HOW TO GUIDE FOR SETTING SCIENCE BASED TARGETS

TVT-INF-001 | Version 1.0
April 2021
GETTING STARTED WITH SCIENCE BASED TARGETS

The SBTi does not currently assess targets for cities, local governments, public sector institutions, educational institutions or non-profit organizations. However, we encourage these stakeholders to consider science-based target setting methods detailed in the SBT Setting Manual. Cities can register their interest in setting targets through the Science Based Targets Network (SBTN).

Companies in the Oil & Gas sector must wait for upcoming guidance in order to submit targets for validation but are welcome to commit to setting a SBT. See the SBTi Oil & Gas webpage for the latest information.

A company-wide scope 1 and scope 2 emissions inventory must be completed as defined by the GHG Protocol Corporate Standard and the GHG Protocol Scope 2 Guidance. Companies must complete a scope 3 screening for all relevant scope 3 categories considering the minimum boundary of each category per the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Companies may use the GHG Protocol Scope 3 Guidance, Scope 3 Evaluator, and CDP Supply Chain Program as resources. A company can commit to setting an SBT in parallel to performing a full scope 1, 2 and 3 GHG inventory.

The SBTi Guidance for Financial Institutions outlines in detail the target setting requirements for setting both scope 1+2 and scope 3 targets for financed emissions.

The SBTi recommends that companies submit targets only at the parent- or group-level, but not at the subsidiary level. Parent companies must include the emissions of all subsidiaries in their target submission, in accordance with boundary criteria detailed in the SBT Criteria and Recommendations. See the Target Validation Protocol for more details.

The SBTi defines a non-subsidiary, independent company with fewer than 500 employees as Small and Medium-Sized Enterprises (SMEs). SMEs must submit their targets through the dedicated route for SMEs using the Target Setting Letter and will be automatically approved and posted to the SBTi website, pending due diligence review and payment. See our SME FAQs for more details.

How to Guide for Setting Science Based Targets

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### Setting Science Based Targets

**What temperature alignment is your company aiming for in scope 1 and 2 targets?**

1. Foundations of SBT Setting
2. SBTI Manual
3. SBTI Criteria
4. Target Validation Protocol
5. SBTI Tool
6. Sectoral Decarbonization Approach (SDA)
7. Sector specific guidance

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**Well-below 2°C**

Any company can use the Absolute Contraction approach to set well-below 2°C targets.

Any company in the following sectors can use the SDA to set well-below 2°C targets:
- Power
- Transport
- Financial Institutions
- Commercial buildings
- Iron & Steel
- Cement
- Aluminum
- Pulp & Paper

**1.5°C**

Any company can use the Absolute Contraction approach to set 1.5°C targets.

Any company in the following sectors can use the SDA to set 1.5°C targets:
- Power

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**What type scope 1 and 2 target do you wish to set?**

**Scope 1 • 2**

Scope 1 and 2 must meet Absolute Contraction or SDA minimum ambition requirements.

**Criterion 2**: Companies may exclude up to 5% of scope 1 and scope 2 emissions combined in the boundary of the inventory and target.

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**Scope 1 • Renewable Electricity**

Scope 1 must meet Absolute Contraction or SDA minimum ambition requirements.

Scope 2 targets must meet 100% RE requirement by 2030.

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**Is a scope 3 target required?**

**Scope 3 less than 40% of overall emissions**

No scope 3 target required

**Criterion 18**: Companies must set one or more emission reduction target(s) and/or supplier or customer engagement target(s) that collectively cover(s) at least 2/3 of total scope 3 mandatory emissions in conformance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

**Scope 3 40% or more of overall emissions**

<table>
<thead>
<tr>
<th>Absolute</th>
<th>Intensity</th>
<th>SDA</th>
<th>Supplier/Customer Engagement</th>
<th>Combination</th>
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If in Power or Transport sector, see sector specific guidance

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**SDA Available and/or Additional Guidance**

- Power Generation
- Transport (Original Equipment Manufacturers/Automakers)
- Services/Commercial Buildings
- Financial Institutions
- Information and communication technology providers (ICT)
- Apparel and Footwear
- Industrial sectors including:
  - Iron and Steel
  - Cement
  - Aluminum
  - Pulp and Paper
- See Sector-Specific Requirements Table for more details below

