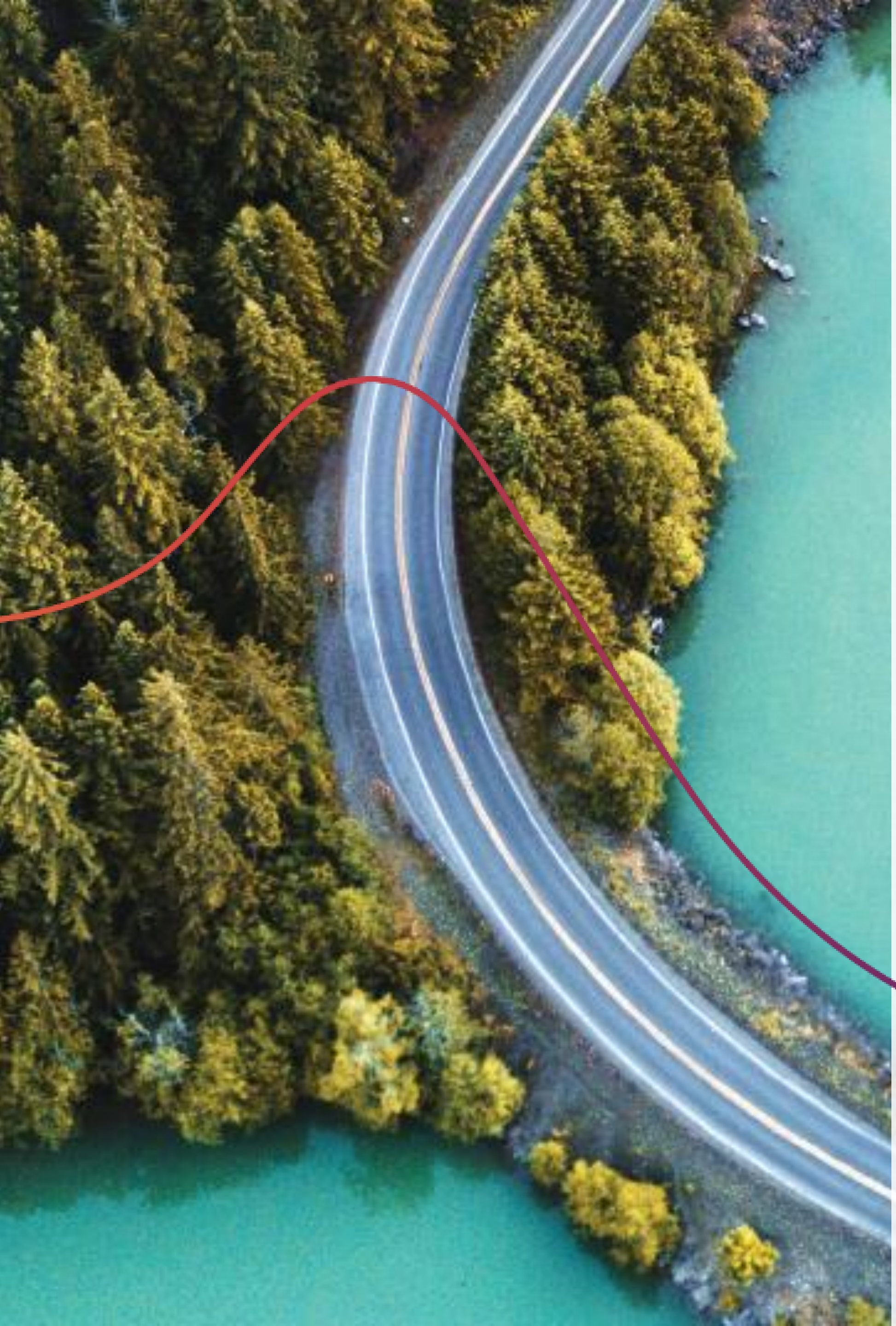

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Beyond Value Chain Mitigation (BVCM) Research

March and April 2023 Corporate Engagement Results

Publication date: September 2023

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Introduction

- In March and April 2023, the Science Based Targets initiative (SBTi) engaged with companies on the topic of beyond value chain mitigation (BVCM) with the support of the Boston Consulting Group.
- 212 companies responded on an online survey and a further 22 companies were interviewed. The objective of the surveys and interviews was to understand more about companies' existing BVCM investments, alongside motivators, barriers and potential new incentive mechanisms to drive investment.
- Data cleaning: Responses saved part-way through by respondents but not completed are included. Duplicate responses from the same organization were removed / combined where appropriate.
- All information that the SBTi received from respondents to the corporate survey and interviews are treated with reasonable care, kept confidential and are communicated in aggregated form.
- This document provides the aggregated results from the corporate engagement survey conducted in March and April 2023, as well as key insights from the interview process.
- This document does not contain conclusions on how the corporate survey and interview findings are interpreted by the SBTi nor a description of how the SBTi is intending to incorporate them into BVCM-related products – it is merely a presentation of the results published for transparency purposes.
- Next steps: The SBTi is considering this research as it works to finalize the BVCM Guidance and associated research on incentives for BVCM.

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Summary of corporate engagement results (page 1 of 8)

BVCM Corporate Engagement Results	Summary of high-level results
Contextual questions	• There were 212 survey respondents, 84% of which represent organizations that are headquartered in Europe and North America but with operations in all regions of the world (page 13). • The respondent companies cover a wide range of sectors, with 18% from the commercial and professional services sector and 7% from the food sector (page 14). • 83% of the individuals that responded to the survey were managers or executive leaders (page 14). • Respondent companies reported to have more than 1.5 million combined full time equivalent (FTE) employees (page 15). • Respondent companies reported combined revenues of more than USD 2 trillion (page 15). • 50% of respondents had greenhouse gas (GHG) targets validated by the SBTi (page 16). • Respondent companies reported almost 500 million tCO_2e in combined scope 1 and 2 emissions, and almost 3 $GtCO_2e$ in combined scope 3 emissions. Note that scope 3 emissions of different companies have not been reported as an aggregate figure as there is inherent double counting with scope 3 (page 16). • A subset of survey respondents were also interviewed; the 21 interviewees were across sectors and geographies. 75% of interviewees were from companies headquartered in Europe and North America. There were no interviewees from companies headquartered in the Middle East or Africa (page 17).

Summary of corporate engagement results (page 2 of 8)

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BVCM Corporate Engagement Results	Summary of high-level results
Purchase and retirement of credits: **general**	• 56% of respondent companies with SBTi-validated targets reported that they purchase carbon credits (page 19). • 58% of respondent companies purchase and retire carbon credits and have been doing so for between 1 and 5 years (page 19).
Purchase and retirement of credits: **spend and budget responsibility**	• Respondent companies reported an aggregated annual spend on carbon credits of more than USD 360 million, representing approximately 18% of the value of the voluntary carbon market in 2022. Respondent companies reported an average annual spend on carbon credits of more than USD 5.4 million (page 20). • The sustainability business unit is responsible for the budget for carbon credit purchase and retirement for more than 50% of the respondents (page 21). • Companies determine willingness to pay for credits in various ways but are often led by quality over price (page 21).
Purchase and retirement of credits: **types of carbon credits**	• Nature-based carbon removal credits were reported as the most popular credit type, followed by project-based REDD+* and other avoidance credits (page 22). • Respondent companies with no current plans to commit to the SBTi indicate a slight preference for avoidance and reduction credits, whereas companies with validated SBTi targets are evenly split between reductions and removals (page 23). • The existence of environmental and social co-benefits was the most frequently identified factor in selecting carbon credits, followed by the business activity and strategy of the organization (page 24).

**'REDD' stands for Reducing Emissions from Deforestation and forest Degradation in developing countries. The '+' stands for additional forest-related activities that protect the climate, namely sustainable management of forests and the conservation and enhancement of forest carbon stocks.*

Summary of corporate engagement results (page 3 of 8)

BVCM Corporate Engagement Results	Summary of high-level results
Purchase and retirement of credits: **quality**	• 78% of respondent companies purchasing credits reported that they internally assess the quality of those credits. Additionality, permanence, the quality of the crediting program and the presence of co-benefits were the most common quality dimensions internally assessed by companies (page 26).
Purchase and retirement of credits: **change in purchasing over time**	• 78% of respondent companies that purchase and retire carbon credits reported an increase in carbon credit purchase and retirement in the last 5 years. 65% of those companies had a commitment to the SBTi or validated targets (page 26). • 65% of respondent companies that purchase and retire carbon credits expect to increase the purchase and retirement of carbon credits in the next 5 years. 66% of those companies had a commitment to the SBTi or validated targets (page 26). • The most important reason for increasing credit purchase and retirement is increasing trust that credits are delivering results (page 27). • The most important reason for decreasing credit purchase and retirement is a redirection of funds to scope 1-3 action (page 28).
Purchase and retirement of credits: **motivations, barriers and incentives (i)**	• Respondent companies highlight the need to reach net-zero globally as a motivation for purchasing carbon credits, and they want to be seen as climate leaders (page 29). • Companies identify a number of barriers to spending more on carbon credits, notably the preferred focus on within value chain mitigation and concern about the quality of credits (page 29).

Summary of corporate engagement results (page 4 of 8)

BVCM Corporate Engagement Results	Summary of high-level results
Purchase and retirement of credits: **motivations, barriers and incentives (ii)**	• Beyond value chain mitigation was the most commonly cited purpose for the purchase and retirement of carbon credits (page 30). • Most companies say that their commitment to the SBTi has either had no impact (61%) or has increased (30%) their purchasing and retirement of carbon credits. Only 9% of companies say that it has decreased their purchasing and retirement of carbon credits (page 31). • Most companies feel that existing or anticipated market schemes do not provide sufficient clarity or incentives to influence behavior. Note, this survey was conducted prior to the release of guidance from the Voluntary Carbon Market Integrity Initiative (VCMI) and the Integrity Council for the Voluntary Carbon Market (ICVCM) (page 31). • The companies not purchasing and retiring credits cite their preferred focus on within value chain abatement as the top reason for not doing so, followed by uncertainty about what will count towards claims and targets in the future (page 32). • Companies not currently purchasing carbon credits indicate that they would do so if their customers and investors demand it and if they could receive a tax incentive. Claims and recognition were also cited as important (page 33).
Purchase and retirement of credits: **claims (i)**	• 51% of respondent companies make claims related to the use of carbon credits. The majority of companies (62%) stated that these claims are valuable to their brand (page 34).

Summary of corporate engagement results (page 5 of 8)

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BVCM Corporate Engagement Results	Summary of high-level results
Purchase and retirement of credits: **claims (ii)**	• 79% of respondent companies see a need for externally validated claims to incentivize the purchasing and retirement of carbon credits (page 35). • For companies purchasing and not purchasing credits, externally endorsed claims about actual carbon credit purchase and retirement, as well as externally managed public leaderboards were seen as valuable incentives (page 35). • Companies had a preference for the SBTi taking responsibility for managing claims related to carbon credits, but a lot of companies also stated that they didn't have a preference (page 36).
Non-carbon credit based BVCM financing: **general**	• 47% of respondent companies reported that they are financing mitigation beyond the value chain through mechanisms other than carbon credit purchase and retirement. A higher % of companies with SBTi commitments or validated targets are providing such finance compared to those without commitments to the SBTi (page 38). • The majority of respondent companies that provide non-credit based BVCM finance (46%) have been doing so for between 1 and 5 years (page 38).
Non-carbon credit based BVCM financing: **budgeting**	• There is no clear consistent way in which companies determine budget for financing BVCM through mechanisms other than carbon credits (page 39). • Investment teams, strategic management teams and sustainability teams are cited as having responsibility for non-credit based BVCM budgets, and many companies report that it sits across multiple business units (page 40).

Summary of corporate engagement results (page 6 of 8)

BVCM Corporate Engagement Results	Summary of high-level results
Non-carbon credit based BVCM financing: **types of investments**	• Renewable energy investment was the most commonly reported beyond value chain mitigation financing activity, followed by financing green investments and tech and supporting climate advocacy organizations (page 41). • The business activity and strategy of the organization was the most frequently identified factor in determining the types of activities a company finances, followed by the existence of environmental and social co-benefits (page 42).
Non-carbon credit based BVCM financing: **quality**	• Measurability of results, the institutional stability and quality of the organizations being financed, and the presence of co-benefits were the most common quality dimensions assessed by companies (page 42).
Non-carbon credit based BVCM financing: **change in investment over time**	• 71% of respondent companies that finance BVCM through non-credit based mechanisms reported an increase in financing over the last 5 years. 74% of those companies have SBTi commitments or validated targets (page 43). • 86% of respondent companies that finance BVCM through non-credit based mechanisms expect to increase financing over the next 5 years. 75% of those companies have SBTi commitments or validated targets (page 43). • The most important reason for increasing non-credit based BVCM financing is trust that investments are delivering results, followed by a continued business case and incentive (page 44). • Only one respondent company reported decreasing non-credit based BVCM financing, and that company attributed this to several reasons including the macroeconomic environment, inability to use BVCM to offset value chain emissions, the need to redirect funds to scope 1-3 action and to other priorities and a lack of business case or incentive (page 45).

Summary of corporate engagement results (page 7 of 8)

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BVCM Corporate Engagement Results	Summary of high-level results
Non-carbon credit based BVCM financing: **motivation, barriers and incentives**	• Companies are motivated to finance BVCM through non-credit based mechanisms as they believe it is necessary to reach net-zero globally and they want to be seen as climate leaders (page 46). • Respondents cited a number of barriers to financing more BVCM through non-credit based mechanisms, notably the lack of economic incentives, lack of policy incentives and a preferred focus on value chain mitigation (page 46). • Most respondent companies say that their commitment to the SBTi has either had no impact (58%) or has increased (41%) their financing of BVCM though non-credit based mechanisms (page 47). • 49% of respondent companies feel that existing or anticipated market schemes do not provide sufficient clarity or incentives to influence behavior with regards to this sort of financing, while 43% companies are not sure (page 47). • Companies already financing BVCM through non-credit based mechanisms indicate that they would finance more if their investors and customers demand it, if they could receive some form of recognition or credit from SBTi for doing so, and if they could receive tax incentives for doing so (page 48). • The respondent companies not financing BVCM through non-credit based mechanisms cite uncertainty about what will count towards claims and targets in the future as the main reason for not financing BVCM in this way (page 49). • Respondent companies not currently financing BVCM through non-credit based mechanisms indicate that they would do so if their customers demand it, if they had guidance on credibly reporting on investments and if they could receive some form of recognition or credit from SBTi for doing so (page 50).

Summary of corporate engagement results (page 8 of 8)

BVCM Corporate Engagement Results	Summary of high-level results
Non-carbon credit based BVCM financing: **claims**	• There were more companies that reported that they are not making claims on non-credit based BVCM financing activities than companies that did report to make related claims (48% compared to 43%) (page 51). • The majority of companies see claims as valuable to their brand. 53% of companies already making claims said that they were valuable, and 61% of all companies said that an externally validated claim would be valuable (page 51). • Most companies (62%) see a need for an externally validated claim to incentivize investments in non-credit based BVCM financing (page 52). • For companies already financing non-credit based BVCM, tax incentives and externally endorsed claims about investments were seen as valuable incentives (page 52). • 43% of companies had no preference for which organization manages claims related to financing of non-credit based BVCM, but 30% of respondents selected SBTi as their preference (page 53).

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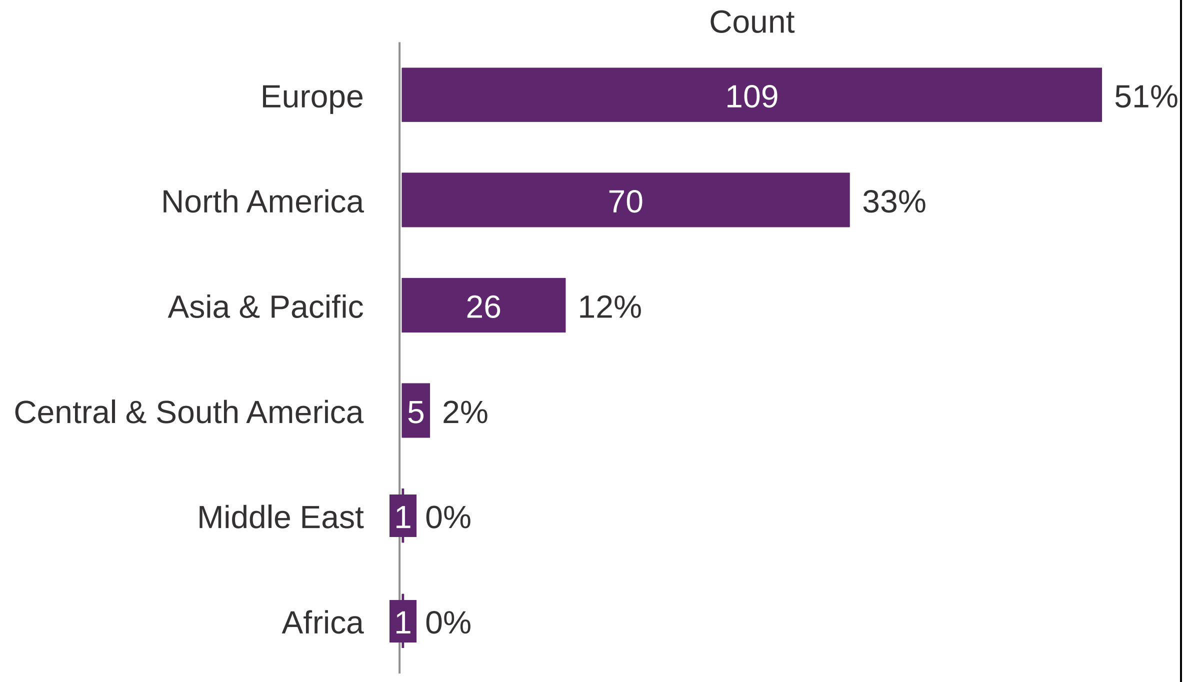
Location of respondent company headquarters and operations

84% of respondents are headquartered in Europe and North America.

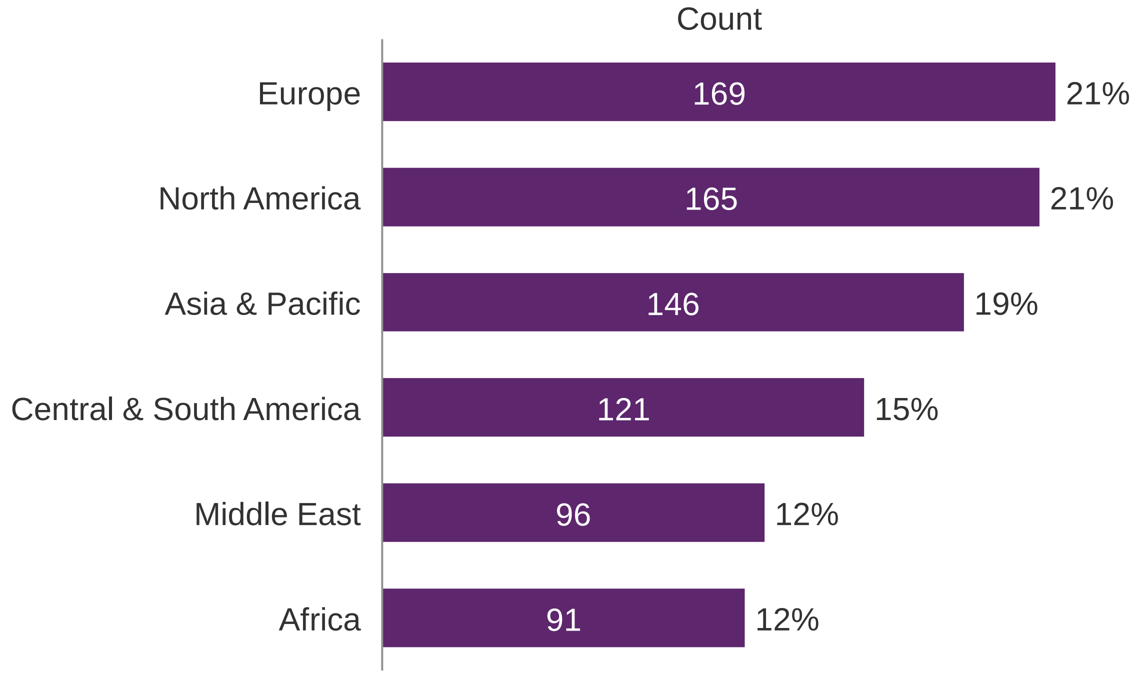
Location of respondent company headquarters



N= 212

The respondent companies have operations in all regions of the world.

