

# SBTi Finance: Update and Showcase of Leading Science Based Targets

January 2023

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# 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



Supriya Sobti

*Climate and Purpose Lead  
NatWest Group*



Jenny Mill

*Climate Change Strategist  
Schroders*



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



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi Call to Action



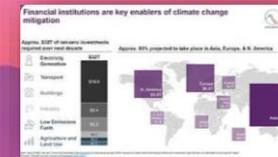
SBTi Finance Guidance



SBTi raises the bar: 1.5°C targets only



SBTi Finance: Foundations for Net-Zero and PE sector guidance



SBTi Finance training modules



SBTi Finance and TCFD reporting guidance

2015

COP21  
Paris Agreement



PARIS2015  
UN CLIMATE CHANGE CONFERENCE  
COP21-CMP11

2018



IPCC Special Report on  
Global Warming of 1.5°C

2020

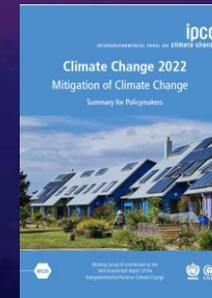
2021

Launch of the SBTi Net-Zero Standard

COP26

2022

IPCC AR6  
WG3 Report



2023



UN HLEG Net-Zero Report



# SBTi Finance: What's next?

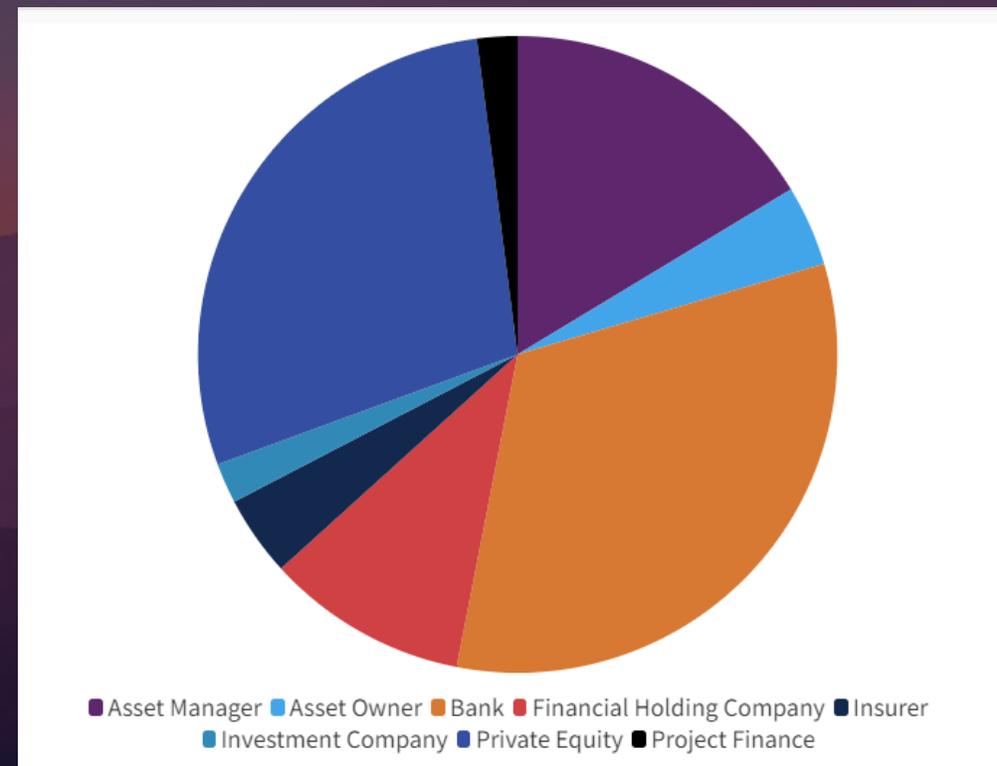
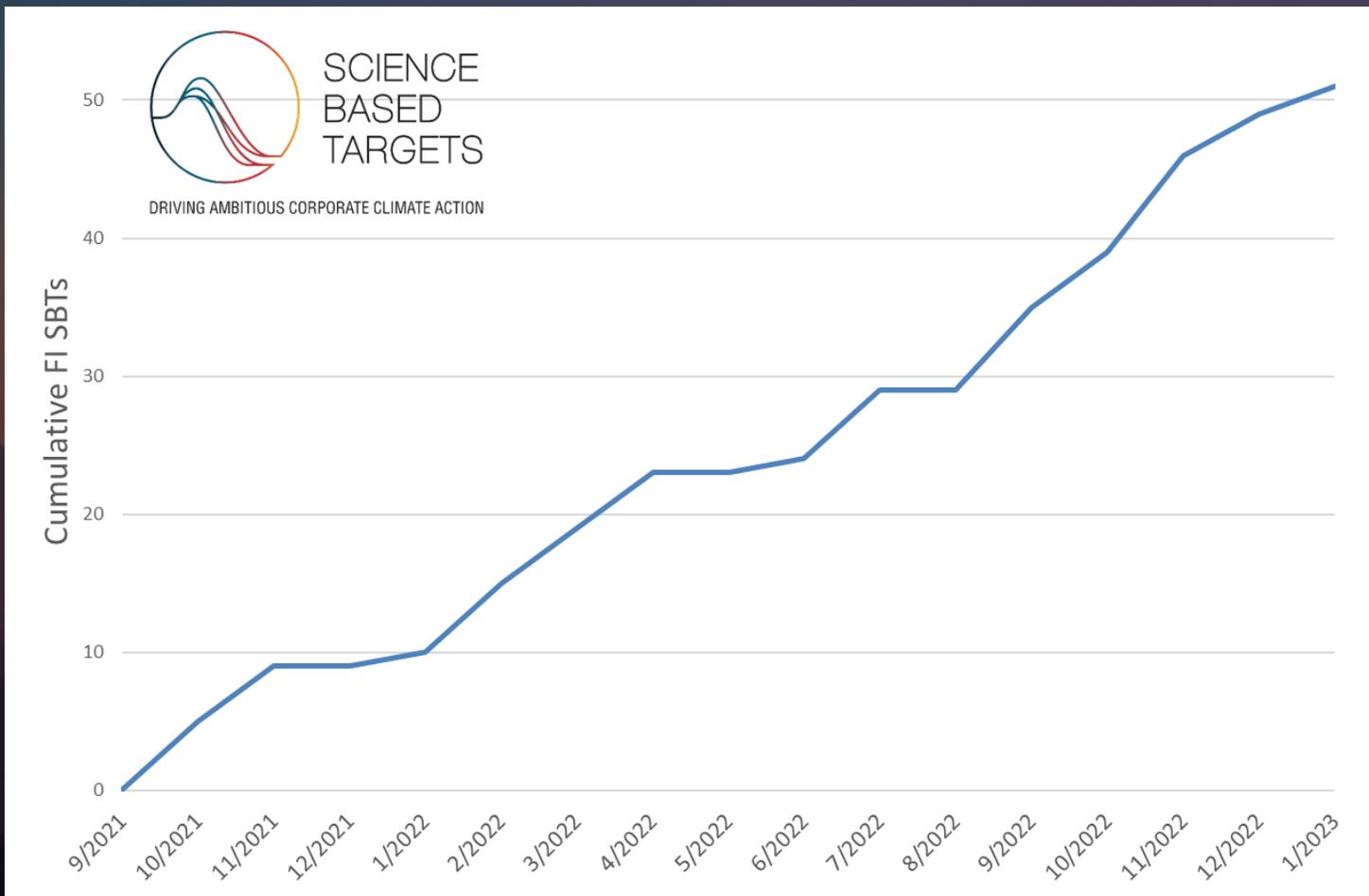
Finance Net-Zero Standard: Exposure Draft

