Modules – Viewers can self select and access modules non-linearly based on where each user is in the SBTi journey

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Stage		Module
Commit	1	Case for change
	2	Voluntary finance climate action ecosystem
Develop	3	Developing SBTs: Overview
	4	Developing SBTs: Scope 1, scope 2, and scope 3 operational emissions
	5	Developing SBTs: Scope 3 financed emissions – Overview
	6	Developing SBTs: Scope 3 financed emissions – Calculation deep dive and case studies
	7	Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs
Submit, Communicate, Disclose	8	Validating, disclosing, and recalculating
	9	Governance, change management, and meeting targets

Resources (1/2)

Module	Key resources
Module 1: Case for change	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • GFANZ net-zero Financing Roadmaps (Nov 2021) • Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022) • Official Journal of the European Union - Establishing the Framework for Achieving climate neutrality and amending Regulations (Jul 2021)
Module 2: Voluntary finance climate action ecosystem	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • SBTi Business Ambition for 1.5C (Nov 2021) • SBTi 2021 Progress Report
Module 3: Developing SBTs: Overview	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • UN Global Compact Academy Setting Science-Based Targets E-Learning • UN Global Compact Academy Net-Zero Standard E-Learning
Module 4: Developing SBTs: Scope 1, scope 2, and Scope 3 operational emissions	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • SBTi Target Setting Tool 2.0 (Dec 2021) • GHG Protocol Corporate Accounting and Reporting Standard (Revised) • GHG Protocol Scope 2 Guidance (Sep 2015) • GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013)
Module 5: Developing SBTs: Scope 3 financed emissions – Overview	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013) • PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)

Resources (2/2)

Module	Key resources
Module 6: Developing SBTs: Scope 3 financed emissions – Calculation deep dive and case studies	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) • CDP & WWF Temperature Rating Methodology (Oct 2020) • Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022)
Module 7: Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs	• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) • Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022)
Module 8: Validating, disclosing, and recalculating	• SBTi Target Submission Form for Financial Institutions • SBTi Booking System • SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) • GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) • GHG Protocol Scope 3 Accounting Standards (Apr 2013)
Module 9: Governance, change management, and meeting targets	• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) • SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Module #1: Case for change

SBTi financial institution training

THIS TRAINING WAS DEVELOPED IN COLLABORATION WITH

BAIN & COMPANY

PARTNER ORGANIZATIONS

CDP DISCLOSURE INSIGHT ACTION

United Nations Global Compact

WORLD RESOURCES INSTITUTE

WWF

IN COLLABORATION WITH

WE MEAN BUSINESS COALITION

Modules

SCIENCE BASED TARGETS
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Key learning objectives

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Commit | Develop | Submit | Communicate | Disclose