Locations of respondent company operations



N= 212 responders with operations in multiple regions

Sector of respondent companies and the roles within those companies of the individuals who responded

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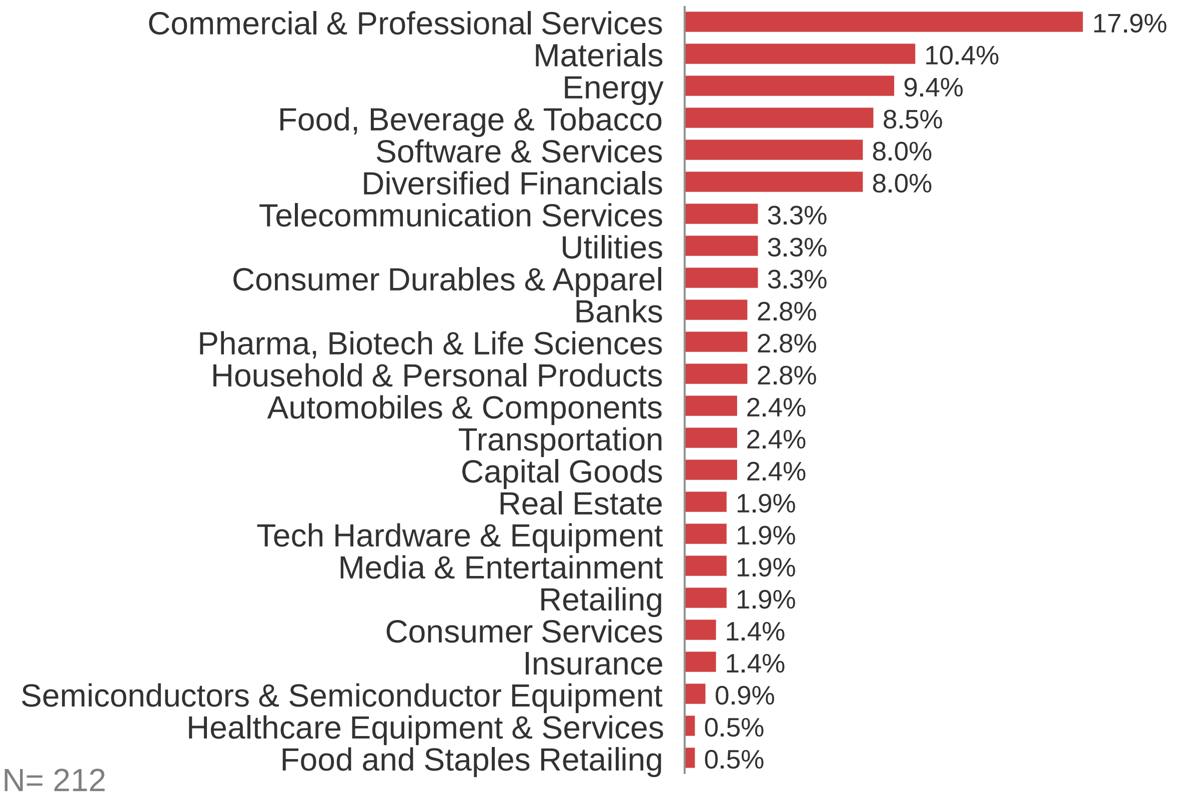
The respondent companies cover a wide range of sectors, with commercial and professional services representing 18% of respondents.

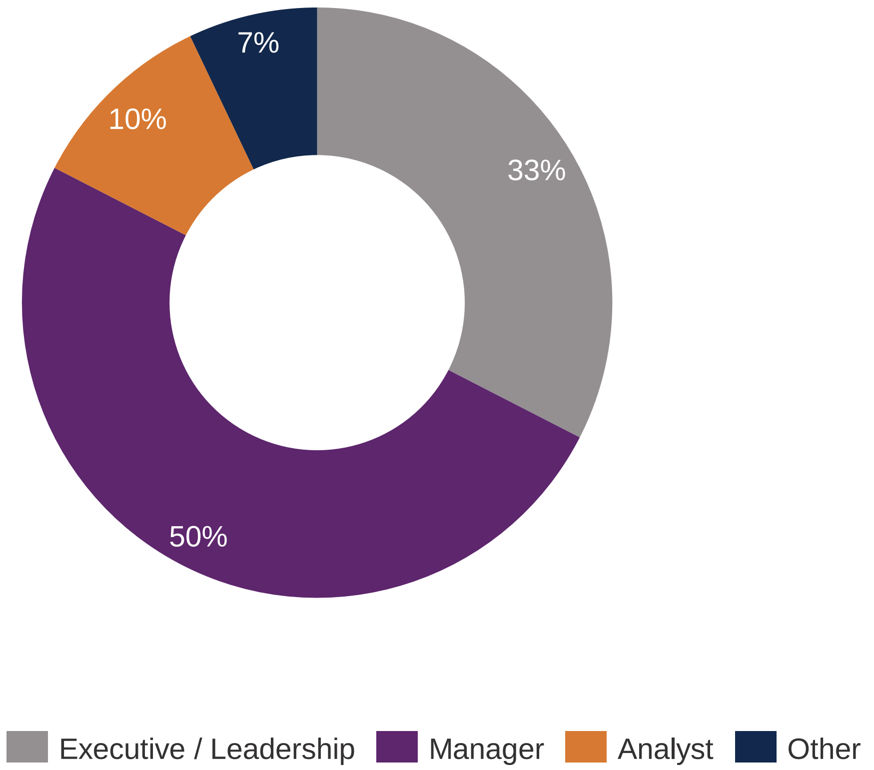
Sector of respondent companies, %



N= 212

Most of the individuals (83%) that responded to the survey were managers or executive leaders.

The role of the individuals submitting responses

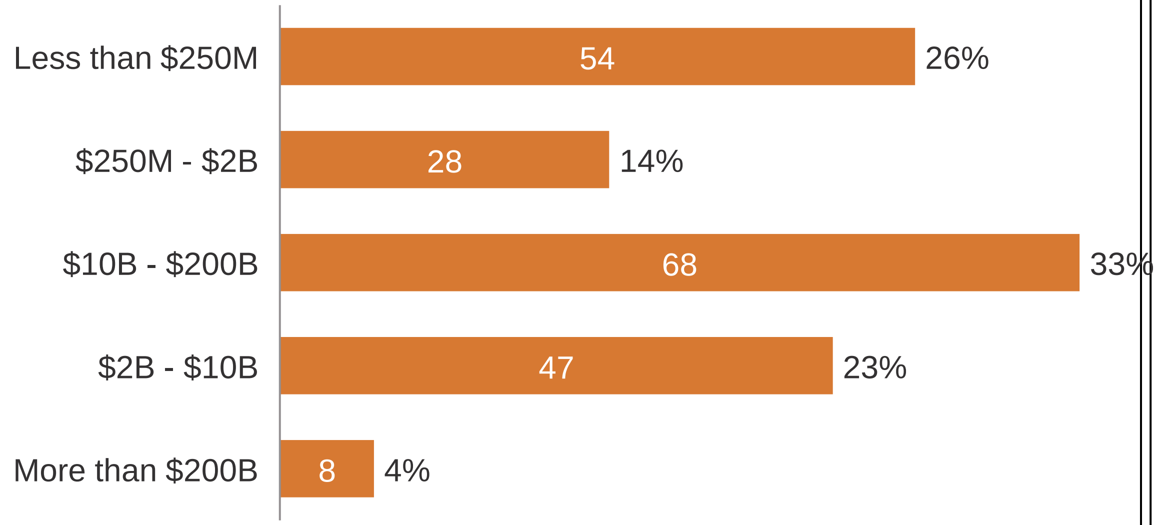


N= 212

Size of respondent companies (in revenue and FTE employees)

Respondent companies reported combined revenues of more than USD 2 trillion.

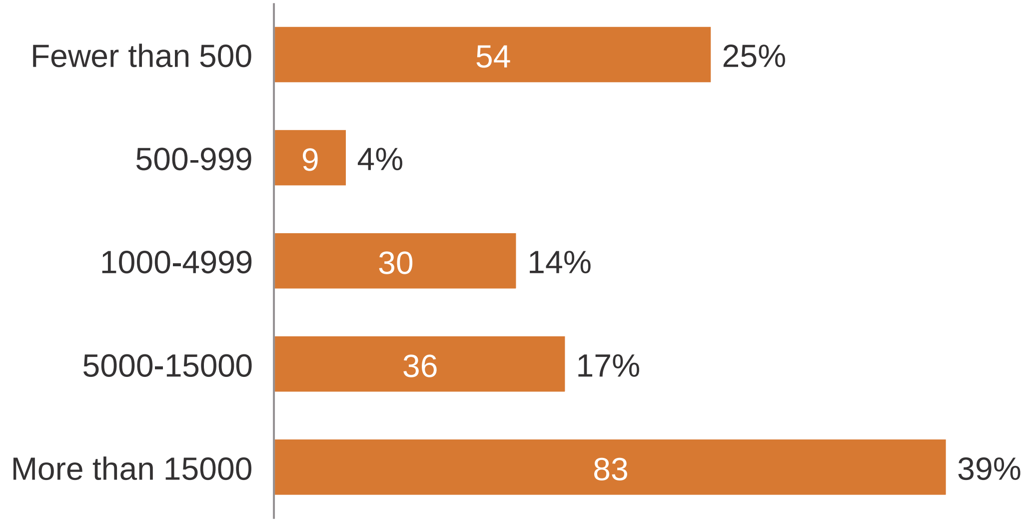
Annual revenue of respondent companies, USD



N= 205

Respondent companies reported to have more than 1.5 million combined full time equivalent (FTE) employees.

Respondent companies' reported FTE employees



N= 212

Emissions and target setting status of respondent companies

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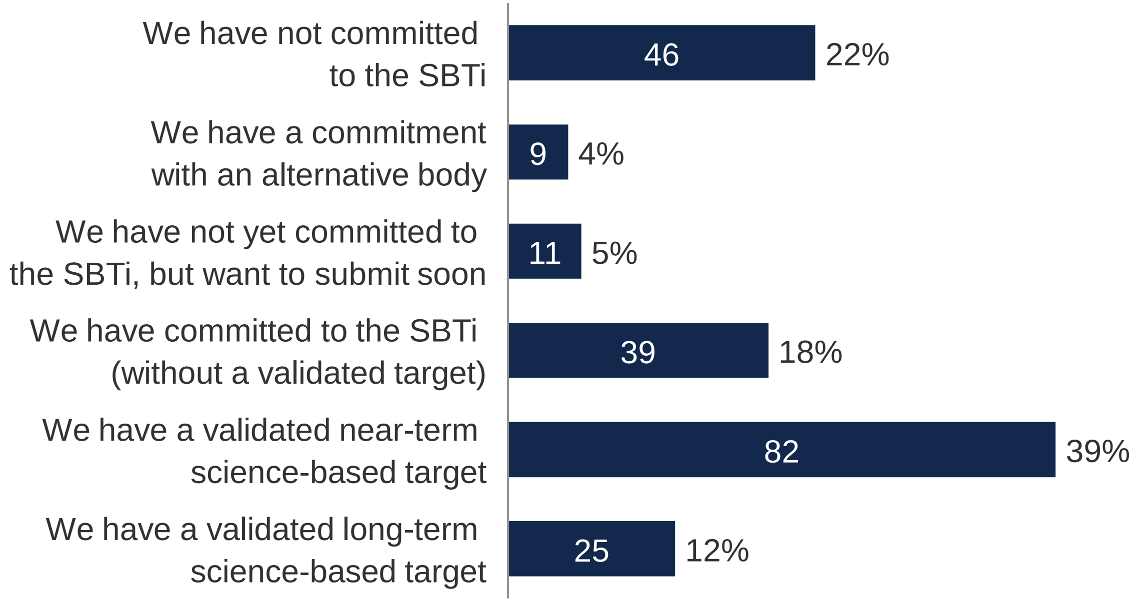
50% of respondents had greenhouse gas (GHG) targets validated by the SBTi.

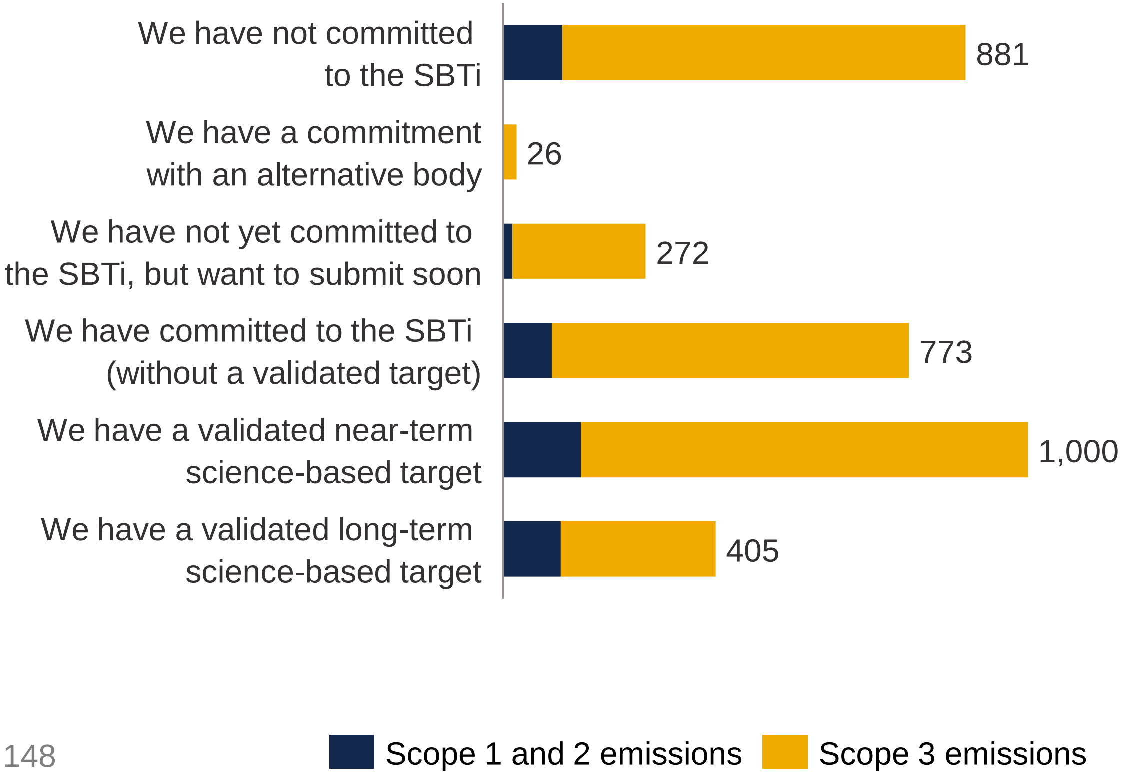
Respondent companies' GHG targets



N= 212

Respondent companies reported almost 500 million tCO_2e in combined scope 1 and 2 emissions, and almost 3 $GtCO_2e$ in combined scope 3 emissions*.

Annual scope 1-3 emissions of respondent companies, million tCO_2e

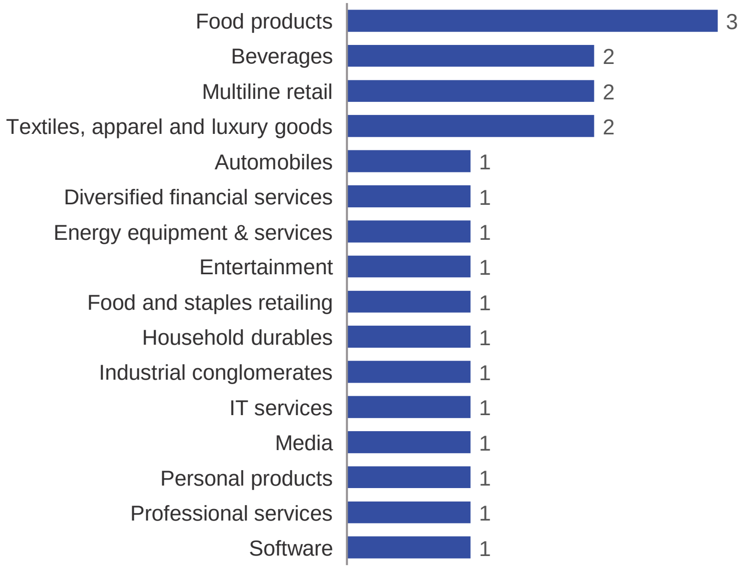


N= 148

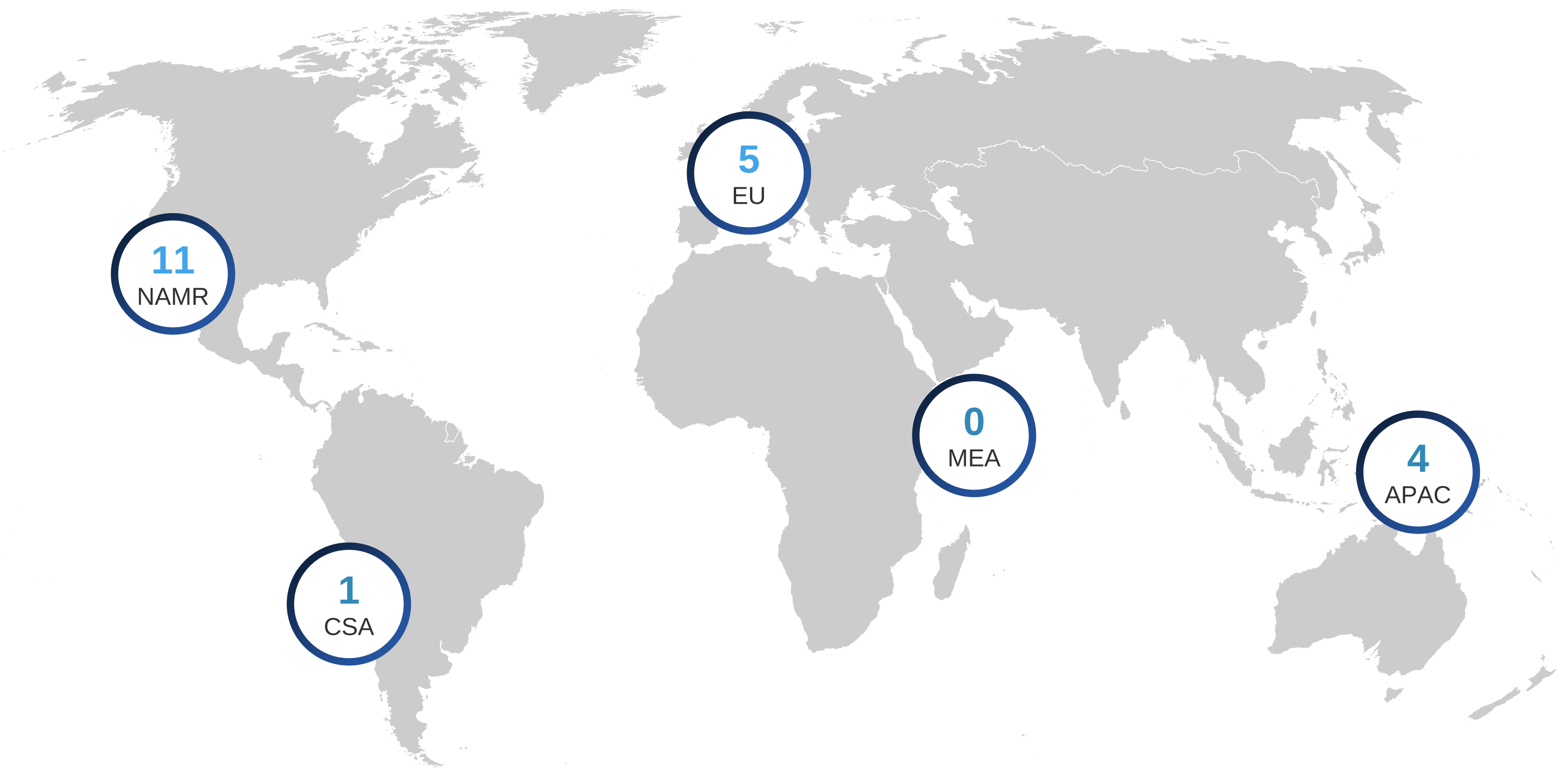
**Note that scope 3 emissions of different companies should not be reported as an aggregate figure as there is inherent double counting with scope 3.*