Harmonization

Additional Methods (Insurance Underwriting, etc.)

Near-Term Criteria Update

# SBTi Finance: Growth





# 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<sup>(2)</sup>**

Set sector specific targets

# 2022: published emissions for 52% lending and investment exposure



NatWest  
Group

## Estimates of financed emissions and emission intensities:

The table below shows our estimates based on our work to date and should be read in conjunction with section 5.8 (Caution about climate metrics) and Risk Factors included in the 2021 Annual Report and Accounts. The table below shows NatWest Group's estimated (i) financed emissions, (ii) physical and economic emissions intensities, (iii) physical emissions intensity estimates for year 2030 aligned to NatWest Group's climate ambition to halve the climate impact of financing activity, intended to be aligned with SBTi guidance. We will continue to work on this in 2022 and further refine our estimates as we enhance our understanding, calculation methodologies and data. We have used a combination of methodologies (some of which are still under development) to calculate these emissions. Refer to sector pages in this section for further details on methodologies and approaches used.

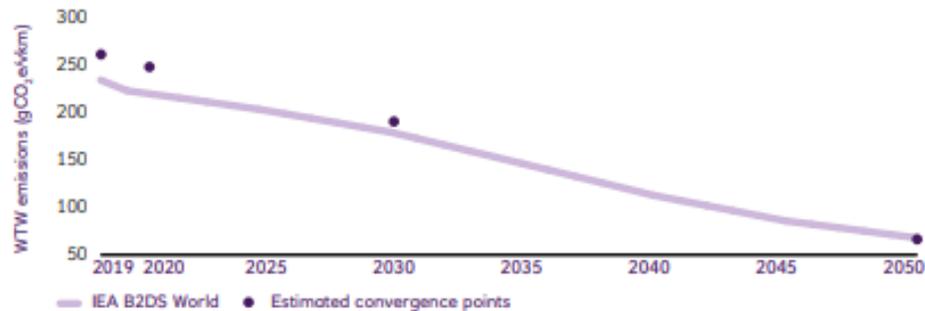
Sector	2020				2019				2030
	Scope 1 and 2 (MtCO <sub>2</sub> e)	Scope 3 (MtCO <sub>2</sub> e)	Physical emissions intensity	Economic emissions intensity	Scope 1 and 2 (MtCO <sub>2</sub> e)	Scope 3 (MtCO <sub>2</sub> e)	Physical emissions intensity	Economic emissions intensity	Physical emissions intensity
Residential mortgages <sup>(1)</sup>	3.2		37.4 kgCO <sub>2</sub> e/m <sup>2</sup>	17	3		38.7 kgCO <sub>2</sub> e/m <sup>2</sup>	17	19.6 kgCO <sub>2</sub> e/m <sup>2</sup>
Commercial real estate	0.4		56.5 kgCO <sub>2</sub> e/m <sup>2</sup>	21	0.4		56.0 kgCO <sub>2</sub> e/m <sup>2</sup>	21	22.5 kgCO <sub>2</sub> e/m <sup>2</sup>
Automotive manufacturing <sup>(2,3,4)</sup>		0.5	248 gCO <sub>2</sub> e/vkm	1,488		0.3	260 gCO <sub>2</sub> e/vkm	1,362	197 gCO <sub>2</sub> e/vkm
Agriculture – primary farming <sup>(2)</sup>	4.5		2,147 tCO <sub>2</sub> e/£m	1,060	4.1		2,075 tCO <sub>2</sub> e/£m	1,033	1,527 tCO <sub>2</sub> e/£m
Agriculture – LULUCF <sup>(2)</sup>			(424) tCO <sub>2</sub> e/£m	(635)			(333) tCO <sub>2</sub> e/£m	(729)	(1,493) tCO <sub>2</sub> e/£m
Land transport <sup>(4,5)</sup>	0.8	0.8		357	0.6	0.7		348	
of which freight road	0.2	0.3	37.3 gCO <sub>2</sub> e/t-km	324	0.1	0.2	36.7 gCO <sub>2</sub> e/t-km	317	29.8 gCO <sub>2</sub> e/t-km
of which passenger rail	0.3	0.2	50.6 gCO <sub>2</sub> e/p-km	924	0.3	0.2	50.6 gCO <sub>2</sub> e/p-km	976	29.5 gCO <sub>2</sub> e/p-km
of which passenger road	0.3	0.3	73.2 gCO <sub>2</sub> e/p-km	234	0.2	0.3	64.9 gCO <sub>2</sub> e/p-km	221	44.6 gCO <sub>2</sub> e/p-km
Electricity generation	1.7		258.5 kgCO <sub>2</sub> e/MWh	546	2.4		223.2 kgCO <sub>2</sub> e/MWh	884	53.1 kgCO <sub>2</sub> e/MWh
Aviation <sup>(4)</sup>	1.6			1,748	1.8			2,122	
Oil and gas <sup>(7)</sup>	0.9	1.5	2.5 tCO <sub>2</sub> e/TJ	531	1.7	1.9	2.6 tCO <sub>2</sub> e/TJ	736	1.6 tCO <sub>2</sub> e/TJ
Shipping <sup>(4)</sup>	0.3			311	0.4			319	
Iron and steel	0.4		1.5 tCO <sub>2</sub> e/tonne	5,690	0.3		1.6 tCO <sub>2</sub> e/tonne	4,820	0.8 tCO <sub>2</sub> e/tonne
Aluminium <sup>(2)</sup>			2.2 tCO <sub>2</sub> e/tonne	1,107			2.5 tCO <sub>2</sub> e/tonne	1,155	1.8 tCO <sub>2</sub> e/tonne
Cement	0.4		0.5 tCO <sub>2</sub> e/tonne	2,670	0.5		0.6 tCO <sub>2</sub> e/tonne	2,586	0.2 tCO <sub>2</sub> e/tonne

# 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.

Emissions intensity estimates



- Temperature rating approach: Agriculture, Aviation, etc.