After completing this module, individuals will be able to…

Explain urgency and nuances around global clean energy revolution

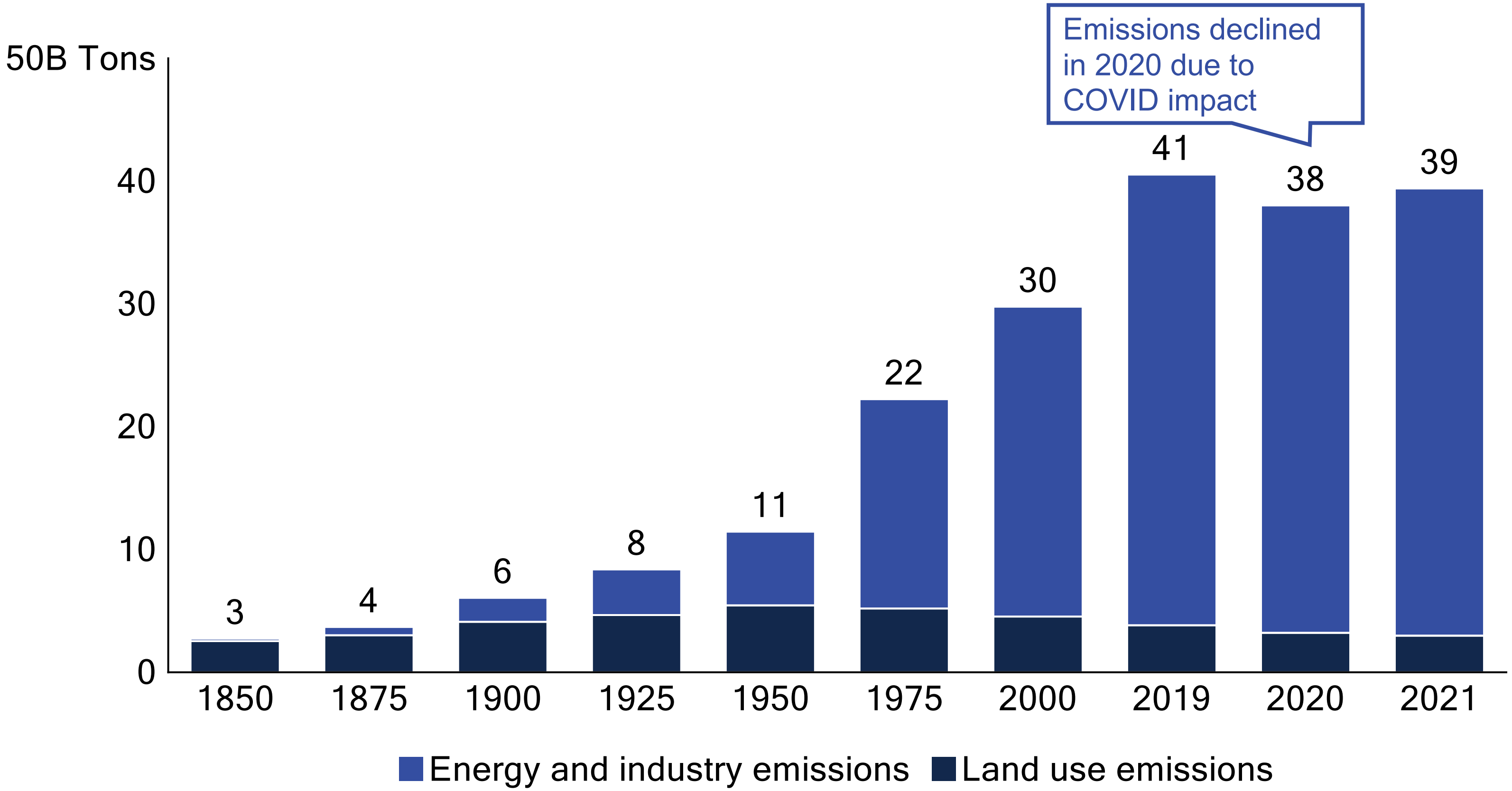
Plan for key changes required for the net-zero transformation

Articulate business case for being a net-zero transformation leader

Carbon dioxide emissions have nearly doubled since 1975

- Greenhouse gas (**GHG**) effect is the **natural warming** of the earth when **gases trap the sun's heat** in the atmosphere
- However, in the last century, human activities have caused **increasingly high** concentrations of **GHG**, which is **trapping too much heat**

