

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

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022)• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)

Module #3: SBT overview

SBTi financial institution training

THIS TRAINING WAS DEVELOPED
IN COLLABORATION WITH



PARTNER ORGANIZATIONS



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



IN COLLABORATION WITH

WE MEAN
BUSINESS
COALITION



Modules

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Key learning objectives

Commit

Develop

Submit

Communicate

Disclose

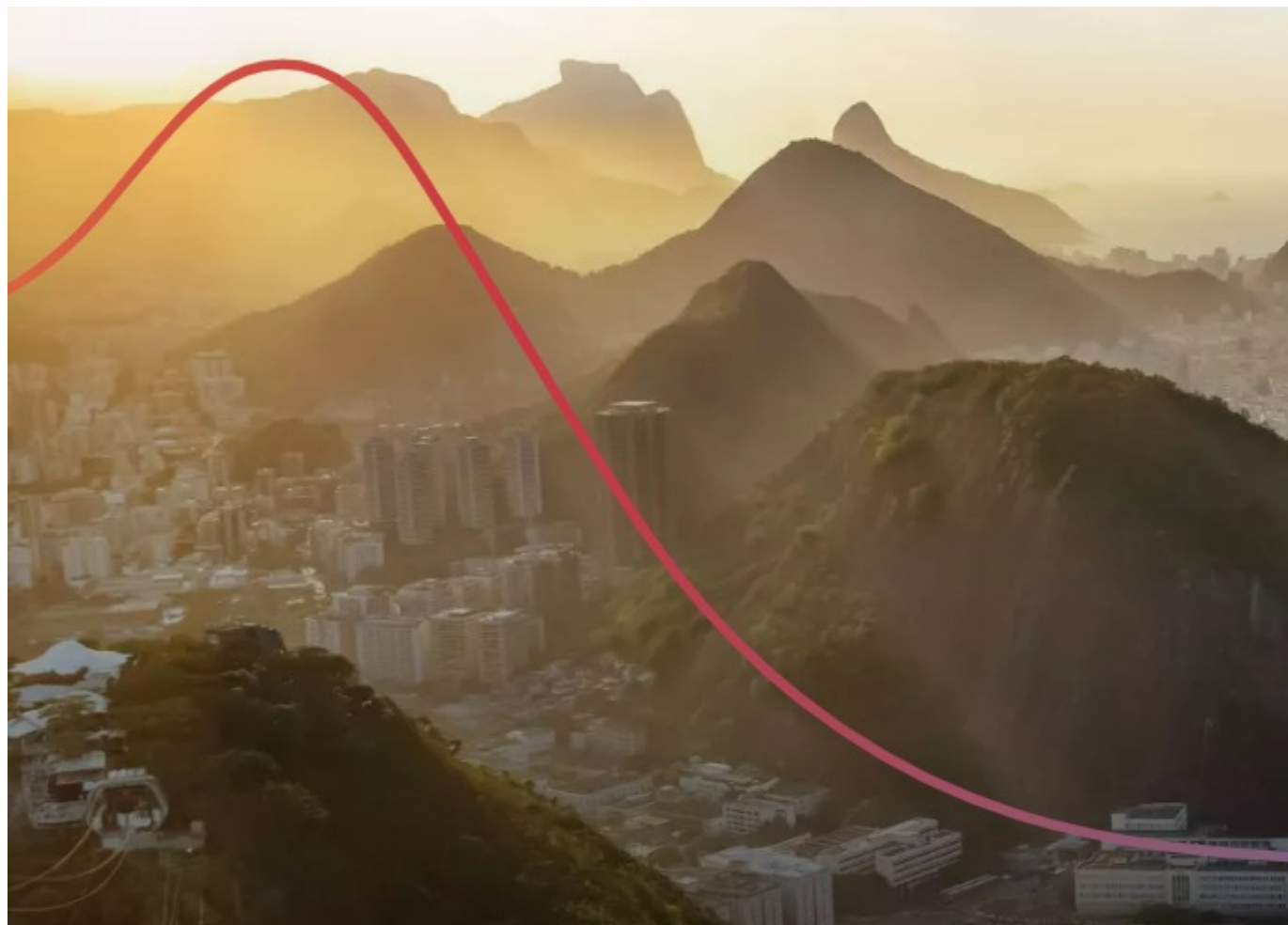
After completing this module, individuals will be able to...

