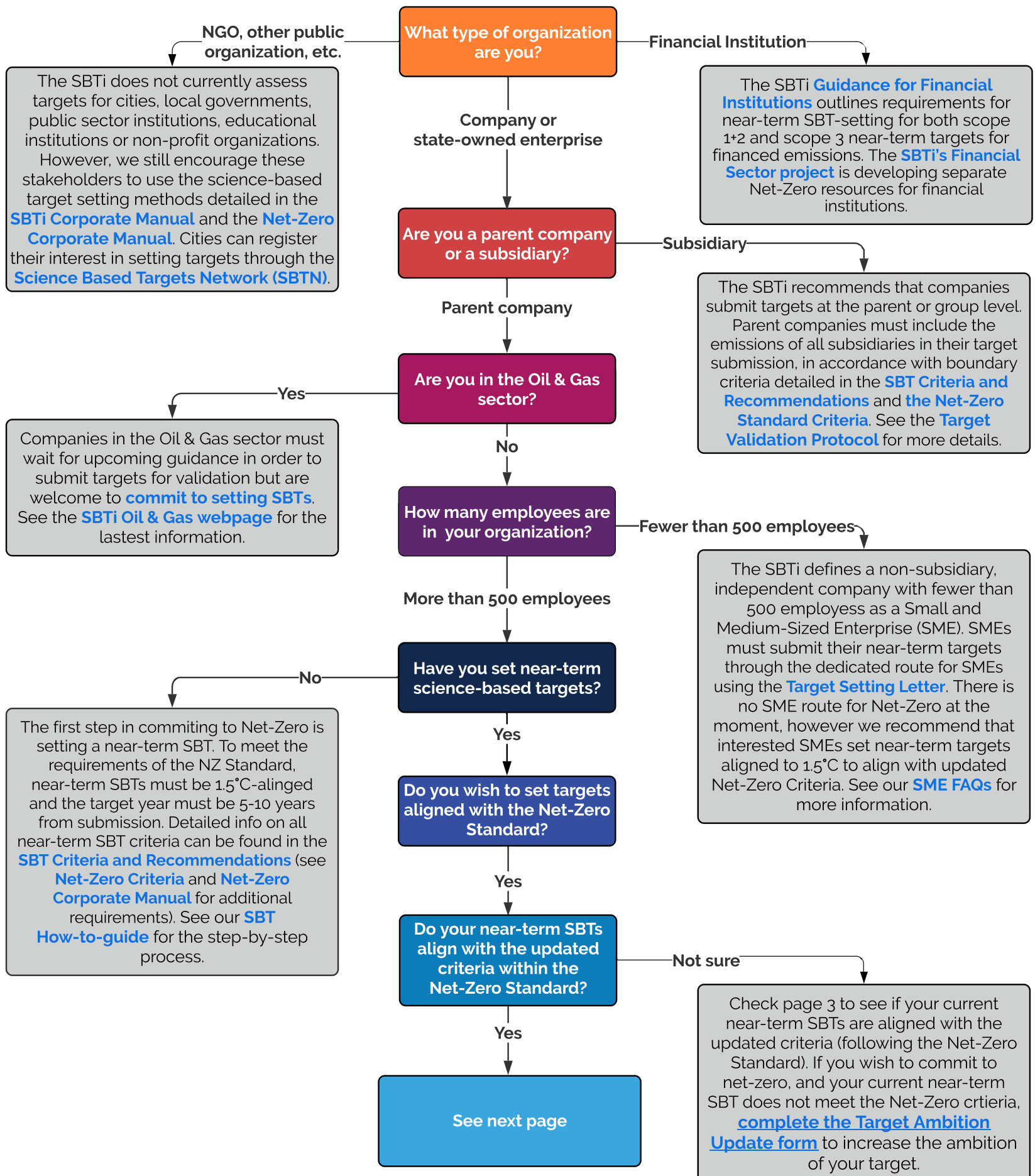


How to Guide for the SBTi's Net-Zero Standard

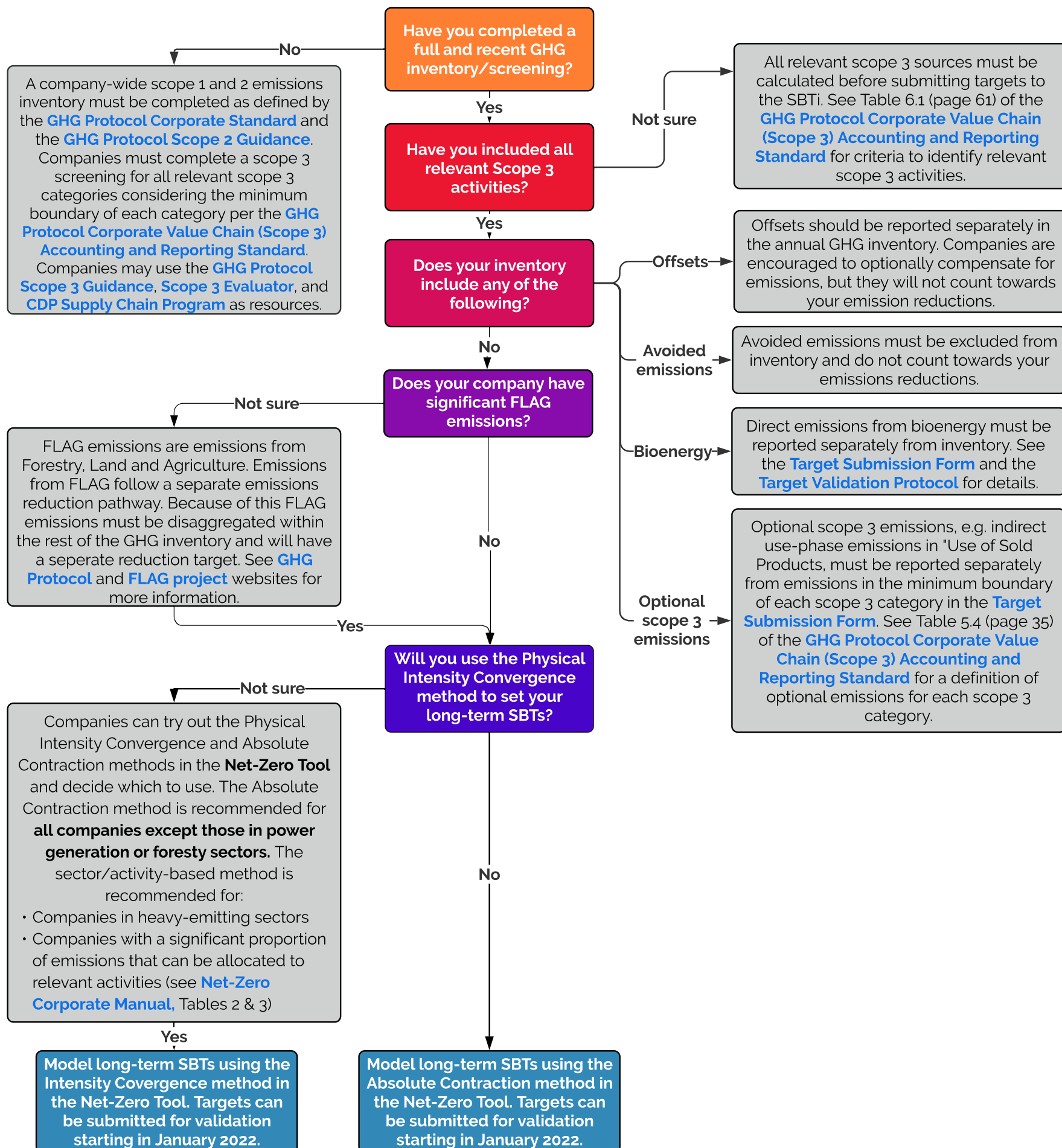
Version 1.1 for company road test
July 2021

Version	Release date	Purpose	Updates on earlier version
1.0	15.07.2021	Road test	-
1.1	23.07.2021	Road test	Clarification on timeframe requirements, spelling, and grammar corrections

GETTING STARTED WITH THE SBTI'S NET-ZERO STANDARD



GETTING STARTED WITH THE SBTI'S NET-ZERO STANDARD



SETTING NEAR-TERM SCIENCE BASED TARGETS FOR NET-ZERO

To align with the Net-Zero Standard, your company's current near-term (5-15 year) science-based targets must meet the near-term SBT criteria in the [Net-Zero Criteria document](#). These criteria are more ambitious than the [current SBTi Criteria \(version 4.2\)](#) to ensure that the right actions are taken in the short term to limit warming to 1.5°C and reach net-zero by 2050. These criteria will apply to all companies setting science-based targets, regardless of whether they aim to align with the Net-Zero Standard, from after July 2022.