A subset of survey respondents were also interviewed; interviews were across sectors and geographies

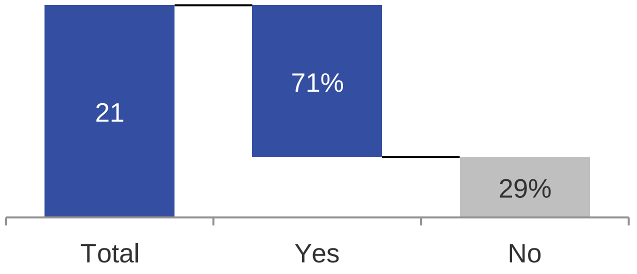
Industry Experience



Geography Experience (based on HQ location)



Interview respondent survey completion



Source: Market Participant Interviews; BCG Analysis

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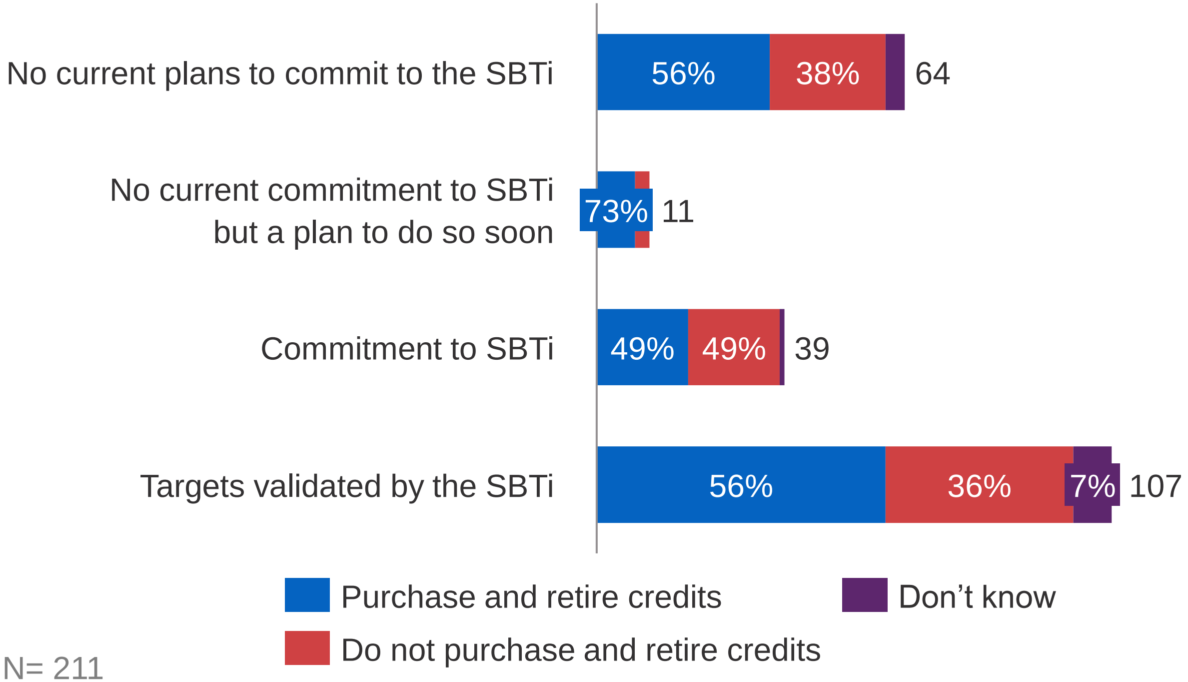
Purchase and retirement of carbon credits

56% of respondent companies with targets validated by the SBTi reported that they purchase carbon credits.

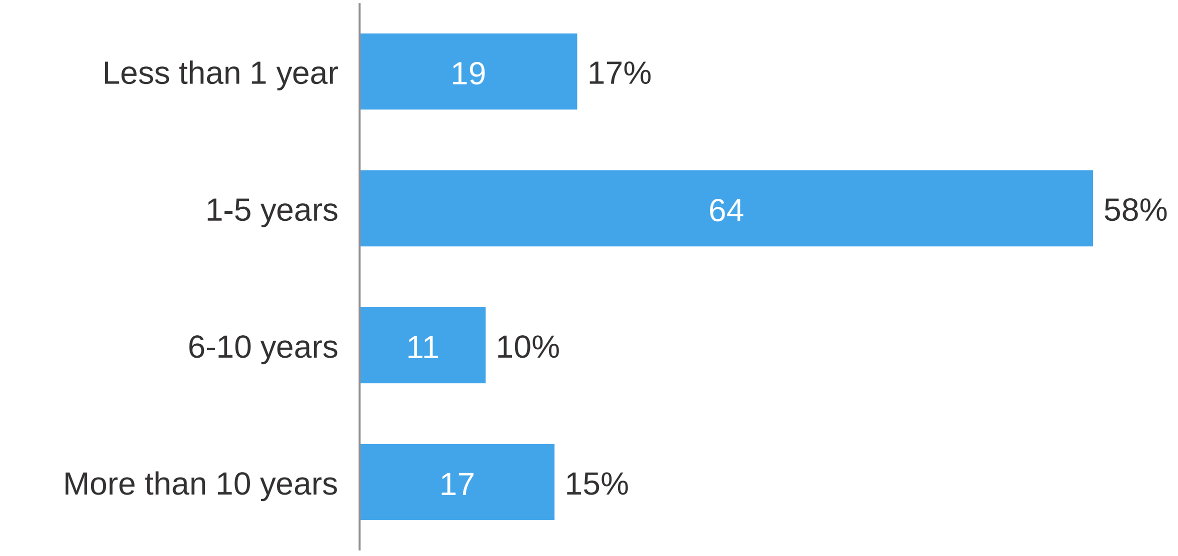
Number of respondent companies purchasing and retiring carbon credits



N= 211

Most respondent companies that purchase and retire carbon credits and have been doing so for between 1 and 5 years (58%).

Length of time that respondent companies have been purchasing and retiring carbon credits

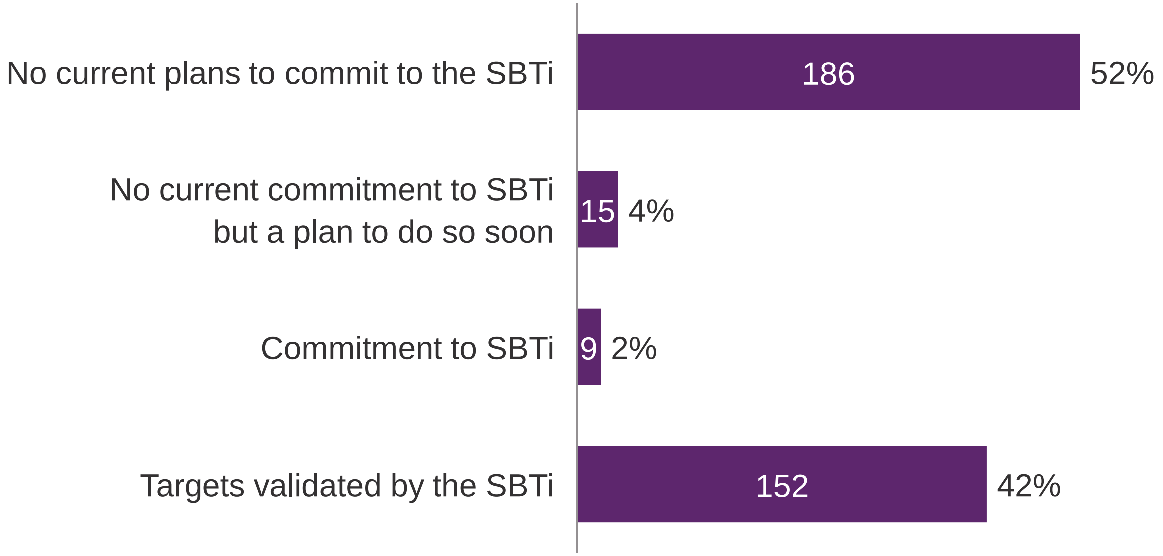


N= 111

Spend on carbon credits (split by SBTi target setting status)

Respondent companies reported an aggregated annual spend on carbon credits of more than USD 360 million, representing approx. 18% of the value of the voluntary carbon market in 2022.

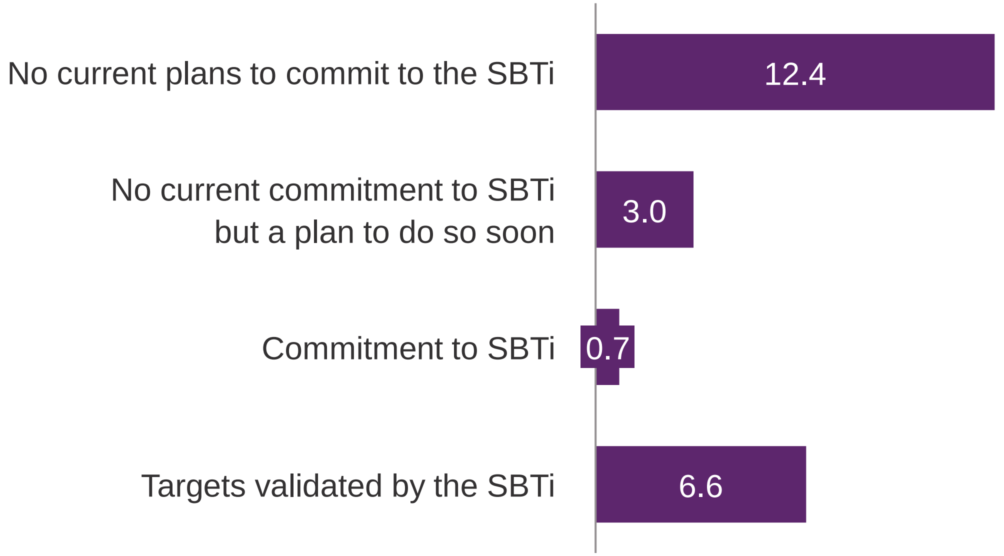
Respondent companies' total reported annual spend on carbon credits, million USD



N= 67

Respondent companies reported an average annual spend on carbon credits of more than USD 5.4 million.

Respondent companies' average reported annual spend on carbon credits, million USD



N= 67

Decision-making with regards to the budget for carbon credit purchase and retirement

The sustainability business unit is responsible for the budget for carbon credit purchase and retirement for more than 50% of the respondents.

Business units responsible for the carbon credit budget

N= 96

Companies determine the price they are willing to pay for carbon credits in various ways but are often led by quality over price.

"We purchase high quality, independently verified credits based on their market prices."

"Our selection of projects is made based on quality criteria and additional Sustainable Development Goal impacts. Price is not the key factor for us."

"We aim for around $15-25 per tCO$_2$e."

"We are ramping up towards the Social Cost of Carbon (triangulated from a range of sources)."

"Fair value for a high-quality credit and make sure that it is significantly below our internal cost of carbon to address the risk."

"A portfolio of different kinds of high-quality projects, including more expensive ones and less expensive ones."

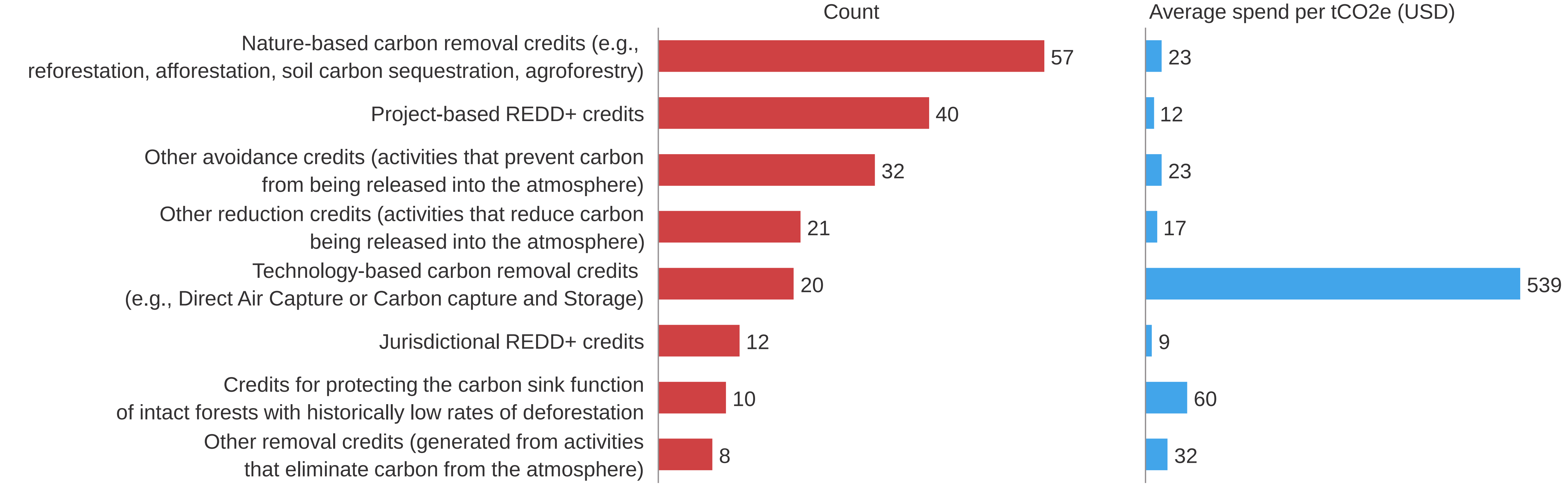
"According to a carbon price of 100 USD per tonne (in line with the European Union Emissions Trading Emission Trading Scheme)."

"We compare prices across different providers."

The types of carbon credits being purchased and retired

Nature-based carbon removal credits were reported as the most popular credit type, followed by project-based REDD+ and other avoidance credits.

Type of carbon credits purchased and the average spend per credit



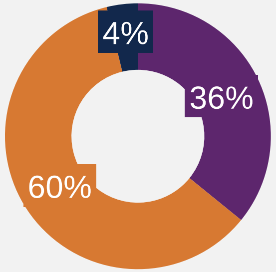
N= 178 Note this is not the volume of carbon credits purchased in each category, but the count of respondents stating that they purchase each category of credits.

The types of carbon credits being purchased and retired, split by SBTi target setting status

Respondent companies without plans to commit to the SBTi indicate a slight preference for avoidance and reduction credits, whereas companies with validated SBTi targets are evenly split between reductions and removals.

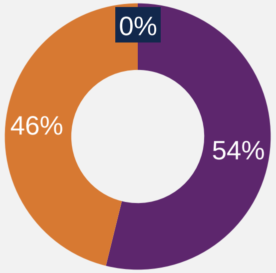
Type of carbon credits purchased and retired, split by SBTi target setting status (count)

No current plans to commit to the SBTi



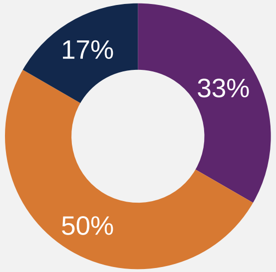
N= 45

No commitment currently, but a plan to commit soon



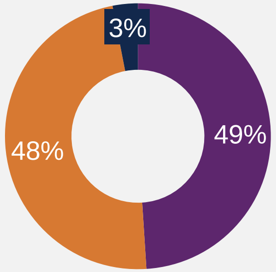
N= 8

Commitment to the SBTi



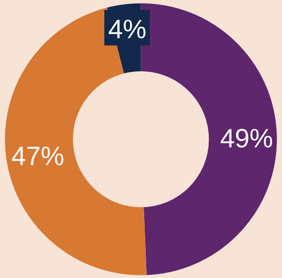
N= 36

Targets validated by the SBTi



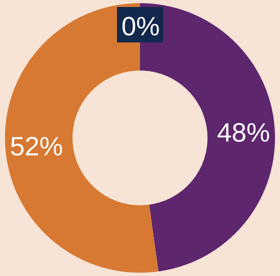
N= 89

Validated near-term targets



N= 71

Validated long-term targets



N= 18

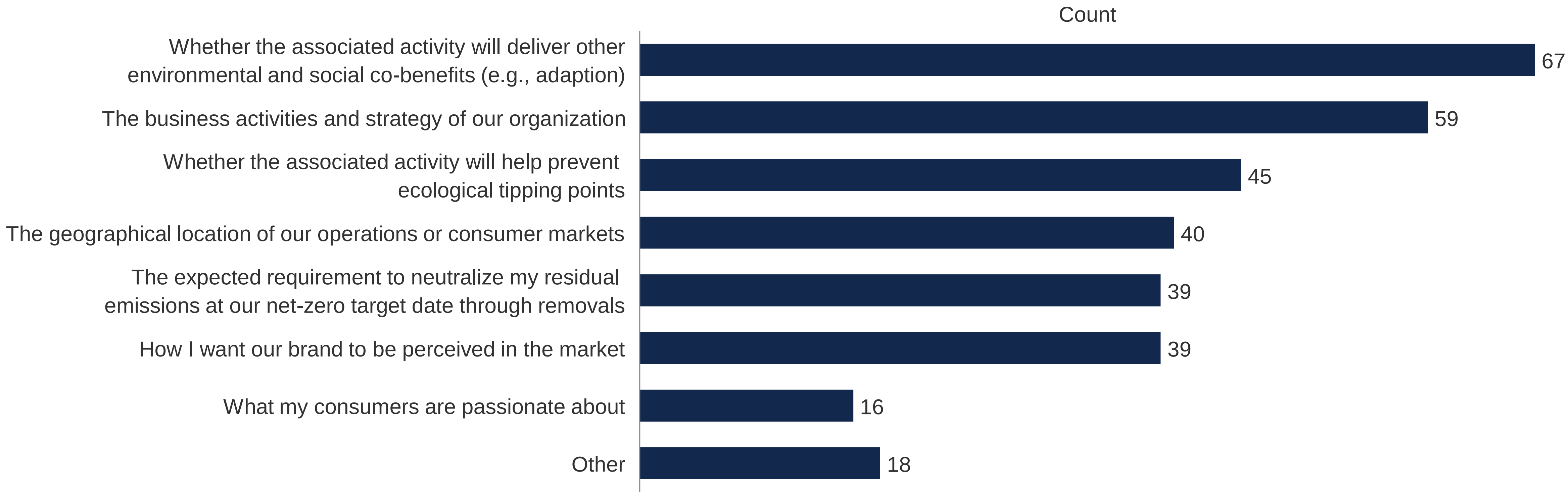
- Removal
- Avoidance and reduction (including jurisdictional REDD+)
- Credits for protecting the carbon sink function of intact forests with historically low rates of deforestation

Note this is not the volume of carbon credits purchased in each category, but the count of respondents stating that they purchase each category of credits.

Factors that companies consider when selecting which types of carbon credits to purchase and retire

The existence of environmental and social co-benefits was the most frequently identified factor in determining which carbon credits companies purchase and retire, followed by the business activity and strategy of the organization.

