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

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<td>2  Voluntary finance climate action ecosystem</td>
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<td>Develop</td>
<td>3  Developing SBTs: Overview</td>
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<td>4  Developing SBTs: Scope 1, scope 2, and scope 3 operational emissions</td>
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<td>Submit, Communicate, Disclose</td>
<td>8  Validating, disclosing, and recalculating</td>
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## Resources (1/2)

<table>
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<tr>
<th>Module</th>
<th>Key resources</th>
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| **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)  
| **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) |
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<td>• PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)</td>
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<td>• CDP &amp; WWF Temperature Rating Methodology (Oct 2020)</td>
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<td>• Bain &amp; Company Brief – Banks’ Great Carbon Challenge (Jun 2022)</td>
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<td>Module 7: Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs</td>
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<td>Module 8: Validating, disclosing, and recalculating</td>
<td>• SBTi Target Submission Form for Financial Institutions</td>
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<td>• SBTi Booking System</td>
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Module #3: SBT overview

SBTi financial institution training
## Modules

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Key learning objectives

After completing this module, individuals will be able to…

Articulate how SBTs address climate and help business

Explain how emissions reduction targets are set

Access relevant tools and stakeholders to set targets
A science-based target aligns actions with the Paris agreement

What is a science-based target?
Science-based targets (SBTs) use the latest climate research to **align corporate actions and measure progress** towards reducing emissions towards net-zero – with the goal of **limiting global warming to 1.5°C by 2050**

What makes science-based targets unique?
- **Build credibility** by science-based foundation
- **Demonstrate commitment** to climate action
- **Anticipate change** in regulations
- **Enhance business** resilience and competitiveness

Source: SBTi Financial Sector Science-Based Targets Guidance (Feb 2022, pgs. 20, 25)
The Science Based Targets Initiative provides third-party, scientific verification of decarbonization targets.

Key points of differentiation

- Provides independent third-party assessment
- Enables comparability and standardization within the industry
- Leverages strong recognition and usage in the real economy
- Catalyzes change this decade by differentiating between near-term and net-zero targets

Comprised of:
- CDP
- World Resources Institute
- WWF
- United Nations Global Compact

2015 launched with 13 key industries

2018 launched FI-specific initiative

Ongoing validation for 3,400+ orgs

Note: SBTi participant counts based on week of July 18th, 2022
Source: SBTi Sectors Decarbonization Approach (May 2015, Pgs. 50-63); SBTi Financial Institutions - About the Project; SBTi Companies Taking Action;
FIs can engage with both SBTi and GFANZ – SBTi provides third party standards and verifications of targets

Coalition that defines, promotes, and validates science-based targets as a 3rd party

- Spans most industries, with FI specifics
- Civil society led
- Target focused, with a prescriptive standards approach
- FIs set third-party verifiable ambition

Industry coalitions and alliances to drive change across the financial sector

- Specific to FIs
- Industry led, with a UN partner
- Broader vision and execution focus, recommends methods (e.g., SBTi)
- FIs signal or set self-determined ambition

Notes: 1. GFANZ alliances: Net-Zero Banking Alliance (NZBA), Net-Zero Insurance Alliance (NZIA), net-zero Asset Managers initiative (NZAM), net-zero Asset Owner Alliance (NZAOA), net-zero Investment Consultants Initiative (NZICI), net-zero Financial Service Providers Alliance (NZFSPA). 2. See Net-Zero Asset Owners Alliance — SBTi Finance Comparison Table for more details. This document may be updated over time; refer to the SBTi website for latest information.
SBTs present an opportunity for financial institutions to influence systemic change toward a 1.5-degree goal.

Financial Institutions should leverage their abilities to influence and engage other actors as well as focus their financing activities to help achieve economy-wide decarbonization and a just transition, and not simply reduce portfolio exposure to GHG emissions.

The financial sector has the capability to engage with individuals and corporates on ESG. This is also the main reason why the financial sector has been expected to play a key role in the trends of ESG development and be given heavy responsibilities.

Sources: SBTi Net-Zero Foundations for Financial Institutions Launch Webinar (Apr 2022, pg. 23); Business Wire E.SUN Financial Holding Joins the Partnership for Carbon Accounting Financials (Jan 2022)
SBTi has a five-step process to guide setting emissions targets

1. COMMIT
2. DEVELOP
3. SUBMIT
4. COMMUNICATE
5. DISCLOSE

A financial institution specific submission form is now available.
Submit form and book expert review through SBTi target validation service booking system.

FIs have up to 2 years* to have their targets approved and announced by SBTi once they commit.

Note: *FIs that committed before October 2020 have until October 2022 to do so; Participants can send questions to finance@sciencebasedtargets.org, or post on our Forum Science Based Targets for Financial Institutions Community Forum.

Source: SBTi Step-by-step Process
Financial institutions must consider many aspects when decarbonizing; SBTi helps companies set meaningful targets.

GFANZ net-zero Transition Plan Framework

**Foundations**
1. Objectives and priorities

**Implementation Strategy**
1. Products and services
2. Activities and decision-making
3. Policies and conditions

**Engagement Strategy**
1. Clients and portfolio companies
2. Industry
3. Government and public sector

**Metrics and targets**
1. Metrics and targets

**Governance**
1. Roles, responsibilities, and remuneration
2. Skills and culture

GFANZ provides a framework for financial institutions to act on net-zero targets.

SBTi helps companies set meaningful, science-based emission reduction targets in pursuit of transformational change.