**In Development**

- Oil & Gas
- Transport (Maritime, Aviation)

**Scoping Phase**

- Aluminum
- Forest, Land and Agriculture (FLAG)
- Chemicals

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**Is sector-specific guidance available for your company?**

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## Sector-Specific Requirements for Setting Science Based Targets

### Introduction
Sector-specific guidance and methods are currently available for many sectors. All new, sector-specific guidance that becomes available will be uploaded to the sector development page on the SBTi website. The SBTi has sector-specific requirements related to the use of target-setting methodologies and minimum ambition levels.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Scope 1 and 2</th>
<th>Scope 3</th>
<th>Guidance/Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Generation</td>
<td>The Sectoral Decarbonization Approach (SDA) power generation pathway defines the minimum forward-looking ambition the company must use to set targets.</td>
<td>Ambition must be in line with C20</td>
<td>Beginning in January 2021 in line with the latest guidance for electric utilities, companies submitting targets in this sector with scope 3 emissions that represent 40% or more of overall emissions will be required to include an emissions reduction target covering all sold electricity (including purchased and resold electricity in scope 3 category 3), in addition to a target covering power generation in scope 1, for new target submissions. This target must use the SDA pathway and must be, at a minimum, aligned with a well-below 2°C pathway.</td>
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Companies operating in the power sector must adhere to the Guidance for Electric Utilities.
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| Original Equipment Manufacturers (OEMs)/     | Sufficient ambition if in line with the SDA Transport Tool for passenger      | Targets covering ‘use of sold products’ must meet the minimum level of  | Tested vs Real emissions for OEMs original equipment manufacturers:
| Automakers                                  | light-duty vehicle (PLDV) manufacturers or absolute contraction approach.     | ambition determined by the SDA Transport tool, covering Well-to-Wheel  | Original equipment manufacturers must convert their base year emissions figures for the use-phase of their products into real emissions with the use of global standards (e.g., Worldwide Harmonized Light Vehicle Test Procedure - WLTP) when available. In the absence of a normalized test procedure for certain vehicle types, companies are invited to present and justify their own estimates/simulations based on fuel consumption-specific duty cycles to the SBTi.
|                                             |                                                                               | (WTW) emissions of sold vehicles, and aligned to the well-below 2°C     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                             |                                                                               | pathway.                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Transport Services                          | Sufficient ambition if in line with the SDA Transport Tool or absolute        | Sufficient ambition if in line with the SDA Transport Tool or absolute  | Refer to the SBTi Transport guidance for a description of all transport sub-sectors covered by the SDA Transport tool and to learn about best practices in target-setting for transport activities.
|                                             | contraction approach.                                                        | contraction approach.                                                   | For companies in the aviation and maritime transport sectors, please consult the SBTi transport resources for further information on sector-specific transport methodologies.
<p>|                                             |                                                                               |                                                                           | Well-to-wheel boundary: Companies setting targets for transport-related emissions should cover well-to-wheel emissions (WTW) in their target boundary to accurately capture emissions shifts between the tank-to-wheel (TTW) and the well-to-tank (WTT), for example, due to changes in power train technologies.                                                                                           |</p>
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<td>Oil &amp; Gas</td>
<td>The SBTi is developing targets setting methods for oil &amp; gas companies and cannot validate targets for this sector before the guidance is completed.</td>
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<td>For the target validation by the SBTi, “Oil &amp; Gas” includes, but is not limited to, integrated Oil &amp; Gas companies, Integrated Gas companies, Exploration &amp; Production Pure Players, Refining and Marketing Pure Players, Oil Products Distributors, Gas Distribution and Gas Retailers. The SBTi will assess companies on a case-by-case basis to determine whether companies will be classified as Oil &amp; Gas companies for SBTi validation, and if so, reserve the right to not move forward with their validation until after the SBTi Oil &amp; Gas sector development has been completed.</td>
</tr>
<tr>
<td>Fossil Fuel Sale/Transmission/Distribution*</td>
<td>While the project is underway, Oil &amp; Gas companies are invited to commit to set SBTs by submitting a Commitment Letter.</td>
<td>While the project is underway, oil &amp; gas companies are invited to commit to set SBTs by submitting a Commitment Letter.</td>
<td>*This information is only applicable to companies that receive less than 50% of their revenue from fossil fuel sale, transmission, or distribution. For companies that receive 50% or more of their revenue from these activities, please refer to the Oil &amp; Gas section above.</td>
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| Optional note               | N/A – follow guidance for the primary sector.                                    | In addition to guidance for the primary sector, scope 3 targets must be set on scope 3 category 11 “use of sold products” using absolute emissions contraction or intensity targets in line with absolute contraction, aligned with at least well-below 2°C ambition thresholds. In the future, a well-below 2°C SDA pathway may be made available. | Targets must be set for category 11, irrespective of the share of these emissions compared to the total S1+S2+S3 emissions of the company. Separate scope 3 targets may need to be set in this case. |

