidance to help companies understand how to meet the requirements.

### Review the target-setting resources

Please refer to the criteria and recommendations of the [SBTi Near-term criteria and of the Corporate Net-Zero Standard](#).

Companies developing targets should carefully consult relevant SBTi resources to ensure they have the latest information on recommendation and requirements. To stay up to date on the latest resources companies are encouraged to visit the website regularly and explore the [FAQ page](#) for answers to commonly asked questions. If questions persist, companies should use the [contact page](#) on the website to ask directly for clarifications.

## Criteria and recommendations

Targets must meet all the SBTi criteria and guidance to be approved. The SBTi Standards department will communicate when criteria are to be updated and also the grace period for when substantive content changes are made.

From April 11, 2023, organizations must submit targets using SBTi near-term criteria V5.1. And from April 10, 2023, SBTi criteria V5.0 is no longer eligible.

Companies must also align SBTs with requirements established through sector development work approved by the SBTi. Companies should see the [sector guidance section](#) of the SBTi website and the Sector-Specific [Criteria Assessment Tables](#) for information on sector-specific requirements and resources.

## Submit target for validation

Validation of a company's target ensures that it meets a set of rigorous criteria defined by the SBTi. It is the company's responsibility to make the case that the target is science-based and clearly provide appropriate information. The section below provides an overview of the validation process.



## Target submission form

Companies that wish to submit targets to be evaluated should download the latest [Target Submission Form and Guidance](#) and fill it out as clearly, completely and accurately as possible. Companies should consult the guidance available before completing the form, including the target language guidance. Additional documents should be attached only if they are directly related to the information requested. Companies should reference the specific page numbers, figures or text that is being referred to in accompanying documents. Missing, unclear or erroneous information will result in the validation process being delayed.

It is the company's responsibility to ensure the integrity of the information provided. Targets modeled with an old version of tool(s)/method(s) will be accepted in a target submission only within six months after the issuance date of the most recent tool(s)/method(s), unless otherwise noted. After that period, the targets must be recalculated using the new tool/method for submission.



Once the form is completed, companies should submit the form together with any supporting documents via the [online Target Validation Booking System](#) for targets. The booking system reserves a date for the target validation service to begin and submits your Target Submission Form and any other relevant documents to the SBTi for validation purposes.

### How information is treated

The SBTi safeguards the confidentiality of all information provided by companies to assess targets. This means that information provided will be used in accordance with the target validation service contract that companies are asked to sign before target assessments commence.

### The target validation service

Preliminary validations, offered as a separate service before July 2020, have been combined with the official validation process to create a single validation option.

The target update service is a combination and improvement upon the previous “resubmission” and “voluntary ambition update” services. For the pricing of these services, please refer to the [SBTi website](#). The results of the validation will be ready within 30 or 60 business days from the date the contract has been fully executed by both parties and provided that any queries for further information or clarification sent by the validation team are resolved within 2 business days.

The target update service is a streamlined process developed for companies who wish to align their targets with any new guidance or to update/edit previously approved targets in other ways.

### Technical screening

Upon receiving the company’s submission, a technical screening is completed which is not included within the 30 or 60-business day turnaround. The technical screening is a high-level assessment of the submission form to verify its completeness and the company’s eligibility to be validated.

- i) If the company does not pass the technical screening, a formal desk review will not be undertaken by the Target Validation Team. A decision email indicating the reasons for non-conformance and recommendations for resubmission is then issued and sent to the company. Companies can make the recommended changes and immediately resubmit to the SBTi for another screening.
- ii) If the company does pass the technical screening, the submission proceeds to the next stage for a desk review by the Target Validation Team. The company will be directed to sign the Terms and Conditions and informed of the next steps for invoicing related to the validation service. The target validation service is conducted within 30 to 60 business days, with the start date beginning once the company passes the technical screening.

## Target Validation Team assignment

A validation team consisting of a lead reviewer (LR) and an appointed approver (AA) is assigned for each target submission. The LR 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 AA acts as a peer reviewer on the completed desk review mitigating potential conflict of interest. This is determined through the conflict of interest process available on the [SBTi website](#).

## Desk review

Once the validation team (LR and AA) have been assigned, the Target Submission Form(s) and supporting documentation are assessed against SBTi standards and relevant guidance. The LR conducts a desk review of not only the submitted information but also publicly available documents such as but not limited to the company's sustainability report, annual report, financial report, etc.

During the desk review, the LR thoroughly assesses the accuracy, relevance, completeness, consistency, and transparency of the information provided by the company in the submission form and any accompanying documentation. If clarifications or additional information is required from the company, the LR will send a query to the company at the desk review stage. Common query topics include clarifying GHG accounting processes underlying assumptions or calculations, and ensuring the correct interpretation of data provided by the company.

Once the desk review is completed, the LR drafts the deliverables and the results of the assessment for the appointed approver process.

### Criteria Assessment Indicator conformance

As part of the desk review, the LR will analyze the submission form answers and objective evidence provided against the Criteria Assessment Indicators.

The Criteria Assessment Indicators (CAI) are provided as verifiable control points which will be used to evaluate submitted information during the target validation process. Conformity with the CAI gives confidence that the company is in compliance with the SBTi Standard(s) under which they are submitting targets. The CAI represent a clarification and formalization of the existing process followed by the Target Validation Team to assess alignment of all corporate and financial institution submissions with SBTi Criteria, SBTi Sector Guidance and GHG Protocol Corporate Standard, Scope 2 Guidance, and Corporate Value Chain Standard. The publication of the CAI seeks to provide clarity for stakeholders and does not signify any additional requirements for companies setting science-based targets, beyond what has been required of all companies submitting under SBTi Criteria version 5.0 and beyond.

## First round queries

Queries may be sent to the company at the desk review stage or any other stage in the process. If it is deemed necessary, the LR may request a call to clarify certain aspects of a company's submission. The company must respond to queries sent by the LR within 2 business days to receive a decision within the contracted due date in the Terms and Conditions. If a response is not received within 2 business days, the SBTi cannot guarantee the decision or deliverables will be ready within the contracted timeline. If a company uses target wording that deviates from SBTi guidelines, this may also delay a decision beyond the contracted timeline. The SBTi recommends that the company

contact is in office or is available to field queries throughout the duration of the target review process to limit delays in response. An alternative company contact should be provided, should the primary contact be out of office due to holidays or illness. If a company changes or updates submitted data during the validation process, this also constitutes missing the 2 business day turnaround and may also delay a decision beyond the contracted timeline.

It is the company's responsibility to provide all the information required to complete the desk review. If a company needs to update or change data that deviates from the original target submission information during the validation process this may delay a decision beyond the contracted timeline. If the information provided is deemed insufficient by the SBTi after at least two query attempts, the SBTi may consider the submission to be non-compliant. During the desk review, the target language is also assessed to ensure compliance with SBTi guidelines. This process is initiated to avoid delays in case the company's targets are ultimately approved but does not mean the target will be approved.

### Extended timeline

A company must respond to all queries in full or further information requests from the Lead Reviewer within two business days to receive a validation decision within the contracted due date. If a response is not received within the two business days, the Target Validation Team cannot guarantee the validation decision or deliverables will be finalized within the contracted timeline.

It is the company's responsibility to provide all the information required to complete the desk review according to SBTi standards and guidance. If a company needs to update or change data that deviates from the original target submission information during the validation process this may delay a decision beyond the contracted timeline. If the information provided is deemed insufficient by the SBTi after at least two query attempts, the SBTi may consider the submission to be non-compliant.

During the desk review, the target language is also assessed to ensure compliance with SBTi guidelines. If a company uses target wording that deviates from SBTi guidelines, this may also delay a decision beyond the contracted timeline.

The SBTi recommends that the company contact is in office or is available to field queries throughout the duration of the target review process to limit delays in response. An alternative company contact should be provided, should the primary contact be out of office to holidays or illness.

### Appointed approver review

A short desk review, analysis of the LR notes and queries, and review of assessment results is completed by the Appointed Approver (AA) to ensure accuracy and conformance with the SBTi standards and guidance. If the AA agrees with the recommendations, the LR will progress the target to the Target Validation Team review meeting. If the AA disagrees with the recommendation of the LR, the disagreement is brought to the Target Validation Team review meeting for further discussion.

## Target Validation Team review

Upon completion of the desk review and peer review process, the target is brought to a weekly Target Validation Team review meeting for final decision. The decision of the Target Validation Team review must be unanimous and if a unanimous decision cannot be reached, the target must be presented to the Interim Validation Committee.

## Communicating decisions and feedback

After a final decision has been reached, the LR completes the deliverables for the company. Deliverables are then sent to the Target Operations Team who ensure the company has completed all operational steps before sending the deliverables to the company provided contacts. The company receives a target validation report and can request a feedback call if the decision is a rejection to discuss feedback and next steps.

## 5. ASSESSMENT OF SBTi CRITERIA

The SBTi Criteria outline the minimum qualitative and quantitative criteria for near-term and/or net-zero targets to be recognized by the SBTi. The validation team reviews the Target Submission Form and associated documents to ensure that all criteria are met for any target submission to be approved. By implementing the [Criteria Assessment Indicators](#), this provides more detailed information to companies on the procedure followed by the reviewer to assess each criterion and clear evidence to demonstrate how the requirement is met. The validation team adheres to the Criteria Assessment Indicators consistently for all companies' target validations and all decisions are justified using these requirements.<sup>1</sup>

### Criteria Assessment Indicators

The [Criteria Assessment Indicators](#) (CAI) are provided as verifiable control points which will be used to evaluate submitted information during the target validation process. Conformity with the CAI gives confidence that the company is in compliance with the SBTi Standard(s) under which they are submitting targets. The CAI represent a clarification and formalization of the existing process followed by the Target Validation Team to assess alignment of all corporate and financial institution submissions with SBTi Criteria, SBTi Sector Guidance and GHG Protocol Corporate Standard, Scope 2 Guidance, and Corporate Value Chain Standard. The publication of the CAI seeks to provide clarity for stakeholders and does not signify any additional requirements for companies setting science-based targets, beyond what has been required of all companies submitting under SBTi Criteria version 5.0 and beyond.

<sup>1</sup> If a novel case appears in a target validation that is not explicitly covered in this guide, the Target Validation Team may consult with the Technical Department, and if necessary, bring the issue to the relevant leadership body for final decision-making. In such cases, there might be significant delay for the Target Validation Team to deliver the final target decisions, and it cannot be guaranteed that targets that do not adhere to the Criteria Assessment Indicators will be approved after the additional consultations with SBTi. If necessary, relevant sections of the Criteria Assessment Indicators will be updated to reflect the additional information/decisions made.

The [Criteria Assessment Indicators](#) uses precise language to indicate requirements, recommendations, and allowable options that companies may choose to follow.

- The terms “shall” or “must” are used throughout this document to indicate what is required for targets to be in conformance with the SBTi Criteria for Near-term Targets and with the SBTi Corporate Net-Zero Standard criteria.
- The term “should” is used to indicate a recommendation, but not a requirement.
- The term “may” is used to indicate an option that is permissible or allowable.

The terms “required” or “must” are used to refer to requirements. “Can” and “is encouraged” may be used to provide recommendations on implementing a requirement or “cannot” may be used to indicate when an action is not possible.

