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

<table>
<thead>
<tr>
<th>Stage</th>
<th>Module</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commit</td>
<td>1  Case for change</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>Develop</td>
<td>3  Developing SBTs: Overview</td>
</tr>
<tr>
<td></td>
<td>4  Developing SBTs: Scope 1, scope 2, and scope 3 operational emissions</td>
</tr>
<tr>
<td></td>
<td>5  Developing SBTs: Scope 3 financed emissions – Overview</td>
</tr>
<tr>
<td></td>
<td>6  Developing SBTs: Scope 3 financed emissions – Calculation deep dive and case studies</td>
</tr>
<tr>
<td></td>
<td>7  Developing SBTs: Scope 3 financed emissions – Data considerations and trade-offs</td>
</tr>
<tr>
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<td>8  Validating, disclosing, and recalculating</td>
</tr>
<tr>
<td></td>
<td>9  Governance, change management, and meeting targets</td>
</tr>
<tr>
<td>Module</td>
<td>Key resources</td>
</tr>
<tr>
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</tr>
</tbody>
</table>
| **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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| 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) |
Module #4: Scope 1, scope 2, and scope 3 operational emissions

SBTi financial institution training
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After completing this module, individuals will be able to…

- Choose appropriate baseline year, boundaries, and methods
- Calculate current and target emissions
- Access and use relevant tools
Emissions can be classified as either operational or financed

**Scope 1 & 2**

**Scope 1**
- Operations
  - E.g., Company facilities

**Scope 2**
- E.g., Electricity

**Scope 3**

- Operations (Categories 1-14)
  - E.g., Business travel, office supplies

**Financed emissions (Category 15)**

GHG emissions associated with an FI’s investment, lending, or underwriting portfolios

Client/portfolio  Scope 1  Scope 2  Scope 3*

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**This module**

**Module #4**: Scope 1, scope 2, and scope 3 operational emissions

**Module #5**: Scope 3 financed emissions – Overview

**Module #6**: Scope 3 financed emissions – Calculation deep dive and case studies

**Module #7**: Scope 3 financed emissions – Data considerations & trade-offs

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Note: *GHGP names that scope 3 financed emissions should be included if they are significant. Temperature Rating Approach requires submission of scope 1+2+3 target.

Sources: GFANZ Financial Institution Net-zero Transition Plans (Jun 2022, pg. 13, Fig. 3); GHGP Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Apr 2013, pgs. 52-54, Table 5.9 and Table 5.10); SBTi Financial Sector Science-Based Targets Guidance (Feb 2022, pgs. 85-88)
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
Select the base year

**Select most recent year**

Pick most recent year for which data is available as the target base year, unless COVID significantly impacted

*FI-R3 – Base Year*

**Be consistent**

Use same base and target years for all targets in the mid-term and long-term time frames

*FI-R5 – Consistency*

**Challenges & considerations**

- Limited data quality and availability
- Significant structural changes during the base year (e.g., merger, acquisition, divestiture, organic growth)

**This is an iterative process**

to determine base year by assessing

Sources: SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 29); GHG Protocol Corporate Accounting and Reporting Standard (Revised, pg. 35)
Determine ORGANIZATIONAL boundary – what is the firm

Select a single consolidation approach that is applied consistently across the whole institution

**Control Approaches**

<table>
<thead>
<tr>
<th>Operational control</th>
<th>Financial control</th>
</tr>
</thead>
</table>
| • Defined as full authority to introduce and implement operating policies  
  – Typically aligns with operating licenses  
  – Accounts for 100% of emissions | • Defined as ability to influence financial & operational activities (for benefit)  
  – Typically aligns with voting rights  
  – Accounts for 100% of emissions |

**Equity Approach**

- **Equity Share**
  - Defined as rights to risks and rewards from operations  
  - Typically aligns with percentage ownership  
  - Accounts for equity share of emissions

**SBTI recommends Control Approaches for FIs to simplify target setting**

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Note: “GHG Protocol Corporate Standard” has case study (Holland Industries) on defining organizational boundaries on pgs. 22 and 23

Source: SBTI Financial Sector Science Based Targets Guidance (Feb 2022, pg. 38-39); GHG Protocol Corporate Accounting and Reporting Standard (Revised, pgs.17-18); PCAF Global GHG Standards (Nov 2020, pg. 36)
Determine OPERATIONAL boundary – what emissions count

**Scope 1**
- Defined by the Greenhouse Gas Protocol Corporate Standard

**Scope 2**

**Scope 3**
- Ops (optional)
- Financed

**Must have 95% coverage**

**67%-100% coverage for required**

**FI-C1 – Scopes:** Targets must cover institution-wide scope 1 and 2 emissions and scope 3 investment and lending activities