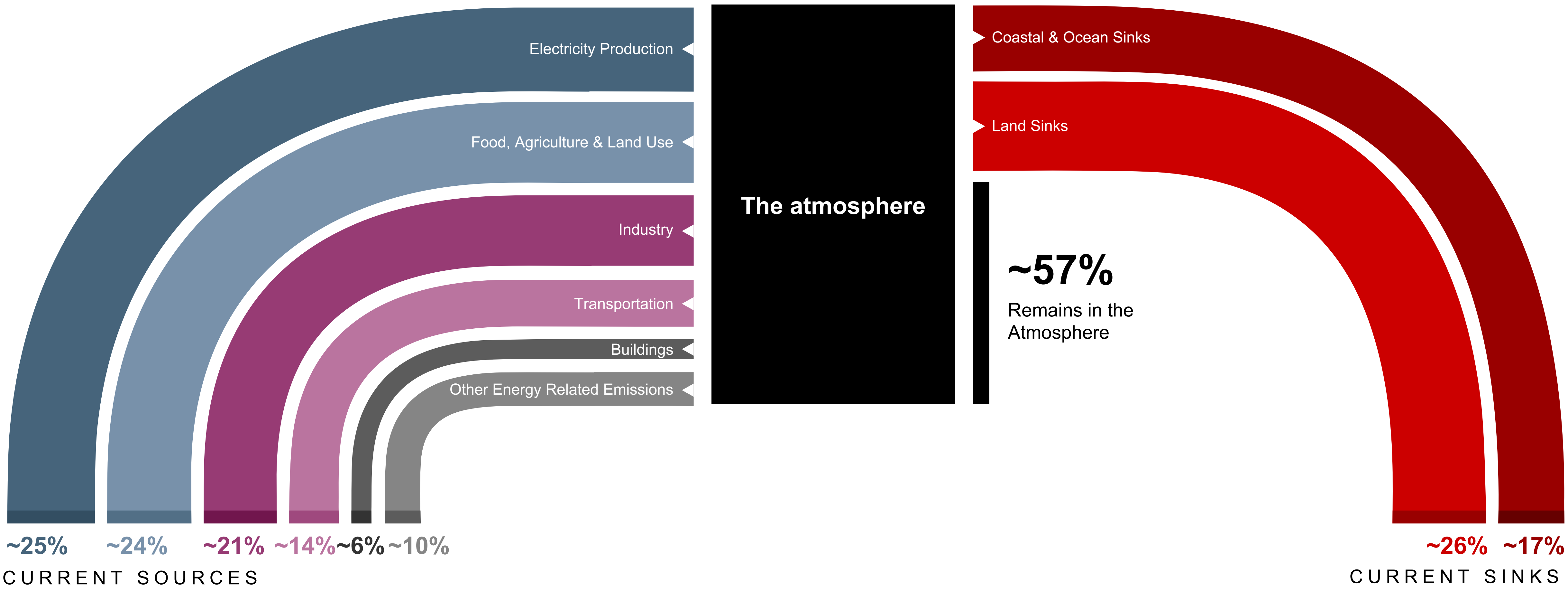
(measured in billions of tons of CO_2; excludes non-CO_2 GHGs)



Source: Global Carbon Project global emissions data (2021); Carbon Brief - Global CO2 emissions have been flat for a decade, new data reveals (Nov 2021)