- ☐ Version 4.2 of SBTi criteria
- ☒ Near-term SBT criteria within Net-Zero Criteria

<p>What temperature goal should your company align its scope 1 & 2 targets to?</p>	<div>For more details see:</div> <ol style="list-style-type: none"> Foundations of SBT Setting SBTi Corporate Manual SBTi Criteria Target Validation Protocol SBTi Tool Sectoral Decarbonization Approach (SDA) Sector specific guidance <div>Well-below 2°C minimum</div> <p>In V4.2 of SBTi criteria, companies could use the Absolute Contraction approach to set well-below 2°C targets.</p> <p>Companies in the following sectors could use the SDA to set well-below 2°C targets: Power, Transport, Financial Institutions, Commercial buildings, Iron & Steel, Cement, Aluminum, Pulp & Paper.</p> <div>1.5°C minimum</div> <p>Any company can use the Absolute Contraction approach to set 1.5°C targets.</p> <p>Only companies in the Power sector may currently use the SDA to set 1.5°C targets. See Planned 1.5°C Near-term Pathways Table below for more details.</p>
<p>What is the target timeframe for your near-term SBTs?</p>	<div>5-15 years from submission</div> <p>In V4.2 of SBTi criteria, it was possible to set SBTs with a 5-15 year timeframe from the submission.</p> <div>5-10 years from submission</div> <p>Net-Zero Standard criteria require near-term SBTs to be set with a 5-10 year timeframe from the submission.</p>
<p>What temperature goal should your company align its scope 3 targets to?</p>	<div>2°C minimum</div> <p>In V4.2 of SBTi criteria, it was possible to set scope 3 targets consistent with the level of decarbonisation required to keep global temperature increase to 2°C.</p> <div>Well-below 2°C minimum</div> <p>Net-Zero Standard criteria require near-term SBT scope 3 targets to be aligned a with well- below 2°C or more ambitious reduction decarbonization scenarios. Supplier engagement targets remain eligible.</p>