The CAI is intended for corporates and financial institutions submitting targets to the SBTi. Companies should utilize the CAI document while completing the target submission form(s) to ensure that any proposed targets meet all relevant criteria. The ‘description’ column provides a detailed explanation of the CAI, which can be understood as the various checks conducted to ensure conformity with the SBTi Criteria. The ‘minimum documentation required’ column outlines the information needed to assess conformity with each criteria assessment indicator, and stipulates where (if relevant) in the submission form to provide this information or if supplemental documentation is required.

The Target Validation Team will review all submissions to ensure that all CAI are met for any target submission to be approved. The Target Validation Team reserves the right to request additional information during the validation process, where further explanation or evidence is needed to clarify alignment with any criteria assessment indicators.

## Assessing target ambition

Please refer to Table 5 in the Corporate Net-zero Standard V1.1 for a summary of eligible methods. Sector-specific target setting methods and associated ambitions can be found in the relevant [sector guidance document](#)(s).

## Further requirements and best practice in GHG accounting

This section details nuances in GHG accounting that SBTi requires and recommends as best practice for certain sectors and/or topics.

### Accounting for downstream emissions from intermediate products

According to the GHG Protocol Corporate Value Chain (Scope 3) Standard, “In certain cases, the eventual end use of sold intermediate products may be unknown. For example, a company may produce an intermediate product with many potential downstream applications, each of which has a different GHG emissions profile, and be unable to reasonably estimate the downstream emissions associated with the various end uses of the intermediate product. In such a case, companies may

disclose and justify the exclusion of downstream emissions from categories 10, 11, and 12 in the report (but should not selectively exclude a subset of those categories).” The passage from GHG Protocol is relevant for intermediate products such as chemicals where the end product is varied and unknown. Emissions from other intermediate products such as computer microchips, automotive parts, etc. do have specific applications at the end of their life and downstream emissions must be accounted for. Wherever possible, companies shall try to account for the downstream emissions of intermediate products and if there are certain exclusions of downstream emissions in scope 3 category 10, 11 and 12 related to intermediate products, companies must provide a robust exclusion justification.

### **Accounting for emissions from transport-related fuels, general fuel use and purchased electricity**

For any transport-related emissions from fuel use, emissions must be reported on a well-to-wheel (WTW) emissions boundary (well-to-wake for aviation and maritime transport) that reflects direct use emissions from fuel combustion (tank-to-wheel, TTW) and upstream emissions related to fuel production and distribution (well-to-tank, WTT). For purchased fuels, fuel related emissions must be accounted for on a WTW basis i.e., TTW emissions which are equivalent to scope 1 emissions and WTT emissions reported in scope 3 category 3 “fuel-and-energy-related activities”. Furthermore, the upstream emissions of purchased electricity (WTT emissions) must be accounted for in scope 3 category 3 “fuel- and energy-related activities” if not accounted for in scope 1 and/or 2. For more information, consult Table 5.4 (page 34) of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

### **Emission allocation from ports**

Companies must define the geographical boundary of the relevant ports in which they operate and disclose their chosen boundary. Ships sitting in port must account for the emissions related to port usage. If a shipping company is a customer of a port i.e., they pay the port for use of facilities, these emissions are deemed to be direct use-phase emissions (scope 3 category 11).

### **Retiring versus selling assets within a company**

If a company sells a company asset, this is classified as a structural change according to the GHG Protocol Corporate Standard and shall trigger a recalculation of a company’s base year emissions. Emissions are simply transferred from one company to another without any change of emissions released to the atmosphere. Alternatively, if a company retires a company asset (removes an asset or part of an asset from the asset portfolio without revenue generation), a company can consider this to be an emissions reduction within their organizational boundary.

### **Insetting**

There are multiple definitions for the term “insetting” (also referred to as supply chain interventions) and no standardization of the term, which makes it difficult to give a clear determination of what can and can’t be included within scope 3 reductions. Insetting is used to describe interventions that are wholly contained within a scope 3 value chain boundary of a company or interventions partially



within their scope 3 supply chain boundary (spanning their supply chain and other companies' supply chains). Accounting approaches for insetting also vary with the use of both project accounting and corporate accounting.

As this issue has not been settled to date in the GHG Protocol process, the SBTi recommends a conservative approach at this time. Companies should only include emission reductions or removals (removals only in the case of FLAG targets) from "insetting" projects that use a corporate accounting approach and are wholly contained within their supply chains or the portion of a "partially-included" project that is within their supply chain and linked directly to sourcing. For further information, please see this resource.

Further work is ongoing to standardize the definition of insetting/supply chain interventions and clear accounting methodologies. For these reasons, the SBTi will assess insetting on a case-by-case basis during the validation process and may not approve their use.

### **Green gas/biogas**

The SBTi currently recommends that companies follow the guidance within the GHG Protocol and Corporate Standard on the use of green gas. Currently, the GHG Protocol does not allow the use of green gas certificates to reduce scope 1 emissions. However, this topic is being discussed as part of the current GHG Protocol land sector and bioenergy guidance development process. As such, the SBTi cannot guarantee that these certificates would be a valid approach to meeting your science-based target.

### **Accounting for emissions from non-rechargeable batteries**

Emissions from production and waste of non-rechargeable batteries must be accounted i.e., production emissions accounted for in scope 3 category 1 "purchased goods and services", waste in operations accounted for in scope 3 category 5 "waste" and emissions from the end use of batteries accounted for in scope 3 category 12 "end-of-life treatment of sold products".

### **Renewable Energy Certificates (RECS)**

Companies may use Renewable Energy Certificates (RECs) as a measure to reduce scope 2 market-based emissions. However, the RECs need to be purchased and used within the same market, and cannot be used as a reduction mechanism for markets that the certificates were not purchased from. For more information please consult the RE100 Technical Criteria and the Scope 2 Quality Criteria in the GHG Protocol's Scope 2 Guidance.

### **Market-based scope 3 accounting**

The SBTi continues to follow Greenhouse Gas Protocol guidance, which has no framework for market-based scope 3 accounting. Therefore, the SBTi does not permit market-based accounting in scope 3, including the purchase of market-based renewable electricity instruments on behalf of the reporting company's suppliers, customers, lessors, lessees, franchisees, or investments.



## Mandatory versus optional scope 3 targets

Companies may request to include targets to reduce optional scope 3 emissions in the target language. For companies that wish to include a supplemental/optional target on optional scope 3 emissions, the below needs to be followed:

- The optional scope 3 target will be assessed separately by the SBTi review team compared to the mandatory scope 3 target(s).
- The reduction plans for the target(s) covering optional scope 3 emissions is credible, ambitious and practical.
- Should the target be approved, the target language covering the optional scope 3 target should be separated in a standalone sentence from the rest of the target language.
- In the GHG inventory submitted to the SBTi, the mandatory scope 3 emissions representative of the minimum boundary shall be included in the inventory table.

For a definition of optional emissions for each scope 3 category, please see Table 5.4 on page 34 and section 5.5 “Descriptions of scope 3 categories” of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

## Direct use-phase emissions versus indirect use-phase emissions

In scope 3 category 11 “use of sold products”, direct use-phase emissions are required to be reported, whereas the reporting of indirect use-phase emissions are optional. Please refer to the GHG Scope 3 Standard for a definition of direct and indirect use-phase emissions. The direct use-phase emissions of final products shall be calculated based upon the lifetime consumption of the product(s). The allocation methodology shall be disclosed for the direct use-phase of components, except for engines wherein 100% of the direct use-phase emissions of the vehicle shall be reported. Furthermore, the calculation methodology shall be disclosed for indirect use-phase emissions. Annex II lists illustrative examples of what should be allocated as direct use-phase emissions versus indirect use phase emissions in scope 3 category 11 “use of sold products”. This annex is not exhaustive of the examples of direct and indirect use-phase emissions.

## Target wording requirements

The SBTi has specific guidance for target wording to increase comparability and transparency among approved targets. Companies are required to follow specific guidelines for target wording and the SBTi reserves the right to not approve targets that deviate from this guidance. What may appear to be minor nuances may significantly alter the target’s intention. Table 1 provides recommended target template wording for each type of target. Please see the SBTi’s target submission form to see the latest recommendations for the target language.

Table 1. Required target language templates

| Target type                               | Required target language  |
|---|---|
| Absolute targets                          | [Company name] commits to reduce absolute [enter scopes] GHG emissions [percent reduction] % by [target year] from a [base year] base year.   |
| Intensity targets                         | [Company name] commits to reduce [enter scopes] GHG emissions [percent reduction] % per [unit] by [target year] from a [base year] base year.   |
| Net-zero targets                          | <p>Net-zero target wording is made up of three components: (i) Overarching net-zero target, (ii) near-term science-based target and (iii) long-term science-based target. Companies can express their overarching net-zero target as follows:</p> <p>[Company name] commits to reach net-zero GHG emissions across the value chain by [insert latest long-term SBT target date] from a [insert base year] base year.</p> <p>Alongside the overarching net-zero target wording, companies must also report on their near-term and long-term science-based targets adhering to the relevant wording conventions for the target type and scope coverage.</p> |
| Engagement targets                        | [Company name] commits that [percent]% of its suppliers/customers [by spend/ revenue/ emissions] covering [name scope 3 categories], will have science-based targets by [target year].  |
| Renewable electricity procurement targets | <p>For companies who have not yet achieved 100% renewable electricity: [Company name] commits to increase annual sourcing of renewable electricity from [percent]% in [base year] to [percent]% by [target year].</p> <p><b>OR</b></p> <p>For companies already sourcing 100% renewable electricity: [Company name] commits to continue annually sourcing 100% renewable electricity through [target year].</p> <p>The wording must specify a target year up to 2030 for renewable electricity procurement targets.</p>   |
| Combined scope 1, 2, and 3 targets        | <p>The SBTi recommends that for combined scope 1, 2 and 3 targets when the scope 1+2 and scope 3 ambition differs, not only the combined scope 1+2+3 target is published, but also the disaggregate scope 1+2 and scope 3 target language for transparency.</p> <p>For example, [Company name] commits to reduce absolute scope</p>   |

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|  | 1,2 and 3 GHG emissions [percent reduction] % by [target year] from a [base year] base year. Within this target, [Company name] commits to reduce absolute scope 1 and 2 GHG [percent reduction] % by [target year] from a [base year] base year and reduce absolute scope 3 GHG [percent reduction] % by [target year] from a [base year] base year.   |
| Scope 3 targets category coverage          | For targets covering categories that sum to less than 95% of total scope 3, it is required that the target language refers to specific scope 3 categories covered, e.g., purchased goods and services, or use of sold products. However, the target must not refer to specific activities e.g., purchasing of building materials.   |
| Base year and target year are the same     | If a company has the same base year and target year for scope 1 and 2 and scope 3, it is preferable to not repeat the specific years for the scope 3 language. Instead, companies should use the language “within the same timeframe” for the scope 3 target year portion of the target language.   |
| Financial years                            | If a company chooses to use a financial year, a financial year must be used for both the base year and target year.<br><br>Fiscal years shall follow the date range that a company uses for reporting purposes. The date range for fiscal years must be disclosed with the target language displayed on the SBTi website for transparency.  |
| Targets sets on different business streams | Companies may express their company-wide GHG emission reduction targets separately according to their different business streams, activities or units.<br><br>For example, Company A commits to reduce absolute scope 1 and 2 GHG emissions from non-revenue activities [insert target reduction percentage] % by [insert target year] from a [insert base year]. Company A also commits to reduce scope 1 and 2 GHG emissions from revenue activities [insert target reduction percentage] % per revenue passenger kilometer traveled by [insert target year] from a [insert base year] base year. |
| Optional indirect use-phase emissions      | In the target language, the target on either the direct or indirect-use phase emissions needs to be separated from the rest of the target language. For example, Company A commits to reduce absolute scope 3 GHG emissions from purchased goods and service [insert target reduction percentage] % by [insert target year] from a [insert base year]. Company A also commits to reduce indirect use phase emissions [insert target reduction percentage] % by [insert target year] from a [insert base year].  |
| General                                    | For clarity and transparency, percentage emissions reductions shall be expressed up to two decimal points.  |

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| Use of bioenergy | If a company is using bioenergy, the following footnote is required to be included in target language:<br>“*The target boundary includes land-related emissions and removals from bioenergy feedstocks.” |
|------------------|--|

## 6. TARGET CLASSIFICATION DEFINITION

Target classification describes the ambition of a company’s emissions reduction target, relative to a long term temperature goal. This classification, however, does not imply that a company’s overall ambition and business strategy are aligned with a temperature goal, as SBTi does not conduct comprehensive assessments of companies’ business models or strategies, and the current classification does not extend to scope 3, i.e., does not cover its full GHG inventory.