The factors respondent companies consider when selecting which types of carbon credits to buy

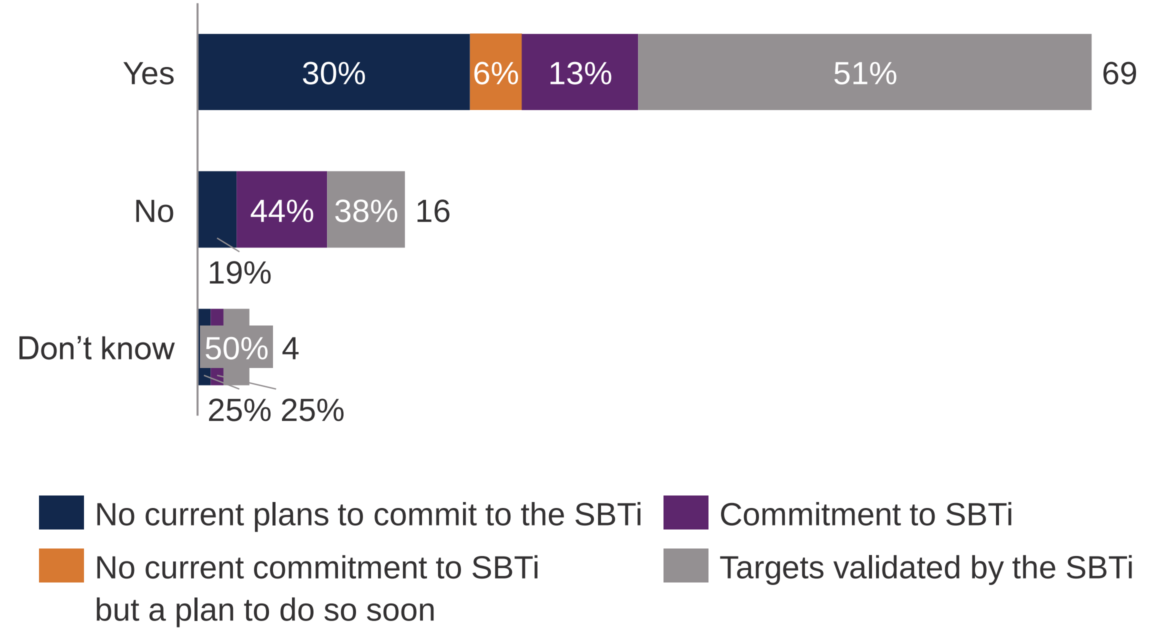


N= 88

Quality dimensions that impact which types of carbon credits companies purchase

78% of respondent companies purchasing credits reported that they internally assess the quality of those credits.

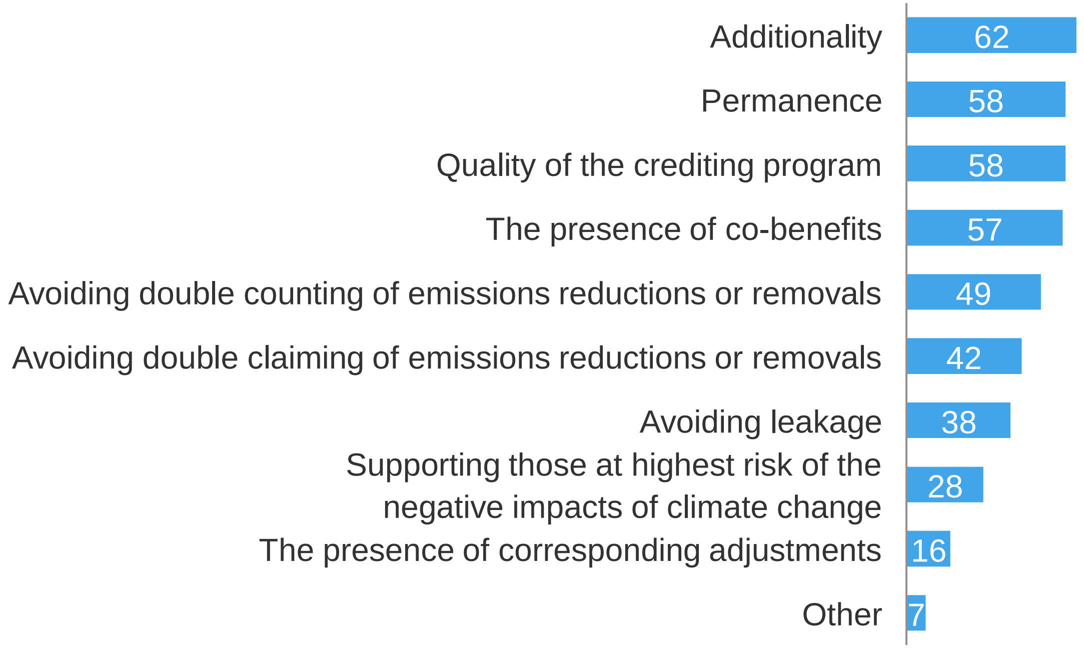
Whether or not the respondent companies internally assess the quality of carbon credits purchased



N= 89

Additionality, permanence, the quality of the crediting program and the presence of co-benefits were the most common quality dimensions internally assessed by companies.

Quality dimensions assessed by respondent companies

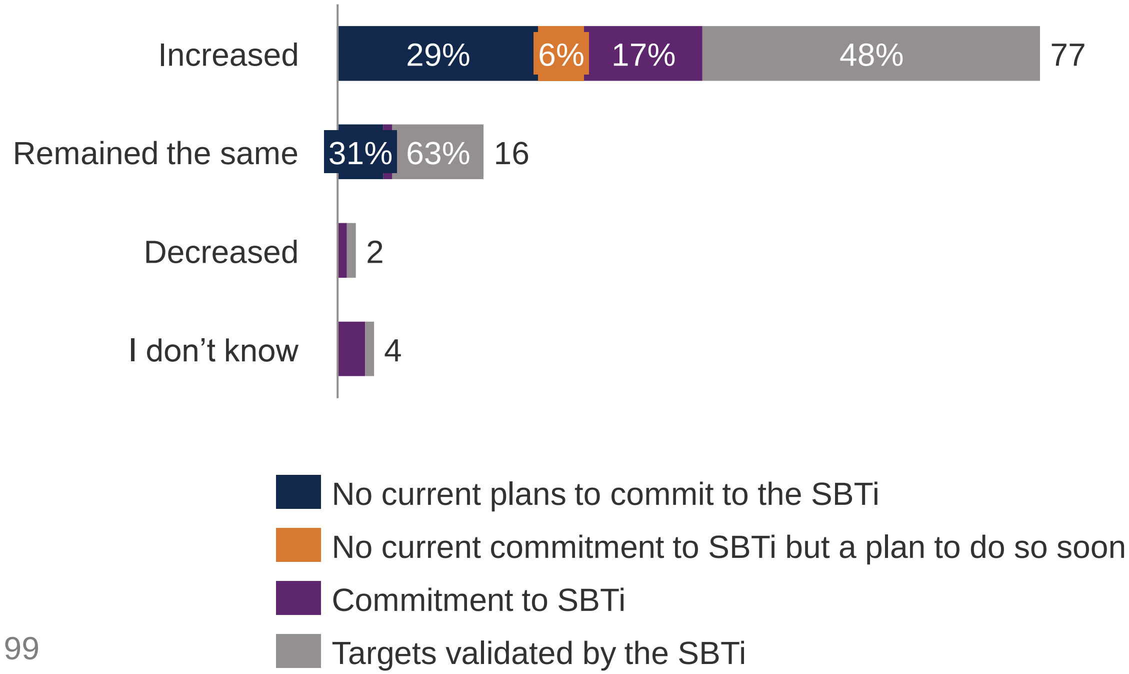


N= 65 but respondents were able to select multiple options

Change in carbon credit purchase and retirement

78% of respondent companies that purchase and retire carbon credits reported an increase in carbon credit purchase and retirement in the last 5 years. 65% of those companies had a commitment to the SBTi or validated targets.

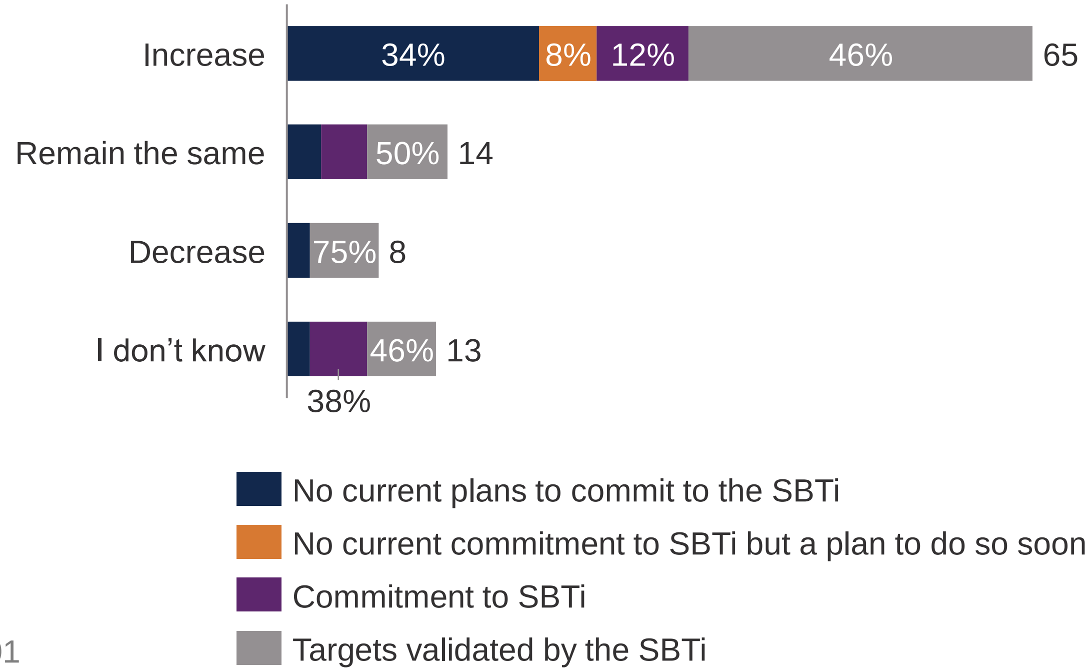
Reported change in carbon credit purchase and retirement over the last 5 years



N= 99

65% of respondent companies that purchase and retire carbon credits expect to increase the purchase and retirement of carbon credits in the next 5 years, 66% of which had a commitment to the SBTi or validated targets.

Expected change in carbon credit purchase and retirement in the next 5 years

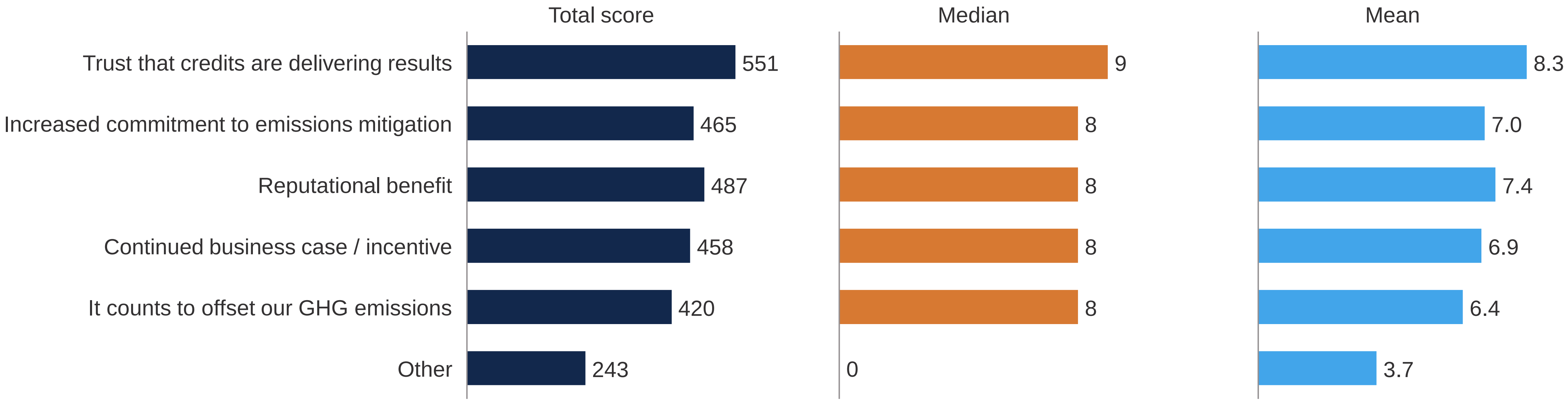


N= 101

Reasons for increasing carbon credit purchase and retirement

The most important reason for increasing credit purchase and retirement is trust that credits are delivering results.

*Scored importance of reasons for **increasing** credit purchase and retirement (10 being high)*



N= 66

Reasons for decreasing carbon credit purchase and retirement

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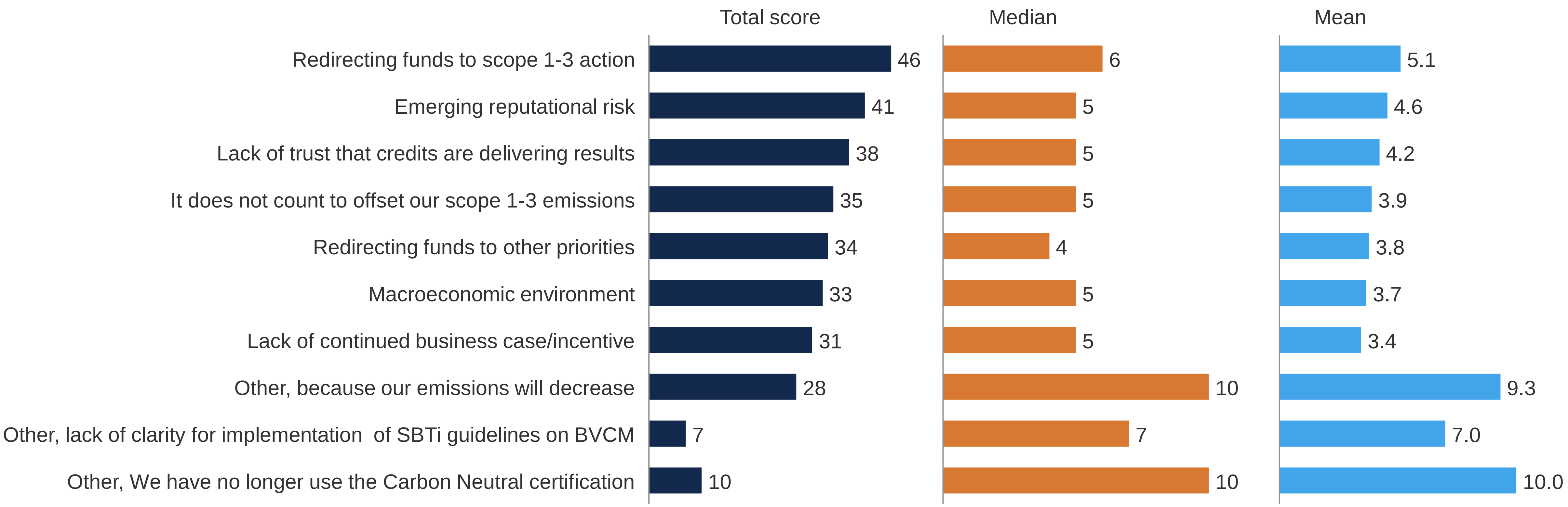
The most important reason for decreasing credit purchase and retirement is a redirection of funds to scope 1-3 action.

*Scored importance of reasons for **decreasing** credit purchase and retirement (10 being high)*



N= 9

Motivations and barriers for purchasing and retiring carbon credits

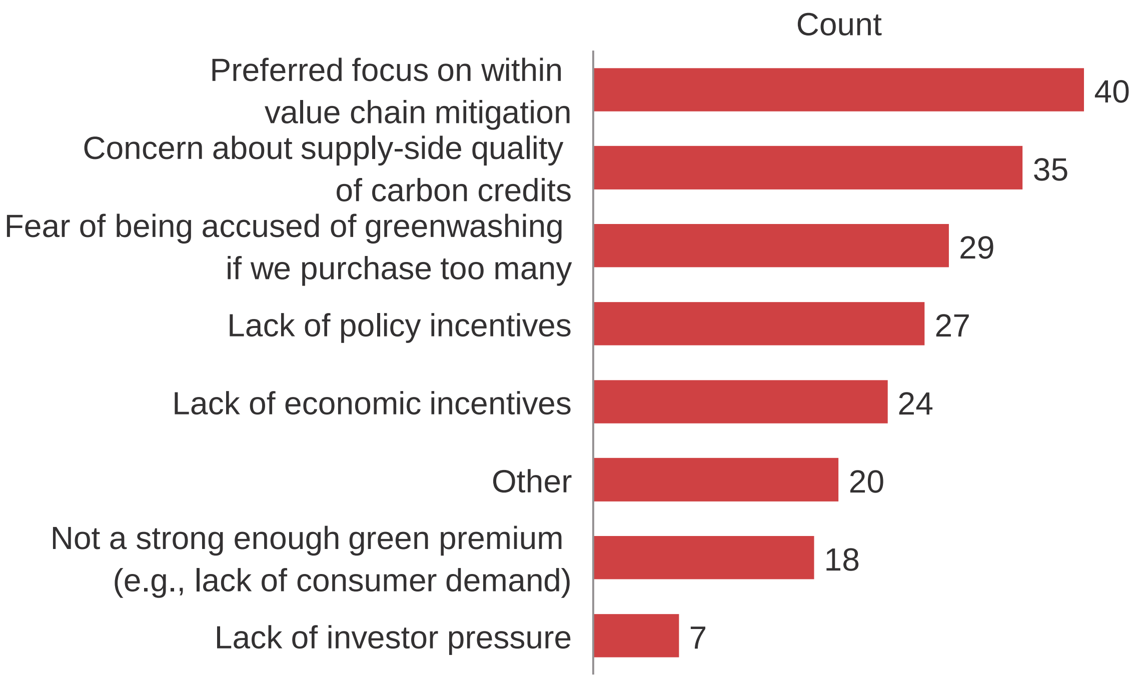
Companies highlight the need to reach net-zero globally as a motivation for purchasing carbon credits, and they want to be seen as climate leaders.

Motivation for purchasing carbon credits

N= 91

Companies identify a number of barriers to spending more on carbon credits, notably the preferred focus on within value chain mitigation and concern about the quality of credits.

Barriers to spending more on carbon credits



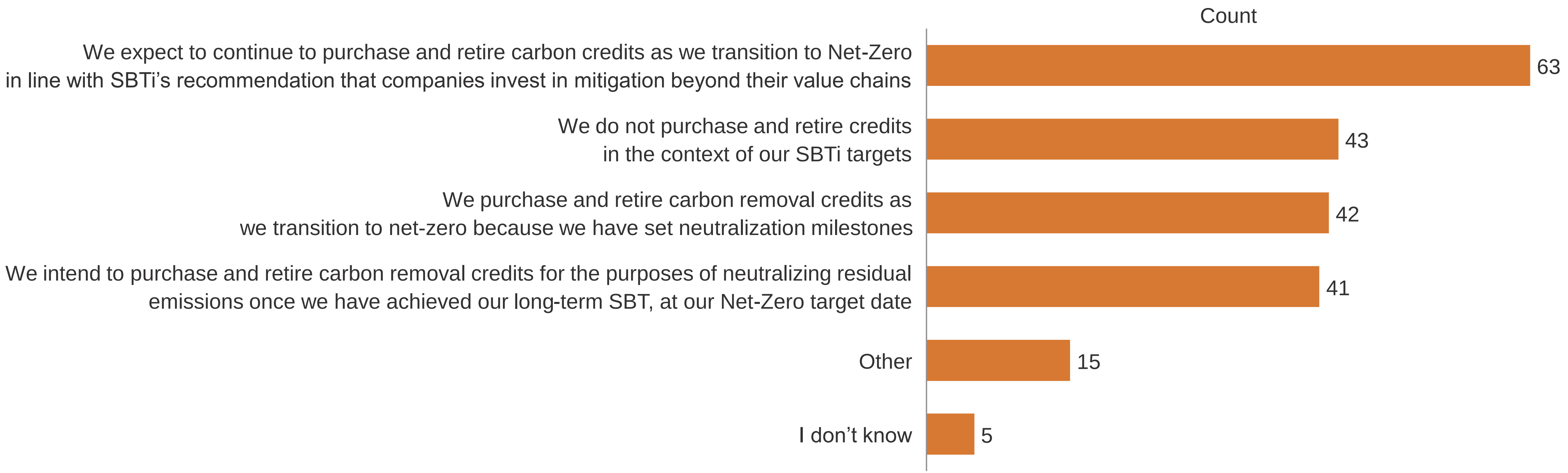
N= 83

How companies currently utilize or plan to utilize carbon credits in the context of their SBTi targets

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Beyond value chain mitigation was the most commonly cited purpose for the purchase and retirement of carbon credits.

