SBTi Finance: Update and Showcase of Leading Science Based Targets

January 2023
Welcome and Housekeeping

- We are live on Zoom.
- The recording and slides will be on the SBTi YouTube channel and website after the event.
- Questions can be posted in the Q&A box to be answered by our experts.
- Join our mailing list, link in the chat.
- Engage on social media:
  - @ScienceBasedTargets
  - #ScienceBasedTargets
Today’s Speakers: SBTi

Nate Aden
Finance Lead
SBTi

Paulina Tarrant
Net-Zero Engagement Manager
SBTi
Today’s Speakers: FIs with science-based targets

- Jenny Mill, Climate Change Strategist, Schroders
- Supriya Sobti, Climate and Purpose Lead, NatWest Group
- Marcus Bruns, SVP Nordic Head of Sustainability, Storebrand
- Gustav Magnusson, Project Manager, EQT
AGENDA

- SBTi Finance Update

- SBTi-validated FIs:
  - Supriya Sobti, NatWest Group
  - Jenny Mill, Schroders
  - Marcus Bruns, Storebrand
  - Gustav Magnusson, EQT

- Discussion
SBTi Finance Update
SBTi Finance: Milestones

- **2015**: IPCC Special Report on Global Warming of 1.5°C
- **2018**: Launch of the SBTi Net-Zero Standard
- **2020**: SBTi Finance Guidance
- **2021**: COP26
- **2022**: IPCC AR6 WG3 Report
- **2023**: UN HLEG Net-Zero Report
SBTi Finance: What’s next?

- Finance Net-Zero Standard: Exposure Draft
- Harmonization
- Additional Methods (Insurance Underwriting, etc.)
- Near-Term Criteria Update
SBTi Finance: Growth

Cumulative FL SBTs

- 2021: 0
- 2022: 10
- 2023: 20

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Pie chart showing different financial categories:
- Asset Manager
- Asset Owner
- Bank
- Financial Holding Company
- Insurer
- Investment Company
- Private Equity
- Project Finance
SBTi-validated FIs
Supriya Sobti

Climate and Purpose Lead
NatWest Group
NatWest Group climate ambition

A leading bank in the UK helping to address the climate challenge

- Net zero by 2050
- 50%: At least halve the climate impact of our financing activity by 2030
- £100bn: Climate and Sustainable Funding and Financing between 1 July 2021 and the end of 2025
- Full phase out of coal by 1 January 2030

Set sector specific targets
2022: published emissions for 52% lending and investment exposure