Submitted targets must meet all relevant qualitative and quantitative SBTi Criteria for Near-term Targets and/or SBTi Corporate Net-Zero Standard criteria before being classified against a long-term temperature goal. Targets covering each scope are assessed to ensure compliance with the SBTi Criteria for Near-term Targets and/or the SBTi Corporate Net-Zero Standard criteria, while only targets covering scope 1 and/or scope 2 emissions are currently assessed to determine alignment with long-term temperature goals. For all non-power generation and non-maritime companies setting targets using the sector-specific intensity convergence approach, the ambition is assessed using both the sector-specific intensity convergence and cross-sector absolute reduction requirements, with the more ambitious classification being used to classify the company.

### Target classification rules

Targets are classified based on the target type and scope coverage. The table below summarizes the classification rules for a range of targets and scope combinations. Target classifications only consider the timeframe ambition (i.e., ambition from the base year to the target year). This means forward looking ambition (i.e., ambition from the most recent year of data to 2050) is not used to determine target classifications. The SBTi assesses the temperature alignment of a target using the timeframe ambition to best reflect a company’s long-term ambition and target trajectory.

*Table 2. Classification rules for target formulations*

| Target formulations   | Classification description   |
|---|--|
| Absolute or intensity scope 1 and 2 combined targets modeled using the cross sector absolute reduction approach | These targets are classified using the cross-sector absolute reduction thresholds.   |
| Scope 1 and 2 combined intensity targets modeled using the sector-specific intensity convergence approach       | Scope 1 and 2 intensity targets modeled using the sector-specific intensity convergence approach are compared and classified against the 1.5°C Scenario in the Science-based |

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|  | Target-setting Tool and/or the SDA Transport tool. If the absolute reduction of emissions results in a higher ambition classification under the cross-sector absolute reduction approach, then the higher of the classifications is used to classify the target.   |
| Single scope targets                         | If single scope 1 or scope 2 targets are submitted in addition to combined scope 1 and 2, the classification is based on the combined scope 1 and 2 target. If single scope 1 or scope 2 targets are submitted, the classification is based on the reduction of scope 1 and 2 emissions combined.  |
| Renewable electricity targets                | If renewable electricity targets are additional to absolute/intensity scope 1 and 2 targets the classification is based on the scope 1 and 2 targets and not the renewable electricity target. Renewable electricity targets that are in line with our current thresholds are 1.5°C aligned.   |
| Single scope + renewable electricity targets | If a single scope 1 target and a renewable electricity target are set, the resulting classification will be based on an emissions weighted average reduction across the scopes. Renewable electricity procurement targets will be converted to absolute reductions based on the assumption that the procured renewable electricity has zero GHG emissions associated with its use. Heating, steam and cooling-related emissions not covered by renewable electricity targets will be considered separately when the aggregate scope 2 target ambition is calculated. |
| Multiple near-term targets                   | If multiple near-term scope 1 and 2 targets are submitted, the classification is based on the target with the furthest target year. E.g., if a company has two scope 1 and 2 targets with target years of 2025 and 2030, then temperature alignment is based on the 2030 target.   |
| Combined scope targets (scopes 1+2+3)        | Companies must provide the breakdown ambition for combined scope targets (scopes 1+2+3), i.e., the ambition of the scope 1+2 portion and the ambition of the scope 3 portion of the target. The classification of the company is then based only on the scope 1+2 ambition.  |



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| Scope 3 targets | Companies are welcome to set scope 3 targets that exceed minimum ambition or to update the level of ambition of scope 3 targets. However, the SBTi is currently not temperature classifying scope 3 targets. |
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## 7. ANNOUNCE THE TARGET

Should a target be approved, upon receipt of the final deliverables communicating the outcome of the target review process, the relationship management passes from SBTi Services to the SBTi Communications Team.

For complete submissions approved, the SBTi Communications Team directly coordinates target publication plans with the company and a company should direct all queries relating to target publication to the SBTi Communications Team that is copied in the decision email. Communications guidelines are available to all approved companies, which includes messaging to use and how the SBTi logo may be used.

The SBTi indicates a publication date when sending the deliverables, usually one month from the date the decision is sent. The SBTi can accept requests to embargo the release/announcement date of an approved target, but it must be announced within six months of the date the approval was sent to the company. In cases where a company requests not to publish a target within six months, their targets will no longer be valid, and the company will need to resubmit targets for validation to be recognized.

The SBTi recommends that companies should have final approval of the proposed near-term and/or net-zero SBT ahead of the validation process as the SBTi cannot extend the six-month announcement period, should a company need additional time for clearance of an approved near-term and/or net-zero SBT by a Board or a similar decision-making body.

All approved companies are listed on the SBTi webpage as well as on partner websites including at We Mean Business. The SBTi reserves the right to remove a company from its list of companies with approved targets as well as from partner websites at its discretion, for reasons including non-compliance with the SBTi criteria, reputational concerns or failure to update the SBTi on business changes (e.g., no longer existing as an entity due to merger or dissolution).

## 8. DISCLOSE YOUR PROGRESS

### Follow guiding reporting principles

Following approval of science-based targets, companies must publicly disclose GHG emissions and progress against targets annually.



## Decide where to disclose

Climate disclosure is critical in positioning companies to respond to climate-related frameworks issued by both government and non-governmental entities. For instance, companies could be subject to sustainability disclosure regulations, such as the Exchange Act reporting requirements from the US Securities and Exchange Commission (SEC), or the Corporate Sustainability Reporting Directive (CSRD) from the European Financial Reporting Advisory Group (EFRAG). Companies may also want to align their sustainability disclosures to meet the Task Force on Climate-related Financial Disclosures (TCFD) recommendations or may decide to adopt the climate reporting standard set by the International Sustainability Standards Board (ISSB). All these frameworks or standards require that organizations disclose their GHG emissions, targets used to manage climate-related issues, and the performance against these targets.

Therefore, in addition to fulfilling SBTi's annual reporting requirements, it is in a company's best interest to focus on transparent disclosure of GHG emissions and target progress. The table below lists some of the avenues in which companies may choose to publicly disclose this information.

*Table 3. Potential disclosure avenues to report on science-based targets*

| Disclosure avenue                  | Disclosing science-based targets  |
|------------------------------------|---|
| CDP's Climate Change Questionnaire | <p>CDP provides a platform to disclose climate-related indicators to investors, purchasers and governments through its climate change questionnaire. This is a well-known public resource for reaching large external audiences that continuously evolves to align with the most relevant climate-related disclosure standards.</p> <p>CDP, as a partner company of the SBTi, recognizes that science-based targets represent best practices in target setting and incentivizes and rewards their adoption and progress through its scoring methodologies. CDP aligns the climate change questionnaire on a yearly basis to reflect the latest criteria and recommendations adopted by the SBTi and issues a <a href="#">dedicated technical note</a> on science-based targets in its <a href="#">Climate Change questionnaire</a>.</p> <p>CDP also communicates SBTs to the Global Climate Action portal, which tracks significant commitments made by “non-state actors”, including companies, as part of the UNFCCC's Action Agenda.</p> |
| Corporate public reports           | Corporates may use public reports such as sustainability reports, Corporate Social Responsibility reports, annual reports and strategic plans to periodically disclose  |

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|                                       | <p>GHG-related information and to integrate emissions performance data into their non-financial disclosures.</p> <p>Target performance can also be presented in the company's webpage, linking it to related sustainability resources.</p> <p>Disclosure in any of these resources should follow the reporting principles and recommendations presented in this chapter to ensure adequate performance tracking of science-based targets.</p> <p>In addition to disclosing on standardized reporting platforms, corporates are encouraged to integrate GHG-related and target performance information in their public reports and websites to facilitate access to any stakeholder and increase the degree of detail and context of their information.</p> |
| The Global Reporting Initiative (GRI) | <p>Companies may publicly report on targets set and their performance in their GRI-aligned reports by registering them in the GRI Standards Report Registration System. GRI is an initiative that provides a widely used framework for reporting environmental, social, and governance indicators.</p>   |

## Follow guiding reporting principles

It is essential to disclose all pertinent aspects of the target so that the audience can fully understand its context, implications, and nuances. The [GHG Protocol Corporate Standard](#) defines five overarching principles that should guide the development of corporate GHG inventories. These same principles should also be used to describe the target and report on its progress.

1. **Relevance:** Ensure the target appropriately reflects the GHG emissions of the company and serves the decision-making needs of the users – both internal and external to the company.
2. **Completeness:** Account for and report on all GHG emission sources and activities within the chosen target boundary. Disclose and justify any specific exclusions.
3. **Consistency:** Use consistent methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods or any other relevant factors in the time series.
4. **Transparency:** Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting, calculation methodologies and data sources used.

5. Accuracy: Ensure the quantification of GHG emissions is systematically not overreported nor underreported, and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information.

Specific recommendations for describing the target and reporting on progress are outlined below.

## Reporting guidance

This section sets out further SBTi recommendations on how businesses should publicly report their GHG emissions inventory and annual progress against their published science-based targets. Such information is important to help stakeholders better understand a company's year-on-year progress towards achieving the target leading up to the target year.<sup>2</sup>

This section aims to provide reporting guidance largely for non-CDP climate change questionnaire responders for use in public platforms such as annual sustainability reports in line with SBTi criteria (particularly near-term criterion 25 "frequency"), resources and methodologies, [CDP's Climate Change Reporting Guidance](#) and [CDP's Technical note on science-based targets](#).

The following is a set of best practice disclosure items that companies should integrate into their communications of progress against science-based targets. The guidance covers the following reporting elements:

1. Target description
2. Target progress
3. Substantial emission variations and changes in target
4. Actions towards meeting SBTs
5. GHG emissions inventory

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<sup>2</sup> Reporting using the recommendations in this guidance will not only help companies' stakeholders more clearly understand progress towards targets, but will also enable the SBTi to identify and highlight reporting in line with target-setting criteria as part of its annual [Progress Report](#) and its progress dashboard. As the work on [measurement, reporting and verification \(MRV\) of science-based targets](#) is developed, these recommendations and presentation of target progress results will likely evolve.