The purpose for the purchase and retirement of carbon credits in the context of SBTi targets

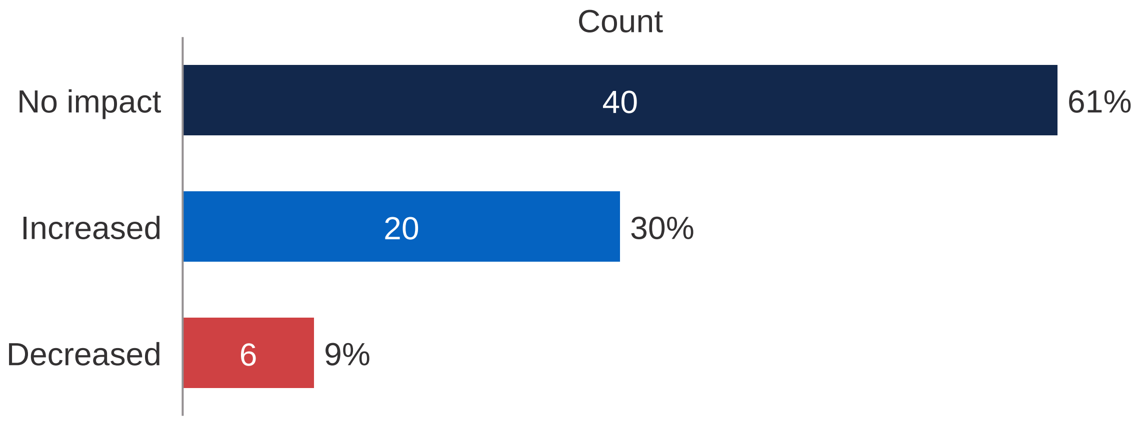


N= 124 but respondents were able to select multiple options

How the company's commitment to the SBTi influences the purchase and retirement of carbon credits

Most companies say that their commitment to the SBTi has either had no impact (61%) or has increased (30%) their purchasing and retirement of carbon credits. Only 9% of companies say that it has decreased their purchasing and retirement of credits.

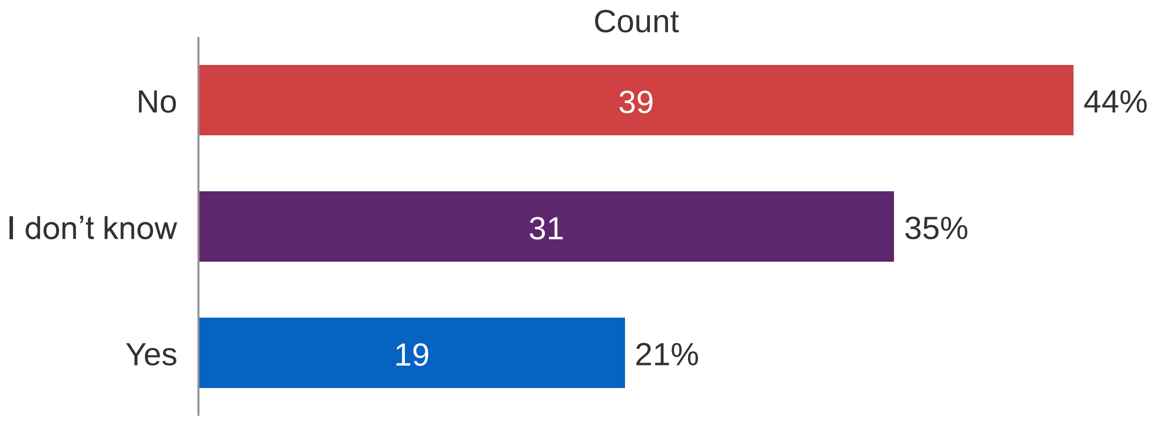
How the organizations commitment to the SBTi was reported to influences the purchase and retirement of carbon credits



N= 66

Most companies feel that existing or anticipated market schemes do not provide sufficient clarity or incentives to influence behavior. Note, this survey was conducted prior to latest guidance from VCMI and ICVCM.

Whether or not existing or anticipated market schemes provide sufficient clarity and/or incentives to influence behavior regarding the purchase of carbon credits

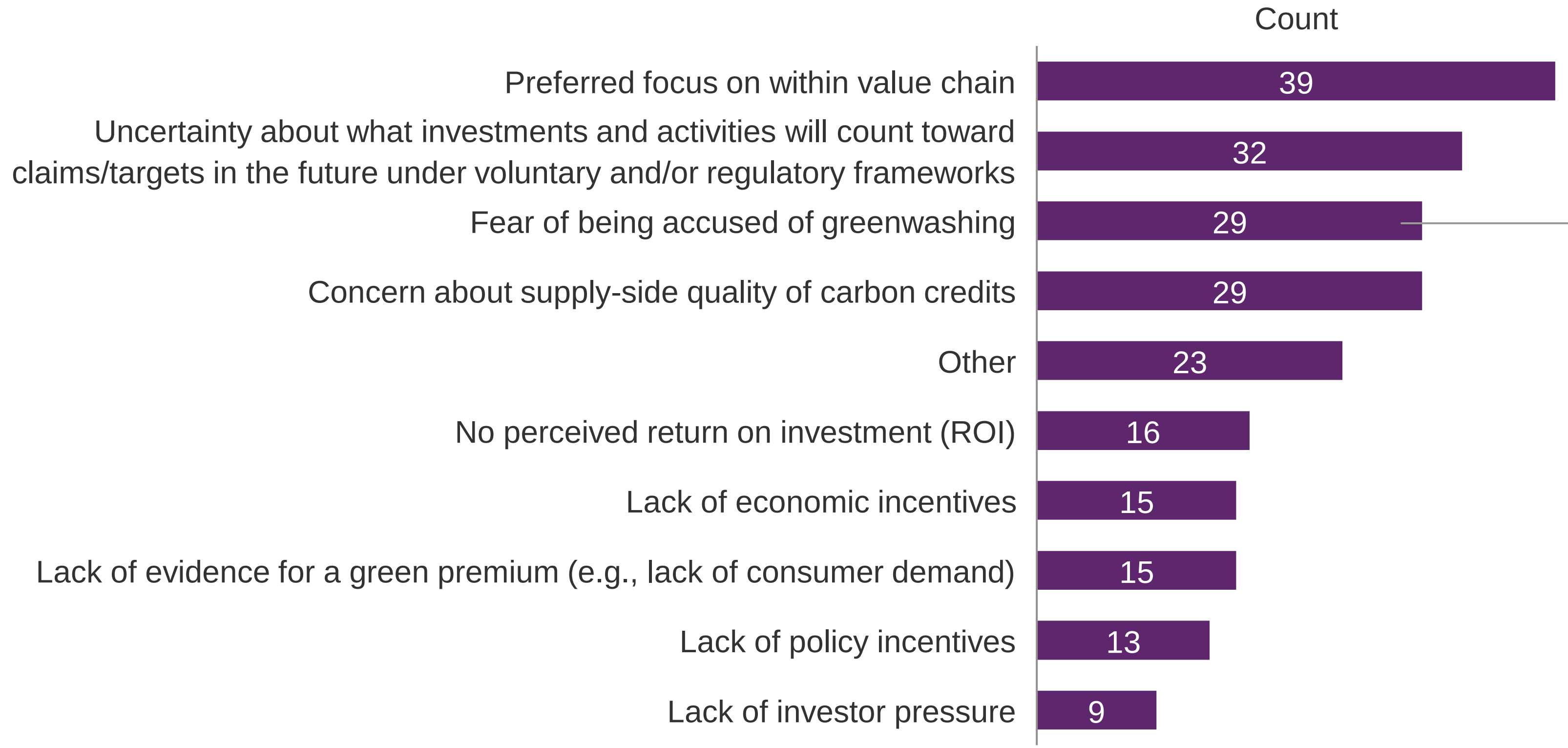


N= 89

Rationale for not purchasing or retiring credits

The companies not purchasing and retiring credits cite their preferred focus on within value chain abatement as the top reason for not purchasing carbon credits, followed by uncertainty about what will count towards claims and targets in the future.

Respondent companies' reported rationale for not purchasing and retiring carbon credits



Example quotes from interviews

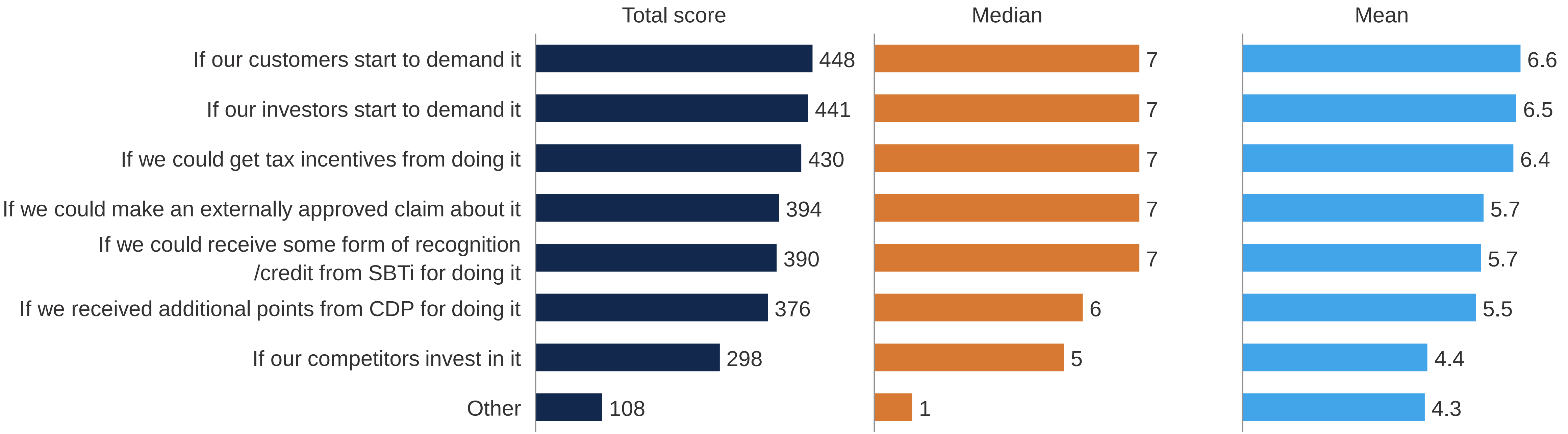
- "There is a strong anti-carbon markets sentiment that will clobber us no matter what we do.“
- "It almost seems like a company looks better by doing less and not engaging with carbon markets at all."

N= 71 but respondents were able to select multiple options

Factors which might incentivize companies that do not purchase and retire credits to start doing so

Companies not currently purchasing carbon credits indicate that they would do so if their customers and investors demand it and if they could receive a tax incentive for doing so. Claims and recognition were also cited as important.

Scored importance of different factors which might incentivize the purchase and retirement of carbon credits (10 being high)

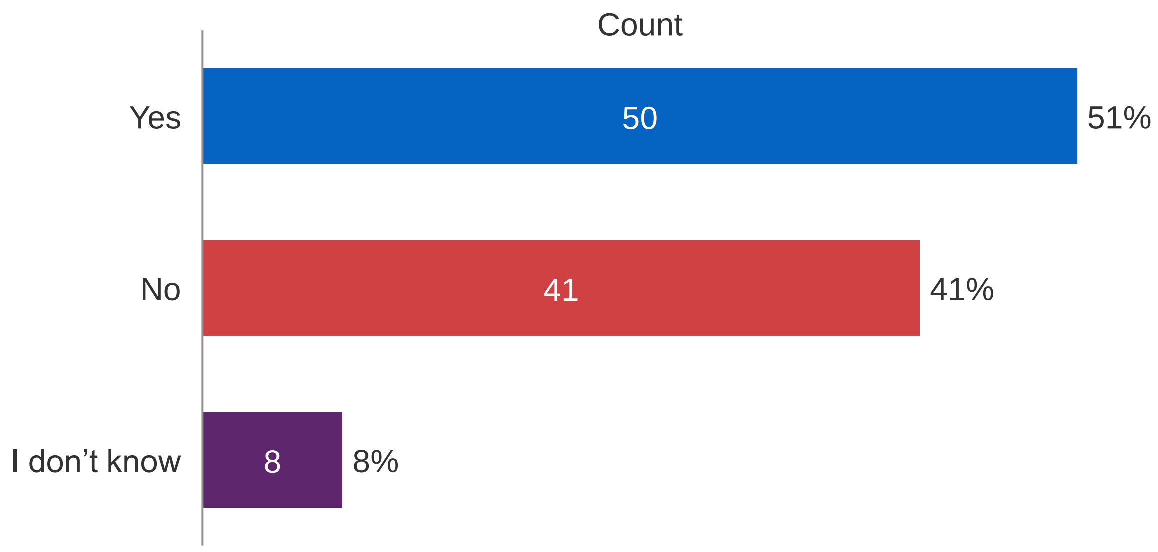


N= 69

Whether companies purchasing and retiring carbon credits make claims, and how claims impact brand value

51% of respondent companies make claims related to the use of carbon credits.

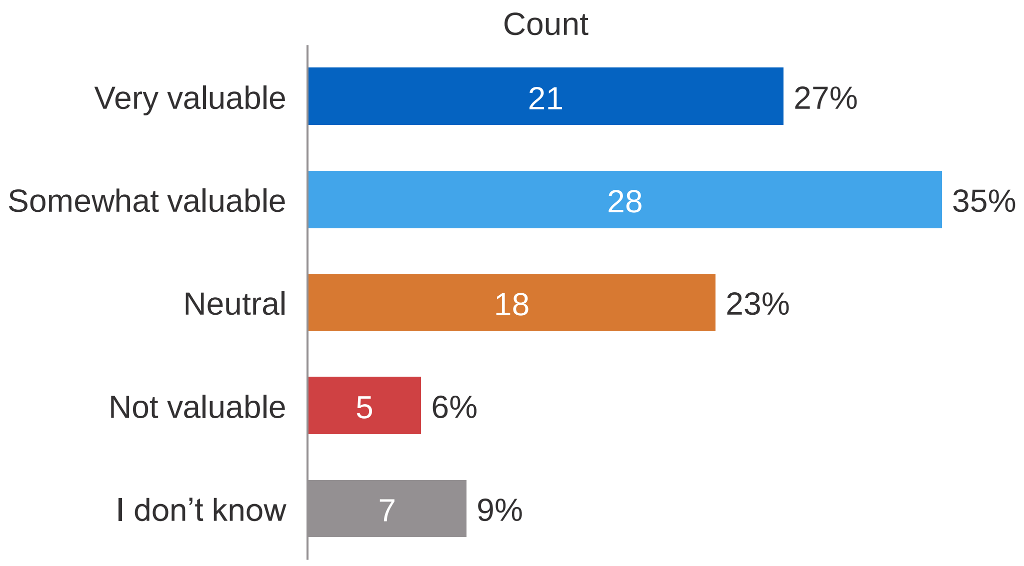
Whether or not the respondent company makes claims related to purchase and retirement of carbon credits



N= 99

The majority of companies (62%) stated that these claims are valuable to their brand.

How valuable claims are for respondent companies’ brands



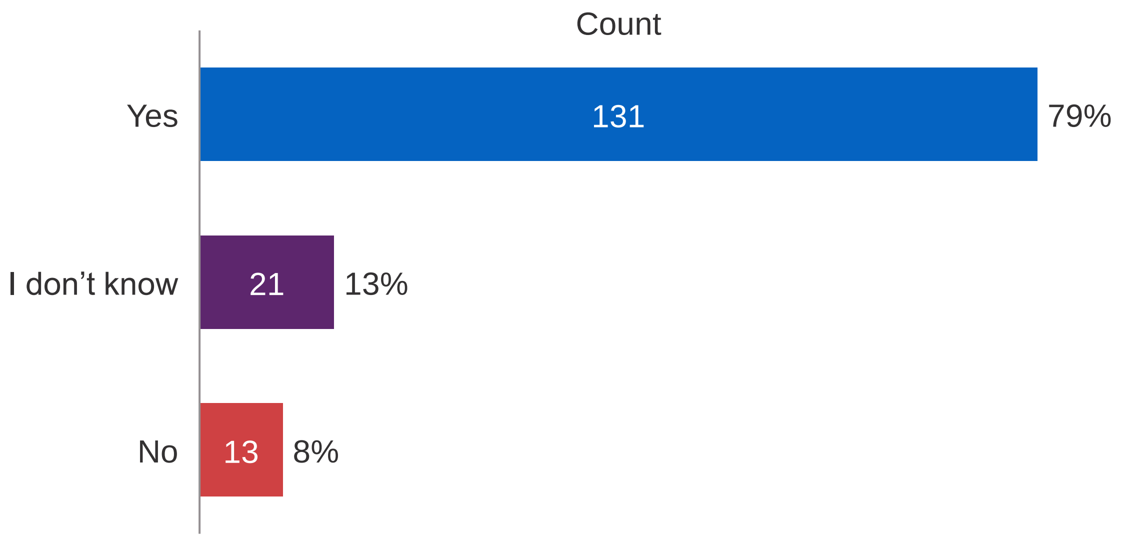
N= 79

The role of claims in incentivizing purchase and retirement of carbon credits

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

79% of respondent companies see a need for externally validated claims to incentivize the purchasing and retirement of carbon credits.

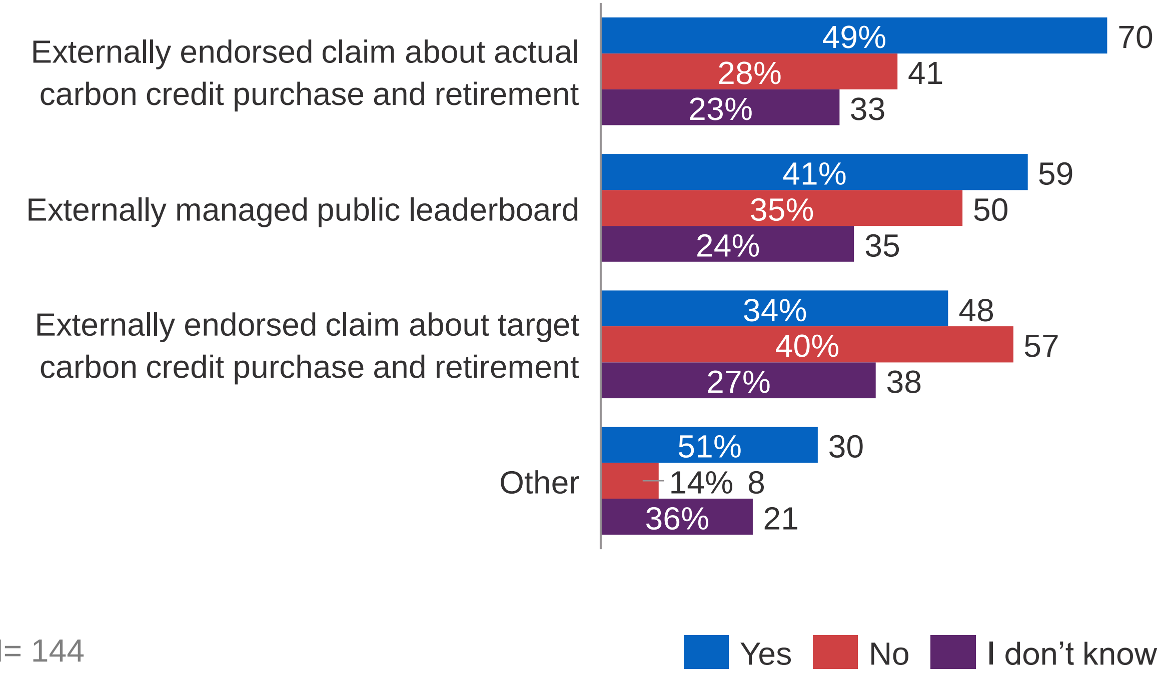
Whether or not companies perceive a need for an externally validated claim to incentivize the purchasing and retirement of carbon credits



N= 165

For companies purchasing and not purchasing credits, externally endorsed claims about actual carbon credit purchase and retirement, as well as externally managed public leaderboards were seen as valuable incentives.