<table>
<thead>
<tr>
<th>Sector</th>
<th>2020</th>
<th></th>
<th></th>
<th>2019</th>
<th></th>
<th></th>
<th>2030</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Physical emissions intensity</td>
<td>Economic emissions intensity</td>
<td></td>
<td>Physical emissions intensity</td>
<td>Economic emissions intensity</td>
<td></td>
<td>Physical emissions Intensity</td>
</tr>
<tr>
<td>Residential mortgages(1)</td>
<td>3.2</td>
<td>37.4 kgCO₂e/m²</td>
<td>17</td>
<td></td>
<td>0.4</td>
<td>260 gCO₂e/km</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>0.4</td>
<td>56.5 kgCO₂e/m²</td>
<td>21</td>
<td></td>
<td>0.4</td>
<td>38.7 kgCO₂e/m²</td>
<td>17</td>
<td>22.5 kgCO₂e/m²</td>
</tr>
<tr>
<td>Automotive manufacturing(2,4)</td>
<td>0.5</td>
<td>248 gCO₂e/km</td>
<td>1,488</td>
<td></td>
<td>0.3</td>
<td>64.9 gCO₂e/p-km</td>
<td>221</td>
<td>225 gCO₂e/p-km</td>
</tr>
<tr>
<td>Agriculture – primary farming(2)</td>
<td>4.5</td>
<td>2,147 tCO₂e/Em</td>
<td>1,060</td>
<td></td>
<td>4.1</td>
<td>2,075 tCO₂e/Em</td>
<td>1,033</td>
<td>1,527 tCO₂e/Em</td>
</tr>
<tr>
<td>Agriculture – LULUCF(2)</td>
<td>(424)</td>
<td>73.2 gCO₂e/p-km</td>
<td>(635)</td>
<td></td>
<td>(333)</td>
<td>(1,493) tCO₂e/Em</td>
<td>(729)</td>
<td>(1,493) tCO₂e/Em</td>
</tr>
<tr>
<td>Land transport(5)</td>
<td>0.8</td>
<td>0.8</td>
<td>357</td>
<td></td>
<td>0.6</td>
<td>0.7</td>
<td>348</td>
<td>0.7</td>
</tr>
<tr>
<td>of which freight road</td>
<td>0.2</td>
<td>37.3 gCO₂e/t-km</td>
<td>324</td>
<td></td>
<td>0.1</td>
<td>36.7 gCO₂e/t-km</td>
<td>317</td>
<td>29.8 gCO₂e/t-km</td>
</tr>
<tr>
<td>of which passenger rail</td>
<td>0.3</td>
<td>50.6 gCO₂e/p-km</td>
<td>924</td>
<td></td>
<td>0.3</td>
<td>50.6 gCO₂e/p-km</td>
<td>976</td>
<td>29.5 gCO₂e/p-km</td>
</tr>
<tr>
<td>of which passenger road</td>
<td>0.3</td>
<td>73.2 gCO₂e/p-km</td>
<td>234</td>
<td></td>
<td>0.2</td>
<td>44.6 gCO₂e/p-km</td>
<td>221</td>
<td>44.6 gCO₂e/p-km</td>
</tr>
<tr>
<td>Electricity generation</td>
<td>1.7</td>
<td>258.5 kgCO₂e/MWh</td>
<td>546</td>
<td></td>
<td>2.4</td>
<td>223.2 kgCO₂e/MWh</td>
<td>884</td>
<td>53.1 kgCO₂e/MWh</td>
</tr>
<tr>
<td></td>
<td>1.6</td>
<td>1,748</td>
<td>546</td>
<td></td>
<td>1.8</td>
<td>2,122</td>
<td>531</td>
<td>1,6 kgCO₂e/MWh</td>
</tr>
<tr>
<td>Aviation(4)</td>
<td>0.9</td>
<td>2.5 tCO₂e/TJ</td>
<td>351</td>
<td></td>
<td>1.7</td>
<td>2.6 tCO₂e/TJ</td>
<td>736</td>
<td>1.6 tCO₂e/TJ</td>
</tr>
<tr>
<td>Oil and gas(5)</td>
<td>0.3</td>
<td>311</td>
<td>311</td>
<td></td>
<td>0.4</td>
<td>319</td>
<td>319</td>
<td>319</td>
</tr>
<tr>
<td>Shipping(6)</td>
<td>0.4</td>
<td>1.5 tCO₂e/tonne</td>
<td>5,690</td>
<td></td>
<td>0.3</td>
<td>1.6 tCO₂e/tonne</td>
<td>4,820</td>
<td>0.8 tCO₂e/tonne</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>2.2</td>
<td>2.5 tCO₂e/tonne</td>
<td>1,107</td>
<td></td>
<td>1.8 tCO₂e/tonne</td>
<td>1,107</td>
<td>1,155</td>
<td>0.8 tCO₂e/tonne</td>
</tr>
<tr>
<td>Aluminium(5)</td>
<td>0.4</td>
<td>0.5 tCO₂e/tonne</td>
<td>2,670</td>
<td></td>
<td>0.5</td>
<td>0.6 tCO₂e/tonne</td>
<td>2,586</td>
<td>0.2 tCO₂e/tonne</td>
</tr>
</tbody>
</table>
NatWest Group science-based targets

• Cover 79% of on balance sheet lending and investments as well as own operational footprint.

• **Own operational footprint:** Absolute reduction in scope 1, 2 and 3 (category 1-14) emissions by 50% by 2030.