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

The Science Based Targets Initiative provides third-party, scientific verification of decarbonization targets



Comprised of



2015



launched with **13** key industries

2018



launched **FI-specific** initiative

Ongoing



validation for **3,400+** orgs

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

Note: SBTi participant counts based on week of July 18th, 2022

Source: [SBTi Sectoral 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



In partnership w/
RACE TO ZERO

Comprised of



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United Nations
Global Compact

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



Comprised of¹

NZBA

NZAM

NZAOA²

NZIA

NZICI

NZFSPA

Paris Aligned
Investment Initiative

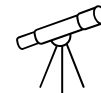
Industry coalitions and alliances to drive change across the financial sector



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

Certain alliances (e.g., NZAOA) are moving to more specific requirements

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.



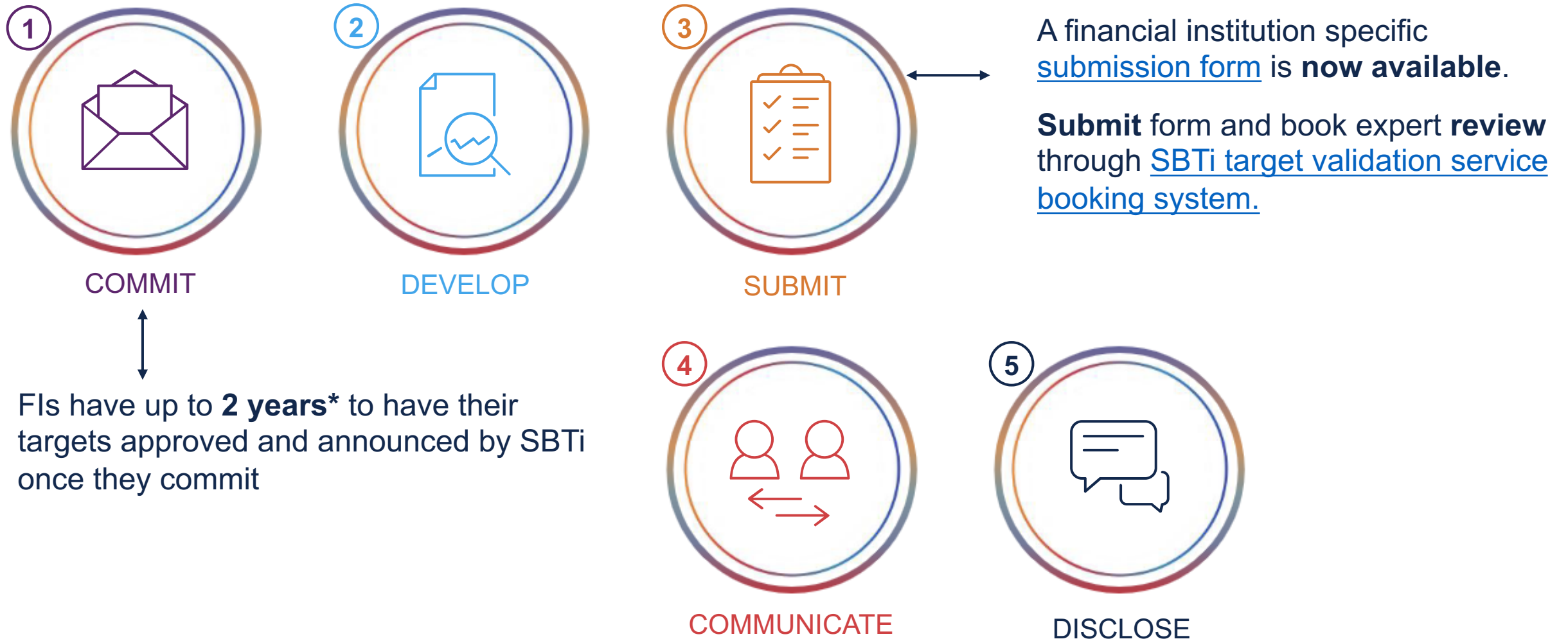
SBTi Financial Sector net-zero Science Based Targets ”

“ 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.