Table 4. Reporting guidance for approved science-based targets

| Disclosure items   | Disclosure guidance   |
|--|---|
| <b>1. Target description</b>   |   |
| 1.1 Description of the target  | <p>Companies<sup>3</sup> should report all approved targets (scope 1, 2 and/or 3) on a public platform annually. This is to ensure transparent disclosure and tracking against a company's approved SBT.</p> <p>Targets should be described with the exact SBTi-aligned wording including target information such as the target type, coverage, base year and target year.</p>  |
| 1.2 Target elements (near-term and long-term emission reduction targets) | <p>The publicly disclosed target details should be consistent with the targets approved by the SBTi as presented in the <a href="#">SBTi's Companies Taking Action webpage</a>, covering the below target elements:</p> <ul style="list-style-type: none"> <li>• Target type (absolute, intensity, renewable electricity, supplier/customer engagement).</li> <li>• Target IDs as provided by the SBTi (when applicable) of near-term and long-term targets (for example, "ABS1" illustrating the first absolute target set by a company).</li> <li>• Names of emission scope(s) and scope 3 category(ies) covered by the target, including: percentage of base year emissions covered and activities covered.</li> <li>• Base year.</li> <li>• Base year emissions in tonnes of CO<sub>2</sub>e, disaggregated by scope and scope 3 category as set out in the GHG Protocol.</li> <li>• Target coverage of base year emissions in tonnes of CO<sub>2</sub> equivalent and represented as a percentage, disaggregated by scope and scope 3 category.</li> <li>• Target year.</li> <li>• Target value, i.e., targeted percentage reduction from base year.</li> <li>• Companies are strongly encouraged to specify the actual target emissions reductions (in tonnes CO<sub>2</sub>e) in addition to the targeted percentage reduction from base year.</li> <li>• For scope 2 emissions, whether a location-based or market-based approach was used to calculate emissions in the base year and to track performance.</li> <li>• Emissions scenario, allocation approach and method(s) used to set the target, including, for near-term FLAG targets, whether a commodity pathway, the sector pathway, or a combination of pathways was used.</li> <li>• Any other information required by the utilized target-setting method (assuming that the data is not commercially sensitive).</li> </ul> |

<sup>3</sup> Hereafter in the section entitled "Reporting guidance," the term "companies" is used as a general term to refer to large companies, SMEs and FIs with approved SBTs.

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|  | <ul style="list-style-type: none"> <li>• A link to the company's annual GHG inventory that follows the GHG Protocol's reporting requirements, including an assurance statement, ideally from a third-party, when applicable (see section 5 in this table). Companies may also choose to include annual emissions reporting alongside target progress reporting.</li> <li>• For intensity targets, an explanation of the metric or activity value considered. Please note that intensity targets should be expressed on both an absolute and an intensity basis.</li> </ul>  |
| 1.3 Target elements (SMEs)                         | <p>Companies that have approved targets through the streamlined validation route for SMEs should follow the reporting guidance in section 1.2, where applicable.</p> <p>SMEs are committed to measure and reduce its scope 3 emissions as part of their targets; thus SMEs should disclose their scope 3 emissions in the company's annual GHG inventory.</p> <p>The SBTi recommends that SMEs report using best practice while acknowledging the unique constraints and barriers they may face in reaching the detailed level of disclosure required of larger companies.</p>  |
| 1.4 Target elements (net-zero targets)             | <p>The publicly disclosed target details should be consistent with the SBTs approved by the SBTi covering the below target elements:</p> <ul style="list-style-type: none"> <li>• Target year.</li> <li>• Neutralization commitment of emissions to be permanently neutralized per scope 1, 2 and 3 at the target year (in tonnes CO<sub>2</sub>e and percentage).</li> <li>• Nature and scale of planned actions to mitigate emissions beyond the company's value chain.</li> <li>• Target IDs as provided by the SBTi (when applicable) of near-term and long-term targets linked to the net-zero target. At least one of these emission reduction targets should have the same target year as the net-zero target.</li> </ul>  |
| 1.5 Target elements (portfolio targets set by FIs) | <p>The publicly disclosed target details should be consistent with the SBTs approved by the SBTi. Please view the <a href="#">latest SBTi guidance</a> for the financial sector for more information on what is required for setting a target on investment and lending activities.</p> <p>Financial institutions (FIs) should report on their scope 1+2 and scope 3 categories 1-14 targets (non-portfolio targets) targets as described elsewhere in this document. The guidance for operational and value chain (scope 1+2 and scope 3 categories 1-14) targets is also relevant for targets on scope 3 category 15 (portfolio targets), with additional reporting practices that should be considered:</p> <ul style="list-style-type: none"> <li>• As investment and lending activities may change over the course of the year, FIs should indicate for which point in time the</li> </ul> |



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|  | <p>base year information is reported. For example, if the reporting reflects the state of invested emissions as of December 31, this should be stated.</p> <ul style="list-style-type: none"> <li>• FIs have a headline target that states what percentage of financing and lending is covered by a target. This figure should also be reported for the base year.</li> <li>• Beyond the headline target, companies should report on asset class level targets and include information on the lending activity, chosen methodology and target metric.</li> </ul>  |
| 1.6 Different levels of ambition by scope and/or activity      | <p>Companies should focus on equal reductions across all scopes or scope 3 categories included within a specific emissions reduction target. However, in cases where ambition is differentiated across scopes or scope 3 categories included within a particular target, this needs to be clarified in the description of the target.</p> <ul style="list-style-type: none"> <li>• Companies should describe whether the target has different levels of ambition for different scopes, scope 3 categories, and/or activities. For example, if a company has a target to reduce absolute scope 1 and 2 GHG emissions by 50% but plans to reduce scope 1 by 40% and scope 2 by 75%, they should make this clear in the description of their target.</li> <li>• Companies should also contextualize the significance or magnitude of the target per scope or scope 3 category. For example, companies should describe the percentage of scope 3 emissions covered by the target's chosen scope 3 categories or describe the magnitude of the scope 3 target relative to that of the company's scope 1 and 2 target.</li> </ul> |
| 1.7 Exclusions from emissions inventory and/or target boundary | <p>Companies should describe the exclusions from the emissions inventory and/or target boundary, as detailed in the target validation process, and should communicate future plans to bring any currently excluded emissions into their emissions inventory and/or target boundary.</p> <p>When describing their target, companies should only report the emissions or intensity value in the base year covered by their target. Similarly, companies should only report the emissions or intensity value in the reporting year covered by the approved SBT i.e., any exclusions have been left out in the emissions coverage of the target.</p>  |
| 1.8 Qualitative and contextual information                     | <p>Companies should explain the context for a target to help stakeholders understand the significance of the target compared to sector peers and to the whole market. Qualitative and contextual information can allow a company to showcase how corporate climate action is both feasible and financially relevant and can help highlight the company's leadership on climate change. Contextual information can include:</p>  |



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|                                    | <ul style="list-style-type: none"> <li>• Motivation: Why did the company commit to such significant emissions reductions? Why is following climate science important for corporate leadership? The answers to these questions are illuminating for a large variety of stakeholders including investors, analysts, journalists, politicians, consumers, suppliers and buyers.</li> <li>• Relationship with broader company objectives: Many companies will explore radically different business models, technologies, operational procedures, suppliers, and other business practices in order to become a net-zero aligned business. The company may wish to connect the target to its strategic, financial and operational plans to allow stakeholders to understand the company's current standing and vision for the future when considering an SBT.</li> <li>• The case for following climate science: SBTs are notable because they support the global effort to prevent the most dangerous consequences of climate change. It is important for stakeholders to understand that climate science can and should guide decisions on emissions reductions.</li> <li>• Press coverage and external communication: companies can include links to awards, press coverage, and other notable communications materials to help stakeholders navigate the evolution of the company's climate targets and their progress. Companies should ensure that their communication material is complete, accurate, easily accessible and not misleading. Any updates to an existing target in terms of updated target ambition or modified target elements should be disclosed and easily accessible to the public.</li> </ul> |
| <b>2. Target progress</b>          |  |
| 2.1 Progress in the reporting year | <p>On an annual basis, companies must report on progress toward their target(s).</p> <ul style="list-style-type: none"> <li>• Companies should report the target progress from the target base year to the reporting year in terms of emissions reductions, share of renewable electricity, or supplier/customer engagement (annual breakdowns are preferable). Variability between years is expected, so it is important to show trends over multiple years.</li> <li>• Companies should make any adjustments or recalculations to their baseline emissions before target progress is calculated and reported. See section 3 in this table for further guidance. Companies can choose to illustrate their progress in terms of target completion percentage. This percentage shows how advanced the company is in the progress against its target.</li> </ul>   |

The calculation assigns a completed target with a value of 100%. It is calculated as follows:

$$\text{Target completion}(\%) = \frac{\text{base year emissions} - \text{reporting year emissions}}{\text{base year emissions} - \text{target year emissions}} \times 100$$

For example, a company with a 60% absolute reduction target that has a base year value of 1,000 tCO<sub>2</sub>e and a reporting year value of 700 tCO<sub>2</sub>e would have a target completion percentage of  $(1,000 - 700) / (1,000 - 400) = 50\%$ .

- Companies can additionally illustrate the target's timeframe elapsed. This percentage shows how much time passed for the target completion and is calculated as follows:

$$\text{Target timeframe elapsed}(\%) = \frac{(\text{reporting year} - \text{base year})}{(\text{target year} - \text{base year})} \times 100$$

#### Absolute emissions reduction targets

- Companies should report absolute emission values (within the target boundary) in the reporting year by scope and by scope 3 category. See section 2.2 in this table for further guidance.
- This applies to both near-term and long-term emissions reduction targets.

#### Emissions intensity targets

- Companies should report absolute emission values (within the target boundary) in the reporting year by scope and by scope 3 category.
- Companies should report emissions in tCO<sub>2</sub>e per unit of activity based on the activity metric chosen in the reporting year e.g., tonnes of CO<sub>2</sub>e per unit of production, tonnes of CO<sub>2</sub>e per passenger kilometer, tonnes CO<sub>2</sub>e per FTE employee, etc.) See section 2.2 in this table for further guidance.
- Companies with emissions intensity targets for scope 3 or set using the sector-specific methods for scope 1 and 2 are encouraged to also report their equivalent absolute emission values in tCO<sub>2</sub>e.
- This applies to both near-term and long-term emissions reduction targets.

#### Renewable electricity targets

- Companies setting renewable electricity targets should report the level of renewable electricity procurement<sup>4</sup> within the reporting year in terms of the percentage of renewable electricity procured out of total electricity consumed.

<sup>4</sup> Per the SBTi near-term target-setting criteria, companies setting renewable electricity targets must follow the recommendations of [RE100 initiative](#).

- It is also recommended to report the absolute quantity of electricity procurement (in kWh or a comparable unit) and the quantity of electricity procurement that comes from renewable sources.
- Companies should disclose information on the procurement mechanism used towards meeting their target. See section 4.2 in this table for further guidance.