PLANNED 1.5°C PATHWAYS FOR NEAR-TERM SBTs

Introduction

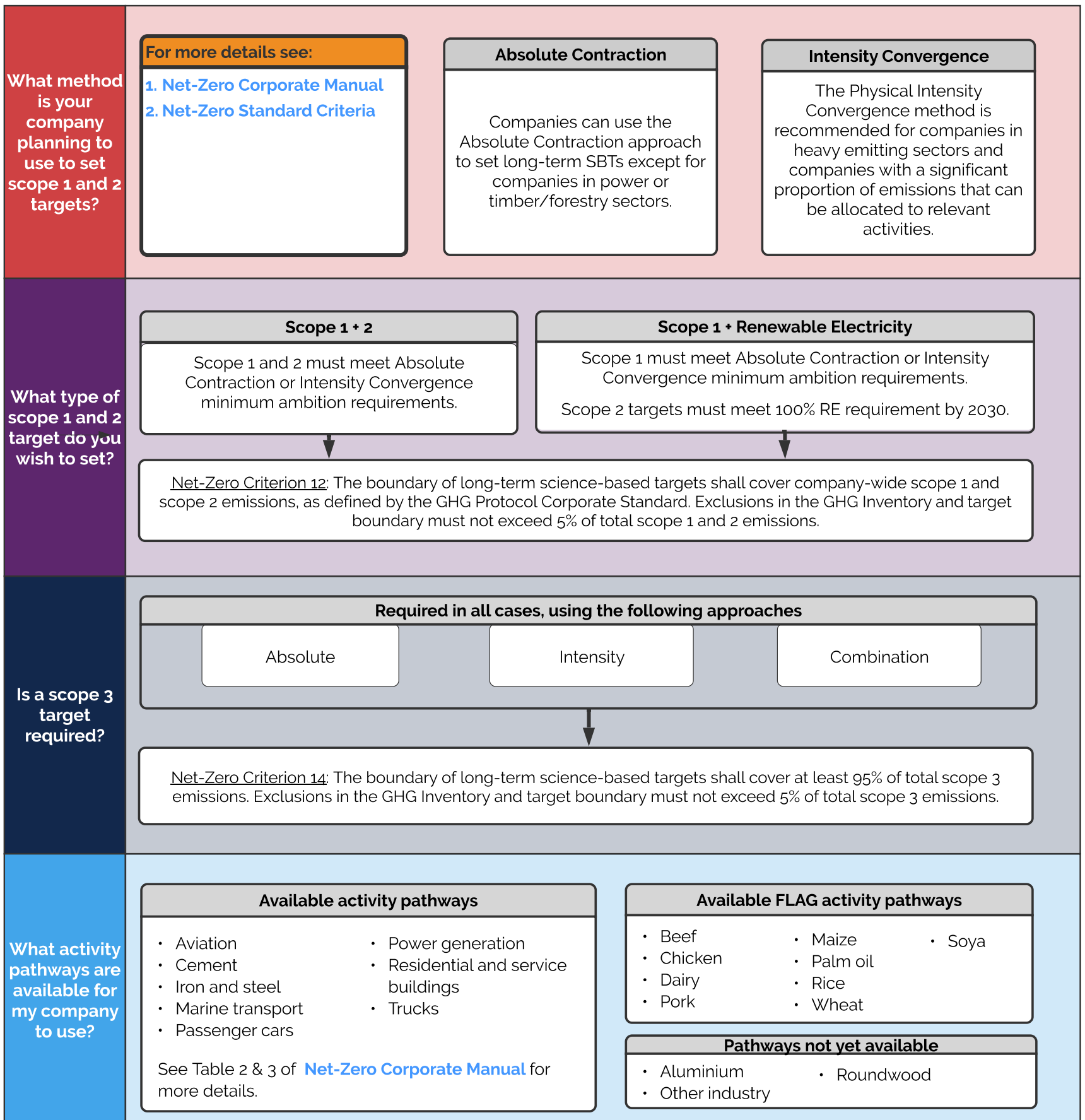
The SBTi is planning to launch various 1.5°C pathways for near-term science-based targets in high-emitting sectors before COP26. Additional 1.5°C pathways will be published after COP26 or are still in the scoping phase.

Available SBT methods for 1.5°C setting near-term SBTs	
Pathway	Allocation method
<i>Status: Currently available</i>	
Universal pathway, applicable to all companies - Approx. 4.2% linear annual reduction in absolute emissions	Absolute contraction
Power generation - Approx. 5.7% linear annual reduction in emissions intensity	Intensity convergence
<i>Status: Planned for COP26</i>	
Iron and steel	Intensity convergence
Buildings	Intensity convergence
Aviation	Intensity convergence
Cement	Intensity convergence

PLANNED 1.5°C PATHWAYS FOR NEAR-TERM SBTs

Available SBT methods for setting 1.5°C near-term SBTs	
Pathway	Allocation method
<i>In development (for release after COP26)</i>	
Integrated energy and industrial processes pathway	Absolute contraction
Integrated forestry, land, and agriculture pathway	Absolute contraction
Maritime transport	Intensity convergence
Agricultural commodities (beef, dairy, pork, chicken, roundwood, rice, soy, palm oil, maize and wheat)	Intensity convergence
<i>In scoping</i>	
Chemicals	Intensity convergence
Aluminum	Intensity convergence
Other industry	Intensity convergence

SETTING LONG-TERM SCIENCE BASED TARGETS FOR NET-ZERO



Near-term vs. long-term science-based targets requirements

The table below is a summary of the target boundary, the target timeframe, and the method eligibility and minimum ambition requirements for near-term and long-term SBTs. For more detail on absolute activity pathways and physical intensity convergence pathways see Table 2 & 3 of SBTi [Net-Zero Corporate Manual](#).