Many industries are contributing to emissions, without enough sinks to address

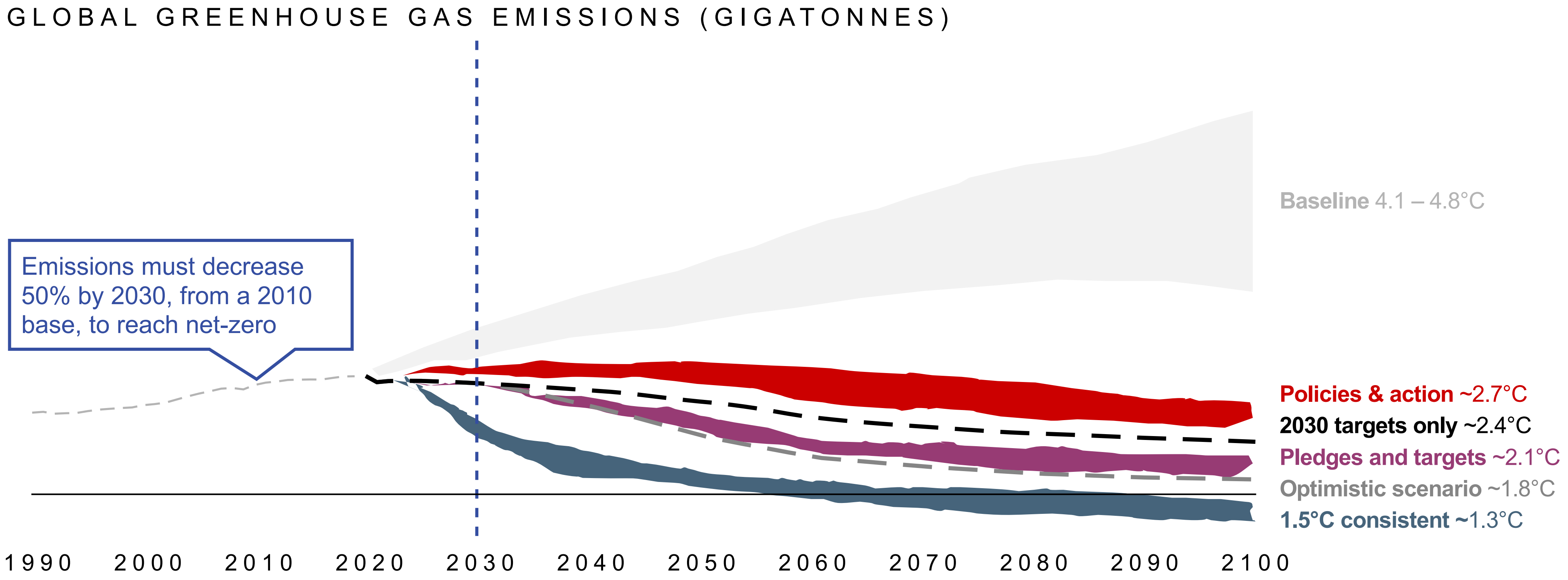
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



Sources: Project Drawdown (2022); Bain & Company analysis

To reach net-zero by 2050, emissions must be halved by 2030

2100 Warming Projections – Emissions and expected warming based on pledges and current policies



COP26 pledges and targets changed the overall path

From: **~2.4°C**
To: **~2.1°C**

Note: Baseline estimate from Climate Action Tracker Dec 2018 Update
Source: Climate Action Tracker, November 2021

This will require an energy and land use transition that balances decarbonization and equitable outcomes

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Clean

Reduces or eliminates the emission of greenhouse gases through cleaner approaches or better sinks

Reliable

Provides access to energy and agricultural resources at a scale and duration necessary for economic prosperity

Affordable

Enables economically feasible solutions for all nations and consumers

Secure

Ensures uninterrupted supply that is resilient to weather, economic, and political factors

Stakeholders of all types are calling on companies to act

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Shareholders

77% of investment managers consider it **their responsibility to hold companies accountable** on climate change & inequality

Consumers

68% of US consumers are willing to **pay more for sustainable brands**

Regulators

European Green Deal will make Europe climate neutral **by 2050**

Employees

88% of 25-40 year-olds say their **job is more fulfilling** when they can positively impact social & environmental issues

Civil Society

40% of people in US would **boycott a company for not being eco-conscious**

Sources: Natixis 2021 Investment Managers-ESG Survey (Nov 2021); First Insight/Wharton Baker Retailing Center The Sustainability Disconnect Between Consumers & Retail Executives (Jan 2022); European Commission 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality (July 2021); World Economic Forum "4 ways for companies to take effective climate action" (Sep 2020); LendingTree ESG survey (Apr 2021)

National net-zero commitments are accelerating, but must be translated into action

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

/ NON EXHAUSTIVE

2017

2045
- Sweden

met
- Bhutan

2018

2050
- Portugal
- Marshall Is.