#### Supplier / customer engagement targets

- Companies should report the percentage of suppliers or customers, as defined by the relevant metric (e.g., by emissions or by spend), with science-based emission reduction targets within the reporting year.
- As supplier or customer lists may change over time, companies should account for corresponding changes in their scope 3 inventory when compiling their annual inventory. As the supplier or customer list changes and emissions in the relevant scope 3 categories fluctuate, the target value continues to apply until the target is updated, if relevant.
- For example, if a company sets a goal to target 70% of its suppliers by emissions, then it will recalculate the portion of scope 3 emissions each supplier represents annually and tally up the list until the 70% threshold is covered. This means that there may be new suppliers added to the list, other suppliers that shift beyond the emissions/spend threshold, and others that the company may discontinue business with.

#### Net-zero targets

- Companies disclose progress on net-zero targets by reporting the progress of near-term and long-term targets associated with the net-zero target and disclosed mitigation actions towards the achievement of these targets.
- Companies should disclose information on planned actions towards meeting targets related to reducing emissions, achieving net-zero and actions to mitigate emissions beyond the company's value chain. See section 4 in this table for further guidance.

#### Portfolio targets

- FIs should report the percentage of financing and lending that is covered by a target for the reporting year, in reference to financing and lending as of the reporting date.
- FIs should indicate the exact date when the target progress was calculated, as investment and lending activities may change

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|                             | <p>over the course of the year and not reflect the situation at the moment of reporting. For example, if the reporting reflects the state of the portfolio as of December 31, this should be disclosed.</p> <ul style="list-style-type: none"> <li>• FIs should indicate how their targets relate to their public financial information e.g., balance sheet or other published Assets Under Management (AUM) information.</li> <li>• Additionally, they should provide context on the significance of emissions within their targets to their entire business.</li> <li>• See section 2.2 in this table for further guidance on this item.</li> </ul> <p><b>No deforestation commitments</b></p> <ul style="list-style-type: none"> <li>• For companies with FLAG targets including no deforestation, no conversion or no peat burning commitments, companies should report on progress towards these commitments. The SBTi highly recommends that companies align deforestation commitments with the <a href="#">Accountability Framework initiative (AFi) guidance</a>.</li> <li>• See section 2.2 in this table for further guidance on this item.</li> </ul> <p><b>SMEs</b></p> <ul style="list-style-type: none"> <li>• SMEs should follow this reporting guidance for disclosing progress against targets. When applicable, SMEs should acknowledge the constraints and barriers to reaching this detailed level of disclosure.</li> <li>• SMEs should disclose their scope 3 emissions in the company's annual GHG inventory as well as actions to reduce these emissions as part of their target commitment.</li> <li>• SMEs should disclose the strategies to acquire better data and their current data limitations (see section 5.2 in this table) on their website, public platform or report.</li> </ul> |
| 2.2 Level of disaggregation | <p>Companies should report their progress toward their target(s) at the level of disaggregation as set out in the approved target language on the SBTi's Companies Taking Action <a href="#">webpage</a> and as set out in section 1 in this table.</p> <p><b>Multiple near-term targets:</b></p> <ul style="list-style-type: none"> <li>• Companies with several SBTs should report each SBT separately.<br/>For example, a company that has an approved SBT that covers scope 1 and an approved SBT covering scope 2 should report progress toward its two targets (scope 1 and scope 2) separately.</li> <li>• When reporting, companies should not combine or aggregate approved SBTs into a single target unless they have also</li> </ul>   |

reported at the level of disaggregation that is communicated in their approved target language.

For example, a company has set a physical intensity target on scope 3 category 1 “purchased goods and services” and an absolute target on scope 3 category 11 “use of sold products” and category 12 “end-of-life treatment of sold products.” This company should report on the physical intensity scope 3 target and the absolute scope 3 target separately.

#### Combined scope near-term or long-term targets:

- Companies with combined scope targets (e.g., scope 1+2+3) should report with the same level of aggregation as the approved target.
- Companies that have approved SBTs covering a combined scope 1+2+3 target should report the progress in scope 1, scope 2 and scope 3 separately *in addition to* the combined scope 1+2+3 target.

For example, a company that has an approved scope 1+2 target and a scope 3 target should report progress toward its two targets (scope 1+2 and scope 3) separately.

- SBTi also recommends a further disaggregation as set out below.

#### Further disaggregation:

- The SBTi recommends that companies additionally report targets at a more detailed level of disaggregation, i.e., by scope and scope 3 category.

For example, a company that has an approved scope 1+2 target, may optionally report the scope 1 portion and the scope 2 portion of the targets separately.

- The SBTi recommends that companies also report per disaggregated target setting method (e.g., absolute or sector-specific intensity convergence method), if they have aggregated targets in their target language.

For example, a company sets an absolute reduction target on scope 3 category 1 “purchased goods and services” and uses the transport pathways available in the sector-specific intensity convergence on scope 3 category 4 “upstream transportation and distribution” and scope 3 category 9 “downstream transportation and distribution”. The company then communicated their target on the basis of absolute emission reductions. It is therefore recommended that this company reports their progress per target-setting method (absolute



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|   | <p>reduction and each sector-specific intensity convergence method) separately.</p> <p><b>Portfolio targets</b></p> <ul style="list-style-type: none"> <li>Beyond reporting the progress on the percentage of financing and lending covered by a target, FIs should also report progress on asset class level targets and include information on the lending activity, chosen methodology and target metric.</li> <li>Please refer to section 6.1 of the <a href="#">Financial Sector Science-based Targets Guidance</a> on guidance to disclose progress against FI targets.</li> </ul> <p><b>FLAG targets</b></p> <ul style="list-style-type: none"> <li>When aggregating FLAG targets across commodities and/or approaches, companies should report progress on sub-targets, in addition to the overarching, aggregated target. Companies shall meet the aggregated target, and they should also strive to meet their sub-targets (e.g., individual commodities). Sub-targets may not be met in cases where doing so impedes progress on demand-side levers, for example.</li> <li>Please refer to criterion FLAG-C12 in the <a href="#">Forest, land and agriculture target-setting guidance</a> to disclose progress against FLAG targets.</li> </ul> |
| <b>3. Substantial emission variations and changes in target</b> |  |
| 3.1 Reasons for substantial emissions variations                | <p>Companies should disclose significant increases/decreases in scope 1, 2 and 3 emissions between the current reporting year and previous reporting years. The following reasons may be applicable:</p> <ul style="list-style-type: none"> <li>Divestment.</li> <li>Acquisition.</li> <li>Merger.</li> <li>Change in business output (product and/or service) such as organic growth, purchase of new facilities due to business expansion or release of a new product.</li> <li>Change in methodology used to calculate the emissions inventory (for example, changes in emission factors).</li> <li>Change in organizational boundary or operational boundary used in emissions inventory calculation (for example, changing from equity share approach to operational control approach).</li> <li>Change in physical operating conditions which refers to how weather changes have significantly impacted company operations (for example, increased rainfall heightened the production of hydroelectricity).</li> </ul>   |



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|                      | <p>For substantial variations in emissions that are a result of changes in renewable energy consumption, emission reduction activities, changes in business output or changes in physical operating conditions, a recalculation of approved SBTs is not triggered (see <a href="#">criterion 27 of the SBTi near-term criteria</a>).</p> <p>A recalculation of approved SBTs is triggered to reflect significant changes that would compromise the relevance and consistency of the existing target e.g., divestment, acquisition, merger, change in methodology and change in boundary, including a change in consolidation approach (as per <a href="#">criterion 27 of the SBTi near-term criteria</a>). See section 3.3 in this table for further guidance on significant adjustments to the base year inventory.</p> <p>In some cases, a recalculation of base year emissions would not necessarily trigger a target revision. In comparison with intensity targets, absolute targets would remain valid regardless of the magnitude of emissions reported in the inventory or changes in the company's activity projections. For example, a company with absolute targets whose baseline changes due to a change in calculation methodology does not need to recalculate its targets should this company prefer to keep the same percentage reduction from the new baseline value. In general, if a significant change occurs and the company's target(s) no longer meet required ambition or boundary requirements of SBTi criteria, then the target(s) need to be recalculated and revalidated.</p> |
| 3.2 Reviewed targets | <p>Companies should state whether the target they are reporting progress against is currently active on the SBTi website. In the case that the target has been reviewed and updated with the SBTi, companies must report progress on that current target. This should be accompanied with a description of the reasons for revision.</p> <p>For transparency, it is recommended to disclose at least the target language (and preferably additional data points), describing the target that was replaced by the updated target.</p> <ul style="list-style-type: none"> <li>• When disclosing progress against a target that has replaced a previous target due to a base year recalculation of the GHG emissions inventory, the company must ensure that they are disclosing the restated emissions inventory. For consistency, the company may restate the GHG emissions data between the base year and the reporting year.</li> <li>• In the case where the target update process with the SBTi is still in progress, the company should report progress on the target that is valid at the time of reporting. The company may</li> </ul>  |

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|  | <p>optionally clarify that an updated target is under review and report progress against the future updated target.</p> <ul style="list-style-type: none"> <li>SBTs should be recalculated and resubmitted to the SBTi for validation to align with significant changes and ensure relevancy and consistency with current business structures. Targets must be revised as set out in the <a href="#">SBTi Near-term Criteria and Recommendations</a> (criterion 26 and 27).</li> <li>In general, SBTs must be reviewed, and if necessary, recalculated and revalidated, at a minimum every 5 years, to ensure consistency with the most recent climate science and best practices as set out in criterion 26 in the <a href="#">SBTi Near-term Criteria and Recommendations</a>.</li> </ul>   |
| 3.3 Base year recalculation policy and threshold | <p>Companies should reference whether they have a base year recalculation policy in place and what significance threshold is used. The SBTi requires a 5% or less as a quantitative significance threshold as set out in criterion 26 in the <a href="#">SBTi Near-term Criteria and Recommendations</a>.</p> <p>For transparency on target progress and how a company's baseline may change throughout the target timeframe, companies should reference their base year recalculation policy in annual reports, either in the reporting itself or as a reference to the policy published elsewhere. According to the <a href="#">GHG Protocol Corporate Standard</a>: "companies shall develop a base year emissions recalculation policy, and clearly articulate the basis and context for any recalculations. If applicable, the policy shall state any 'significance threshold' applied for deciding on historic emissions recalculation".</p> <p>Companies should recalculate/rebaseline their emissions inventory before target progress is calculated and reported.</p> <p>For detailed guidelines, please review Chapter 5 of the <a href="#">GHG Protocol Corporate Standard Tracking Emissions Over Time</a>.</p> |