			Scope 1 and 2			Scope 3			
Near-term SBTs	Target boundary		95% coverage of scopes 1 + 2			If your scope 3 >40% of total emissions: boundary to cover min. 67% of scope 3. Sector specific requirements also apply.			
	Target year		5 – 10 years from date of submission			5 – 10 years from date of submission			
	Method eligibility and minimum ambition	Method	Absolute Contraction	Physical Intensity Convergence	Renewable electricity (scope 2 only)	Absolute Contraction	Physical Intensity Convergence	Supplier engagement	Physical Intensity Contraction and Economic Intensity
		Eligibility and min. ambition	• 4.2% p.a. (universal) • 3.6% p.a. (agriculture)	Depends on activity and company inputs (SDA)	• 80% RE by 2025 • 100% RE by 2030	• 2.5% p.a. (universal) • 3.6% p.a. (agriculture)	Depends on activity and company inputs (SDA)	Supplier set at least well below 2°C SBTs	SBTi is considering removal of these methods
Long-term SBTs	Target boundary		95% coverage of scopes 1 + 2			95% coverage of scope 3			
	Target year		2050 or sooner			2050 or sooner			
	Method eligibility and minimum ambition	Method	Absolute Contraction	Physical Intensity Convergence	Renewable electricity (scope 2 only)	Absolute Contraction	Physical Intensity Convergence	Supplier engagement	Physical Intensity Contraction and Economic Intensity
		Eligibility and min. ambition	• 90% reduction (universal) • 80% reduction (agriculture) • Absolute activity pathways also eligible	Depends on activity	100% RE	• 90% reduction (universal) • 80% reduction (agriculture) • Absolute activity pathways also eligible	Depends on activity	Method is not eligible for long-term SBTs	Methods are not eligible for long-term SBTs

1.5°C ambition

Well-below 2°C ambition

Other

SECTOR-SPECIFIC REQUIREMENTS FOR SETTING LONG-TERM SCIENCE-BASED TARGETS

Sector-specific guidance and methods for long-term SBTs are currently available for many sectors. All new sector-specific guidance that becomes available will be uploaded to the sector development page on the SBTi website. The SBTi has sector-specific requirements related to the use of target-setting methodologies and minimum ambition levels.

Sector	Eligible methods	Notes
Power Generation	The intensity convergence method must be used by power generation companies, as specified in the Guidance for Electric Utilities.	Companies in the power sector with scope 3 emissions that represent 40% or more of overall emissions must set an intensity target covering all sold electricity (including purchased and resold electricity in scope 3 category 3), in addition to a target covering power generation in scope 1.
Forest, Land-use & Agriculture (FLAG)	Some companies will be required to set FLAG targets that are separate from their SBTs covering all other emissions. FLAG targets must use the FLAG-sector absolute contraction method or the intensity convergence method. Intensity pathways will be available for beef, dairy, pork, chicken, roundwood, rice, soy, palm oil, maize, and wheat. Agroforestry companies will be required to use the intensity convergence method for roundwood.	The FLAG sector guidance is planned for completion by the end of Q4 2021.
Oil & Gas	The SBTi is developing target-setting methods for oil & gas companies and cannot validate targets for this sector before the guidance is completed.	For target validation by the SBTi, "Oil & Gas" includes, but is not limited to, integrated Oil & Gas companies, Integrated Gas companies, Exploration & Production companies, Refining and Marketing companies, Oil Products Distributors, Gas Distribution and Gas Retailers. The SBTi will assess companies on a case-by-case basis to determine whether companies will be classified as Oil & Gas companies for SBTi validation, and if so, reserve the right to not move forward with their validation until after the SBTi Oil & Gas sector development has been completed.
Fossil Fuel Sale/ Transmission/ Distribution* <i>*This information is only applicable to companies that receive less than 50% of their revenue from fossil fuel sale, transmission, or distribution. For companies that receive 50% or more of their revenue from these activities, please refer to the Oil & Gas section above.</i>	In addition to guidance for the primary sector, scope 3 targets must be set on scope 3 category 11 "use of sold products" emissions using absolute contraction.	Targets must be set for scope 3 category 11, irrespective of the share of these emissions compared to the total S1+S2+S3 emissions of the company. Separate scope 3 targets may need to be set in this case.

