



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CHEMICALS PILOT TEST PARTICIPANT TERMS OF REFERENCE

Version 1.0

December 2024

ABOUT SBTi

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at latest.

The SBTi is incorporated as a UK charity, with a subsidiary SBTi Services Limited, which hosts our target validation services (together with SBTi, the “SBTi Group”). Partner organizations who facilitated SBTi’s growth and development are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

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“Science Based Targets initiative” and “SBTi” refer to the Science Based Targets initiative, a private company registered in England number 14960097 and registered as a UK Charity number 1205768.

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VERSION HISTORY

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CONTENTS

- ABOUT SBTi..... 2**
- DISCLAIMER..... 3**
- CONTENTS..... 5**
- 1. INTRODUCTION..... 6**
- 2. ABOUT THE CHEMICALS SECTOR TARGET-SETTING CRITERIA PILOT TESTING... 6**
- 3. PILOT TEST GOVERNANCE..... 7**
 - 3.1 Governance..... 7
 - 3.2 Antitrust..... 7
- 4. OBJECTIVES OF THE PILOT TEST..... 7**
- 5. COMPOSITION OF THE PILOT TEST SAMPLE..... 8**
- 6. SELECTION OF PILOT TEST COMPANIES..... 9**
- 7. TIMEFRAME AND OBLIGATIONS..... 9**
 - 7.1 Timeframe..... 9
 - 7.2 Pilot Participant Obligations..... 10
 - 7.3 SBTi Obligations..... 10
 - 7.4 Engagements..... 11
 - 7.5 Confidentiality..... 11
 - 7.6 Language..... 12
- 8. ACKNOWLEDGEMENT..... 12**
- 9. COMMUNICATIONS..... 12**
- ANNEX I: ESTIMATE TIMELINE FOR CHEMICALS PILOT TEST..... 14**

1. INTRODUCTION

This document outlines the Terms of Reference for the companies participating in the pilot test for the [Chemicals Sector Target-Setting Criteria](#) and supplementary documentation. The pilot testing will be carried out according to the [Standard Operating Procedure \(SOP\) for Development of SBTi Standards](#).

2. ABOUT THE CHEMICALS SECTOR TARGET-SETTING CRITERIA PILOT TESTING

The objective of the Chemicals Sector Development Project is to establish a sector-specific set of criteria that will apply to companies operating in the global chemical manufacturing sector to detail the minimum criteria to be followed to set 1.5°C-aligned science-based climate targets. These sector-specific criteria are complementary to the SBTi's Corporate Net-Zero Standard, and are intended to apply to specific activities only. The Terms of Reference for the Chemicals Sector Development Project can be found [here](#) while additional resources produced during the project can be found on the sector webpage [here](#).

The expected impact outcome of the Chemicals Sector Development Project is to facilitate the setting of climate targets that address GHG emissions associated with the production of chemical products, including the upstream and downstream value chain emissions associated with these products. The Chemicals Sector Target-Setting Criteria will establish requirements for companies operating in the sector to set credible, robust, and science-based climate targets.

The objective of this pilot testing is to thoroughly test the understanding and feasibility of implementation of the Chemicals Sector Target-Setting Criteria, as well as the feasibility of target validation against the criteria. The pilot testing will ensure the viability of the criteria by evaluating it using real-world data from impacted companies. Data and feedback from participants of the pilot testing will be used to inform revisions to the materials prior to their finalization.

The key output of this pilot testing is a revised version of the Chemicals Sector Target-Setting Criteria, with supplemental material, and is supported by the following deliverables:

- Pilot Testing Feedback Report
- Basis of Conclusions Report

An estimated timeline of pilot test deliverables, milestones and meetings can be found in Annex I of this document.

3. PILOT TEST GOVERNANCE

3.1 Governance

The pilot testing of the Chemicals Sector Target-Setting Criteria will be conducted collaboratively by the SBTi and SBTi Services. Participants in the pilot testing will engage with both entities throughout the process. Any data submitted by pilot test participants will be shared between the SBTi and SBTi Services for the purposes of this pilot, in compliance with the SBTi Data Privacy Policy. This Terms of Reference provides an overview of the roles and responsibilities of SBTi and pilot test participants. Detailed terms of the agreement between SBTi Services and the participants will be specified in the contract issued by SBTi Services.

Pilot test participants will provide documented feedback as part of the development of the project. Participants in the pilot test do not have any decision-making authority over SBTi standards or standardized instruments, such as guidance, tools and methods.