#### 4. Actions towards meeting SBTs

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| <p>4.1 Information on emission reduction projects (near-term targets)</p> | <p>Companies should report information on emission reduction projects contributing to the achievement of their targets, including the following information:</p> <ul style="list-style-type: none"> <li>• Description of the emission reduction initiatives within the reporting year and the total estimated annual CO<sub>2</sub>e savings. The stage of development of each emissions reduction initiative should be clear e.g., to be implemented, implementation commenced or implemented.</li> <li>• For each emission reduction initiative, companies should disclose in which scope(s) and/or scope 3 category(ies) the GHG emissions impacts are expected or have already occurred.</li> <li>• Novel or innovative efforts or partnerships that have been put into place and can differentiate a company and highlight it as a leader in reducing emissions.</li> <li>• Investments or changes that have been made that may not yet have delivered significant results but that are expected to do so in the coming years or that enable the necessary transformation towards the long-term goal.</li> <li>• Companies with net-zero targets are encouraged to develop and disclose their climate transition plans (including their financial plans) to outline how they will deliver on their strategy to reach their net-zero targets. See section 4.7 in this table for further guidance.</li> </ul> |
| <p>4.2 Information on contractual instruments (for scope 2 targets)</p>   | <ul style="list-style-type: none"> <li>• Companies should provide details on the types of contractual instruments (e.g., unbundled renewable energy certificates, power purchase agreements) that are used to reduce their scope 2 market-based emissions and/or make progress towards a renewable electricity target. Note that the SBTi expects companies with renewable electricity targets to align with <a href="#">RE100 initiative</a> guidelines.</li> <li>• Companies should provide an illustration of how the market-based instruments being used comply with the <a href="#">GHG Protocol Scope 2 Guidance</a>, specifically the quality criteria.</li> </ul>  |
| <p>4.3 Decarbonization pathway</p>  | <p>If possible, companies should specify the anticipated and/or observed progress curve against their targets i.e., linear, logarithmic, exponential, or variable. This clarifies the pace of reduction; for example, linear progress is a steady pace of reduction year-on-year, whereas an exponential progress curve displays a fast initial decrease followed by a slower rate of decrease towards the target year. When applied to renewable electricity and engagement targets, the progress curve is not a function of emission reductions but instead progress of the relevant metric for those targets e.g., percentage of suppliers engaged for a scope 3 supplier engagement target over time.</p>  |

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|   | <p>If progress of targets and planned emission reductions are currently not on track or deviates away from the target pathway, companies should provide an explanation as to the reasons why and the strategy for addressing these deficits in the future.</p>   |
| <p>4.4 Planned milestones and/or near-term investments for neutralization at target year (net-zero)</p> | <p>Companies with net-zero targets should disclose the following elements:</p> <ul style="list-style-type: none"> <li>• The magnitude of emissions that is planned to be neutralized in the net-zero target year. This quantity of emissions should include not only non-abated emissions within the target boundary, but also emissions excluded from the target boundary and/or inventory.</li> <li>• Description of any planned milestones and/or near-term investments that demonstrate the integrity of your commitment to neutralize unabated emissions in the target year. For example, a company should disclose if it is investing or planning to invest into carbon dioxide removal and storage technologies (e.g., direct air capture) in the near-term.</li> </ul>   |
| <p>4.5 Planned actions or investments to mitigate climate change beyond your value chain (net-zero)</p> | <p>The <a href="#">SBTi Corporate Net-Zero Standard</a> strongly recommends that companies take immediate action above and beyond their science-based targets to contribute to reaching global net-zero through <a href="#">beyond value chain mitigation (BVCM)</a>. If applicable, companies should report the following elements:</p> <ul style="list-style-type: none"> <li>• Description of any actions taken, or investments deployed in the reporting year, as well as plans for beyond value chain mitigation activities or investments in future years to accelerate the net-zero transition beyond the company's value chain. Companies should report annually on the nature and scale of those actions and/or investments pending further guidance.</li> <li>• If no beyond value chain mitigation activities are taken or considered, companies should explain the reasoning.</li> </ul> |
| <p>4.6 Use of offsets and avoided emissions</p>   | <p>Companies should publicly disclose carbon credits which are sourced from outside the company's value chain (i.e., what are often referred to as "offset credits") separately from their reported GHG inventory and ensure that they are not counted towards the progress of their near- or long-term SBTs.</p> <p>Companies should publicly disclose emission reductions that occur outside of a product's life cycle or value chain, but as a result of the use of that product (often described as "avoided emissions") and ensure that they are not counted towards the progress of their near- or long-term SBTs.</p>   |

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|  | <p>This information should be publicly available and easily accessible. Companies should refrain from using any misleading wording and it should be very clear that target progress does not include offsets and/or avoided emissions.</p>   |
| 4.7 Climate Transition plan information and progress | <p>Companies are encouraged to develop comprehensive and actionable transition plans which indicate the corporate actions that will be undertaken to align to their net zero pathway and meet all climate targets. According to CDP, a <a href="#">climate transition plan</a> is a time-bound action plan that outlines how an organization will pivot its existing assets, operations, and entire business model towards a trajectory aligned with the latest and most ambitious climate science recommendations. Climate transition plans should be ambitious, have integrity and transparency, be credible and fair. They should be updated every 5 years and progress (including any changes to the plan) should be reported annually.</p> <p>Companies are encouraged to publicly disclose every year information related to their climate transition plans and progress towards their implementation, including:</p> <ul style="list-style-type: none"> <li>• Governance structure to oversee the development, implementation, and verification of climate transition plans and review frequency of plans.</li> <li>• Incentive structure related to climate change including any executive compensation linked to near and long-term targets.</li> <li>• Description of alignment with credible sector pathways consistent with limiting warming to 1.5°C and explanation of any material difference between the company's transition plan and sector pathways. Please refer to SBTi <a href="#">Pathways to Net-zero</a> and specific sector guidance for more information (e.g. FLAG guidance).</li> <li>• Financial indicators (e.g., capital expenditure (CAPEX), operating expenditure (OPEX), revenue, research and development expenditure) and how these are used to plan and implement a business model aligned with a 1.5°C world. Capital expenditure plans, research and development plans, and investments should be split between new and legacy/stranded assets.</li> <li>• Specific actions across all parts of the company's value chain that will help meet near- and long-term targets, including supplier and customer engagement approach.</li> <li>• Specific actions to address any data limitations (e.g., on emissions).</li> <li>• Skills and human resource development related to climate change.</li> </ul> |



- Specific policies and regulations, including carbon pricing, needed to facilitate transition plans.
- Clear disclosures on public advocacy, lobbying and policy engagement expenditures and effort on policies that could limit or worsen climate change. Specifically, companies should describe how current and future lobbying and policy engagement activities are consistent or inconsistent with a 1.5°C world.
- Actions planned or implemented that contribute to a just transition (e.g., partnerships with workers, trade unions, communities, and suppliers and the integration of free, prior and informed consent of Indigenous Peoples). Specifically, the climate transition plan should explain how it considers and addresses social consequences and impacts of mitigation actions, including on race, gender, and intergenerational equity.
- Actions planned or implemented to avoid the conversion of remaining natural ecosystems – eliminating deforestation, wetland and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030.
- Results of any third-party assessment and/or verification of the company's climate transition plan or "readiness for net-zero" by other initiatives, such as [ACT](#) (Assessing low-carbon transition).

Targets and metrics are usually one main section of the transition plans. Companies reporting following a transition plan should include all what is related to the science-based target(s) description and progress against the target(s) in that section following this reporting guidance.

Please refer to further guidance on transition plans elements such as the report from the United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities "[Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions](#)"; [CDP resources on transition plans](#); or the report from the [Glasgow Financial Alliance for Net Zero \("GFANZ"\) "Expectations for Real-economy Transition Plans"](#).

Companies without a transition plan are recommended to disclose climate transitional information to provide a robust context and increase their transparency in their decarbonization journey.



| 5. GHG emissions inventory                     |  |
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| 5.1 Full GHG inventory                         | <ul style="list-style-type: none"> <li>Companies must report a full GHG emissions inventory on an annual basis, in addition to the annual progress against the target described above.</li> <li>Companies must report all emissions scopes (1, 2 and 3) and all scope 3 categories, including those that do not fall within a target boundary.</li> <li>For scope 3 categories that are considered negligible, companies must report an estimate (either in tonnes of CO<sub>2</sub> equivalent or percentage of total scope 3 emissions).</li> <li>Any exclusions from the inventory (scope 1, 2 or 3) must be described, estimated and disclosed.</li> <li>Companies should report the type of data used, data sources, methodologies and assumptions used to determine the GHG emissions data. Companies should disclose which portions of the reported emissions data come from primary data (i.e., data obtained from suppliers or value chain partners) versus other data sources, such as average emission factors.</li> <li>Companies should describe their plans for continuing to refine the accuracy of their GHG inventory data over time e.g., including a greater percentage of primary data in their scope 3 inventories.</li> <li>Where a FLAG target is set, the FLAG inventory and non-FLAG inventory must be reported separately.</li> <li>Companies must disclose their GHG inventory for the base year and current reporting year. They may also disclose GHG inventories for the intervening years between the base year and reporting year to show the trend in emissions over time.</li> </ul> |
| 5.2 Data limitations                           | <ul style="list-style-type: none"> <li>Companies should report on how they plan to bridge data gaps, exclusions and improve data quality.</li> <li>Companies should quantify and provide the level of uncertainty that has been introduced by use of estimates or averages, where possible.</li> </ul>   |
| 5.3 Verification or assurance of GHG inventory | <p>Assurance is a process performed by an independent third-party accredited to perform verification and assurance of GHG emissions data. Third-party assurance is best practice in emissions reporting as this ensures the quality of the calculation methods and underlying disclosed data and processes. If a company has had their GHG emissions inventory for the base year and/or reporting year verified or assured, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>Status of third-party verification or assurance (third-party verification or assurance underway, or third-party verification or assurance process in place).</li> </ul>  |

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|  | <ul style="list-style-type: none"> <li>• Specification on the scope(s): information should be disclosed for each scope separately. For scope 2, it should be stated whether the location-based and/or the market-based figure has been verified.</li> <li>• Proportion of reported emissions verified as a percentage: e.g., 100% of scope 2 emissions have been verified.</li> <li>• Frequency of verification cycle: annual, biennial, or triennial process.</li> <li>• Type of assurance: limited assurance, moderate assurance, reasonable assurance, high assurance.</li> <li>• If the GHG inventory has been verified since the base year, the assurance information should be available for all years since and including the base year.</li> <li>• The opinion issued by the assurance provider(s).</li> <li>• Link/attachment of verification or assurance statement.</li> <li>• Standard used for the verification or assurance.</li> <li>• The name of the assurance provider(s).</li> <li>• Additional information about assurance and verification, if relevant.</li> </ul> |
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## 9. TARGET RECALCULATION PROTOCOL

Companies may review and revise approved targets to keep them up to date and aligned with the most recent climate science and best practices. The target update service is a streamlined process developed for companies who wish to align their targets with our new minimum ambition level of 1.5°C or to update or edit previously approved targets in other ways. The service offers the same comprehensive review performed in the near-term and net-zero submission services and will also include a comprehensive target validation report including recommendations to address non-compliances, if applicable, and an official certificate if targets are approved.

### Updating previously approved targets

Mandatory target recalculation process - updating previously submitted targets to fulfill C26 of near-term criteria and C32 of the Corporate Net-zero Standard.

When submitting under the mandatory update process, the following rules apply:

- All previously submitted targets must be assessed against current SBTi near-term criteria at the time of submission. Net-zero targets must be assessed against current SBTi net-zero standard criteria at the time of submission.
- Any targets not in line with current SBTi near-term criteria and/or current SBTi net-zero criteria will be removed from SBTi website and communications; companies are able to edit previously submitted targets to ensure they are aligned with current SBTi near-term criteria and/or current SBTi net-zero criteria.