Types of incentives and whether they would incentivize carbon credit purchase and retirement (count)



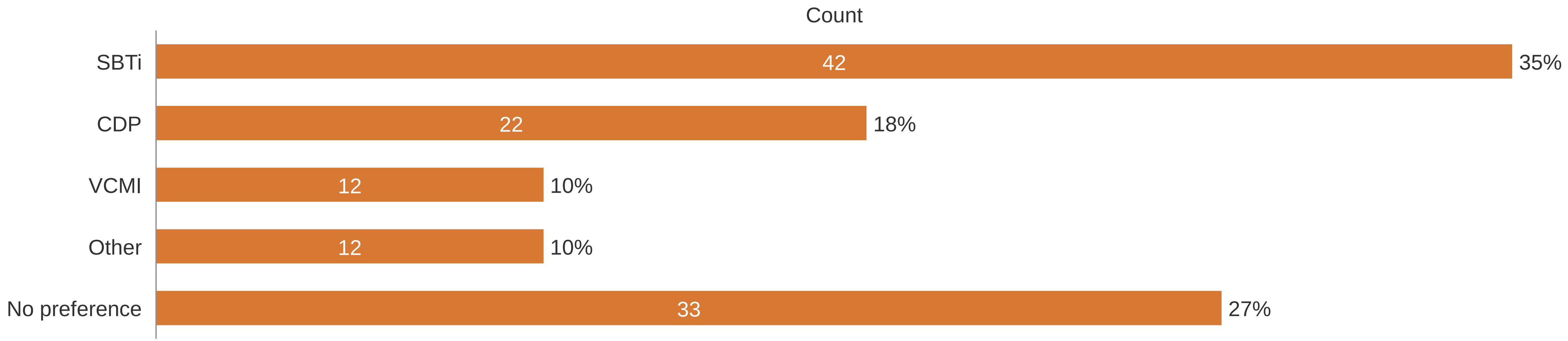
N= 144

The role of the SBTi and others in managing claims and incentivizing purchase and retirement of credits

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Companies had a preference for SBTi taking responsibility for managing claims related to carbon credits, but a lot of companies also stated that they didn't have a preference.

Preference for which organization/body takes responsibility for managing potential claims for investment in carbon credits (note this survey was conducted before the release of the VCMI Claims Code of Practice)



N= 120. Note this was an open text question and some respondents specified multiple options. Those reporting "other" referred to Gold Standard, Verra, governments.

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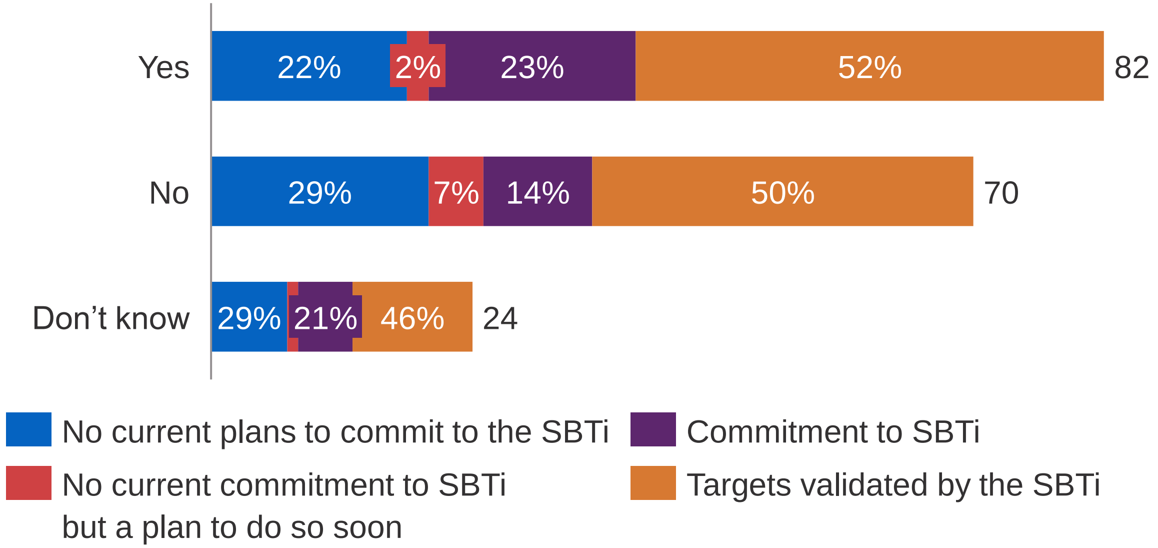
3. **Financing mitigation beyond the value chain through mechanisms other than carbon credits**

Disclaimer

Financing BVCM through mechanisms other than carbon credit purchase and retirement

47% of respondent companies reported that they are financing mitigation beyond the value chain through mechanisms other than carbon credit purchase and retirement.

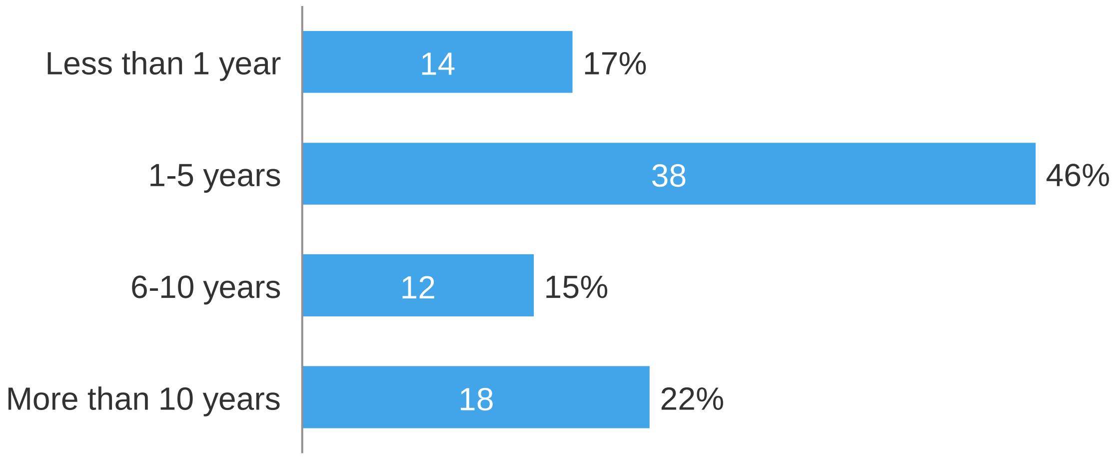
Number of respondent companies financing mitigation beyond the value chain through mechanisms other than carbon credit purchase and retirement



N= 176

The majority of respondent companies that are providing non-credit based BVCM finance (46%) have been doing so for between 1 and 5 years.

Length of time that respondent companies have financed mitigation beyond the value chain through mechanisms other than carbon credit purchase and retirement

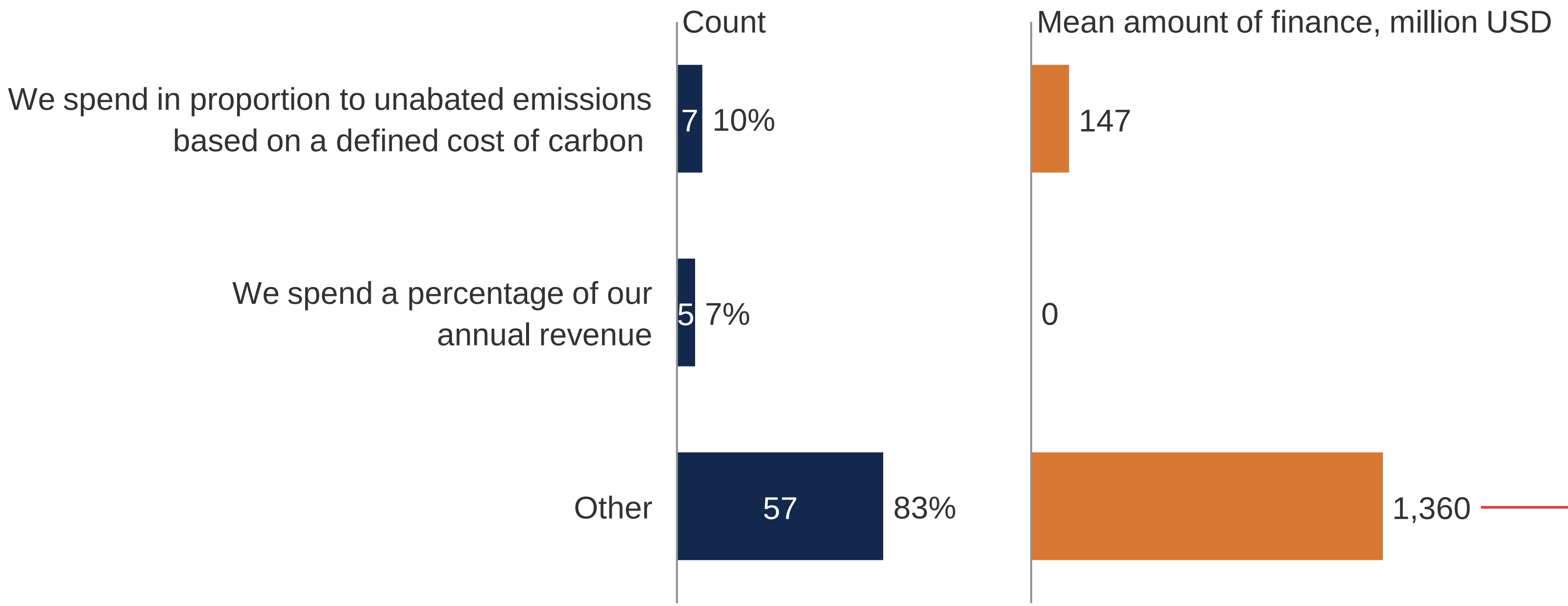


N= 82

Budgeting and pricing mechanisms for determining non-credit based BVCM financing

There is no clear consistent way in which companies determine budget for financing BVCM through mechanisms other than carbon credits.

How respondent companies determine annual spend non-credit based BVCM financing



N= 67

Examples of "Other":

"These investments are part of an overall investments strategy where we define the amounts invested with an asset allocation plan aiming to be achieving several goals: returns, diversification, sustainability, in line with a defined risk appetite."

"Based off budget approved which each year can vary."

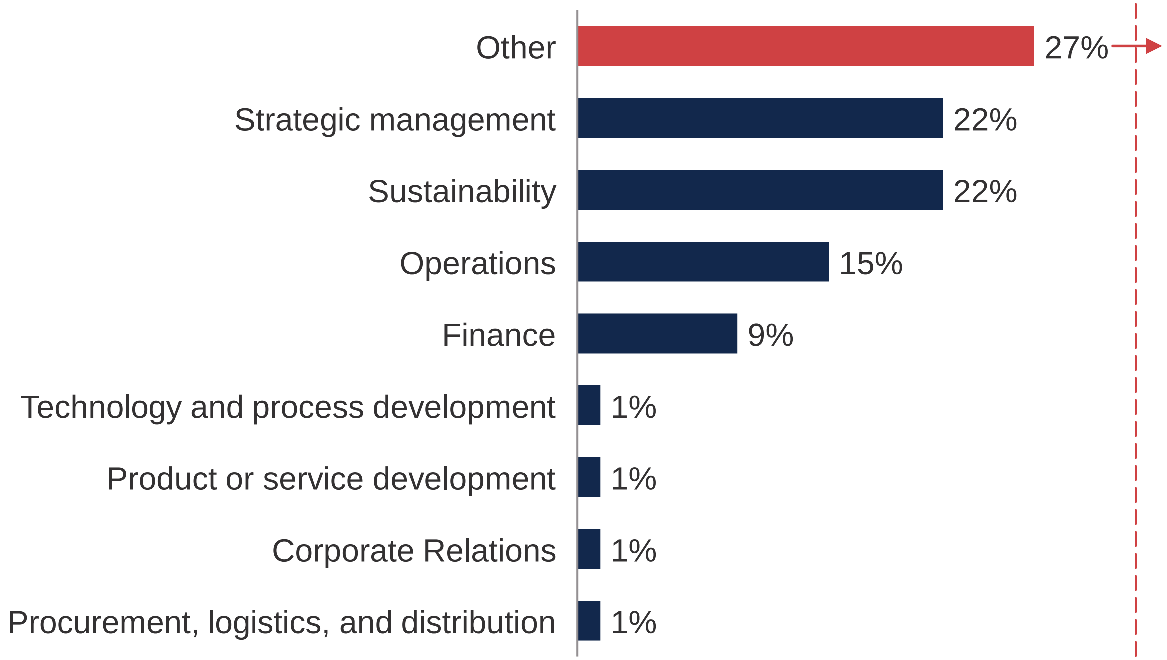
"Some of these activities are closely related to our business strategy, so we finance via corporate budgeting."

Decision-making with regards to the budget for non-credit based BVCM financing

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Investment teams, strategic management teams and sustainability teams are cited as having responsibility for non-credit based BVCM budgets, and many companies report that it sits across multiple business units.

Business units responsible for the budget for non-credit based BVCM financing



N= 74

Examples of "Other":

"Low carbon technology business unit."

"Investment and lending arms."

"There is not a single business unit responsible for these investments. The budget used for investments is based on the type of project implemented."

"We have various business units, project teams, innovation teams etc. that are responsible for different aspects of these projects."

"Public policy."

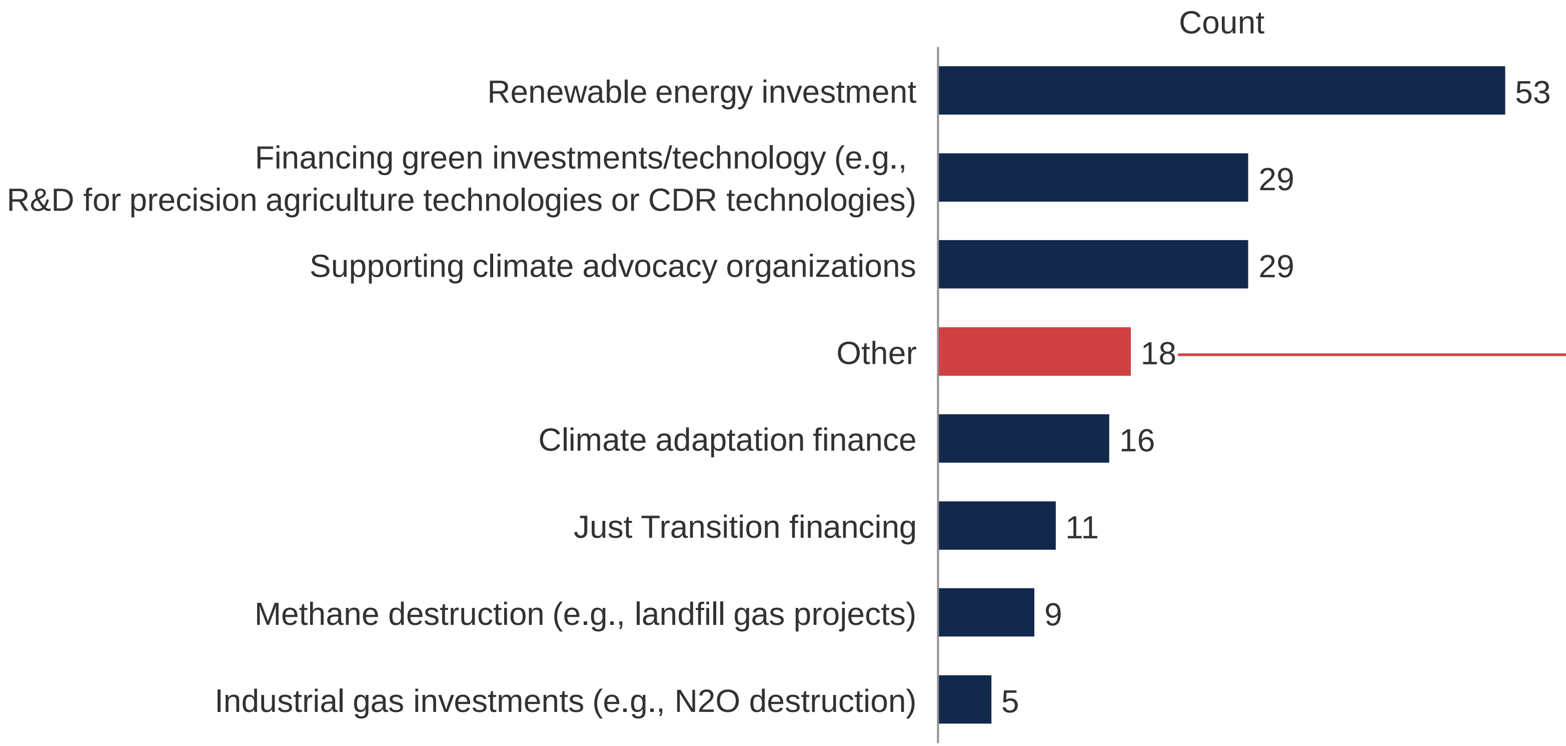
"Combination of business units."

"Facilities management"

The types of non-credit based BVCM financing activities

Renewable energy investment was the most commonly reported beyond value chain mitigation financing activity, followed by financing green investments and tech and supporting climate advocacy organizations.

Activities financed by respondent companies through non-credit based mechanisms beyond the value chain



Examples of "Other":

"Early-stage nature-based removal activities."

"We support organizations that complement our sustainability initiatives, such as academia and research."

"Batteries (utility scale)."

"Mangroves."

"Investing in regenerative agriculture beyond our value chain at landscape level."

N= 73 Note this is not the volume of finance but the count of respondents stating that they finance each activity

Factors and quality dimensions considered when selecting types of non-credit based BVCM financing activities

SCIENCE BASED TARGETS
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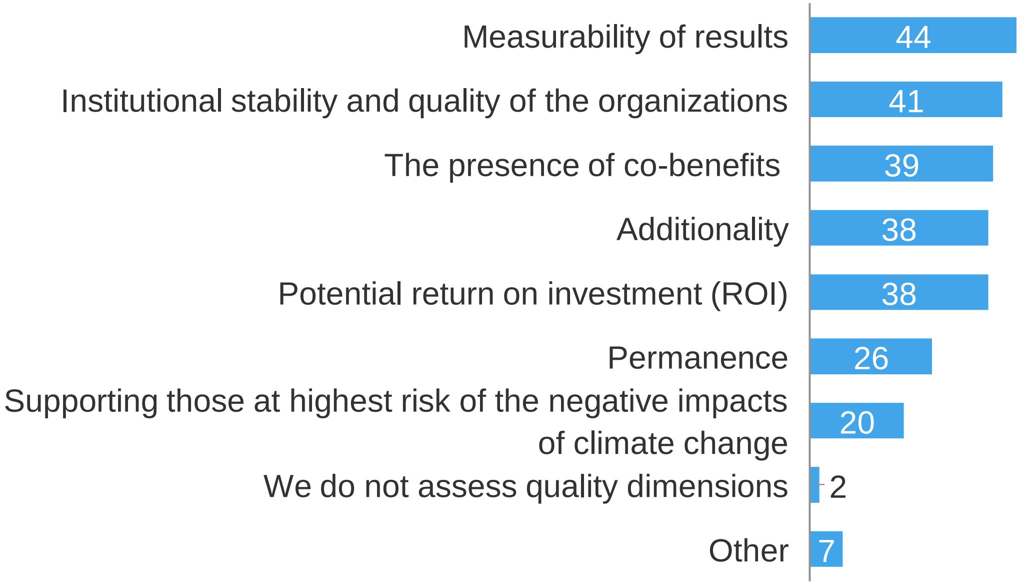
The business activity and strategy of the organization was the most frequently identified factor in determining the types of activities a company finances, followed by the existence of environmental and social co-benefits.

The factors respondent companies consider when selecting which types of activities to finance beyond the value chain

N= 170

Measurability of results, the institutional stability and quality of the organizations being financed, and the presence of co-benefits were the most common quality dimensions assessed by companies.