Any potential strategic decisions or changes to SBTi standards will be subject to thorough consideration, consultation and approval through the SBTi governance structures. The SBTi's technical governance structure is detailed on the [SBTi website](#).

3.2 Antitrust

Members shall not engage in any discussion, activity or conduct that may infringe on any local or international antitrust or competition law. For example, the following shall not be discussed during any meeting of the pilot testing:

- Current or future prices, pricing strategies or price related information.
- Output, capacity, inventory levels or costs.
- Data related to market share.
- Current or future marketing strategies.

4. OBJECTIVES OF THE PILOT TEST

The objectives of the pilot test are to:

- Ensure the Chemicals Sector Target-Setting Criteria are robust, clear and practical.
- Identify any challenges for implementing the Chemicals Sector Target-Setting Criteria across the applicable activities within the chemicals sector.
- Inform the development of the Chemicals Sector Target-Setting Criteria final draft before it is sent for approval.
- Test the feasibility of validating companies against the standard and the clarity of the written requirements.
- Evaluate the functionality and usability of the SBTi Services' validation tool and submission form.

The SBTi is not seeking feedback on the scientific underpinnings of the Chemicals Sector Target-setting Criteria through this process. The purpose of the pilot test is to test clarity and implementability of the resources, rather than the concepts and principles underpinning the criteria and recommendations within the Chemicals Sector Target-setting Criteria.

The pilot test is independent of the SBTi official target validation process and will not lead to an approved target. All companies (regardless of participation in pilot test) shall use the final Chemicals Sector Target-setting Criteria respecting specified timelines when it is published for official target validations. Companies must use valid and published versions of SBTi standards and tools to set and submit targets for official target validation.¹ Targets set using draft pilot materials are not counted as part of an official target validation.

Though independent of the SBTi validation process, participation in the pilot test can support companies' subsequent target validation against the finalized standard by providing companies with a detailed understanding of expected requirements for the forthcoming standard.

5. COMPOSITION OF THE PILOT TEST SAMPLE

Chemicals Sector Target-Setting Criteria pilot test companies represent one or more of the following subsectors relevant to the scope of the materials:

- Producers of primary chemicals.
- Producers of other base chemicals.
- Producers of intermediate chemicals.
- Producers of specialty chemicals.
- Producers of pharmaceuticals.
- Producers of consumer chemicals.
- Chemical recycling activities.

The pilot test sample is selected to cover a diverse range of companies in terms of:

- Region.
- Chemicals sector subsectors (see above).
- Business profile, such as:
 - Integrated companies producing multiple product types.
 - Specialized companies.
- Emissions profile.
- Business size.

The SBTi shall use best endeavors to achieve diversity among pilot test companies, however, the outcomes of the pilot test shall not be invalidated by its inability to achieve an optimum level of diversity.

¹ Alternative methods or tools may be considered where this has been specified within SBTi standard requirements and will be assessed on a case by case basis prior to agreement.

6. SELECTION OF PILOT TEST COMPANIES

The SBTi will hold an open call for applications to join the Chemicals Sector Target-Setting Criteria pilot test through which any company can apply by submitting an online [application form](#). The open call will run until at least January 10, 2025. The Chemicals Sector Team may identify and invite companies to apply to participate in the pilot test based on their relevance to the scope of criteria.

Applications will be assessed through an evaluation of the needs of the SBTi Chemicals Sector Project Team and based on particular sample size and diversity needed for the pilot.

Pilot test participants retain their position for the duration of the pilot test, but can also resign at any point. Pilot test participants shall inform the SBTi in writing if they would like to voluntarily terminate their participation before the pilot testing period is complete with a notice period of at least 10 working days, and follow the applicable termination requirements and measures specified below.

The SBTi retains the right to terminate pilot test participation (e.g. due to breaching of applicable SBTi policies or regulations, any term in this document, project termination, etc.) with immediate effect.

In case of termination of participation in the pilot test, the following requirements and measures will apply:

- Pilot test participants shall agree to delete all materials provided to them by the SBTi during the pilot test and inform the SBTi when they have done so in writing.
- Pilot test participants shall then be removed from all further communications regarding the pilot test.
- Pilot test participants shall inform all parties that they previously informed of their participation in the pilot that they are no longer part of the pilot in writing.
- Pilot testing participants that resign or are terminated during the pilot testing period will not be recognized in final deliverables.

If participants resign or are terminated during the pilot, the SBTi may replace these participants with additional participants.