2019

Jan-Mar

2050
- France
- UK
- Chile

2035
- Finland

Oct-Dec

2050
- Canada
- European Union
- Germany
- Costa Rica
- Denmark
- Slovakia
- New Zealand
- Uruguay

2020

Jan-Mar

2050
- Austria
- Slovenia
- Luxembourg
- Switzerland
- Singapore

Apr-Jun

2050
- Spain
- Hungary
- Andorra

Jul-Sep

2060
- China

2050
- South Africa

2040
- Iceland

Oct-Dec

2070
- Mauritius

2060
- Korea

2050
- Japan
- Fiji
- Colombia
- Jamaica
- Argentina
- Malawi
- Nepal
- Nauru
- Ireland
- Panama
- Vatican

2030
- Barbados

2021

Jan-Jun

2060
- Indonesia

2050
- USA
- Lao PDR
- Dominican Republic
- Italy
- Latvia

2045
- Germany

Jul-Dec

2070
- India

2060
- Saudi Arabia
- Nigeria
- Russia

2053
- Turkey

2050
- Australia
- Vietnam

?

TBC
- Mexico
- …

<10% Of commitments translated into law as of Winter / Spring 2022

Source: Bain & Company analysis

Regulators are increasingly weighing in on climate

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

/ SELECTED EXAMPLES

Europe

European Union

Through the **fit for 55 package** in the 2019 **Green Deal**, member nations are obligated to…

- **Reach carbon neutrality by 2050**
- **Reduce emissions by 55% by 2030**

SFDR* Mandates use of EU Taxonomy reporting on green activities in 2022

European Central Bank

Announced climate action plans set to take place between 2022 and 2024…

- Conduct **stress tests** with banks
- Introduce **climate risk disclosure requirements** to credit assessment guidelines

United States

US Securities and Exchange Commission

Exploring proposal to require registrants to **disclose climate risk exposure and management strategies** in addition to **GHG emissions**

The Federal Reserve System

Recommends **climate risk disclosure standardization** and integration into **stability monitoring**

Asia

Financial Services Commission

South Korean Financial Regulator

Aims to require KOSPI-listed* firms **to disclose climate-related risks and GHG data** by 2026

Endorses K-Taxonomy for green activity reporting

Note: Regulator analysis completed in July 2022 and is subject to change; *Sustainable Finance Disclosure Regulation (SFDR); *The Korea Composite Stock Price Index (KOSPI) is the index of all common stocks traded on the Korea Exchange

Sources: ECB – Wide Climate Agenda (Jul 2022); Official Journal of the European Union - Establishing the Framework for Achieving climate neutrality and amending Regulations (Jul 2021); EU How Should Financial and Non-financial Undertakings Report Taxonomy-eligible economic activities (2021); US Securities and Exchange Commission Statement on ESG Disclosures Proposal (May 2022); Federal Reserve Board Statement in Support of the Glasgow Declaration (Nov 2021); Financial Services Commission – Green Finance Agenda; UC – Climate Change in the Shadow of the Supreme Court (2020)

Financial institutions are key enablers of climate change mitigation

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Approx. $32T of net-zero investments required over next decade