Joseph N.C. Huang, Chairman E.SUN Bank ”

SBTi has a five-step process to guide setting emissions targets



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

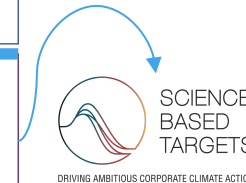
Metrics and targets

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



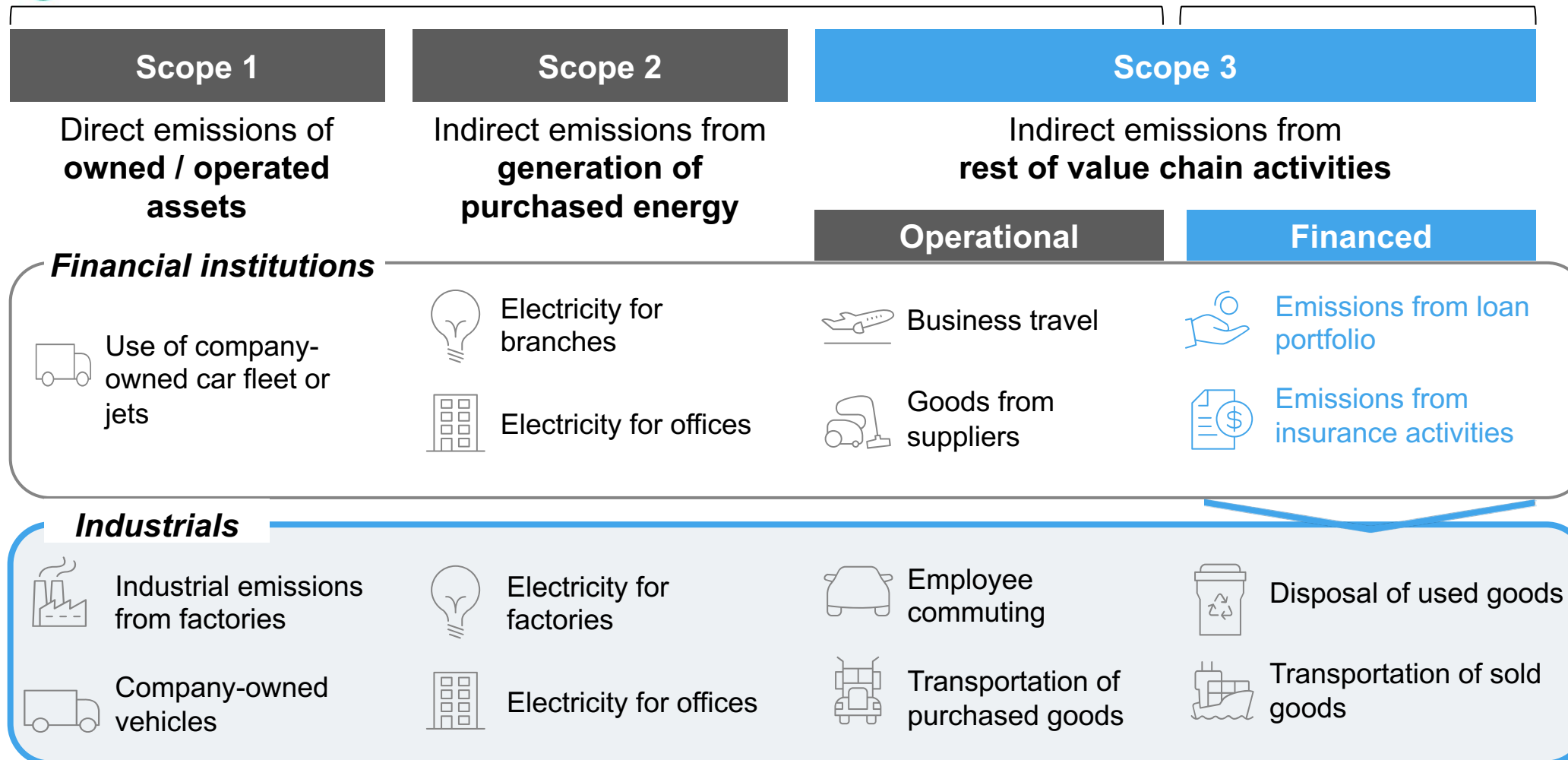
Emissions are counted through three scopes (1, 2, and 3)