The SBTi will inform the pilot test companies about the finalization of the project, and the conclusion of the pilot test.

7. TIMEFRAME AND OBLIGATIONS

7.1 Timeframe

The Chemicals pilot test will run for a minimum of six weeks, commencing in mid-January 2025.

The expected hours needed to participate in this pilot test will depend on several factors, including the status of the data available to the participants and the complexity of the participant's operations in the sector. Participation in this pilot test requires certain obligations, such as data pre-preparation, as outlined in section 7.2. Assuming this pre-preparation is complete, a target of moderate complexity is estimated to require 20 - 30 hours to complete the target calculations and target submission form, and to participate in engagement with the SBTi, as needed.

7.2 Pilot Participant Obligations

By agreeing to participate in the pilot test, participants are obligated to:

- Adhere to the terms set out in the signed contractual agreement with SBTi Services regarding participation in this pilot testing.
- Adhere to this Terms of Reference document.
- Have a familiarity with the SBTi's existing cross-sector resources, including the Corporate Net-Zero Standard and Corporate Near-Term Criteria.
- Have a comprehensive GHG inventory prepared in accordance with the GHG Protocol, prior to beginning the pilot test.
- If possible, prior to beginning the pilot test, review the draft Chemicals Target-Setting Criteria and prepare the following specific data as outlined in the criteria, if relevant to their operations:
 - GHG emissions and production volumes from the production of any primary chemicals² in the chosen base year.
 - N₂O emissions and production volumes from the production of nitric acid in the chosen base year.
 - GHG emissions in scope 3 category 1 from the purchase of primary chemicals in the chosen base year.
 - CO₂ emissions in scope 3 category 11 from the sales of urea-based fertilizers in the chosen base year.
 - N₂O emissions in scope 3 category 11 from the sales of nitrogen fertilizers in the chosen base year.
 - The quantity of alternative feedstocks³ sourced to produce carbon-based chemical products in the chosen base year.
- Deliver relevant data needed to evaluate the criteria and the feasibility of validation against the criteria.
- Provide detailed feedback through surveys and direct feedback to the SBTi.
- Engage with the SBTi through a written question and answer process, individual office hour opportunities, and 1-on-1 engagements (as needed).

7.3 SBTi Obligations

SBTi staff will:

- Provide a welcome packet that includes critical information regarding the pilot test materials and pilot test process.

² Primary chemicals include ammonia, methanol, ethylene, propylene, benzene, toluene and xylene.

³ Please refer to the Chemicals Sector Target-Setting Criteria 2nd public consultation draft for the definition of alternative feedstocks.

- Hold a kickoff meeting with participants to introduce the expectations, goals and objectives of the pilot testing.
- Provide the necessary resources to participants in the pilot test.
- Arrange the opportunities for engagement indicated in the pilot-test project timeline and any additional meetings deemed necessary by the Chemicals Sector Team.

7.4 Engagements

Engagement with pilot test participants will be primarily through the following activities:

- Participants will be encouraged to submit written questions to the SBTi directly throughout the pilot test period. On at least a weekly basis, the SBTi will provide answers to received questions either directly to the asker, or will share the question and answer (anonymously) to all participants if the question has relevance to multiple participants. This will allow for important answers to be shared with all participants on a rolling basis while maintaining the anonymity and confidentiality of individual participants' data.
- The SBTi will host office hours twice a week during the pilot testing period. Participants will be encouraged to book individual time during the office hours period to discuss the pilot testing with the SBTi on a 1-on-1 basis. Participants are encouraged to send questions to be discussed in advance of a scheduled office hours session.
- Participants will also be encouraged to request longer 1-on-1 meetings with the SBTi to address more complex issues, should schedules allow.

The SBTi will endeavor to arrange engagement opportunities with sufficient notice and hold meetings at a reasonable time of day. If participants cover a wide range of time zones, the SBTi may repeat meetings and will offer office hours opportunities at multiple times.

7.5 Confidentiality

Members shall not distribute materials that are not available in the public domain to any person in advance of publication without explicit written permission of the SBTi. Members agree to treat as confidential any information provided to them by the SBTi while participating in the pilot test.

No material obtained during the pilot can be used for any other purpose except for the purpose of the SBTi pilot.

Any information submitted by the participant to the SBTi will remain confidential in accordance with all relevant SBTi policies in carrying out the responsibilities outlined in this document, including but not limited to Conflicts of Interest Policy and all relevant and applicable data protection and data privacy regulations and legislation including GDPR. The SBTi shall not disclose information and information shall only be used for the purpose of this pilot test. Information submitted by the participant to the company shall be deleted after processing of the pilot test feedback is finalized and within a maximum of one year after the pilot test is completed.