SECTOR-SPECIFIC REQUIREMENTS FOR SETTING LONG-TERM SCIENCE-BASED TARGETS

Sector	Eligible methods	Notes
Financial Institutions	The SBTi is developing a Net-Zero Standard for financial institutions and cannot validate targets for this sector before the guidance is completed.	<p>The initiative defines a financial institution as one that engages in investment activities as part of its core functions. These include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Asset management/asset owners • Retail and commercial banking activities • Insurance companies (when functioning as asset managers) • Mortgage real estate investment trusts (REITs) <p>In addition, if at least 5% of a company's revenue comes from activities such as those described above, they would be considered a financial institution.</p>
Transport (Original Equipment Manufacturers/ Automakers)	The absolute contraction and intensity convergence methods are both recommended for companies in this sector. Target boundary must cover well-to-wheel emissions (WTW), as specified in the SBT transport resources.	<p>Tested vs Real emissions for OEMs original equipment manufacturers:</p> <p>Original equipment manufacturers must convert their base year emissions figures for the use-phase of their products into real emissions with the use of global standards (e.g., Worldwide Harmonized Light Vehicle Test Procedure -WLTP) when available. In the absence of a normalized test procedure for certain vehicle types, companies are invited to present and justify their own estimates/simulations based on fuel consumption-specific duty cycles to the SBTi.</p>
Transport services (Aviation/ shipping/ trucks/ cars)	The absolute contraction and intensity convergence methods are both recommended for companies in this sector. Target boundary must cover well-to-wheel emissions (WTW), as specified in the SBT transport resources.	<p>Refer to the SBTi Transport guidance for a description of all transport sub-sectors covered by the SDA Transport tool and to learn about best practices in target-setting for transport activities.</p> <p>For companies in the aviation and maritime transport sectors, please consult the SBTi transport resources for further information on sector-specific transport methodologies.</p> <p>Well-to-wheel boundary: Companies setting targets for transport-related emissions should cover well-to-wheel emissions (WTW) in their target boundary to accurately capture emissions shifts between the tank-to-wheel (TTW) and the well-to-tank (WTT), for example, due to changes in power train technologies.</p>
Buildings	The absolute contraction and intensity convergence methods are both recommended for companies in this sector.	<p>Real Estate Investment Trusts (REITs) wishing to set targets must specify if they are a mortgage-based REIT or equity-based REIT.</p> <p>Equity REITs must pursue the regular target validation route for companies. Mortgage REITs must instead utilize the Financial Institutions guidance for setting SBT.</p> <p>The SBTi is in the scoping phase of developing guidance for companies and sectors in the built environment.</p>

SECTOR-SPECIFIC REQUIREMENTS FOR SETTING LONG-TERM SCIENCE-BASED TARGETS

Sector	Eligible methods	Notes
Industrial Sectors: • Iron and Steel • Cement • Aluminum	The absolute contraction and intensity convergence methods are both recommended for companies in this sector.	The SBTi is in the scoping phase of developing guidance for companies in the cement, steel, and aluminium sectors.
Chemicals	The absolute contraction and intensity convergence methods (other industry) are both recommended for companies in this sector.	The SBTi is in the scoping phase of developing guidance for companies in the chemicals sector.
All other sectors	The absolute contraction method is recommended for companies in all other sectors. If the company has emissions allocated to a supply-side activity in Table 2 of the Net-Zero Corporate Manual, the intensity convergence method may be used to cover those emissions instead.	Companies should allocate emissions to relevant activities as per the Greenhouse Gas Protocol, where guidance is available. Emissions allocated to a supply-side activity are emissions in scope 1 and/or 2, as well as scope 3 category 11 (use of sold products) for a relevant activity in Table 2 of the Net-Zero Corporate Manual.
All other sectors: Information and Communication Technology Providers Apparel and Footwear	See "All other sectors"	Optional guidance is available for companies in the ICT sector. Optional guidance is available for companies in the Apparel and Footwear sector.