**FI-R9 – Measuring Emissions and Setting Targets for Scope 3, Categories 1-14:** It is recommended but not required

**FI-C2 – Significance Thresholds:** FIs may exclude up to 5% of scope 1 & 2 emissions (combined)

**FI-C3 – Greenhouse Gases:** Scope 1 and 2 targets must cover all GHGs outlined in the GHG Protocol Corporate Standards; scope 3 financed shall cover at a minimum CO₂ and optional scope 3 targets (categories 1-14) shall cover all relevant GHGs

**Sources:** SBTI Financial Sector Science Based Targets Guidance (Feb 2022, pg. 27,33); PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020, pg. 36)
SBTi incorporates both the GHGP and PCAF guidance

Sources:
- GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013 Table 15.1 pgs. 137-138)
- PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020 Table 5-1, pg. 45, Box 3, pgs. 30-31)
- SBTi Financial Sector Science-Based Targets Guidance 1.0 (Feb 2022 Table 5.2, pgs. 55-57)
- GHGP - New Standard Developed for Financial Institutions
Calculate baseline emissions

1. Identify emission sources
   - **Scope 1**
     - Combustion emissions (stationary & mobile)
     - Process emissions
     - Fugitive emissions
   - **Scope 2**
     - Purchased electricity, heat, or steam
   - **Scope 3**
     - Category 1-14 (operational)
     - Category 15 (financed)

2. Select approach
   - **Scope 1**
     - Fuel use data
     - Direct measurement
     - Process based
   - **Scope 2**
     - Market-based
     - Location-based
   - **Scope 3**
     - Category 1-14: varies by category
     - Category 15: SDA, PCA, TRA

3. Collect data
   - **Scope 1**
     - Purchased fuel records
   - **Scope 2**
     - Electric meter reading
     - Electricity contracts
   - **Scope 3**
     - Activity data (e.g. passenger miles)
     - 3rd party emission factors

4. Apply calculation tools
   - Access and use **GHG Protocol tools** to calculate your baseline emissions:
     - Cross sector tools
     - Sector specific tools

5. Consolidate data to corp. level
   - Two approaches to consolidate GHG data
     - **1) Centralized**
       - Facilities report raw emission to corporate
       - Corporate calculates metrics
     - **2) Decentralized**
       - Facilities calculate emission metrics
       - Facilities report metrics to corporate

**Bold** indicates most relevant for FIs

Sources: SBTi Financial Sector Science Based Targets Guidance (Feb 2022 pg. 27); GHG Protocol Corporate Accounting and Reporting Standard (Revised, pg. 41); link to GHG Tools website
Calculate emissions – Scope 2

Approaches to calculating Scope 2 baseline emissions

**Market-based**
Accounts for emissions based on the specific energy contracts a company uses to buy electricity

**Best reflects** a company’s purchasing choices

**Location-based**
Uses the average energy generation emission in a defined geographic region to account for emissions

**Best reflects** the impact of the company on the grid

*Sources: GHG Protocol Scope 2 Guidance (Sep 2015, pg. 26); SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 30-31)*
Calculate emissions – Scope 3 operational emissions

Set boundaries
Calculate baseline
Calculate target

GREENHOUSE GAS PROTOCOL Defined by the Greenhouse Gas Protocol Corporate Standard

Scope 1

Scope 2

Scope 3 – Ops
Scope 3 – Fin

Scope 3

Ops (optional)
Financed

Each scope 3 category requires different calculation methods

Follow GHG Protocol guidance for scope 3 operational calculations

Fl-R9 – Measuring emissions and setting targets for scope 3, categories 1–14: Targets for categories are recommended but not required

Source: GHG Technical Guidance for Calculating Scope 3 Emissions 1.0 (2013)
Set target on a near to mid-term horizon

**Base & target years**
Targets cover 5–15 yrs.

**Tracking progress**
Targets can’t already be accomplished

**Level of ambition**
Scope 1, 2, and scope 3 operational aligned with Well-Below-2°C pathway (at min)

**Measurement methods**
- **Absolute method**
  Reduce total emissions
- **Intensity method**
  Reduce per unit emissions

---

**FI-C6 – Base and Target Years:**
Targets must cover 5-15 years from date of target submission

**FI-C7 – Progress to Date:**
Targets that have already been achieved by the date they are submitted are not acceptable

**FI-C8 – Level of Ambition:**
At minimum, scope 1 & 2 targets should be consistent with “well-below 2°C”, though FIs are encouraged to pursue 1.5°C

**FI-C9 – Absolute vs Intensity:**
Intensity & absolute targets for scope 1 & 2 eligible when in-line with “well-below 2°C”; can also utilize approved sector pathway (SDA for absolute)

Sources: SBTi Financial Sector Science-Based Targets Guidance (Feb 2022, pgs. 29-30)
Determine METHOD for calculating target