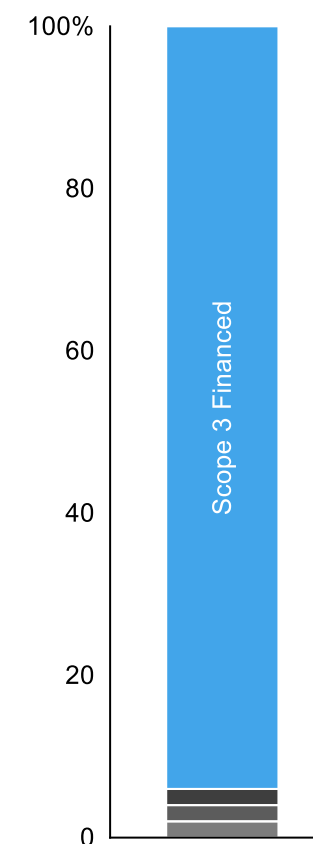
GHGP provides accounting approach for Scope 1, 2, and 3 operational emissions



PCAF provides approach for Scope 3 financed emissions

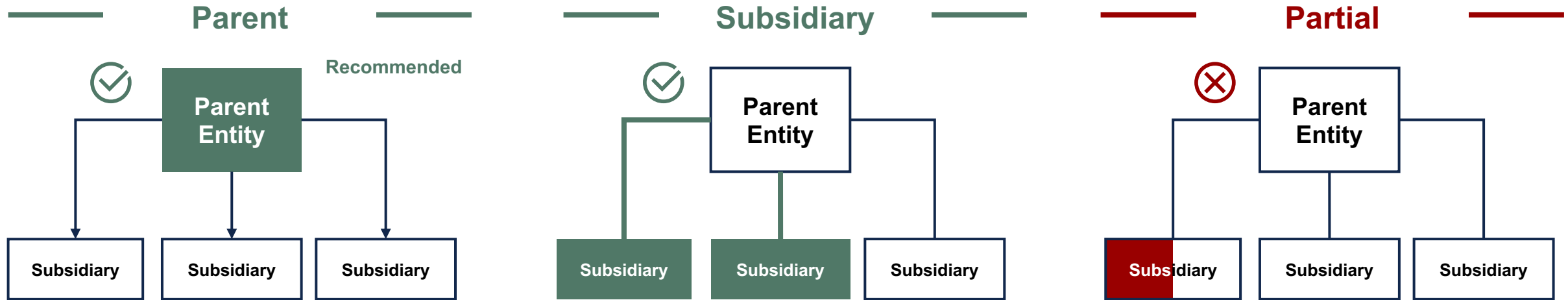


Emissions by scope of FI



Note: Examples are illustrative and not exhaustive of all categories within scopes

Targets should cover emissions from the entire business



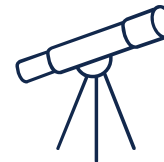
FI-C5 – Subsidiaries: Recommended (vs. shall / must) that FIs submit targets only at parent level

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

Why be comprehensive?



Ensure meaningful
emissions reduction



Prepare future
of the company



Drives change
throughout company

SBTi is primarily focused on near-term targets in order to catalyze reductions in this decade

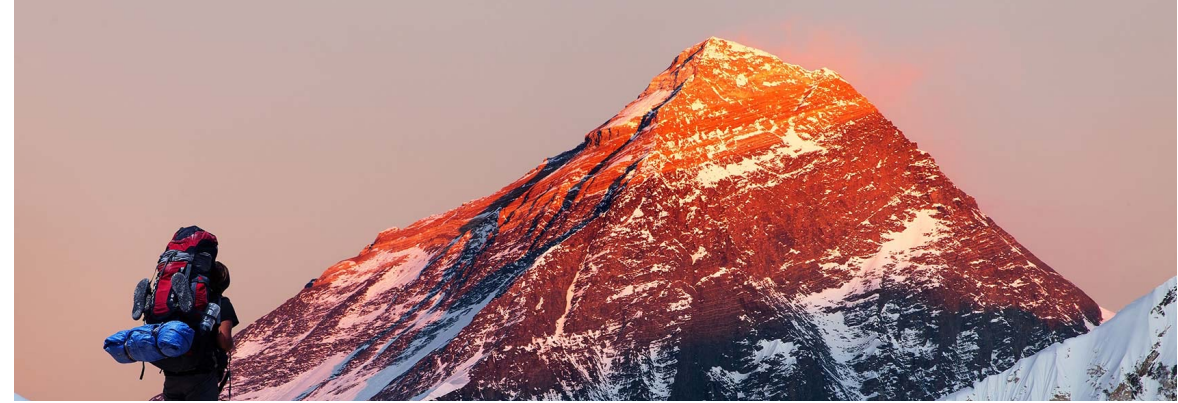


Near-term target

- 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)