Source: [GFANZ Financial Institution Net-zero Transition Plans Recommendation and Guidance (Jun 2022, pg. 20)](https://www.gfanz.org/)

Access Module 2 “Voluntary finance climate action ecosystem” for more detail on GFANZ and other actors.
Emissions are counted through three scopes (1, 2, and 3)

**Scope 1**
Direct emissions of owned / operated assets

**Scope 2**
Indirect emissions from generation of purchased energy

**Scope 3**
Indirect emissions from rest of value chain activities

**Financial institutions**
- Use of company-owned car fleet or jets
- Electricity for branches
- Electricity for offices
- Business travel
- Goods from suppliers
- Emissions from loan portfolio
- Emissions from insurance activities

**Industrials**
- Industrial emissions from factories
- Electricity for factories
- Employee commuting
- Disposal of used goods
- Transportation of purchased goods
- Transportation of sold goods
- Company-owned vehicles
- Electricity for offices

**Note:** Examples are illustrative and not exhaustive of all categories within scopes
Targets should cover emissions from the entire business

**Why be comprehensive?**

- **Ensure meaningful emissions reduction**
- **Prepare future of the company**
- **Drives change throughout company**

**FI-C5 – Subsidiaries**: Recommended (vs. shall / must) that FIs submit targets only at parent level

**FI-C2 – Significance Thresholds**: May exclude up to 5% of scope 1 and 2 emissions

Source: SBTi Financial Sector Science-Based Targets Guidance (Feb 2022, pg. 27-28)
SBTi is primarily focused on near-term targets in order to catalyze reductions in this decade.

Near-term target

- Target year is **5 to 15 years** from submission date
- **Required** to submit for Scope 1, 2, and 3 (financed only)
- Must align with **Well-Below 2°C Pathway** (at minimum)

Long-term target

- Target year is **more than 15 years** from submission date
- **Encouraged** to submit long-term targets (up to 2050)
- Must align with **Well-Below 2°C Pathway** (at minimum)

**Primary focus for SBTi target setting**

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\[ FI-C6 – Base and Target Years \]

Sources: SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 29); GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022, pg. 2)
There are three steps for developing a target

1. **Set boundaries**
   - Determine where to start and what to include

2. **Calculate baseline**
   - Know where the organization currently stands

3. **Calculate target**
   - Align on ambition and pathway, set method and timeline for emissions reduction

**Degree of effort:**

These steps are often the most challenging and time consuming
Strategic questions must be answered to set the right target

<table>
<thead>
<tr>
<th>1. Set boundaries</th>
<th>2. Calculate baseline</th>
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<tbody>
<tr>
<td><strong>Boundaries</strong></td>
<td><strong>Approach &amp; Asset Classes</strong></td>
<td><strong>Number of targets</strong></td>
</tr>
<tr>
<td>Do targets apply to whole firm or subsidiaries?</td>
<td>How will you account for reductions? What asset classes to include?</td>
<td>How many targets to set? For what categories? Will you group across classes?</td>
</tr>
</tbody>
</table>

**Consider**

- How you will message why boundaries were selected
- How much disruption your org. can handle
- The upfront investment you can afford
- Can your org. achieve these goals sooner

- How you will message why boundaries were selected
- How you will balance impact with achievability
- What data your company can generate
- What data your customers can provide
- What your organization can control or influence
- Net-zero by 2050 is becoming industry standard
- Can your org. achieve these goals sooner
SBTi provides foundational resources to guide the calculations.
Internal collaboration is also essential for setting targets

**Announce intent**
- CEO and/or Board commit to set targets
- CSO directs the process typically with involvement of:
  - CFO or equivalent
  - Risk
  - Strategy

**Iterate with stakeholders to define targets using expert insight**
- Work led by Sustainability Manager…
- …using insights from:
  - SBTi
  - GFANZ
  - Clients
  - Consultants
  - Others

**Finalize targets**
- CSO recommends path forward
- CEO and/or Board decides
- Business units execute on path forward

Source: GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022, pg.66)
We hear common challenges at the start

The SBTi guidance keeps changing

We want to set targets for a subset of our portfolio

We have poor data quality

Our portfolio churns quickly

We feel incentivized to divest vs. engage
Schroders believes that in order for businesses to survive and thrive they need to adopt long-term sustainable business models. Setting ambitious targets now will catalyze change to protect and enhance business value in the long term.

Andy Howard
Global Head of Sustainable Investments at Schroders

Amalgamated Bank is a leader in climate action and advocacy for transformative activities and policies across the banking sector. SBTi’s validation of our net-zero targets demonstrates that positive change is possible, and we hope to see other banks take action.

Priscilla Sims Brown
President and CEO of Amalgamated Bank

...our ambition is to strengthen our international leadership, recognized by extra-financial agencies. We also want to drive an in-depth transformation of our business models towards a just transition, of which respect for the planet’s limits is a key component.

Philippe Heim
Executive Board Chairman of La Banque Postale

FIs still believe the benefit is worth the challenge

Source: Press releases of companies with SBTi targets or commitments
Key takeaways

• A science-based target **aligns commitments with the Paris agreement’s goals**

• **SBTi is the only third-party validator** of science-based targets, which provides a five-step process and numerous tools for accomplishing

• **Companies should set near-term targets** that cover at least Scope 1, 2, and 3 financed emissions across the full legal entity
THANK YOU FOR LISTENING

PARTNER ORGANIZATIONS

IN COLLABORATION WITH

sciencebasedtargets.org @ScienceTargets Science Based Targets /science-based-targets info@sciencebasedtargets.org