Quality dimensions assessed by respondent companies

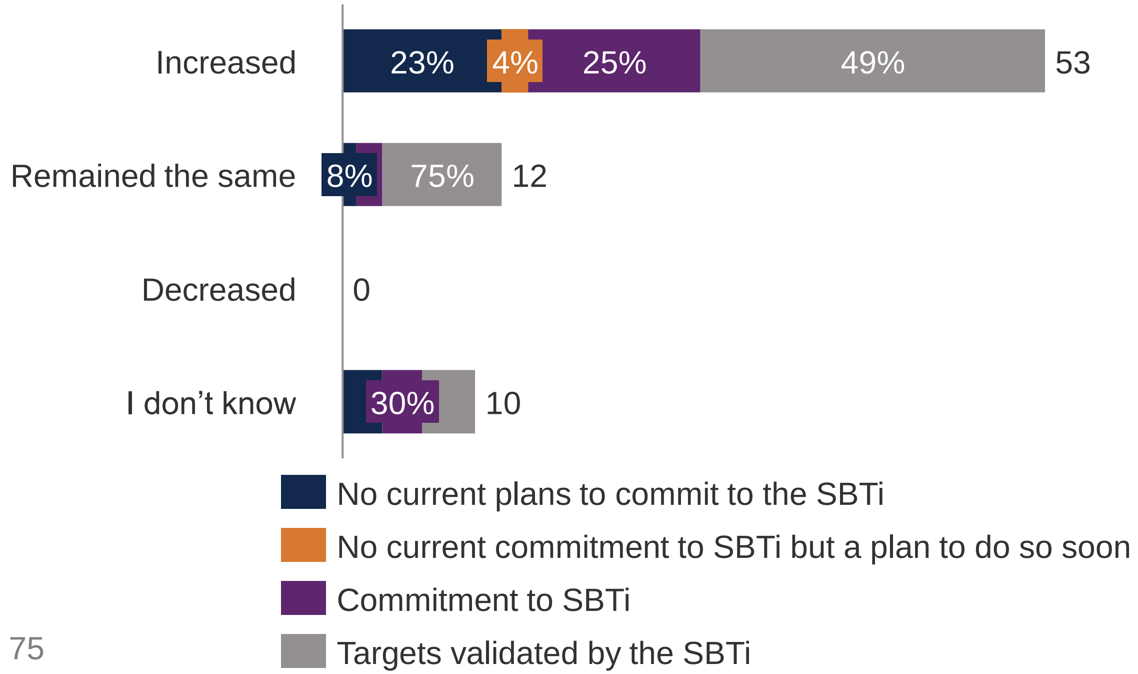


N=68 but respondents were able to select multiple options

Change in non-credit based BVCM financing over time

71% of respondent companies that finance BVCM through non-credit based mechanisms reported an increase in financing over the last 5 years. 74% of those companies have a commitment to the SBTi or validated targets.

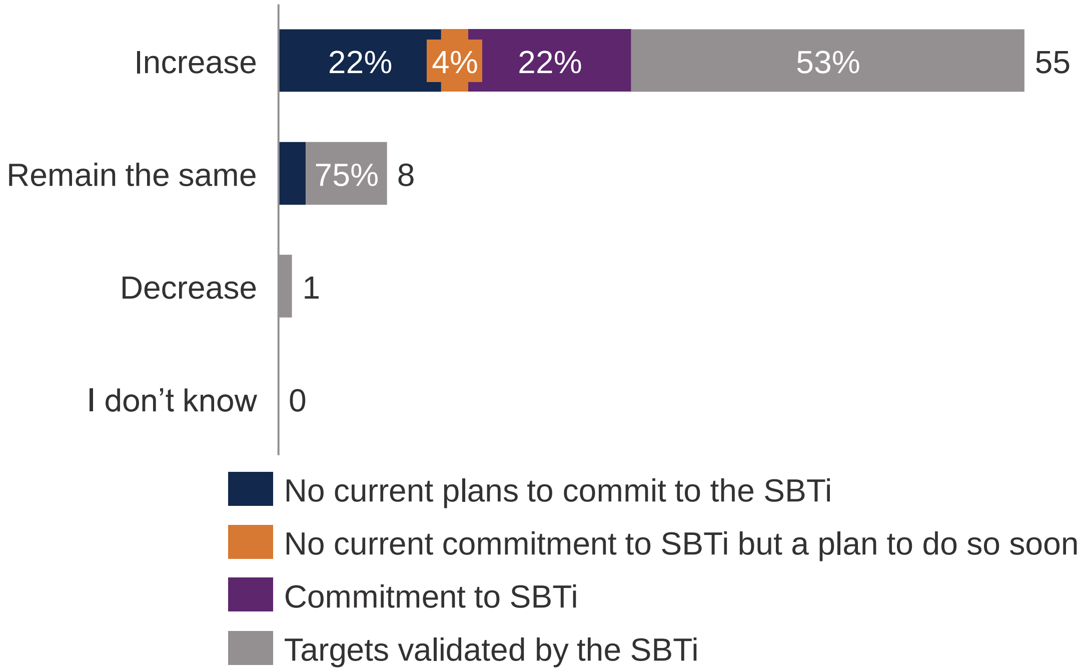
Reported change in non-credit based BVCM financing over the last 5 years



N= 75

86% of respondent companies that finance BVCM through non-credit based mechanisms expect to increase financing over the next 5 years. 75% of those companies have a commitment to the SBTi or validated targets.

Expected change in non-credit based BVCM financing in the next 5 years

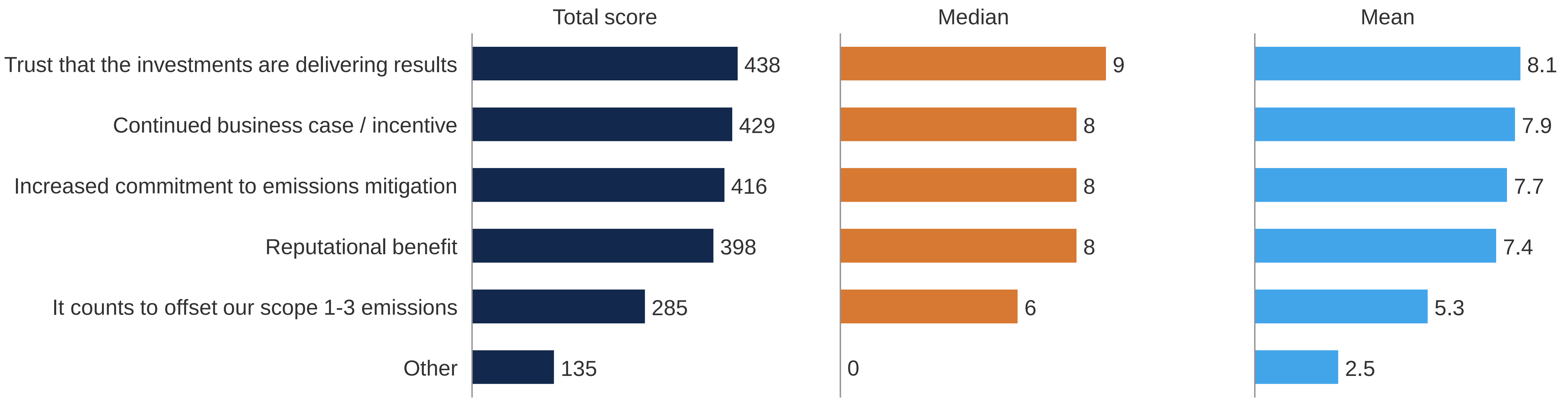


N= 64

Reasons for increasing non-credit based BVCM financing over time

The most important reason for increasing non-credit based BVCM financing is trust that investments are delivering results, followed by a continued business case and incentive.

*Scored importance of reasons for **increasing** non-credit based BVCM financing over time (10 being high)*

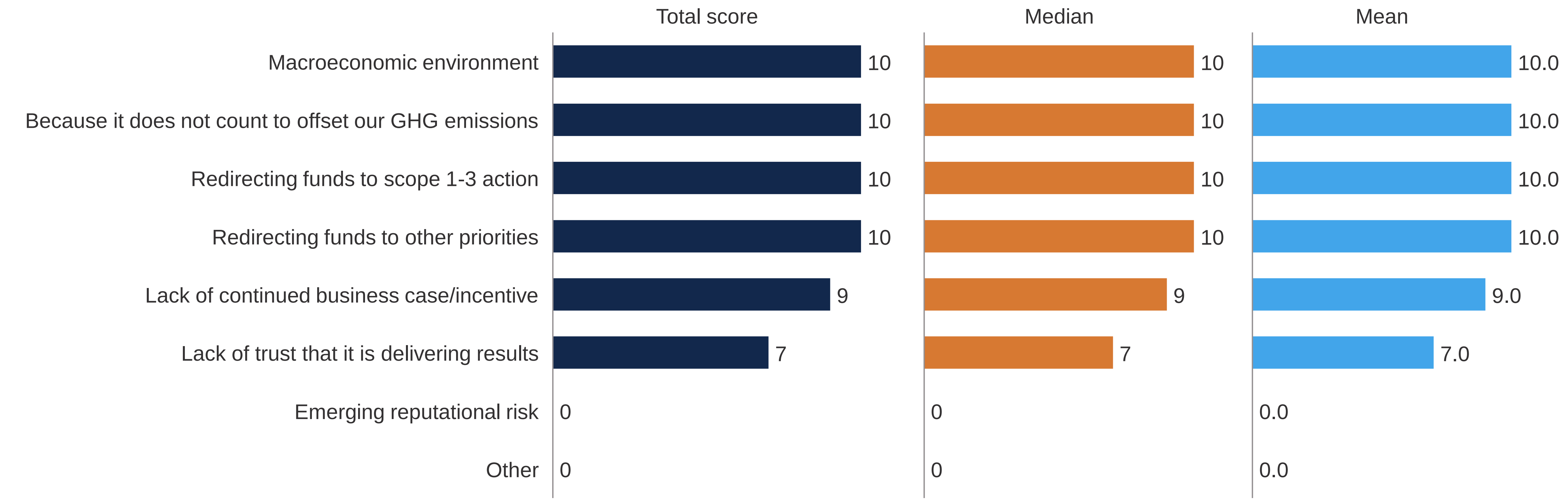


N= 54

Reasons for decreasing non-credit based BVCM financing over time

Only one respondent company reported decreasing non-credit based BVCM financing, and that company attributed this to several reasons including the macroeconomic environment, inability to use BVCM to offset value chain emissions, the need to redirect funds to scope 1-3 action and to other priorities and a lack of business case or incentive.

*Scored importance of reasons for **decreasing** non-credit based BVCM financing over time (10 being high)*

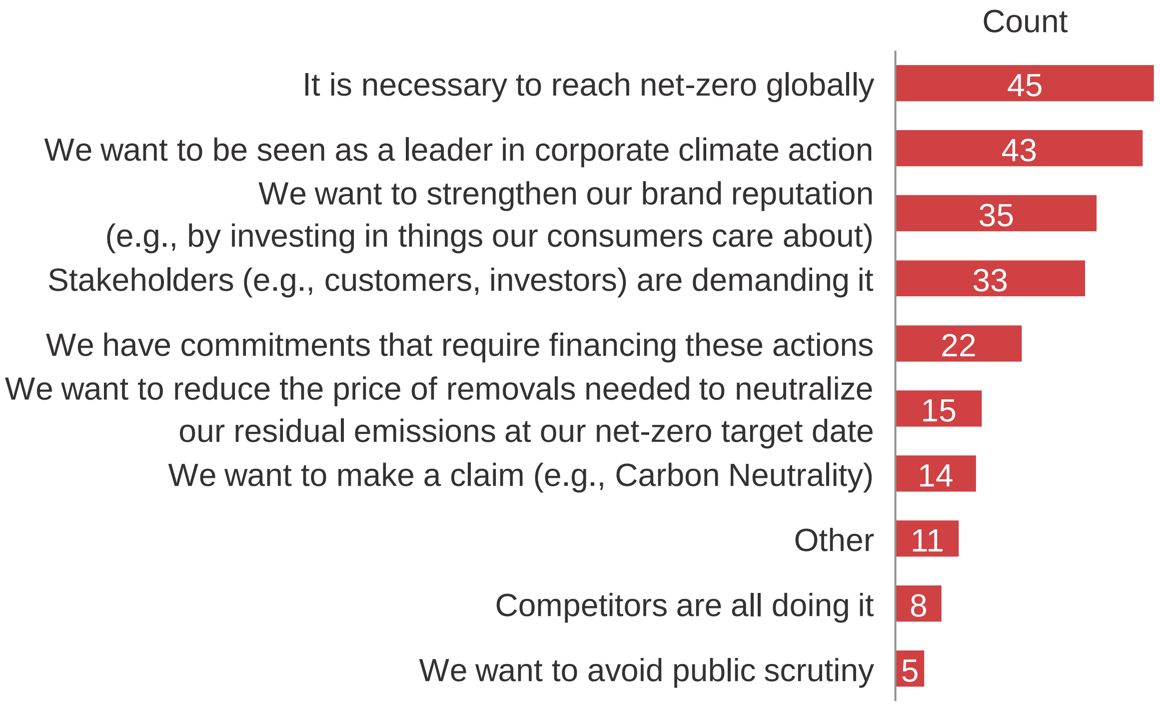


N= 1

Motivations and barriers for non-credit based BVCM financing

Companies are motivated to finance BVCM through non-credit based mechanisms as they believe it is necessary to reach net-zero globally and they want to be seen as climate leaders.

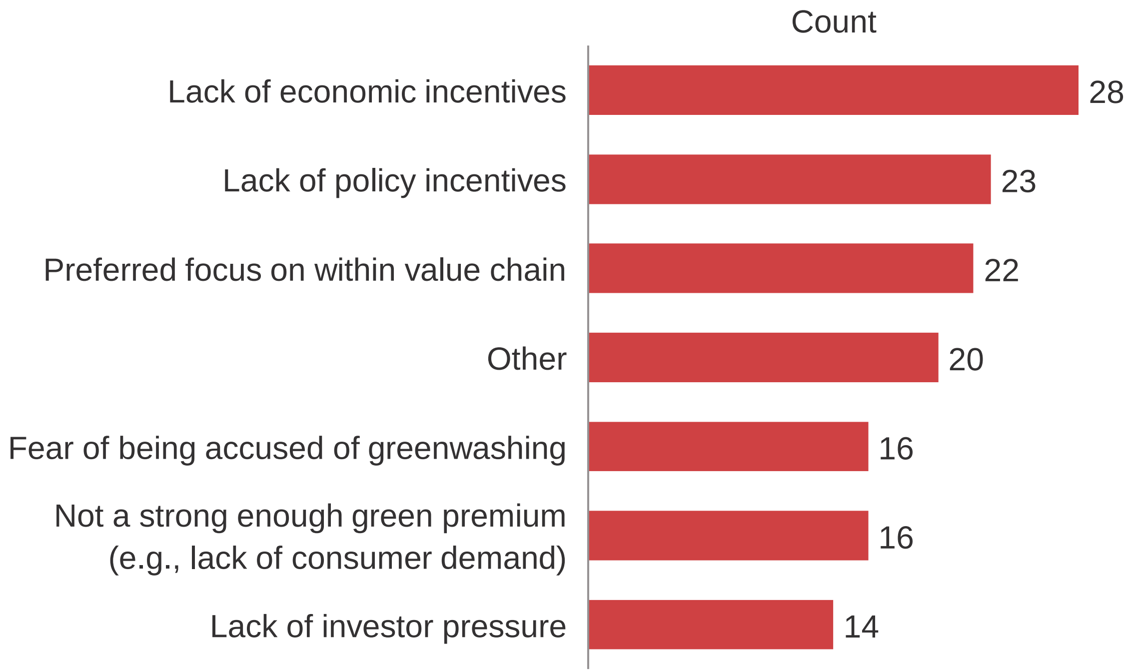
Motivation for non-credit based BVCM financing



N= 67

Companies identify a number of barriers to financing more BVCM through non-credit based mechanisms, notably the lack of economic incentives. Lack of policy incentives and preferred focus on value chain mitigation were also important.

Barriers to financing more non-credit based BVCM



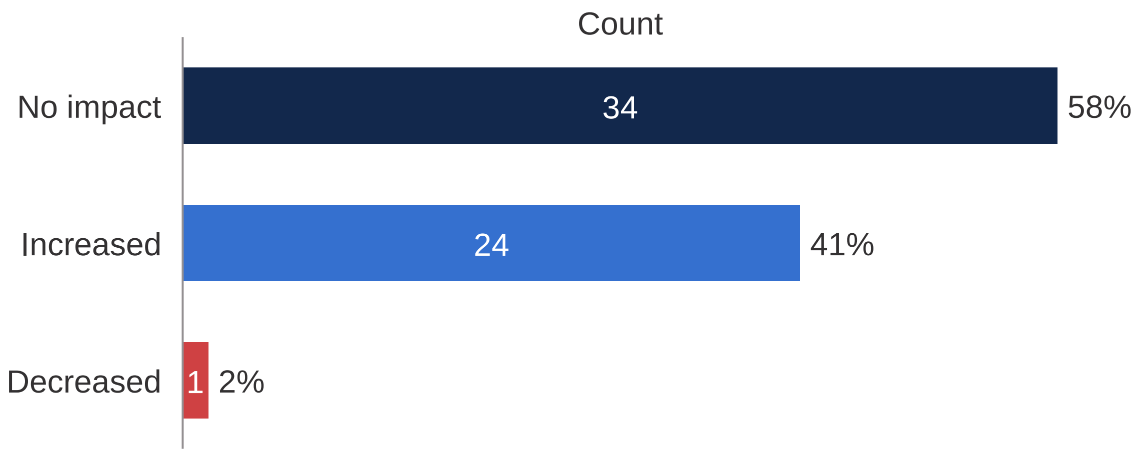
N= 57

How the organizations commitment to the SBTi influences non-credit based BVCM financing

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Most companies say that their commitment to the SBTi has either had no impact (58%) or has increased (41%) their financing of BVCM though non-credit based mechanisms. Only 1 company said that it had decreased their commitment.

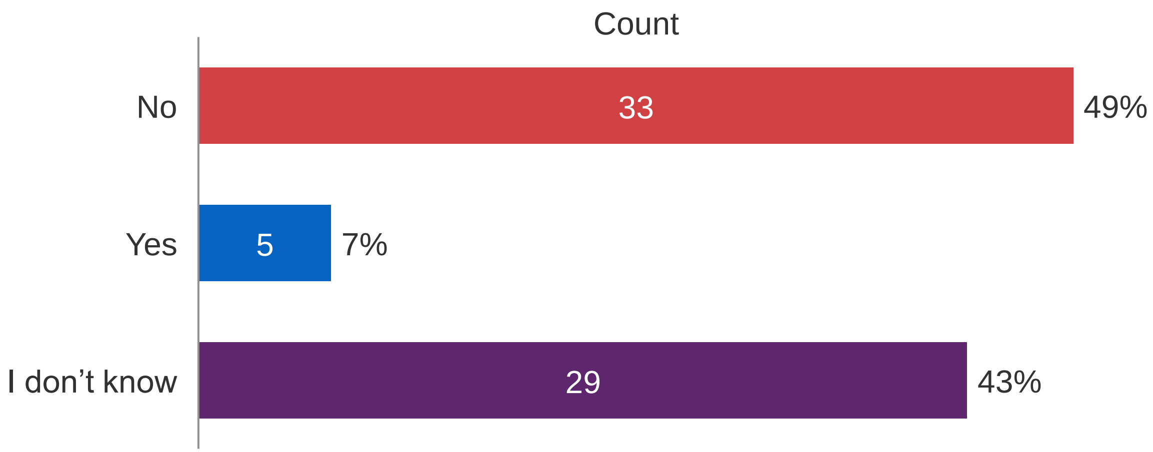
How the organizations commitment to the SBTi was reported to influence financing of non-credit based BVCM



N= 59

49% of companies feel that existing or anticipated market schemes do not provide sufficient clarity or incentives to influence behavior with regards to this sort of financing, while 43% companies are not sure.