Primary focus for SBTi target setting

FI-C6 – Base and Target Years



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)



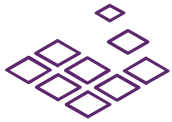
GFANZ requires complete neutralization of emissions and minimal reliance on offsets (only to be used for emissions resulting from operational or supply decisions outside of a company's control)



SBTi is developing the first global standard for [financial sector net-zero target setting](#), consistent with limiting global temperature rise to 1.5°C

FI-R4 – Target Year

There are three steps for developing a target



1

Set boundaries

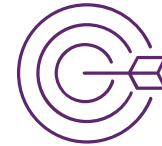
Determine where to start
and what to include



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

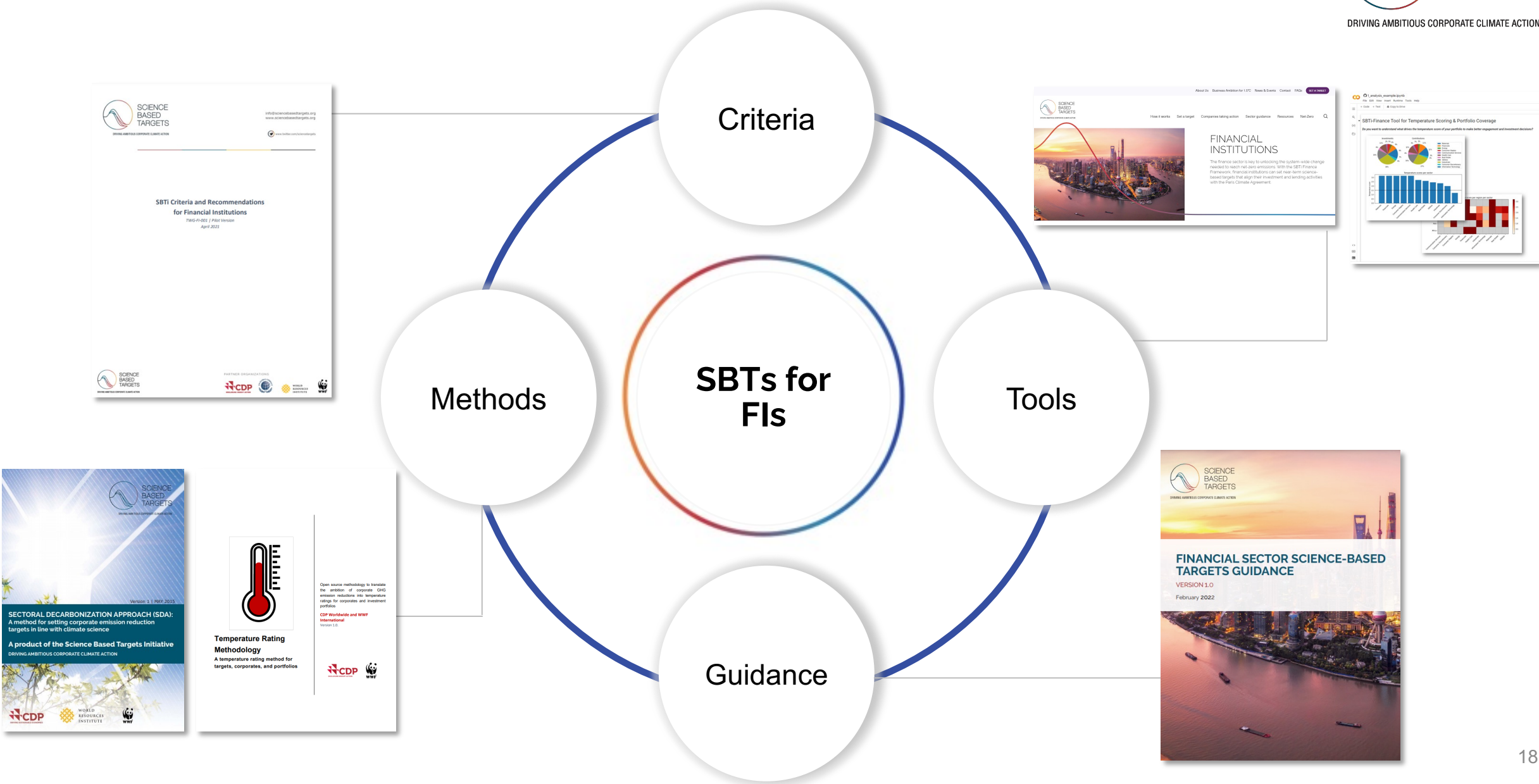


Key question

Consider

	Boundaries	Approach & Asset Classes	Number of targets	Near-term horizon	Long-term horizon
Key question	Do targets apply to whole firm or subsidiaries?	How will you account for reductions ? What asset classes to include?	How many targets to set? For what categories? Will you group across classes?	When will you achieve near-term goals ?	When will you achieve long-term goals ?
Consider	<ul style="list-style-type: none"> How you will message why boundaries were selected How you will balance impact with achievability 	<ul style="list-style-type: none"> What data your company can generate How the target will impact growth or business model 	<ul style="list-style-type: none"> What data your customers