 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>3 Developing SBTs: Overview</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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</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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<td><strong>Module 6: Developing SBTs: Scope 3</strong></td>
<td>• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) &lt;br&gt;• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) &lt;br&gt;• PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) &lt;br&gt;• CDP &amp; WWF Temperature Rating Methodology (Oct 2020) &lt;br&gt;• Bain &amp; Company Brief – Banks’ Great Carbon Challenge (Jun 2022)</td>
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<tr>
<td><strong>Module 7: Developing SBTs: Scope 3</strong></td>
<td>• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) &lt;br&gt;• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) &lt;br&gt;• PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) &lt;br&gt;• Bain &amp; Company Brief – Banks’ Great Carbon Challenge (Jun 2022)</td>
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<td><strong>Module 8: Validating, disclosing, and recalculating</strong></td>
<td>• SBTi Target Submission Form for Financial Institutions &lt;br&gt;• SBTi Booking System &lt;br&gt;• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022) &lt;br&gt;• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) &lt;br&gt;• PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020) &lt;br&gt;• GHG Protocol Scope 3 Accounting Standards (Apr 2013)</td>
</tr>
<tr>
<td><strong>Module 9: Governance, change management, and meeting targets</strong></td>
<td>• GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022) &lt;br&gt;• SBTi Financial Sector Science-Based Targets Guidance (Feb 2022)</td>
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Module #7: Scope 3 financed emissions – Data considerations

SBTi financial institution training
## Modules

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Key learning objectives

After completing this module, individuals will be able to…

Explain data quality levels and interpret relative accuracy

Engage stakeholders to set targets despite limited data

Create an action plan to improve data quality
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

Note: *GHG 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 Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (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. 86-88)
Lack of clear emissions data is a pressing problem

FIs face many data issues while setting SBTs...

- Many data sources, often external and either missing or low quality
- Inconsistent and unclear definitions
- Technology and data systems challenges
- Evolving guidance and non-standardized disclosure
- Current reliance on estimates and industry-level intensity data

...which create short- and long-term challenges

- Paralysis on setting targets
- Ambiguous and changing metrics
- Limited tracking and understanding
- Unmanaged risk and lack of value creation
- Challenges in showing progress given estimation methods

Sources: GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022, pgs. 91-94); Bain & Company
PCAF provides a framework for understanding data quality; most FIs have immature data quality across all sectors

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<tr>
<th>Data Quality Score</th>
<th>Emission Calculation Method</th>
<th>Description</th>
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<tr>
<td>1</td>
<td>Reported Emissions (e.g., tCO2e)</td>
<td>Known, verified emissions</td>
</tr>
<tr>
<td>2</td>
<td>Known, unverified emissions</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Physical activity-based emissions (e.g., tCO2e/MWh)</td>
<td>Estimated emissions based on energy consumption</td>
</tr>
<tr>
<td>4</td>
<td>Economic activity-based emissions (e.g., tCO2e/€M)</td>
<td>Estimated emissions based on revenues</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Estimated emissions based on assets (by sector)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Estimated emissions based on revenues and asset turnover ratio</td>
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In 2020-2021, Global Financial Institutions with investments in Energy and Power sectors had data quality scores ranging from 3.3 – 4.3

Sources: PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020, pg. 54, Table 5-3); Bain & Company Brief – Banks’ Great Carbon Challenge (Jun 2022)
Data quality issues may decrease target accuracy in short-term

Given data quality, initial targets will have large errors in both directions

Source: Bain & Company Brief – Banks’ Great Carbon Challenge (Jun 2022)
Across financial institutions and the real economy, companies have set targets despite data nascency

**Examples**

- **Scope 1 & 2**
  - "La Banque Postale commits to reduce its absolute scope 1 and 2 GHG emissions 46% by 2030 from a 2019 base year”

- **Scope 3 – operational**
  - "Schroders plc commits to reduce absolute scope 3 business travel GHG emissions 50% by 2030 from a 2019 base year…”

- **Scope 3 – financed**
  - “E.SUN FHC commits to reduce GHG emissions from electricity generation sector within the corporate loan portfolio 49% per MWh by 2030 from a 2019 base year”

Sources: SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 96-98); Target language and summary La Banque Postale; Target language and summary Schroders; Target language and summary E.Sun Financial
Despite current data challenges, financial institutions can still catalyze change

Start somewhere: focus on areas where more precise industry estimates exist

Foster engagement: catalyze change at portfolio companies / customers

Build momentum: if you make the investment in data, others are likely to follow

Substantial progress can be made even in sectors currently without guidance; we will only meet 1.5°C through collective ambition

“Data availability and methodologies are rapidly evolving and the direction of travel is as important as accuracy”

“Measuring financed emissions is crucial to growing understanding, which triggers internal discussions and stakeholder engagement to identify concrete actions”

“FIs should leverage the influence they have over companies, policymakers, and other FIs. This will ensure that the rules… are supportive of their own climate actions”

Sources: GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022, pgs. 54, 91-94); PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020, 39-40, 103-104)
FIs must invest in processes and tools surrounding data for both their operations and for their portfolios’ operations

**End State**

*Processes*

- Centered on decarbonizing
- Embedded throughout
- Mostly automated

*Tools*

- Robust and actively utilized (fit for purpose)

*Data*

- Used as a core input for decision making
- Defined data strategy with high quality data

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Build your relationships with trusted partners

- ESG rating agencies
- GHG data aggregator
- Carbon footprint provider
- Voluntary carbon markets
- Compliance / reporting mgmt.
- Climate risk management
- Operational decarb. partner

Source: Bain & Company
Engaging stakeholders on data increases industry-wide progress.

Financial Institutions with targets

Clients & portfolio companies
- Grow data quality and sophistication
- Increase number of commitments and targets

Industry peers
- Collaborate or partner
- Seek common approaches and tools (e.g., open source)

Government & public sector
- Engage to set standard data and FI-required reporting
- Dialogue on carbon policy to ensure clear direction of travel

Key learnings

• High quality emissions data is both rare and important – it is a shared challenge for nearly all financial institutions

• Data quality has important, quantifiable ramifications on decarbonization targets in both positive and negative directions

• Financial institutions need to invest in processes and tools in order to improve data quality in both their firms and their portfolios

• Despite data challenges, financial institutions can improve data quality over time through engagement with the broader ecosystem
THANK YOU FOR LISTENING