Whether or not existing or anticipated market schemes provide sufficient clarity and/or incentives to influence behavior regarding financing of non-credit based BVCM



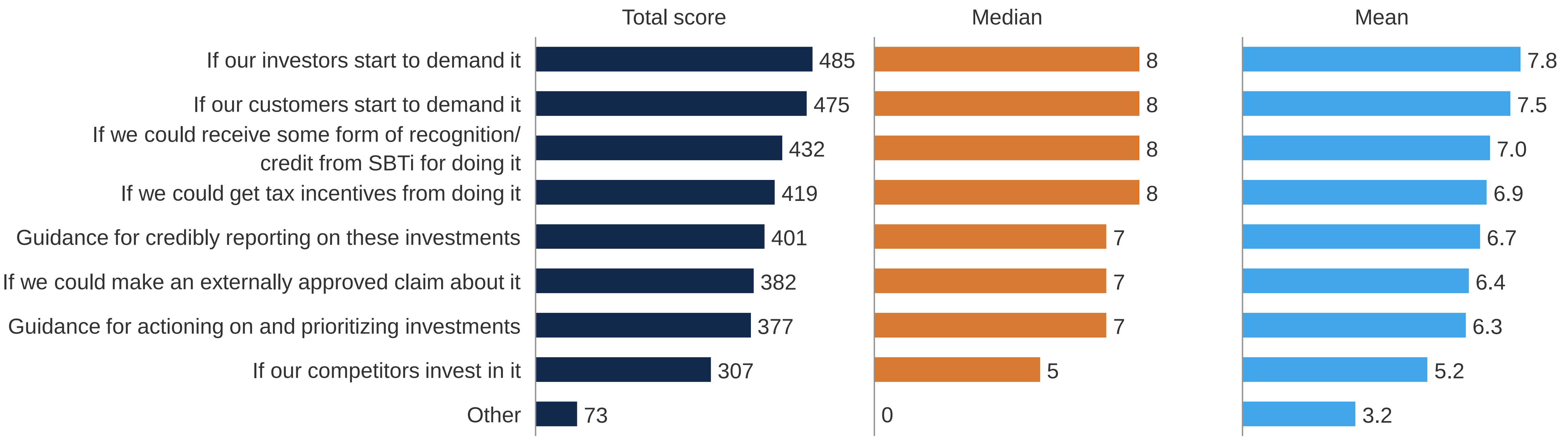
N= 67

Factors which might incentivize companies which do finance BVCM through non-credit based mechanisms to finance more

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Companies already financing BVCM through non-credit based mechanisms indicate that they would finance more if their investors and customers demand it, if they could receive some form of recognition or credit from SBTi for doing so, and if they could receive tax incentives for doing so.

Scored importance of different factors which might incentivize the financing BVCM through non-credit based mechanisms (10 being high)

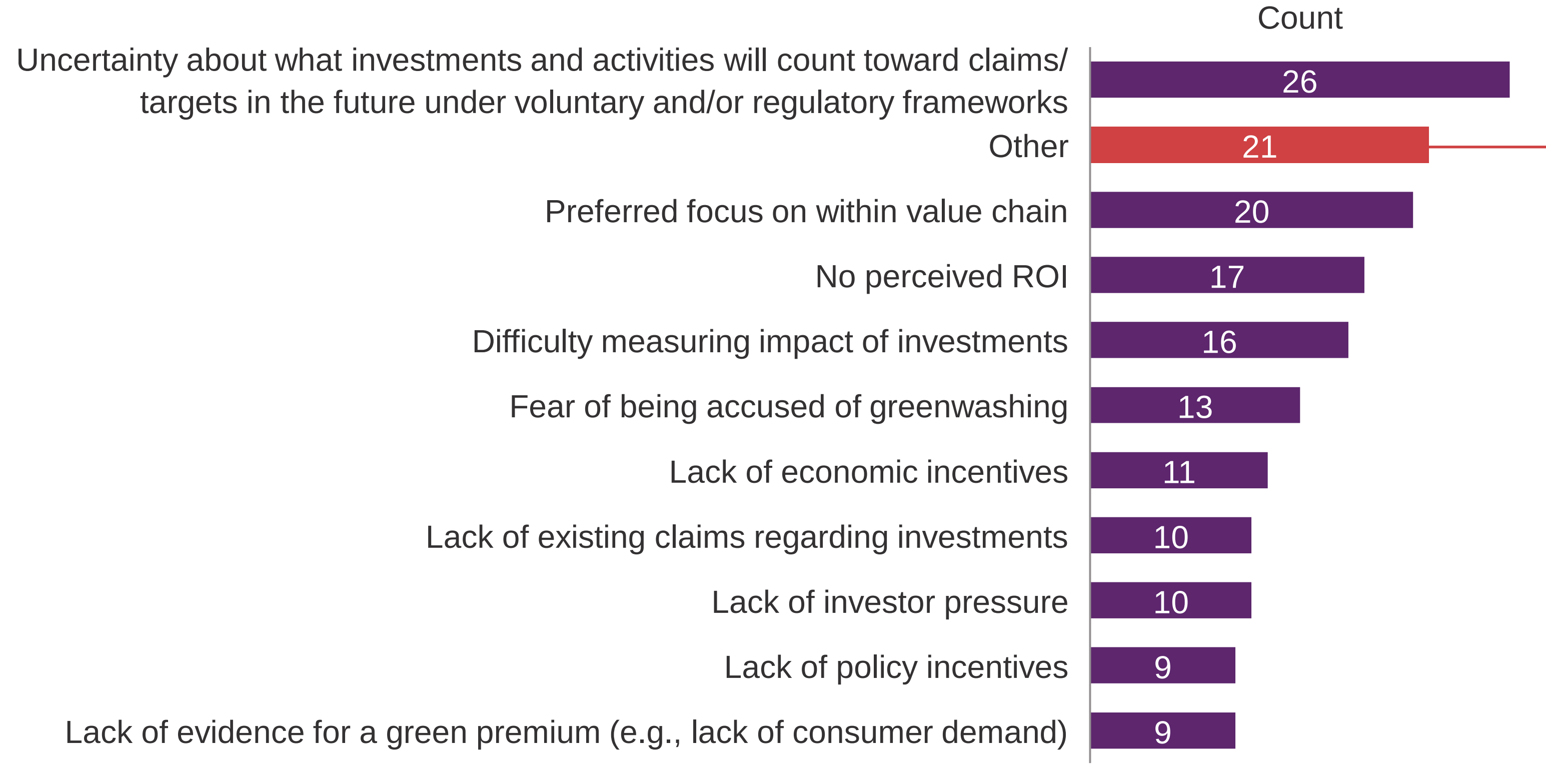


N= 206

Rationale for not providing non-credit based BVCM finance

The companies not financing BVCM through non-credit based mechanisms cite uncertainty about what will count towards claims and targets in the future as the main reason for not financing BVCM in this way.

Respondent companies' reported rationale for not financing of non-credit based BVCM



Examples of "Other":

"Not our business."

"We are financing adaptation instead."

"We don't currently but will in the future."

"In the end, the main reason is risk and uncertainty."

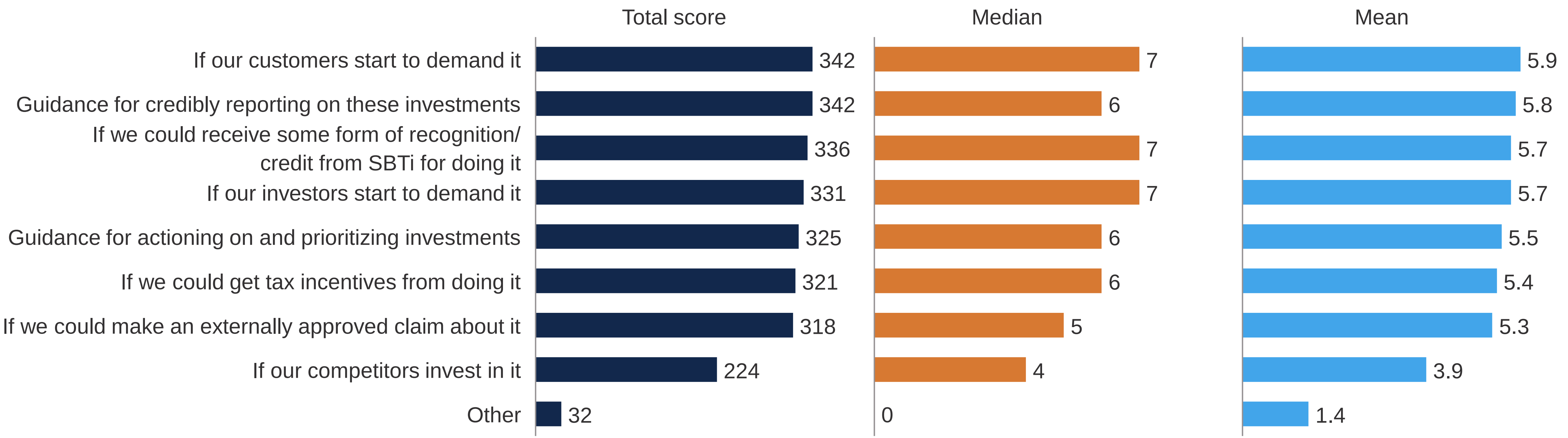
"As a small company with limited budget, we see potential to achieve greater impact through existing mechanisms (VCMs) than through developing direct investment."

N= 66 but respondents were able to select multiple options

Factors which might incentivize companies that do not finance BVCM through mechanisms other than carbon credits to do so

Companies not financing BVCM through non-credit based mechanisms indicate that they would do so if their customers demand it, if they had guidance on credibly reporting on investments and if they could receive some form of recognition or credit from SBTi for doing so.

Scored importance of different factors which might incentivize financing BVCM through non-credit based mechanisms (10 being high)

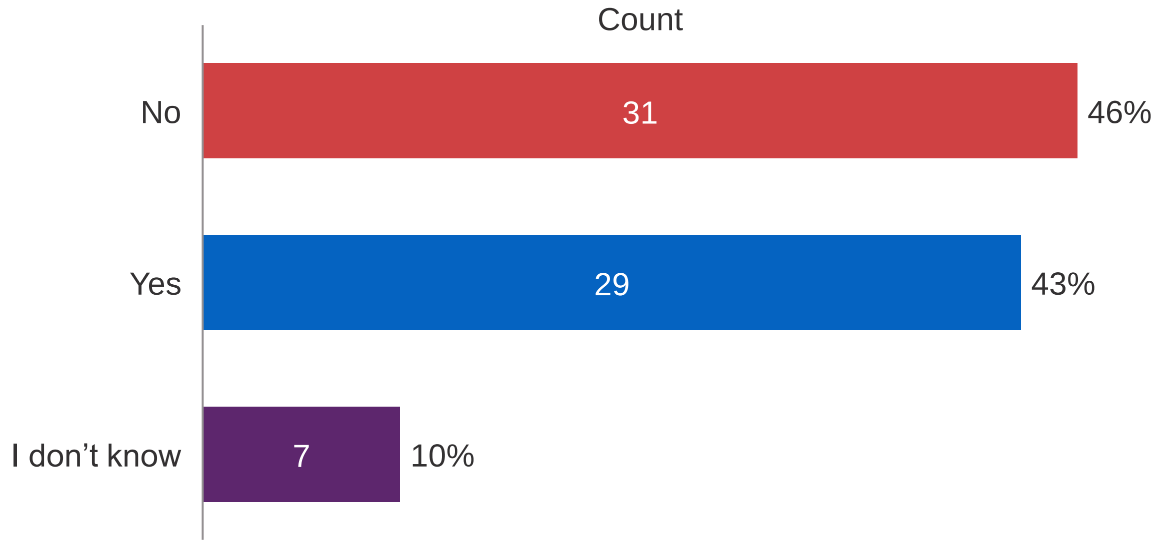


N= 59

Whether companies providing non-credit based BVCM finance make related claims, and how claims impact brand value

There were more companies that reported that they are not making claims on non-credit based BVCM financing activities than companies that did report to make related claims.

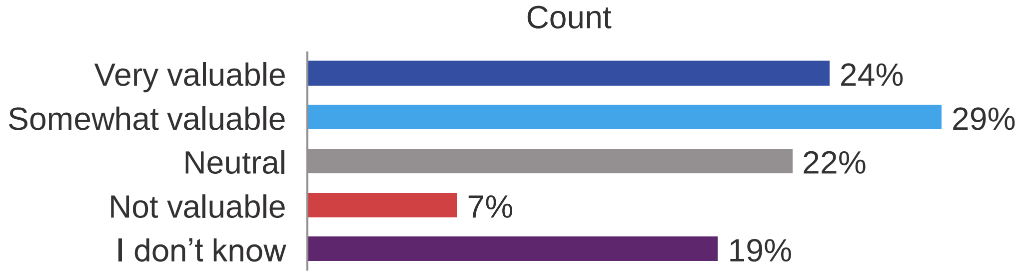
Whether or not the respondent company makes claims related to non-credit based BVCM financing



N= 67

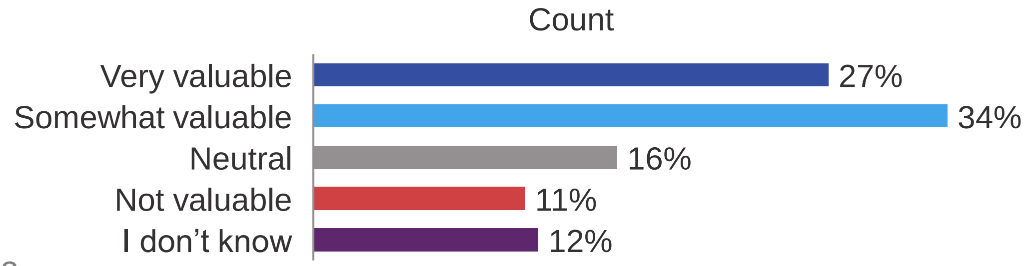
The majority of companies see claims as valuable to their brand. 53% of companies already making claims said that they were valuable, and 61% of all companies said that an externally validated claim would be valuable.

How companies that do make claims perceive their value in terms of impact on the brand



N= 59

All companies' perspectives on whether an externally validated claim would be valuable for their brand



N= 143

The role of claims in incentivizing non-credit based BVCM financing

SCIENCE BASED TARGETS
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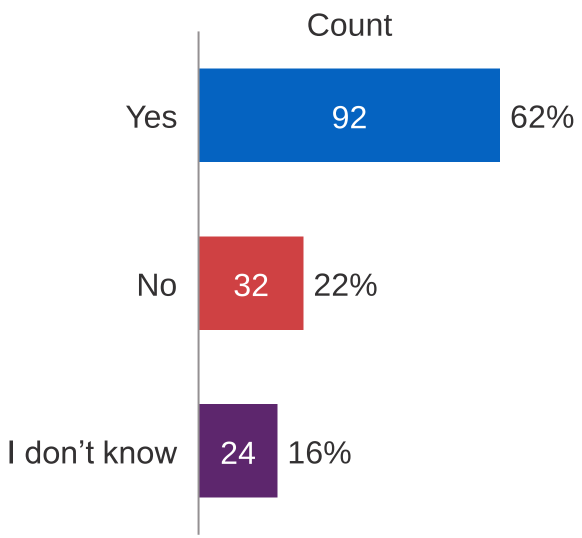
Most companies (62%) see a need for an externally validated claim to incentivize investments in non-credit based BVCM financing.

Whether or not companies perceive a need for an externally validated claim to incentivize non-credit based BVCM financing



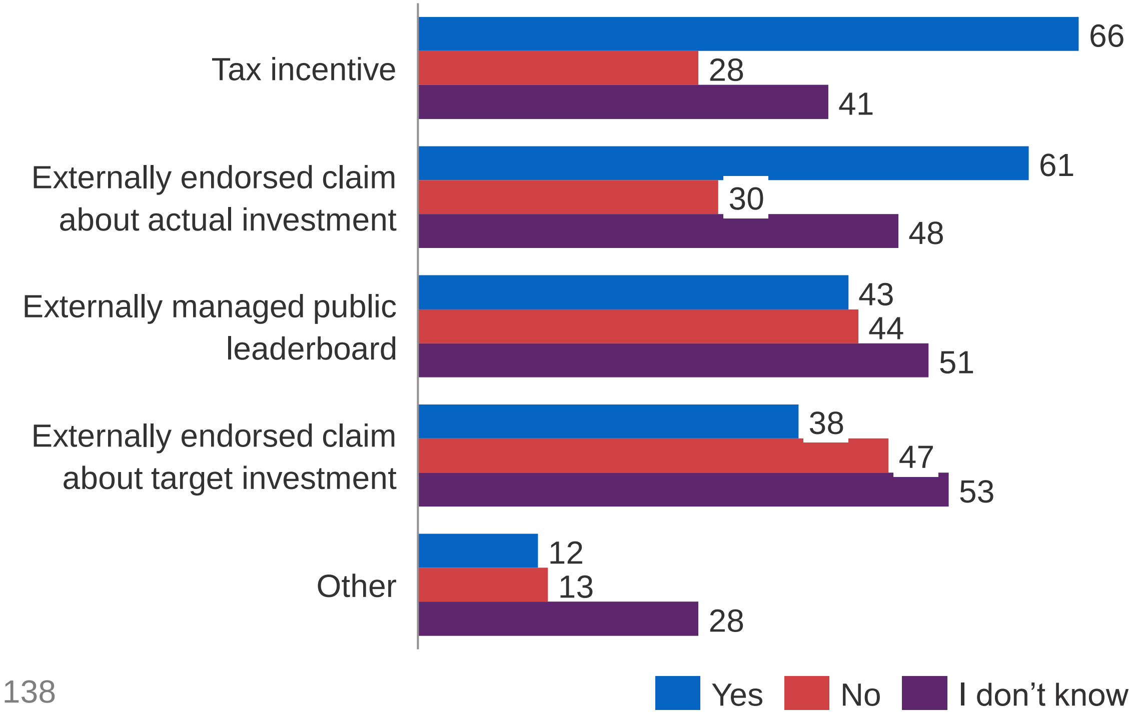
Example quotes from interviews

- "Claims are too technical for customers, but they are very important for rankings, ratings, investors, and peers"
- "[Having claims about BVCM] makes it easier to internally challenge when a project comes with a lower ROI but will bring a bigger benefit for society."

N= 148

For companies already financing non-credit based BVCM, tax incentives and externally endorsed claims about investments were seen as valuable incentives.

Types of incentives and whether they would incentivize non-credit based BVCM financing (count)

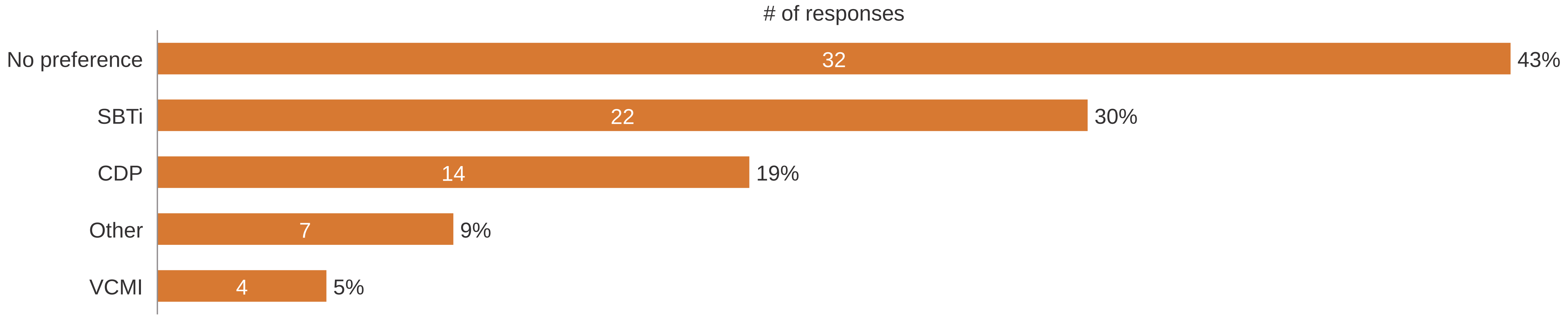


N= 138

The role of the SBTi and others in managing claims and incentivizing non-credit based BVCM financing

43% of companies had no preference for which organization manages claims related to financing of non-credit based BVCM, but 30% of respondents selected SBTi as their preference.

Preference for which organization/body takes responsibility for managing potential claims for financing of non-credit based BVCM (note this survey was conducted before the release of the VCMI Claims Code of Practice)



N= 74. Note this was an open text question and some respondents specified multiple options. Those reporting “other” referred to ISO, audit firms, trusted third parties.

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SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

PARTNER ORGANIZATIONS

CDP DISCLOSURE INSIGHT ACTION

United Nations Global Compact

WORLD RESOURCES INSTITUTE

WWF

IN COLLABORATION WITH

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