• **Financing activity targets:**
  • **Sectoral Decarbonisation approach:** Electricity generation, Residential mortgages, Commercial real estate, Land transport, Automotive manufacturing, etc.

• **Temperature rating approach:** Agriculture, Aviation, etc.

NatWest Group publishes SBTi validated science-based targets | NatWest Group
Supporting customer transition – some examples

**NatWest Carbon Planner**

**Carbon Footprint Tracker**

**Calculate your carbon footprint**

**What is a Green Mortgage?**

- Our Green Mortgages reward you for purchasing or remortgaging an energy efficient home by offering a reduced mortgage rate on a 2 year or 5 year fixed rate mortgage.
- If your purchasing or remortgaging a property with a valid Energy Performance Certificate (EPC) rating of A or B then you could get mortgage with a lower interest rate with a Green Mortgage.
Embedding climate in decision making

- **Management Information** – Regular updates to key stakeholders to help build knowledge and familiarity with climate metrics.

- **Climate transition plan** – aimed to help assess progress made towards external climate ambitions. Assess carbon impacts of:
  - Climate opportunities and other actions to support NatWest and customer transition.
  - Identify external dependencies along with potential impacts on NatWest carbon reduction.
  - Changes to balance sheet based on the financial plan.

- **Climate considerations in risk management** – scenario analysis, incorporate climate in risk assessment including credit risk, reputational risk, etc.

- **Regular monitoring** of progress against the climate transition plan and SBTi targets.
Our science-based target

- Calculated Schroders group baseline emissions for 2019 based on PCAF methodology
- Set Schroders group target covering Scope 1, 2 and 3 emissions over the medium and long term
- Outlined the activities we planned to undertake in order to achieve emissions reductions

- Portfolio temperature score:
  - 2.92°C in 2019 to a 2.19°C by 2030, across financed scope 1 and 2 emissions
  - 3.13°C in 2019 to 2.29°C by 2030 across financed scope 1, 2 and 3 emissions, in line with a 1.5°C pathway by 2040
- Portfolio coverage: 100% by 2050

Source: Schroders.
Why we chose to set a science-based target

- Critical to move from commitment to action
- Material impact on long-run returns
- Focus on opportunities from the low carbon transition
- Track progress

- Leading industry standard
- Carbon accounting standards (PCAF, GHG Protocol)
- Independent third-party assessment
- Options for setting targets (portfolio coverage, SDA, temperature alignment)

- Focus on companies setting targets
- Enables tracking at issuer, fund, desk and group level
- Short, medium and long term targets
- Scope coverage – Scopes 1, 2 and 3

Source: Schroders.
How will we reach our target

1.5°C  Net zero
science-based pathway  by 2050 or sooner

Transitioning our clients’ investments to deliver value over the longer term

- Measure exposure and realign our clients’ investment portfolios
- Track and hold investee companies to account
- Take a solutions approach to net zero
- Align portfolios to a 2.2°C pathway by 2030 and 1.5°C by 2040

Transitioning our operations to lead the way and have impact

- Apply site-specific actions and electrify car fleet
- Install, buy or influence renewables
- Promote online collaboration and challenge travel
- Encourage and support suppliers to set targets

Reduce Scope 1
and 2 emissions by 46% by 2030*
Achieve 100% renewable electricity by 2025
Reduce business travel emissions by 50% by 2030*
67% of suppliers** to set SBTs by 2026

For more information on our climate transition action plan, see www.schroders.com/ctap

* From a 2019 base year ** by emissions

Schroders Climate Transition Action Plan (CTAP), December 2021, can be found here.
**Why engagement is our focus**

The four tools that asset managers can use to decarbonize a portfolio

- **Disinvest**
  Removing assets found on the left-hand side of the carbon distribution which don’t meet the portfolio’s climate parameters

- **Engage with issuers**
  Engaging with the bulk of securities in the middle of the carbon distribution to make a meaningful contribution to decarbonization

- **Positive climate solutions**
  Actively pursuing investments in the assets which lie at the right-hand side of the carbon distribution

- **Use carbon offsets**
  Once we have reduced portfolio emissions to a point where further reductions would place too much pressure on investment integrity we could voluntarily pay for the cost of any residual emissions

Source: Schroders.
How we engage to drive the transition

1. Commit
2. Set targets
3. Transition plan
4. Publish progress

Climate expectations
We set four objectives we expect large and medium sized companies to adopt in order to align their business activities with the goals of the Paris agreement.