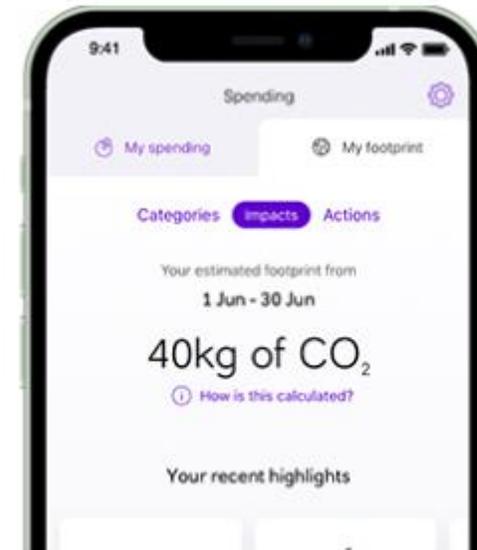
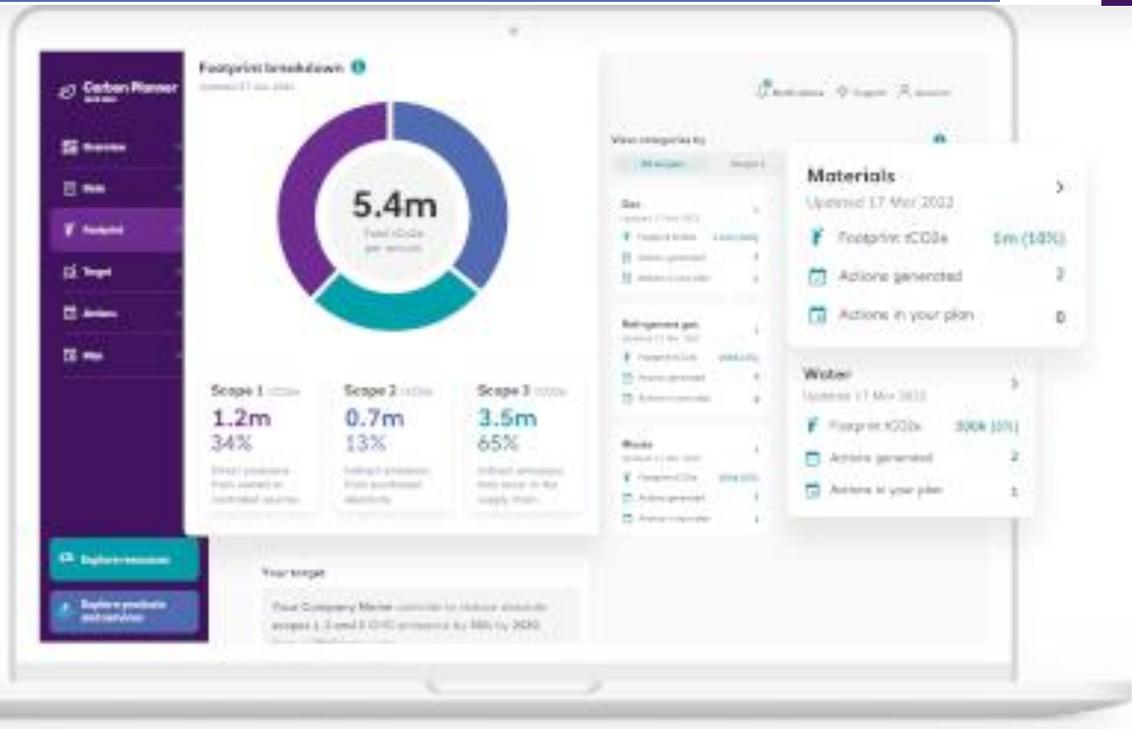
[NatWest Group publishes SBTi validated science-based targets | NatWest Group](#)

# 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.

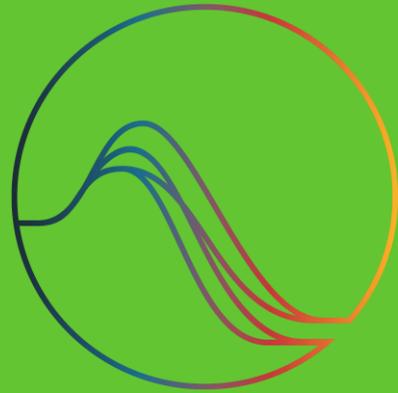
Schroders



Jenny Mill

*Climate Change Strategist  
Schroders*

# ① Our science-based target



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- 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

Source: Schroders.