**Triggered target recalculation:** Updating previously submitted targets to fulfill C27 of near-term criteria and C33 of the Corporate Net-zero Standard.

When submitting under the triggered recalculation process, the following rules apply:

- Only the affected previously submitted target(s) must be assessed against current SBTi near-term criteria and/or current net-zero standard criteria at the time of resubmission.
- Active targets that are not affected by changes will not need to be brought in line with current SBTi near-term criteria and/or current SBTi net-zero criteria.

## Submitting new targets

Submitting new target(s) to the SBTi when a company already has approved near-term and/or net-zero SBTs. Likely reasons for a target update process include:

- Designing new targets to increase the ambition of previously submitted target(s).
- Arriving at the target year of one or more targets, regardless of whether the target was achieved.
- Submitting new targets to meet current SBTi criteria outside of the mandatory recalculation process.
- Achieving a target ahead of time (before target year).

When submitting under the target update process, the following rules apply:

- Only the newly submitted target(s) must be assessed against current SBTi criteria at the time of resubmission.
- Active targets that are not affected by new targets will not need to be brought in line with current SBTi criteria.

For all options companies must submit an updated Near-term or Net-Zero Target Submission Form and submit via the target update service to allow the SBTi to assess the nature and the impact of the relevant changes. It is highly recommended for companies to provide a detailed explanation of the causes and implications of the changes in relation to the methods, emissions factors, assumptions, company structure, inventory and/or targets in the newly submitted Near-term or Net-Zero Target Submission Form.

## Annex I

### Worked example of how companies can report target progress

This section sets out a reporting example of Example Corp. that summarizes the reporting guidance set out in the section entitled “Reporting guidance” above. The example mirrors the sections in Table 4 covering the following reporting elements:

1. Target description
2. Target progress
3. Substantial emission variations and changes in target
4. Actions towards meeting SBTs
5. GHG emissions inventory

#### 1. Target description

Example Corp.’s near-term emission reduction targets were approved by the Science Based Targets initiative in 2019. Our long-term and net-zero targets were approved in 2022. Example Corp. using a financial year running from 1 April to 31 March. Our approved science-based targets are as follows:

- NZ: Example Corp. commits to reach net-zero greenhouse gas emissions across the value chain by FY2050 from a FY2018 base year.
- ABS1: Example Corp. commits to reduce scope 1 and 2 emissions 50% by FY2030 from a FY2018 base year.
- O1: Example Corp. also commits to increase annual sourcing of renewable electricity from 20% in FY2018 to 100% by FY2025.
- INT1: Example Corp. also commits to reduce scope 3 purchased goods and services and upstream transportation and distribution emissions 45% per product sold by FY2030 from a FY2018 base year.
- O2: Example Corp. also commits that 80% of suppliers by emissions covering purchased goods and services will have science-based targets by FY2025.
- LTABS1: Example Corp. commits to reduce absolute scope 1, 2 and 3 GHG emissions 90% by FY2050 from a FY2018 base year.

## 2. Target progress

*Table 5. Example Corp.'s progress on their approved scope 1 and scope 2 science-based targets (emissions and related metrics)*

| Reporting item   | Base year value FY2018 (tCO <sub>2</sub> e)* | Base year emissions covered by targets (tCO <sub>2</sub> e) (%) | FY2019 reporting value | FY2020 reporting value | FY2021 reporting value | FY2022 reporting value | FY 2022 % change (from FY2018) |
|--|--|---|------------------------|------------------------|------------------------|------------------------|--------------------------------|
| Scope 1 (tCO <sub>2</sub> e)                               | 1,000  | 1,000 (100%)  | 1,100                  | 350                    | 300                    | 880                    | -12%                           |
| Scope 2 (market-based) (tCO <sub>2</sub> e)                | 8,000  | 8,000 (100%)  | 6,800                  | 1,200                  | 2,500                  | 6,320                  | -21%                           |
| Total scope 1+2 (market-based) (tCO <sub>2</sub> e) [ABS1] | 9,000  | 9,000 (100%)  | 7,900                  | 1,550                  | 2,800                  | 7,200                  | -20%                           |
| Total electricity use (MWh)                                | 22,000                                       | N/A   | 21,500                 | 5,000                  | 11,000                 | 28,000                 | +27%                           |
| Electricity procurement from renewable sources (MWh)       | 4,400  | N/A   | 6,450                  | 1,500                  | 3,300                  | 14,000                 | N/A                            |
| % of electricity from renewable sources [O1]               | 20%  | N/A   | 30%                    | 30%                    | 30%                    | 50%                    | N/A                            |

*Table 6. Example Corp.'s progress on their approved scope 3 science-based targets (emission reductions)*

| Reporting item  | Base year value FY2018* | Base year emissions covered by targets, (tCO <sub>2</sub> e) (%) | FY2019 value | FY2020 value | FY2021 value | FY2022 value | FY2022 % change (from FY2018) |
|---|-------------------------|--|--------------|--------------|--------------|--------------|-------------------------------|
| Scope 3, category 1: Purchased goods and services (tCO <sub>2</sub> e)                                    | 202,000                 | 200,000 / 99% (INT1)**   | 201,000      | 180,000      | 170,000      | 175,000      | -12.5%                        |
| Scope 3, category 4: Upstream transportation and distribution (tCO <sub>2</sub> e)                        | 70,000                  | 70,000 / 100% (INT1)   | 70,000       | 55,000       | 62,000       | 68,000       | -2.9%                         |
| Total scope 3, cat. 1 and 4 (tCO <sub>2</sub> e)  | 272,000                 | 270,000  | 271,000      | 235,000      | 232,000      | 243,000      | -10%                          |
| Activity level: number of products sold   | 10,000                  | 10,000   | 10,100       | 8,000        | 8,200        | 10,410       | +4.1%                         |
| Overall emissions intensity (tCO <sub>2</sub> e/product) [INT1]   | N/A                     | 27.00  | 26.83        | 29.38        | 28.29        | 23.34        | -13.6%                        |
| Suppliers of purchased goods and services with science-based targets (% coverage of scope 3, cat. 1) [O2] | 0%                      | N/A  | 0%           | 5%           | 10%          | 20%          | N/A                           |



\*Example Corp. performs a full inventory of its scope 1, 2 and 3 emissions on an annual basis. Emissions from small offices with fewer than 5 employees are excluded from the inventory and consist of 0.1% of scope 1 and 2 emissions in the target base year.

\*\*This target does not cover purchased office supplies and cleaning services emissions within scope 3 category 1.

### 3. Substantial emission variations and changes in target

We have recalculated and restated our base year (financial year 2018) across scope 3 category 4 to reflect an improved data collection methodology and ensure consistent estimation methods for each reporting year.

#### Base year recalculation policy and threshold

Our company's base year's emissions recalculation policy defines a significant change as a cumulative change of 5% or larger in an organization's total base year emissions. We have assessed the implications of this restatement on our science-based targets and have not identified a need to update the target. Furthermore, with the revised emissions values, our scope 3 targets continue to represent over SBTi's threshold of our total scope 3 emissions in the base year. For accessing the company's recalculation policy follow "this link".

### 4. Actions towards meeting SBTs

*Table 7. Example Corp.'s actions taken to meet their science-based targets*

| Target  | Progress   |
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| Reduce absolute scope 1 and 2 emissions 50% by FY2030 from a FY2018 base year.      | <p>Target completion: 40%</p> <p>In 2022, we decreased our scope 1 and 2 emissions by 20% compared to 2018 levels.</p> <p>This was achieved through a 12% reduction in scope 1 and 21% reduction in scope 2 market-based emissions.</p> <p>In scope 1, we reduced direct emissions by continuing to convert our fleet of internal combustion engine vehicles and propane forklifts to electric vehicles and machines.</p> <p>In scope 2, we have increased our manufacturing facility energy efficiency by an average of 9% since 2018 resulting in a decrease in electricity demand, which has been partially offset by the electricity used for our new fleet.</p> |
| Increase annual sourcing of renewable electricity from 20% in 2018 to 100% by 2025. | <p>Target completion: 37.5%</p> <p>Additionally, we have entered into renewable electricity purchase agreements that have reduced scope 2 market-based emissions further and helped us make progress towards our goal of 100% renewable electricity by 2025.</p>   |

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| Reduce scope 3 purchased goods and services and upstream transportation and distribution emissions 45% per product sold by 2030 from a 2018 base year. | Target completion: 30.1%<br>Within our scope 3 target, significant progress has been made to make our products with less raw materials per item. Additionally, we are working to engage our suppliers and provide resources for them to decarbonize their own operations. We may need to recalculate our baseline in a few years as we switch from using average emission factors to supplier-specific factors, at which time we will assess whether our target needs to be revised and updated with the SBTi. Overall, covered emissions in categories 1 and 4 have decreased 10% while the number of products sold has increased 4%, from 10,000 in 2018 to 10,410 in 2022. Emissions intensity has thus decreased 13.6% from the base year. |
| Key suppliers representing 80% of emissions from our purchased goods will set a science-based emission reduction target by FY2025.                     | Target completion: 25%<br>Key suppliers representing 20% of emissions from our purchased goods and services have set a science-based emissions reduction target as of the end of FY2022. We have undertaken workshops with these subcontractors to improve their scope 1, 2 and 3 reporting, modelled science-based targets together and developed carbon reduction plans. We have also worked with them to ensure their supply chains set science-based targets too.  |
| Reduce absolute scope 1, 2 and 3 GHG emissions 90% by FY2050 from a FY2018 base year.  | Target completion: 17.7%<br>Our long-term target includes all scopes and scope 3 categories at 100% coverage. Due to this, progress towards this target is displayed below alongside the full GHG inventory data. As of FY2022, we have reduced our total scope 1, 2 and 3 emissions 16%, which is almost 18% of the way to achieving our target.  |
| Reach net-zero greenhouse gas emissions across the value chain by FY2050 from a FY2018 base year   | Target completion: N/A<br>Reaching net-zero greenhouse gas emissions across the value chain is linked to achieving the long-term target (LTABS1) and neutralizing all unabated emissions with permanent removals. In 2050, Example Corp. commits to neutralizing 34,668 tonnes of CO <sub>2</sub> -equivalent equivalent to 9% of total actual emissions. This target is also linked to the aforementioned near-term targets, which are interim steps on the path to net-zero: ABS1, O1, INT1, and O2. Example Corp. is exploring opportunities for direct air capture in the near future.   |