Company prioritisation and selection
We focus our engagement activity on companies that we believe are highly exposed to, but least prepared for, the climate transition.

Monitoring progress
We monitor company progress against our objectives over time using metrics in our climate tools and dashboards.

Voting policy
We have developed climate voting principles covering shareholder resolutions, ‘Say on Climate’ resolutions, and when we will vote against boards.

Escalation Practice
We use a range of escalation tactics to take action against companies that do not make progress within a specified timeframe.

700+ companies engaged

Source: Schroders.
Net-zero focus for 2023

Engagements
- Data driven insights inform engagement strategy
- Increase number of issuers with valid targets
- Improve PCAF quality scores

Asset classes
- Externally managed funds
- Sovereign Bonds
- Real Estate
- Private Assets
- Project Finance

Clients

Source: Schroders
Marcus Bruns
SVP Nordic Head of Sustainability
Storebrand
> 1000 billion NOK AUM

> 2 million customers

25 years of sustainable investments
Storebrand has a company wide climate strategy covering the entire value chain.

- **Own Operations**
- **Procurement**
- **Investments**
In 2019, Storebrand was one of the founding members of the UN convened Net Zero Asset Owner Alliance. Committed to transitioning investment portfolios to net-zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C. Facilitated by $11t AUM committed by 84 investors. Focus on emissions reductions in the real economy and establishing intermediate targets every five years in line with Paris Agreement.
To achieve net zero emissions by 2050, Storebrand defined intermediate targets towards 2025

**Asset class targets**

-32% reduction in scope 1-2 GHG emissions of Storebrand’s total equity, corporate bond and real estate investments by 2025\(^1\)

**Solution targets**

15% of our total investments to be invested in solutions\(^2\) by 2025

**Active ownership**

Special emphasis will be placed on the 20 largest emitters

**Customer engagement**

Make it easy for clients to understand and contribute to a low carbon future

---

1) Applying 2018 as the baseline
2) This includes equity investments in solution companies, green bonds, certified green real estate and investments in green infrastructure
Storebrand committed to setting an SBT in 2019 and have since then been a part of developing the framework globally.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Storebrand committed to setting SBTi</td>
<td>Storebrand playing a part in developing the framework for the finance sector</td>
<td>Publication of version 1.0 target setting protocol</td>
<td>Deadline target setting for Storebrand</td>
<td>Validation process</td>
</tr>
<tr>
<td>As a part of the climate strategy work</td>
<td>Part of SBTi expert advisory group</td>
<td>STB Real Estate was a case study in first publication</td>
<td>Part of working group for temperature alignment tool</td>
<td>One year after publication of version 1.0 of the framework</td>
</tr>
</tbody>
</table>
Storebrand's portfolio targets cover 81% of its total investment and lending activities by invested assets as of 2021.

**Own operations**
Storebrand commits to reduce absolute Scope 1+2 GHG emissions 52% by 2030 from a 2018 base year. Storebrand commits to continue annually sourcing 100% renewable electricity through 2030¹.

**Equites and corporate bonds**
Storebrand commits to 42% of its listed equity and corporate bond portfolio by invested value setting SBTi validated targets by 2027.

**Direct real estate investments**
Storebrand commits to reduce its real estate portfolio scope 1 and 2 GHG emissions 64% per square meter for residential buildings and 71% per square meter for commercial buildings within its management of direct real estate investments by target year 2030 from a base year 2019².

---

1) We have used a location-based method for our scope 1 and 2 emissions target for own operations, but also included a market-based target for which renewable electricity will be procured.

