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

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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) |
## Resources (2/2)

<table>
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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 #8: Validating, disclosing, and recalculating

SBTi financial institution training
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Key learning objectives

After completing this module, individuals will be able to…

Complete the SBTi submission process and disclose targets

Explain how and when to disclose progress towards targets

Articulate what triggers the need to recalculate targets
Financial institutions must fill out a detailed submission form

The form requests information such as…

- General information
- GHG inventory
- Target information
- Portfolio target boundary
- Optional scope 3 targets
- Supporting documentation
- Contractual & billing information

FIs have 24 months to submit their targets after signing their letter of commitment

Note: Always check SBTi Financial Institutions web page for latest submission form
Source: SBTi Target Submission Form for Financial Institutions
A standard format is used to submit targets

**Standard format**

**Scope 1 & 2**

“[Financial Institution A] commits to reduce absolute scope 1 and 2 GHG emissions [XX]% by [target year] from a [base year]”

Option to report in absolute (above) or physical intensity

**Scope 3 – operational**

“[Financial Institution A] commits to reduce absolute scope 3 [category] GHG emissions [XX]% by [target year] from a [base year]”

**Examples**

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

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

**Scope 3 – financed**

Format varies by asset class

See SBTi Financial Sector Target Guidance, Section 6: “How to communicate science-based targets and tracking progress” for specific details

“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
**Headline targets and action plans are required for scope 3**

<table>
<thead>
<tr>
<th>Description</th>
<th>Action plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headline target</strong></td>
<td>Specific focus areas to achieve</td>
</tr>
<tr>
<td>% of portfolio covered across all the FI's financial activity (regardless of mandatory, optional, or not covered)</td>
<td></td>
</tr>
<tr>
<td>“KB Financial Group’s portfolio targets cover 12.9% of its total investment and lending activities by total exposure as of December 31st, 2019”</td>
<td>Asset portfolio management: Build asset portfolio emissions database, continue to engage clients, and manage exposure to carbon-intensive companies</td>
</tr>
<tr>
<td></td>
<td>Expanded green financing: Expand ESG products &amp; financing</td>
</tr>
<tr>
<td></td>
<td>Coal phase-out: Cease financing for “new” coal power plants</td>
</tr>
<tr>
<td></td>
<td>Targets for mortgages: Set targets for mortgage portfolio when guidance is established</td>
</tr>
</tbody>
</table>

*FI-C18 – Disclosure of Target(s) Portfolio Coverage: Disclose percentage of total investments and lending covered by portfolio targets, in a representative portfolio metric*

*FI-C19 – Implementation Reporting: At point of submission, provide brief summary of how FI intends to meet scope 3 portfolio targets*

Sources: SBTi Financial Sector Science Based Targets Guidance (Jun 2022, pg. 98-99); Target language and summary KB Financial Group

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**Access Module 6 “Scope 3 financed emissions – Calculation deep dive and case studies” for more detail**
SBTi engages in an iterative validation process

Complete submission form
Time varies

Submit in booking system
Approx. 1 month until available time

Review submission
Approx. 30-60 days

Communicate targets
Up to 6 months to publish

- Ensure alignment with GHGP, PCAF, and SBTI
- Complete form

- Upload complete form and supporting docs
- Pay for validation
- Select date

- First validator reviews and engages FI
- Second validator reviews and engages FI
- Committee decides on approval and feedback
  - Six months to resubmit if not approved (incl. in booking fee already)
- Announce on SBTi, annual report, etc.

Sources: SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 26-27, 35); SBTi FI Target Submission Form; SBTi Booking System
FLs often have questions about the validation process

What **supporting documentation** is required?

Clearer, more comprehensive submissions are faster. Articulate what asset classes are / aren’t included and within each asset class, the details of what is included. Outline the structure of the company. Send in all files or screenshots of tools utilized. If there’s public reference for any info, link to that (e.g., annual report).

What **type of communication** can we expect to hear from SBTi?

FLs will likely not hear anything from SBTi between booking and actual first meeting. Both email and phone will be used throughout validation process.

Where does SBTi see the largest **discrepancies or errors** in FI submissions?