NET ZERO  
ASSET  
MANAGERS  
INITIATIVE



- **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**

## ② Why we chose to set a science-based target

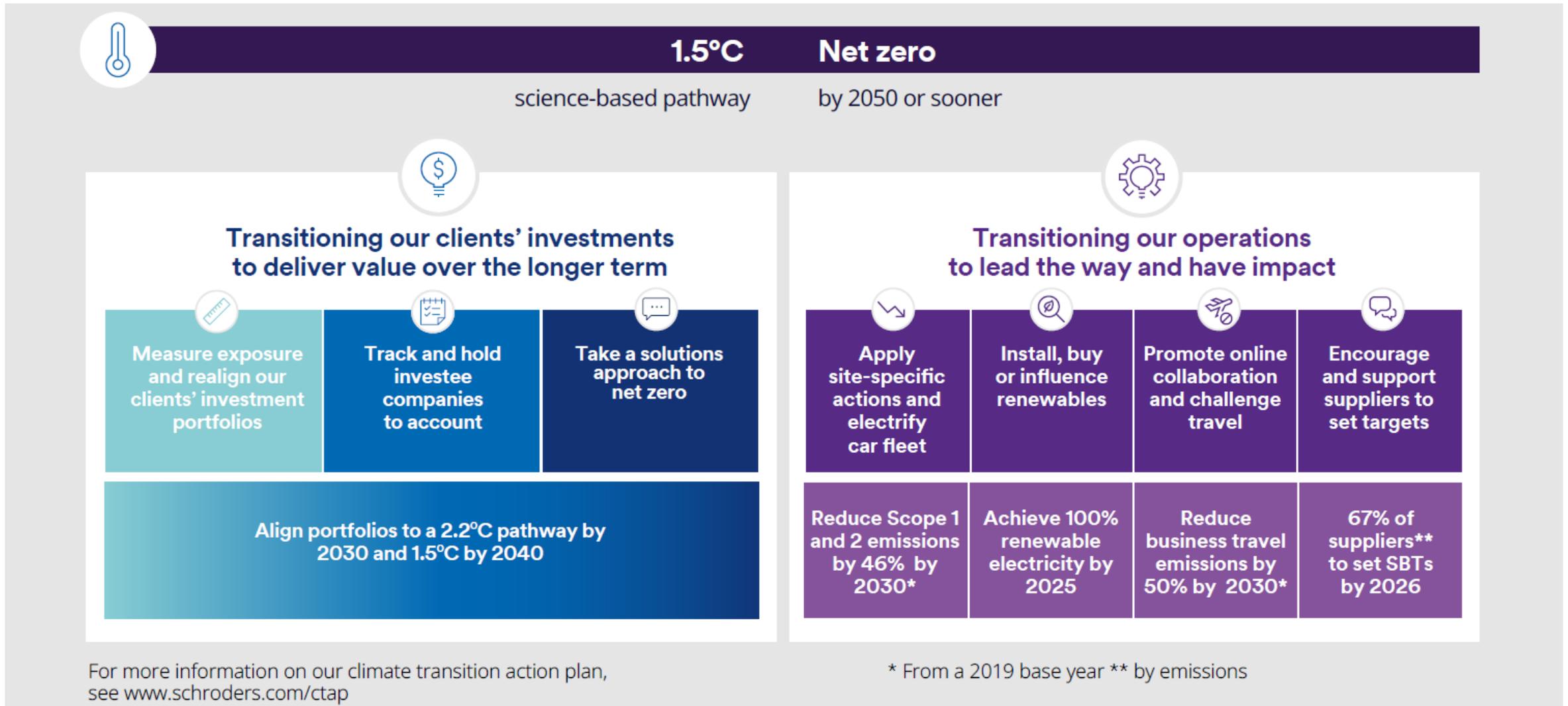


- Critical to move from commitment to action
- Material impact on long-run returns