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| <p>Use of offsets and avoided emissions</p>             | <p>Example Corp. buys offsets from XYZ but does not count them as progress towards targets, nor does progress include avoided emissions accounting. Example, Corp purchases 350tCO<sub>2</sub>e of emission reduction carbon credits at 80USD/tCO<sub>2</sub>e from “Name of carbon market”, verified to “Name of standard”. These credits are used to counterbalance the unabated emissions as the company reduces its value chain emissions in line with its 1.5°C target.</p>  |
| <p>Climate transition plan information and progress</p> | <p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>The Board of Directors of Example Corp. approves the company’s decarbonization strategy and oversees climate performance metrics, emissions reduction targets, low-carbon technological developments, and investment plans to ensure that they are on track and compliant with the approved transition plan. The Board of Directors reviews the climate transition plan once a year.</li> </ul> <p><b>Incentive structure:</b></p> <ul style="list-style-type: none"> <li>Example Corp has an incentive structure tied to various ESG indicators. In relation to climate change, 2% of the annual bonus to the CEO and Management team is dependent on being on track with achieving the set science-based targets. Financial indicators: Example Corp. has set various decarbonization levers to contribute to the net-zero goal over the FY2031-FY2050 horizon. <ul style="list-style-type: none"> <li>Example Corp. will allocate a total of 20 million Euros for FY2023-FY2025 to low carbon investments, representing 25% of total planned investment for the period. The company has also established a goal to dedicate 10% for FY2023-FY2030 of the investment in R&amp;D projects to be in line with the climate transition plan.</li> <li>Overall, by 2030 Example Corp plans to spend 50% of its CAPEX and OPEX in activities aligned with a 1.5°C future and it is planning to generate 60% of its revenues from low-carbon products by 2030. In the reporting year, the company was on track to achieve these goals (please see the transition plan footnotes on our</li> </ul> </li> </ul> |

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|  | <p>financial statements for details).</p> <p><b>Incentive structure for decarbonization:</b></p> <ul style="list-style-type: none"> <li>• Example Corp. has set an internal carbon price to help guide investment decisions on new projects and assess whether an investment is in line with the decarbonization path. Part of the CEO's and Executive Leadership team's annual bonus (5%) is dependent on the achievement of the climate performance indicators set out in the climate transition plan. Further bonus-based incentives on the climate transition have been rolled out for upper management and middle management across the company.</li> </ul> <p><b>Just transition:</b></p> <ul style="list-style-type: none"> <li>• Example Corp is investing in a new factory in Tanzania fully powered by renewable energy generated on-site. Any surplus energy will be sold at a rebated price to the local community to reduce usage of fossil-powered generators. The factory is planned to be completed by 2025. There is also a plan to create a training program for the local community on solar panel maintenance which aims at ensuring business continuity whilst reducing unemployment and increasing income per capita in the area.</li> </ul> <p><b>Public advocacy:</b></p> <ul style="list-style-type: none"> <li>• Example Corp. has joined relevant pledges (e.g., the Business Ambition 1.5°C declaration) and has advocated for an ambitious approach to fully decarbonize the sector by 2050. Example Corp has not supported any policy that advocates for fossil fuel expansion in the past year.</li> </ul> |
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## 5. GHG emissions inventory

### Full GHG inventory

Table 8. Example Corp.'s GHG inventory\*

| Scope or scope 3 category                                     | Base year emissions FY2018, (tCO <sub>2</sub> e) | FY2019, (tCO <sub>2</sub> e) | FY2020, (tCO <sub>2</sub> e) | FY2021, (tCO <sub>2</sub> e) | FY2022, (tCO <sub>2</sub> e) |
|---|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Scope 1   | 1,000  | 1,100                        | 350                          | 300                          | 880                          |
| Scope 2 (location-based)                                      | 10,000   | 9,800                        | 2,200                        | 5,000                        | 12,000                       |
| Scope 2 (market-based)  | 8,000  | 6,800                        | 1,200                        | 2,500                        | 6,320                        |
| Scope 3, category 1: Purchased goods and services             | 202,000  | 203,000                      | 180,500                      | 170,500                      | 175,500                      |
| Scope 3, category 2: Capital goods                            | 30,000   | 29,000                       | 3,000                        | 18,000                       | 16,000                       |
| Scope 3, category 3: Fuel- and energy-related activities      | 3,000  | 2,940                        | 660                          | 1,500                        | 3,600                        |
| Scope 3, category 4: Upstream transportation and distribution | 70,000   | 70,000                       | 55,000                       | 62,000                       | 68,000                       |
| Scope 3, category 5: Waste generated in operations            | 10,000   | 9,500                        | 9,500                        | 8,000                        | 9,000                        |
| Scope 3, category 6: Business travel                          | 5,000  | 6,000                        | 5,500                        | 200                          | 2,500                        |
| Scope 3, category 7: Employee commuting                       | 2,500  | 2,500                        | 2,400                        | 100                          | 1,000                        |
| Scope 3, category 8: Upstream leased assets                   | 0  | 0                            | 0                            | 0                            | 0                            |

| Scope or scope 3 category   | Base year emissions FY2018, (tCO <sub>2</sub> e) | FY2019, (tCO <sub>2</sub> e) | FY2020, (tCO <sub>2</sub> e) | FY2021, (tCO <sub>2</sub> e) | FY2022, (tCO <sub>2</sub> e) |
|---|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Scope 3, category 9: Downstream transportation and distribution       | 0  | 0                            | 0                            | 0                            | 0                            |
| Scope 3, category 10: Processing of sold products                     | 0  | 0                            | 0                            | 0                            | 0                            |
| Scope 3, category 11: Use of sold products                            | 0  | 0                            | 0                            | 0                            | 0                            |
| Scope 3, category 12: End-of-life treatment of sold products          | 15,000   | 15,150                       | 12,000                       | 12,300                       | 15,600                       |
| Scope 3, category 13: Downstream leased assets                        | 0  | 0                            | 0                            | 0                            | 0                            |
| Scope 3, category 14: Franchises                                      | 0  | 0                            | 0                            | 0                            | 0                            |
| Scope 3, category 15: Investments                                     | 0  | 0                            | 0                            | 0                            | 0                            |
| Total: scope 1, scope 2 market-based, scope 3 (all categories) LTABS1 | 346,500  | 345,990                      | 268,910                      | 272,900                      | 291,200                      |

\*Example Corp. performs a full inventory of its scope 1, 2 and 3 emissions on an annual basis. Emissions from small offices with fewer than 5 employees are excluded from the inventory and consist of 0.1% of scope 1 and 2 emissions in the target base year.

### Data limitations

For our emissions from scope 3, category 1 “Purchased goods and services”, manufacturers are invited to present their own estimates or simulations based on fuel consumption and specific activity data. We expect to develop a new methodology to calculate these emissions for next year’s GHG inventory. If the current values or assumptions are adjusted in any material way, Example Corp. will communicate these changes and perform the corresponding adjustments to the baseline, following our base year emissions recalculation policy.



### Verification or assurance of GHG emissions

Example Corp. engaged with “Name of third-party verification body” to conduct a verification review of our corporate GHG emissions inventory over the period April 1, 2021 to March, 31 2022. The review was performed in accordance with the “Name of verification standard used”. The verified metrics included scope 1, scope 2, scope 3 category 1 Purchased goods and services, category 2 Capital goods, category 3 Fuel- and energy-related activities, category 4 Upstream transportation and distribution, category 5 Waste generated in operations, category 6 Business travel, category 7 Employee commuting and category 12 End-of-life treatment of sold products. The verification body has found no evidence that the above metrics reported are not materially correct, and no evidence that the assertion is not consistent with Example Corp. actual corporate GHG emissions position, with a moderate (i.e., limited) level of assurance. The results of the assessment can be found in the following link to the “Independent Assurance Statement”.

## Annex II

Table 9. Direct and indirect use phase emissions accounted for under scope 3 category 11

| Sector   | Direct use-phase emissions   | Indirect use-phase emissions  | Notes  |
|--|--|---|--|
| Automobiles and components                     | <ul style="list-style-type: none"> <li>Engines.</li> <li>Headlights.</li> <li>Air conditioning system.</li> <li>Heaters.</li> </ul>  | <ul style="list-style-type: none"> <li>Tyres.</li> <li>Bumpers.</li> <li>Seatbelts.</li> </ul>            |  |
| Apparel  |  | <ul style="list-style-type: none"> <li>Washing and drying of clothes.</li> </ul>                          |  |
| Architecture, engineering and design companies | <ul style="list-style-type: none"> <li>Architecture, engineering and design companies must allocate the emissions from the use of building projects that have been constructed as direct use-phase emissions.</li> </ul>   |   |  |
| Energy and Electric Utilities                  | <ul style="list-style-type: none"> <li>Fuels and feedstocks.</li> <li>Rechargeable batteries (energy loss).</li> <li>Chargers.</li> <li>Electricity transmission and distribution equipment (transmission loss and no-load consumption).</li> <li>Rechargeable batteries (energy stored and transmitted).</li> </ul> | <ul style="list-style-type: none"> <li>Rechargeable batteries (energy stored and transmitted).</li> </ul> | <ul style="list-style-type: none"> <li>First charge of the rechargeable battery before sale must be allocated to scope 2 of the producers</li> </ul> |

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|                      | <ul style="list-style-type: none"> <li>• First charge of the rechargeable battery before sale must be allocated to scope 2 of the producers.</li> <li>• Sold piping systems (lost heat and cooling).</li> <li>• Power step-up and- down transformers.</li> <li>• Other power system equipment (lost electricity, heat and cooling).</li> </ul> |  |  |
| Electronics          | <ul style="list-style-type: none"> <li>• Displays.</li> <li>• Microchips.</li> <li>• Memory drives.</li> <li>• Cameras.</li> </ul>   | <ul style="list-style-type: none"> <li>• Computer housing.</li> <li>• Camera lenses.</li> </ul>  |  |
| Food and beverage    | <ul style="list-style-type: none"> <li>• CO<sub>2</sub> release from beverages</li> </ul>  | <ul style="list-style-type: none"> <li>• Cooling of ice for beverages.</li> <li>• Frying/microwaving/cooking of frozen meals or any other food item.</li> <li>• Use of household food waste disposer (for food producers).</li> <li>• Direct cooling or heating of products in homes of consumers</li> </ul> | <ul style="list-style-type: none"> <li>• The cooling or heating of products in retail, hotels, restaurants, pharmacies or hospitals must be allocated to scope 3 category 9 “downstream transportation and distribution”.</li> </ul> |
| Household appliances | <ul style="list-style-type: none"> <li>• Large and small household appliances, from washing machines to electric toothbrushes.</li> <li>• Lightbulbs.</li> <li>• Smart-home products.</li> </ul>   | <ul style="list-style-type: none"> <li>• Smart-home software use i.e., the use of computers, smartphone, and/or router energy consumption due to the use of the software</li> </ul>  |  |

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|   | <ul style="list-style-type: none"> <li>Charcoal and lighter fluid for barbecues.</li> </ul>   |   |  |
| Software and telecommunication services |   | <ul style="list-style-type: none"> <li>Software i.e., the energy consumption of computers or other electronic devices due to the use of software).</li> <li>Telecommunication contracts i.e., the energy consumption of cell phones due to the use of the network.</li> </ul> | <ul style="list-style-type: none"> <li>The energy consumption of the servers that run cloud-based software must be allocated to scope 3 category 1 “purchased goods and services” of the software provider.</li> </ul> |
| Transport and logistics                 | <ul style="list-style-type: none"> <li>If a shipping company is a customer of a port i.e., they pay the port for use of facilities, these emissions are deemed to be direct use-phase emissions of a port.</li> </ul> | <ul style="list-style-type: none"> <li>Maintenance of transport infrastructure e.g., roads, bridges, airports etc.</li> </ul>   |  |
| On-premises services                    | <ul style="list-style-type: none"> <li>Emissions from the use of client facilities for the provision of services (e.g., cooking in client kitchens; cleaning equipment that uses client electricity).</li> </ul>      |   |  |