* This information is only applicable to companies that receive less than 50% of their revenue from fossil fuel sale, transmission, or distribution. For companies that receive 50% or more of their revenue from these activities, please refer to the Oil & Gas section above.
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<td>Services/Commercial</td>
<td>Sufficient ambition if in line with the available SDA pathway or absolute</td>
<td>Ambition must be in line with C20.</td>
<td>Real Estate Investment Trusts (REITs) wishing to set targets must specify if they are a mortgage-based REIT or equity-based REIT.</td>
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<tr>
<td>Buildings</td>
<td>contraction approach.</td>
<td>Inclusion of emissions from use of sold products for architecture/design</td>
<td>Equity REITs must pursue the regular target validation route for companies.</td>
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<td>firms</td>
<td>Mortgage REITs must instead utilize the Financial Institutions guidance for setting SBTs.</td>
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<td>Industrial Sectors:</td>
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<tr>
<td>Iron and Steel</td>
<td>Sufficient ambition if in line with the available SDA pathway or absolute</td>
<td>Ambition must be in line with C20.</td>
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<tr>
<td>Cement</td>
<td>contraction approach.</td>
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<td>Aluminum</td>
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<td>Pulp and Paper</td>
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<td>Financial Institutions</td>
<td>Sufficient ambition if in line with the Absolute contraction approach or</td>
<td>As of October 2020, the SBTi has developed the first version of criteria</td>
<td>The SBTi guidance for financial institutions outlines in detail the target setting requirements for setting both scope 1+2 and scope 3 targets for investment and lending activities.</td>
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<td>relevant SDA pathways (e.g. Services/ Commercial buildings).</td>
<td>for financial institutions to align their investment and lending</td>
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<td>portfolios with Paris-aligned climate stabilization pathways, and</td>
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<td>financial institutions are now welcome to submit targets for official</td>
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<td>validation based on this criteria.</td>
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<tr>
<td>Information and communication technology providers</td>
<td>Sufficient ambition if in line with the Absolute contraction approach or if it meets the minimum requirements of the relevant ICT pathways</td>
<td>Ambition must be in line with C20.</td>
<td>The SBTI <a href="#">guidance</a> for ICT companies including mobile networks operators, fixed networks operators and data centres operators outlines in detail the target setting requirements for setting scope 1+2 targets.</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Sufficient ambition if in line with the absolute contraction approach.</td>
<td>Ambition must be in line with C20.</td>
<td>The chemical sector pathway in the SDA tool cannot be used at present. SBTi has launched an <a href="#">ongoing scoping project</a> to develop sector-specific methods, to guide chemical and petrochemical companies in setting ambitious targets and begin decarbonization. Companies that produce or sell fluoro gases (or products that use HFCs) must account for and report emissions during the use of these gases in cooling units/refrigerants or in industrial applications in their GHG inventory under scope 3 category 11 “use of sold products”. Companies must also account for and report HFC emissions associated with the disposal of products that use HFCs in scope 3 category 12 “end of life treatment of sold products”.</td>
</tr>
<tr>
<td>Apparel and footwear</td>
<td>Sufficient ambition if in line with the absolute contraction approach.</td>
<td>Ambition must be in line with C20.</td>
<td>Companies across the apparel and footwear value chain should consult the <a href="#">Apparel and Footwear sector SBT guidance</a> for detailed guidance on target setting.</td>
</tr>
<tr>
<td>All other sectors</td>
<td>Sufficient ambition if in line with the absolute contraction approach.</td>
<td>Ambition must be in line with criteria C20.</td>
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</tbody>
</table>