- Focus on opportunities from the low carbon transition
- Track progress

- 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

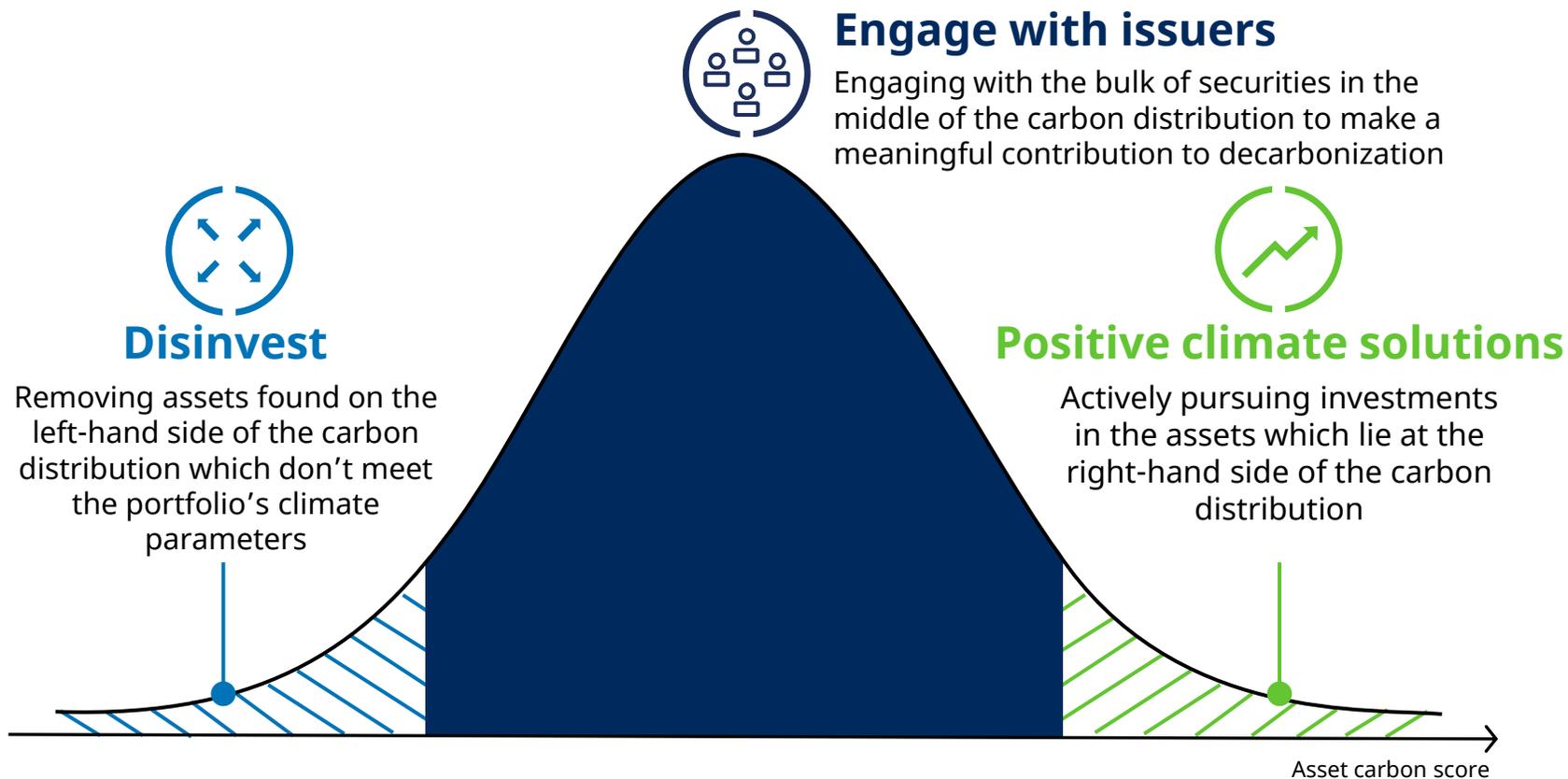
# ③ How will we reach our target



Schroders Climate Transition Action Plan (CTAP), December 2021, can be found [here](#).