Electricity Generation

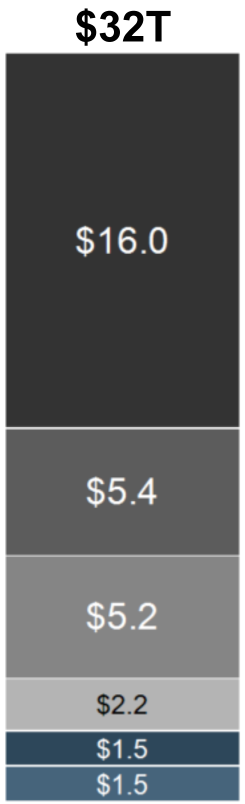
Transport

Buildings

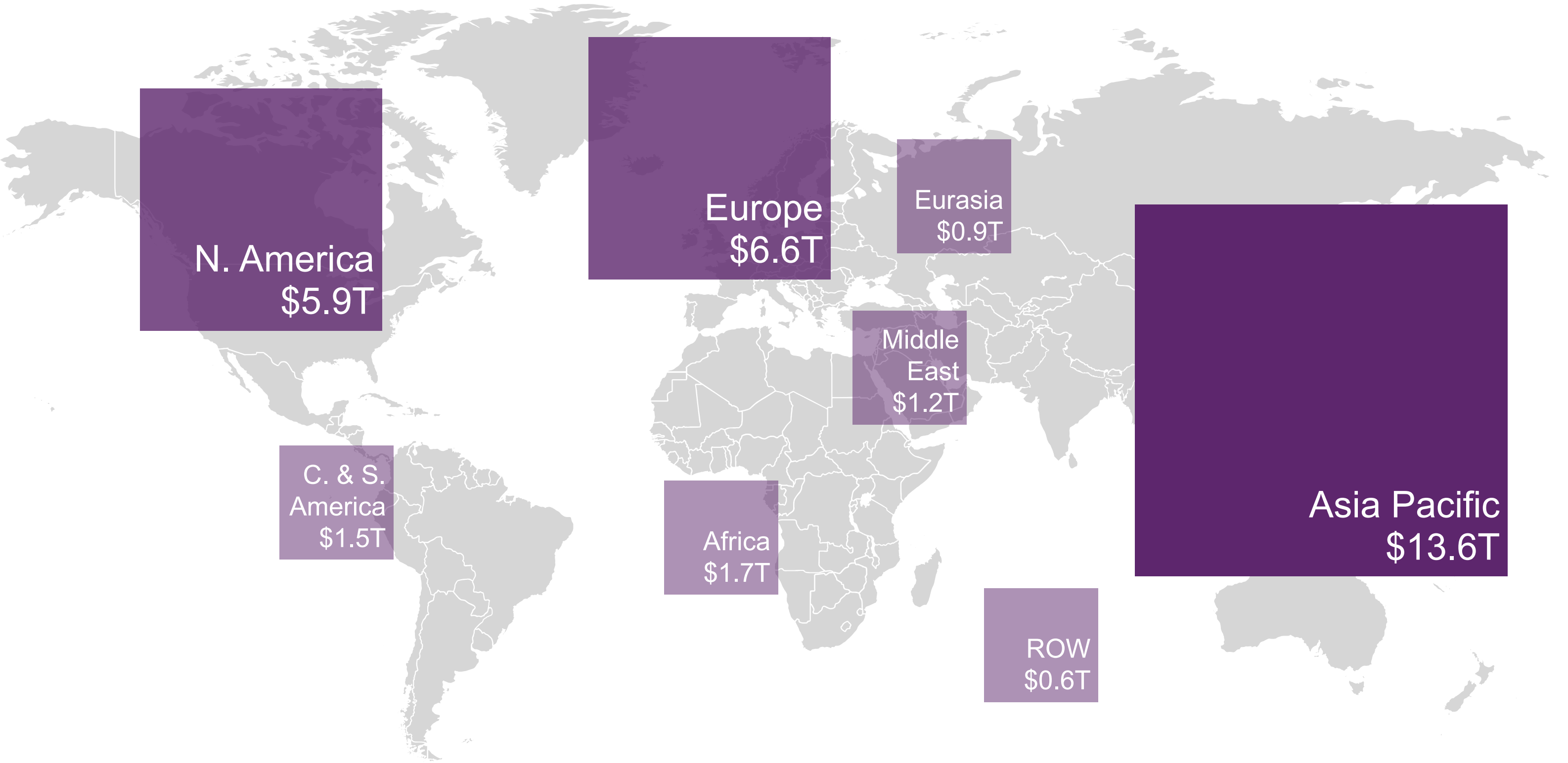
Industry

Low Emissions Fuels

Agriculture and Land Use



Approx. 80% projected to take place in Asia, Europe, & N. America



Note: See GFANZ net-zero Financing Road Maps [Methodology] for regional groupings; ROW represents Small Island Developing States and investment opportunities not allocated to any specific region
Sources: [GFANZ net-zero Financing Roadmaps (Nov 2021)]