7.6 Language

All written and oral communication, including but not limited to meetings, emails and discussions, shall be conducted in the English language. The SBTi may arrange for the provision of interpreters for meetings or translations of documents upon request.

8. ACKNOWLEDGEMENT

Pilot test participation is voluntary. Pilot test participants do not receive any financial remuneration and the pilot test is independent of the SBTi official target validation process that would lead to an approved target.

Pilot test participants are not expected to provide funding to the SBTi. In instances where a pilot test participant is a funder of the SBTi, this will not confer any special status in the pilot test, project governance or oblige the funding organization to participate in the pilot test, nor will it confer any special status in official target validations once the Chemicals Sector Target-Setting Criteria has been finalized and implemented.

The SBTi may publicly acknowledge pilot test participants as contributors to the Chemicals Sector Target-Setting Criteria on the SBTi website and in project-related publications. However, this is not a requirement, nor is it a requirement for the participant to publicly state their participation or commit to the SBTi. Participants will have the option to declare their preferred level of confidentiality prior to the pilot test commencing.

9. COMMUNICATIONS

Pilot test participants shall not use the SBTi logo in any capacity relating to the pilot.

Pilot test participants and the SBTi shall use the following wording when communicating about pilot test participation and will not portray or imply any other association or collaboration between the member and the SBTi:

- *Participant of the Science Based Targets initiative (SBTi) pilot test for the Chemicals Sector Target-Setting Criteria OR*
- *“[Member name] participates in the Science Based Targets initiative’s (SBTi) pilot test for the development of its Chemicals Sector Target-Setting Criteria. Pilot test participants have an informative role only, and decisions on final technical resources will be made by the SBTi Technical Council or the Board of Trustees.”*

In circumstances in which a full description of the pilot test group is required, pilot test participants shall use the following wording:

- *The Chemicals Sector Target-Setting Criteria pilot test participants are a group of volunteer organizations with relevant activities to the scope of the criteria that act in an informative capacity to the SBTi by testing the resources of the Chemicals Sector Target-Setting Criteria using real world data, during the development of the project.*

Members of the pilot test participants group must not conflate participation in the pilot test to SBTi target validation and must not use their role in the pilot test group to make claims about target validation decisions. Members of the pilot test group that have an existing SBTi validated target can continue to communicate their target following the guidelines for target reporting outlined in existing SBTi standards and guidance.

Pilot test participants should not comment publicly on the pilot test or act as an SBTi spokesperson on behalf of the pilot test as a whole or other pilot test participants.

Any media/journalist enquiries about the work of the pilot test should be forwarded to and managed via the SBTi Communications Department (communications@sciencebasedtargets.org). Any general enquiries regarding the pilot test should be sent to chemicals@sciencebasedtargets.org.

ANNEX I: ESTIMATE TIMELINE FOR CHEMICALS PILOT TEST

| MONTH | NOV | | | DEC | | | | | JAN | | | | FEB | | | | MARCH | | | | | |
|---|-----|----|----|-----|---|----|----------------------|----|-----|----|----|----|-----|----|----|----|-------|----|----|----|----|---|
| Week of | 11 | 18 | 25 | 2 | 9 | 16 | 23 | 30 | 6 | 13 | 20 | 27 | 3 | 10 | 17 | 24 | 3 | 10 | 17 | 24 | 31 | |
| 1) Preparation of materials | | | | | | | <i>SBTi on pause</i> | | | | | | | | | | | | | | | |
| 2) Companies may express their interest in participating in pilot testing | | | | | | | | | | | | | | | | | | | | | | |
| 3) Selection of participants and companies are informed about their participation in the pilot testing and receive all relevant documents | | | | | | | | | | | | | | | | | | | | | | |
| 4) Pilot testing: companies develop their targets and can participate in Q&As | | | | | | | | | | | X | X | X | X | X | X | | | | | | |
| 5) Pilot testing: Review of targets and supporting evidence | | | | | | | | | | | | | | | | | | | | | | |
| 6) Analysis of the outcomes of the pilot testing phase | | | | | | | | | | | | | | | | | | | | | | |
| 7) Presentation and publication of pilot test feedback report | | | | | | | | | | | | | | | | | | | | | | X |

X = office hours / Q&A / other informative call with pilot test companies



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