# ④ Why engagement is our focus

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



Different levers most appropriate in different situations

**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.

# ⑤ How we engage to drive the transition

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

**700+**  
companies  
engaged



## 01

### 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

## 02

### 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

## 03

### Monitoring progress

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

## 04

### Voting policy

We have developed climate voting principles covering shareholder resolutions, 'Say on Climate' resolutions, and when we will vote against boards

## 05

### Escalation Practice

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

# ⑥ Net-zero focus for 2023

## Engagements

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

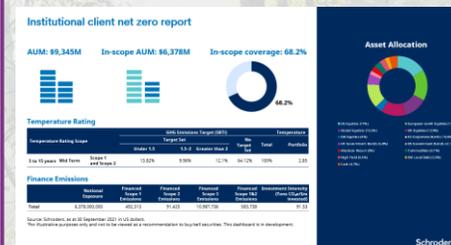


## Asset classes

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



## Clients





storebrand

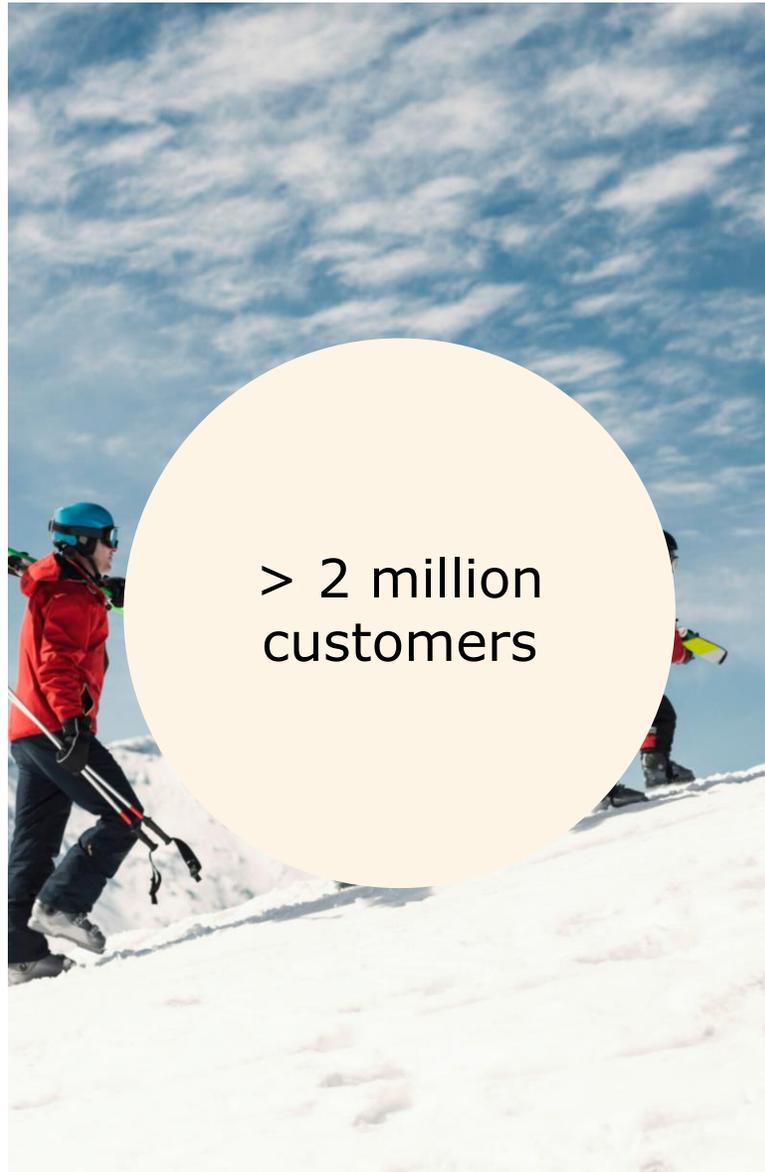


Marcus Bruns

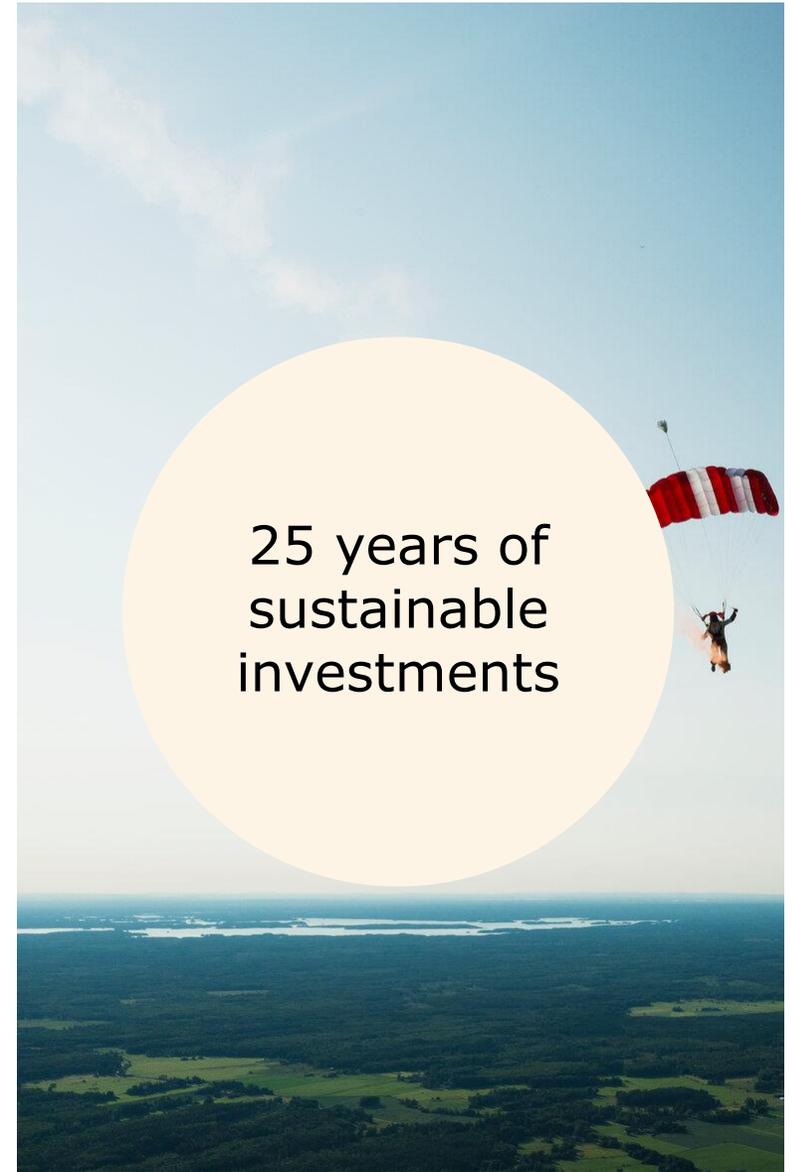
*SVP Nordic Head of Sustainability  
Storebrand*



> 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



Focus on **emissions reductions in the real economy** and establishing intermediate **targets every five years** in line with Paris Agreement