2) Market-based method used, but the priority will be to decarbonize managed properties through direct interventions in energy reduction and on-site production of renewable energy, and lastly to procure renewable energy in the market.
Portfolio Coverage target is used for equities and corporate bonds, well aligned with our active ownership and investment strategies.

Equites and corporate bonds

Storebrand commits to 42% of its listed equity and corporate bond portfolio by invested value setting SBTi validated targets by 2027.

Comments regarding the target:
- The portfolio coverage method will reflect the latest SBTi guidance and methods available to enable companies to set targets and achieve SBT approval.
- To reach the target, Storebrand expects that the SBTi continues method development and expanding sector guidance and has sufficient validation capacity.

Two main additional actions:
1. What the companies do: Influence through ownership dialogues and voting
2. What we invest in: SBTi is for example a part of the Storebrand ESG Plus strategy, and included in asset owner investment strategy.
Direct real estate investments

Storebrand commits to reduce its real estate portfolio scope 1 and 2 GHG emissions 64% per square meter for residential buildings and 71% per square meter for commercial buildings within its management of direct real estate investments by target year 2030 from a base year 2019.

Comments regarding the target:
- Location vs. market-based: Marked based used, but both location- and market-based scope 2 emissions will be tracked across the real estate portfolio.\(^1\)

Three approaches to reach the target (in prioritized order\(^2\)):
1. Work to make our buildings more energy efficient, to reduce energy consumption
2. Increase onsite renewable energy production (solar)
3. Purchase offsite renewables through guarantees of origin or other instruments like Power Purchase Agreements (PPAs)

1) If changes in e.g. the GHG accounting guidance make location-based targets more viable, a target update switching to location-based targets will be considered.
2) While Storebrand has set market-based targets, the priority will be to decarbonize managed properties through direct interventions in energy reduction and on-site production of renewable energy, and lastly to procure renewable energy in the market.
Storebrand set a science-based target for several reasons:

- **External validation**
- **Consistency with active ownership**
- **Commercial aspects**

**Aligned with our net-zero journey**
Gustav Magnusson
Project Manager
EQT
EQT: A differentiated global investment organization

Purpose
Why we exist
To future-proof companies and make a positive impact with everything we do

Vision
What we strive for
To be the most reputable investor and owner

Mission
What we do and how
With the best talent and network around the world, EQT uses a unique value creation approach and thematic investment strategy to future-proof companies, creating superior returns and making a positive impact with everything we do.
EQT takes a holistic approach to achieve net-zero carbon

1. **Understand the GHG emission footprint**
   - Direct emissions (Scope 1 & 2)
   - Indirect emissions (Scope 3)
   - For EQT AB, EQT Funds PCs and real estate assets

2. **Decarbonize the existing business**
   - Science-based targets
   - Renewable electricity transition
   - Energy efficiency
   - New products and services

3. **Remove what cannot be avoided**
   - Carbon offsets
   - Carbon removal and storage technology
EQT’s SBTs and progress to date

50% emission reductions in EQT AB Scope 1 & 2 emissions

30% reductions in EQT AB’s Scope 3 emissions from business travel

100% of portfolio companies¹ setting their own SBTs

55% emission reductions per sqm in real estate investments²

Over 40 portfolio companies formally engaged in SBT setting in the 15 months since target validation, including 9 validated targets (YTD)

Melita (EQT Infrastructure IV)

AFRY (EQT Public Value)

Note: All targets based on 2019 as base year (including EQT Real Estate I and II funds).
¹ Excluding portfolio companies in EQT Ventures. All EQT X portfolio companies (where EQT Equity owns ≥ 25% of the fully diluted shares) will set Science Based Targets.
² Applicable for EQT Real Estate I and II funds. Starting in 2022, EQT aims to onboard EQT Exeter’s assets to the science-based target setting process.
Discussion
What actions are you taking to achieve your science-based target?
SBTi Finance: Get Involved

Set a near-term SBT today

Road test the Finance Net-Zero Standard

Participate in SBTi Finance consultations
Thank you