Incorrect application of GHG Protocol and PCAF accounting methodologies are primary.
Approved targets should be announced and disclosed

**Announcement**

- SBTi will publicly list FIs with approved targets on “Companies Taking Action” section of website
- Within 6 months, FIs must also announce approved targets
- “Welcome Pack” from SBTi will provide guidance on how to communicate and allowed usage of SBTi logo

**Disclosure (recommended)**

- Climate partners
  - SBTi website
  - CDP annual questionnaire
- Corporate communications
  - Annual reports
  - Sustainability reports
  - Website

**...and other public disclosures**

**FI-C22 – Target Validity:** FIs with approved targets must announce their target publicly within six months of approval date

**FI-R12 – Where to Disclose:** Progress against targets should be disclosed through annual reports, sustainability reports, FI’s website, and/or CDP’s annual questionnaire

Source: SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 35-36)
SBTi tracking and reporting requires public disclosure of progress and efforts

SBTi requires annual disclosure of key details, with publication format at the discretion of each FI:

1. Scope 1 + Scope 2 GHG emissions
2. FI’s decarbonization efforts
3. Scope 3 Cat. 1-14 emissions (if originally submitted)

Specific language and requirements vary slightly by approach:

**Sectoral Decarbonization Approach**

Financial institutions to report...
...reduction in each industry’s physical intensity metric

For example...
...reduced GHG emissions by 3% per kWh; short of original 5% per kWh targeted reduction

**Portfolio Coverage Approach**

Financial institutions to report...
...percentage (by GHG emissions or invested value) of relevant asset class(es) covered by approved SBT companies

For example...
...successfully covered 15% of portfolio in 2023; surpassing the linear rate of 10% for 2023

**Temperature Rating Approach**

Financial institutions to report...
1. Portfolio temperature ratings for both Scope 1+2
2. % public targets vs. default score, by both GHG emissions and invested value

For example...

<table>
<thead>
<tr>
<th>Scope</th>
<th>°C</th>
<th>Target</th>
<th>CO₂e</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1+2</td>
<td>2.6°C</td>
<td>Public</td>
<td>30%</td>
<td>15%</td>
</tr>
<tr>
<td>S1+2+3</td>
<td>2.3°C</td>
<td>Default</td>
<td>70%</td>
<td>85%</td>
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**SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 99-100)**
All companies will need to recalculate targets over time

Recalculations are required in two scenarios:

1. **Every 5 years**
   - Targets must be reviewed, and, if necessary, recalculated and revalidated, at a minimum, every five years.

2. **Material Change**
   - If the company experiences material change that would significantly change the consistency or relevance of the target, it must be recalculated and revalidated.

**Sources:**
- SBTi Financial Sector Science Based Targets Guidance (Feb 2022, pg. 35)
- GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022, pg. 95)
- PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020, pg. 99)
- GHG Protocol Scope 3 Accounting Standards (Apr 2013, pg. 104)

**FI-C21 – Mandatory Target Recalculation:** Targets must be recalculated when specific criteria are met and updated using the latest guidance at the time.
Companies must define a policy to determine what is material enough to trigger a recalculation

What should policies include?

Qualitative and quantitative triggers that could change the **relevance**, **consistency**, and / or **completeness** of the set baseline and targets

PCAF, GFANZ, and GHGP are all aligned and require FIs to develop a policy to define a significance threshold and what triggers recalculation

**FI-R13 – Triggered Target Recalculation**: Significant changes should trigger target recalculation

**FI-R14 – Validity of Target Projects**: Check validity annually and update SBTi as necessary

Common triggers for recalculation

- **Structural changes**
  - Mergers, acquisitions, divestments or other changes to the structure of the organization

- **New or different data**
  - Data used to calculate targets improves, new data is available, or large errors are found in old data

- **Operational shift**
  - In- or out-sourcing, shifts in offerings, changes in asset classes, addition of new products

Examples of policies

- **Data improvements causing a greater than 10% change in our baseline will trigger a recalculation**

- **Other factors will prompt recalculation of the baselines, such as the effect of market appreciation and the changing composition of reference indices**

Sources: SBTi Financial Sector Science Based Targets Guidance, (Feb 2022, pg. 36); GFANZ Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector (Jun 2022, pg. 95); PCAF The Global GHG Accounting and Reporting Standard for the Financial Industry 1.0 (Nov 2020, pg. 99); GHG Protocol Scope 3 Accounting Standards (Apr 2013, pg. 104)
Key takeaways

• Submitting and validating can be an **iterative process** between SBTi and FIs

• Firms must **track and report emissions progress annually**

• Targets will need to be **recalculated every 5 years or when material changes occur**, including organizational re-structuring or new emissions data availability
THANK YOU FOR LISTENING