## Facilitated by



## \$11t AUM committed by 84 investors



# 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<sup>1</sup>



## Solution targets

**15%** of our total investments to be invested in solutions<sup>2</sup> 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

**Fall 2019**

**2020-2021**

**Oct. 2021**

**Oct. 2022**

**Q4 2022**

Storebrand committed to setting SBTi



Storebrand playing a part in developing the framework for the finance sector



Part of SBTi expert advisory group	STB Real Estate was a case study in first publication	Part of working group for temperature alignment tool
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Publication of version 1.0 target setting protocol



Deadline target setting for Storebrand



Validation process



As a part of the climate strategy work

One year after publication of version 1.0 of the framework

# 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 2030<sup>1</sup>**

## 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 2019<sup>2</sup>**

- 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

## Equities 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

# Sectoral Decarbonization Approach (SDA) is used for our real estate investments and will mainly be reached through energy efficiency

## 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: Market based used, but both location- and market-based scope 2 emissions will be tracked across the real estate portfolio.<sup>1</sup>

### Three approaches to reach the target (in prioritized order<sup>2</sup>):

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**

EQT



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

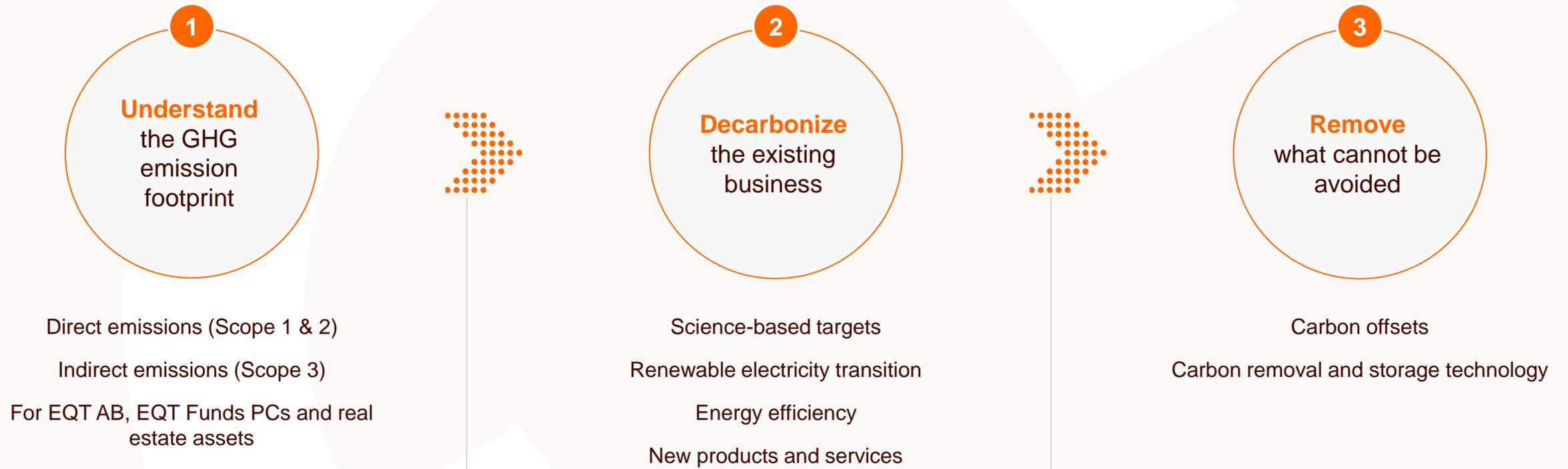
To be the **most reputable investor and owner**