can provide What your organization can control or influence 	<ul style="list-style-type: none"> How much disruption your org. can handle The upfront investment you can afford 	<ul style="list-style-type: none"> Net-zero by 2050 is becoming industry standard Can your org. achieve these goals sooner

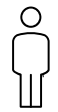
SBTi provides foundational resources to guide the calculations



Internal collaboration is also essential for setting targets

/ ILLUSTRATIVE EXAMPLE, THERE ARE OTHER MODELS

Announce intent



CEO and/or Board
commit to set
targets

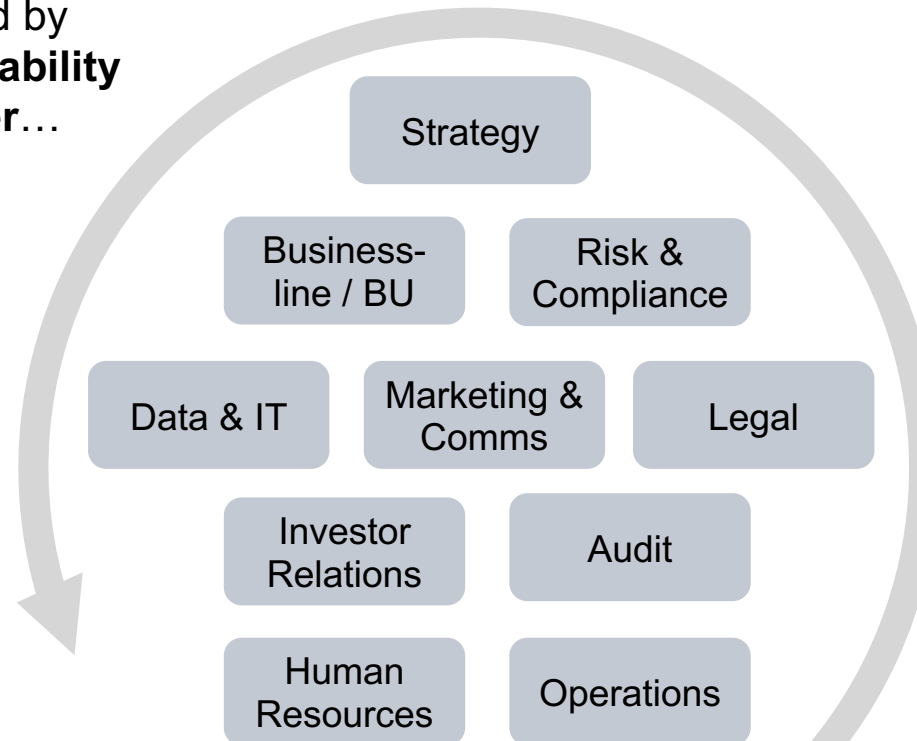


CSO directs the
process typically
with involvement of

- 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

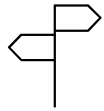
Finalize targets

CSO recommends
path forward

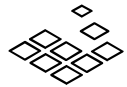
CEO and/or Board
decides

Business units
execute on path
forward

We hear common challenges at the start



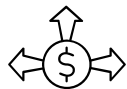
The SBTi **guidance keeps changing**



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**

FIs still believe the benefit is worth the challenge

“ *...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



“ *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



“ *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.*



Global Head of Sustainable Investments at Schroders

Andy Howard



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

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