Financing the net-zero transformation will occur over time and does not require an immediate, overnight divestiture

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Leading the clean energy revolution involves …

Near-term actions

1. **Commit** to setting **decarbonization ambition and targets**
2. **Measure, track, & disclose** decarbonization progress

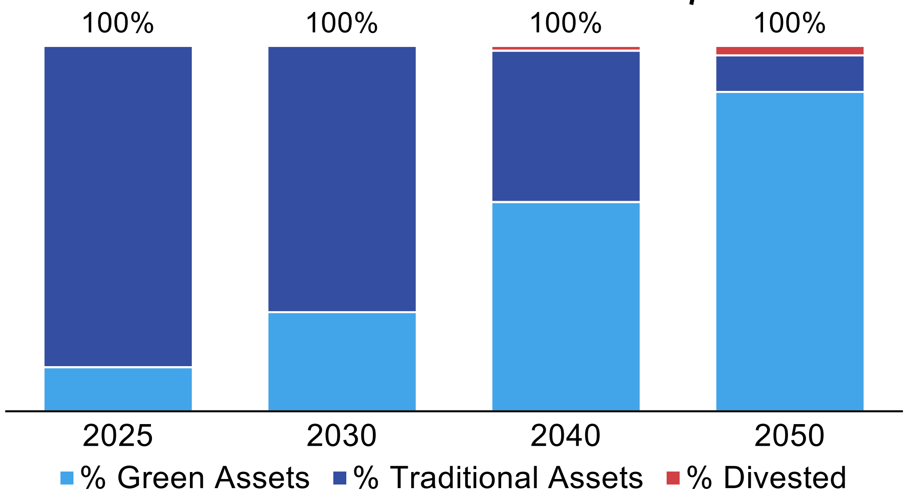
Long-term, sustained activities

3. **Set ESG strategy,** with investments in greener assets
4. Actively **engage clients** to transform and reduce emissions
5. **Improve data accuracy** and **availability**

Individual FI portfolios may shift gradually

FI Portfolio AUM make-up

ILLUSTRATIVE



FI portfolio **achieved decarbonization ambitions by…**

Investing in green assets

Decarbonizing traditional assets

FI portfolio **avoided** significant **divestitures by acting early**

Note: Illustrative portfolio represents a "Pioneer" example; "Pioneer" financial institutions represent those with early, strong commitment to climate mitigation. Please review Bain & Company's Banks' Great Carbon Challenge brief for more details.
Sources: Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022)

The clean energy transformation will impact financial institutions' products, engagement, and operations

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

/NOT EXHAUSTIVE

Setting SBTs helps companies make the following possible…

Product & Services

Access Modules 7 and 9 for more detail

Engagement

Operations

Redefine long-term – transformation will extend past existing "long-term" plans and require flexible strategy

Embed decarbonization into the business – including KPIs, financial controls, and investments in greener assets

Reimagine client engagement – develop concrete mechanisms to engage and escalate on decarbonization efforts

Open aperture on coalition engagement – partner with peers and policymakers to effect change

Expand offerings – offer advisory services, expanded climate mitigation financial products, pricing, etc.