**Allowable for scope 1 & 2**

<table>
<thead>
<tr>
<th>Absolute Contraction</th>
<th>Physical Intensity</th>
<th>Economic Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute emissions</td>
<td>Emissions per…</td>
<td></td>
</tr>
<tr>
<td></td>
<td>physical unit</td>
<td>economic unit</td>
</tr>
</tbody>
</table>

**Measures**

<table>
<thead>
<tr>
<th>Absolute emissions</th>
<th>Emissions per…</th>
</tr>
</thead>
<tbody>
<tr>
<td>physical unit</td>
<td>economic unit</td>
</tr>
</tbody>
</table>

**Example**

<table>
<thead>
<tr>
<th>Reduce emissions by…</th>
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</thead>
<tbody>
<tr>
<td>30%</td>
</tr>
<tr>
<td>30% per kWh</td>
</tr>
<tr>
<td>30% per $ of revenue</td>
</tr>
</tbody>
</table>

**Considerations**

- Easily links to SBTi target setting tool
- Two calculation options
  - Commercial Buildings (SDA)
  - Absolute in Physical Unit
- Linked to financial drivers

**Minimum annual reductions**

- Required – Well-Below 2°C Pathway (2.5% linear reduction) from base year*
- Encouraged (when available) – 1.5°C Pathway (4.2% linear reduction)
  (Commercial building SDA unavailable due to data limitations)

**SBTI encouraged approach**

Note: *Base years after 2020 will require steeper reduction trajectory to reach same target
Sources: SBTi Financial Sector Science-Based Targets Guidance 1.0 (Feb 2022, pgs. 47-48)
Target examples

Absolute Contraction

La Banque Postale commits to reduce its **absolute scope 1 and 2 GHG emissions 46% by 2030** from a 2019 base year and commits to continue annually sourcing 100% renewable electricity through 2030.

Physical Intensity

Property developer, owner, and operator Swire Properties Limited commits to **reduce scope 1 and 2 GHG emissions 35% per square meter by 2025** and **52% per square meter by 2030** from a 2018 base year.

Economic Intensity

Kering commits to **reduce scope 1, scope 2, and scope 3 emissions from upstream transportation and distribution, business air travel, and fuel- and energy related emissions 50% per unit of value** added by 2025 from a 2015 base year.

Ambition

| Source: SBTI “Companies Taking Action” (Webpage – Target dashboard) |

<table>
<thead>
<tr>
<th>Retail bank</th>
<th>Property development</th>
<th>Luxury goods retailer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5°C</td>
<td>1.5°C</td>
<td>1.5°C</td>
</tr>
</tbody>
</table>

La Banque Postale

Property developer, owner, and operator Swire Properties Limited

Kering
Calculate utilizing SBTi’s tool to reach chosen ambition

How to use SBTi target tool 2.0

1. **Input target setting method** – Absolute Contraction or SDA (scope 1 & 2); Absolute or Intensity (scope 3 operational)
2. **Input base year** – Most recent year which data is available suggested
3. **Enter emissions info** – Required emission & measure inputs vary by method
4. **Review emissions targets** – Tool provides emissions targets by scope for 1.5°C pathway (recommended but not required for FIs) based on method, baseline, and target year

*FI-C10 – Method Validity: Targets must be modeled using the latest version of methods and tools approved by the initiative*

Source: [SBTi Target Setting Tool 2.0](http://www.sbtinitiative.org)
### Offsets and avoided emissions are not allowed

<table>
<thead>
<tr>
<th>Offsets</th>
<th>Avoided emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Removal of emissions to <strong>compensate for an organization’s released emissions</strong></td>
<td>• Emission reductions resulting from <strong>project / product</strong> versus resulting emissions from its absence</td>
</tr>
<tr>
<td>• Example – Planting trees to counter an FI’s emissions</td>
<td>• Example – Fuel saving tires, teleconferencing equipment</td>
</tr>
</tbody>
</table>

**FI-C11 – Offsets:** The SBTi requires that FIs set targets based on emission reductions through direct action within their own operations or their investment and lending portfolios

**FI-C12 – Avoided Emissions:** Avoided emissions fall under separate accounting system from corporate & financial institutions’ inventories; do not count toward science-based target

Note: GHGP, PCAF, GFANZ don’t provide specific offset recommendations; (*) GHGP and PCAF have similar avoided emissions recommendations, but GFANZ does not provide any guidance

Source: SBTI Financial Sector Science-Based Targets Guidance (Feb 2022, pgs. 10, 30); WRI Estimating and Reporting the Comparative Emissions Impacts of Products (pg. 3); PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020)
Key takeaways

• FIs find that **setting boundaries and calculating baseline are challenging** steps in the target setting process and take more time than expected.

• **Scope 1 and 2 targets must cover a 5–15-year goal and align with Well-below 2°C pathway (at min), and should be calculated using Absolute Contraction method**

• **SBTi provides an excel tool to calculate target pathway**
THANK YOU FOR LISTENING