## 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



# 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 companies<sup>1</sup>** setting their own SBTs

55% emission reductions per sqm in **real estate investments<sup>2</sup>**

*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  $\geq 25\%$  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



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

# Discussion

# SBTi Finance: Discussion

What actions are you taking to achieve your science-based target?

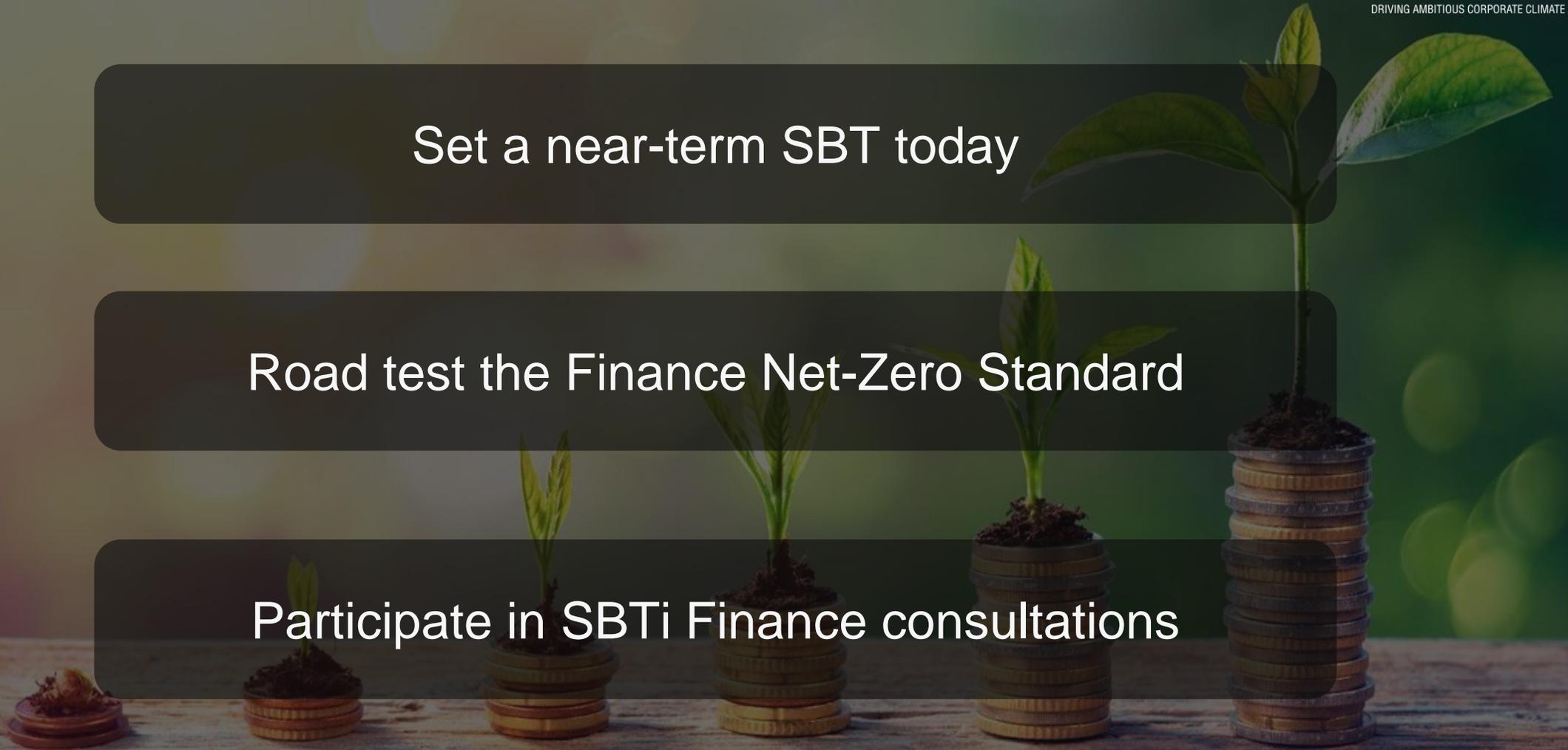


# SBTi Finance: Get Involved

Set a near-term SBT today

Road test the Finance Net-Zero Standard

Participate in SBTi Finance consultations





SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

**Thank you**