Improve data practices – require relevant emissions data for new engagements and increase quality in existing ones

Sources: SBTi Financial Sector Science-Based Targets Guidance (Feb 2022, pgs. 102-108); GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022, pgs.27-28,42-43, 48-49, 65-67,87); Bain & Company

FI first movers may have more advantages than laggards

Types of approaches	**PIONEER** Early, strong commitment to climate mitigation	**FOLLOWER** Undertakes climate mitigation, lacks speed and aggression	**LAGGARD** Takes a delayed, passive approach

Advantages for Pioneers

- **Early exposure** to **growing** industries
- **Optimal** phasing of **transformation**
- Industry and media **recognition**
- **Input** with **climate regulators**
- **Long-term growth in profitability**

Disadvantages for Laggards

- **Prolonged exposure** to **declining** industries
- Last-minute, forced **divestures**
- **Poor industry recognition**
- **Immature capabilities**
- **Missed returns** with an **inability to recover**

Source: Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022)

Early studies show that FIs who act early may reap significant benefits

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

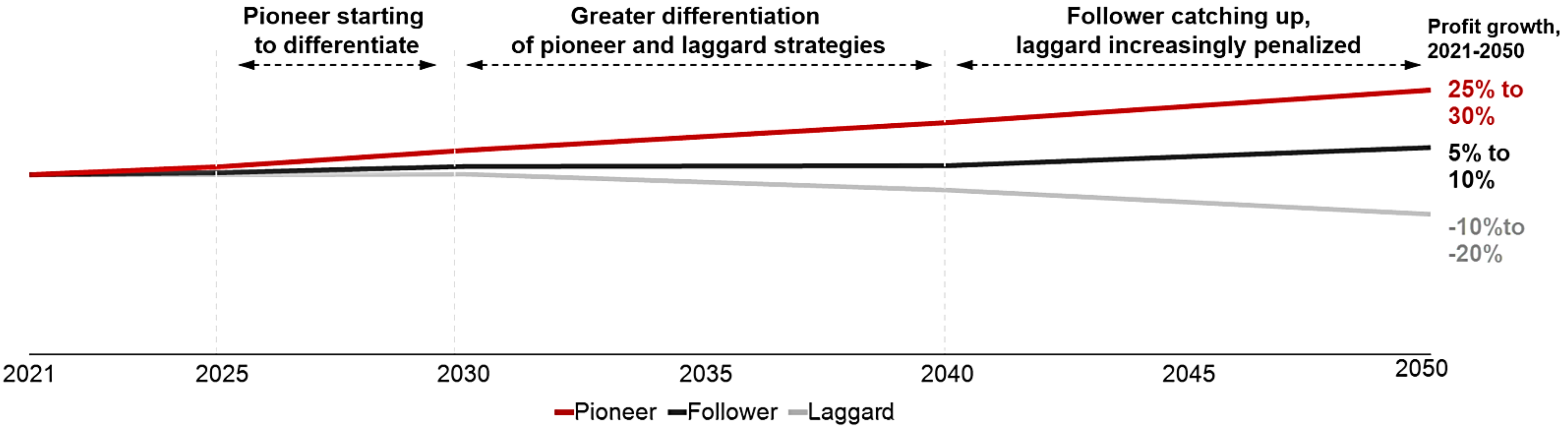
Types of approaches

PIONEER
Early, strong commitment to climate mitigation

FOLLOWER
Undertakes climate mitigation, lacks speed and aggression

LAGGARD
Takes a delayed, passive approach

Profit growth, 100=2021



Source: [Bain & Company Brief – Banks' Great Carbon Challenge (Jun 2022)]

However, significant questions and challenges remain

What **role should the financial sector play** (vs. policy) in transforming the economy?

Which actions will **be mandated by regulators,** and which will continue to be voluntary?

How **central does decarbonization have to be** to strategy for firms to succeed?

How to **quantify the opportunities and benefits of investing early** in climate mitigation?

What benefit can targets and commitments provide when data is still limited?

Key takeaways

- **GHG emissions must be halved by 2030 and brought to net-zero by 2050 to limit warming to 1.5°C and** minimize the most severe impacts of climate change

- **FIs** have a unique opportunity to **enable**, **support**, **and track decarbonization**

- Transforming to a 1.5°C aligned global economy will require **both near-term capability-building and long-term strategy** to secure a decarbonized future

- Pioneers may benefit from **increased profitability, industry recognition,** and **higher quality green portfolios** in the medium- and long-term

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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