

SCIENCE BASED TARGETS FOR FINANCIAL INSTITUTIONS

FINANCIAL SECTOR FRAMEWORK LAUNCH

October 1, 2020, 9:00-10:00 AM EST

Climate Week NYC Webinar



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

PARTNER ORGANIZATIONS



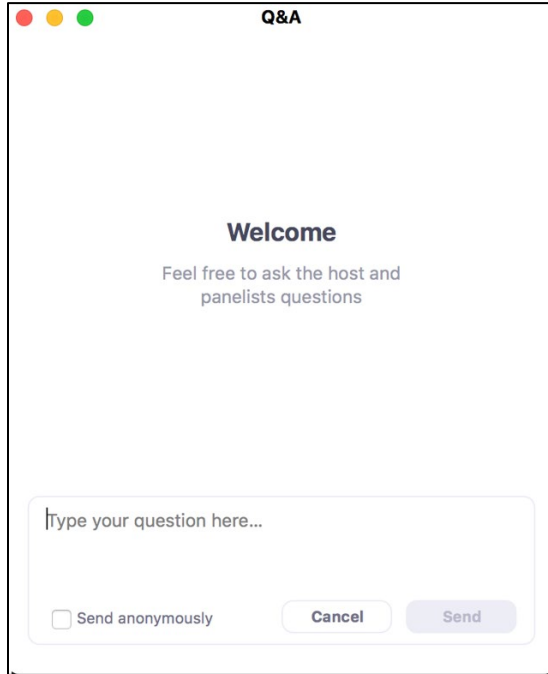
WORLD
RESOURCES
INSTITUTE



IN COLLABORATION WITH

**WE MEAN
BUSINESS**

Welcome

A screenshot of a web browser window titled "Q&A". The window has a white background and a thin black border. At the top left, there are three colored window control buttons (red, yellow, green). The main content area contains the text "Welcome" in bold, followed by "Feel free to ask the host and panelists questions" in a smaller font. At the bottom, there is a text input field with the placeholder text "Type your question here...". Below the input field, there is a checkbox labeled "Send anonymously", a "Cancel" button, and a "Send" button.

Q&A

Welcome

Feel free to ask the host and panelists questions

Type your question here...

☐ Send anonymously Cancel Send

This webinar is being recorded. Slides and recording will be available via email.

Please type your questions into the Q&A box.

Agenda for Today

TOPICS

TIME

Welcome, Cynthia Cummis, WRI

5 min

Opening remarks, Mr. Mark Carney

5 min

Opening remarks, Mr. Gonzalo Muñoz

5 min

Overview of the SBTi Finance Framework, Nate Aden, WRI, Donald Linderyd, WWF

20 min

Business case for Amalgamated Bank to set SBTs, Ivan Frishberg

5 min

Financial Sector SBT Guidance and Pilot Target Validation Period, Chendan Yan, WRI

10 min

Next Steps for the SBTi Finance Framework, Nate Aden, WRI

5 min

Today's Speakers



Mark Carney
Special Envoy for Climate
Action and Finance
United Nations



Gonzalo Muñoz
UN High Level Climate
Action Champion for Chile
COP26



Ivan Frishberg
Director of Impact Policy
Amalgamated Bank



Cynthia Cummis
Director of Private Sector
Mitigation
World Resources Institute



Nate Aden
Senior Fellow
World Resources Institute



Chendan Yan
Associate
World Resources Institute



Donald Linderyd
Project Manger
Sustainable Finance
WWF

Global Momentum by the Numbers



SCIENCE-BASED TARGETS FOR FINANCIAL INSTITUTIONS

In 2018, the SBTi launched a project to help financial institutions align their lending and investment portfolios with the ambition of the Paris Agreement.

The primary audience includes commercial banks, asset managers, asset owners, and mortgage real estate investment trusts (REITs).



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



SBTi Financial Sector Project Team



Cynthia Cummis
Director of Private Sector Mitigation
WRI



Nate Aden
Senior Fellow
WRI



Chendan Yan
Associate
WRI



Yelena Akopian
Communications Officer
WRI



Eoin White
Target Validation Analyst
CDP

Project Technical Partner:



Donald Linderyd
Project Manger Sustainable
Finance
WWF



Chris Weber
Lead Energy & Climate
Scientist
WWF



Jan Vandermosten
Senior Policy Officer,
Sustainable Finance
WWF



Giel Linthorst
Director Sustainable
Finance
Guidehouse



Angélica Afanador
Associate Director,
Sustainable Finance
Guidehouse

SCIENCE BASED TARGETS FOR FINANCE



SCIENCE
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TARGETS

OPENING REMARKS



Mark Carney

Finance Adviser to the Prime Minister for COP 26
and UN Special Envoy for Climate Action and Finance

SCIENCE BASED TARGETS FOR FINANCE



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OPENING REMARKS



Gonzalo Muñoz

UN High Level Climate Action Champion for Chile,
COP26 Team



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Overview of SBTi Framework for Financial Institutions

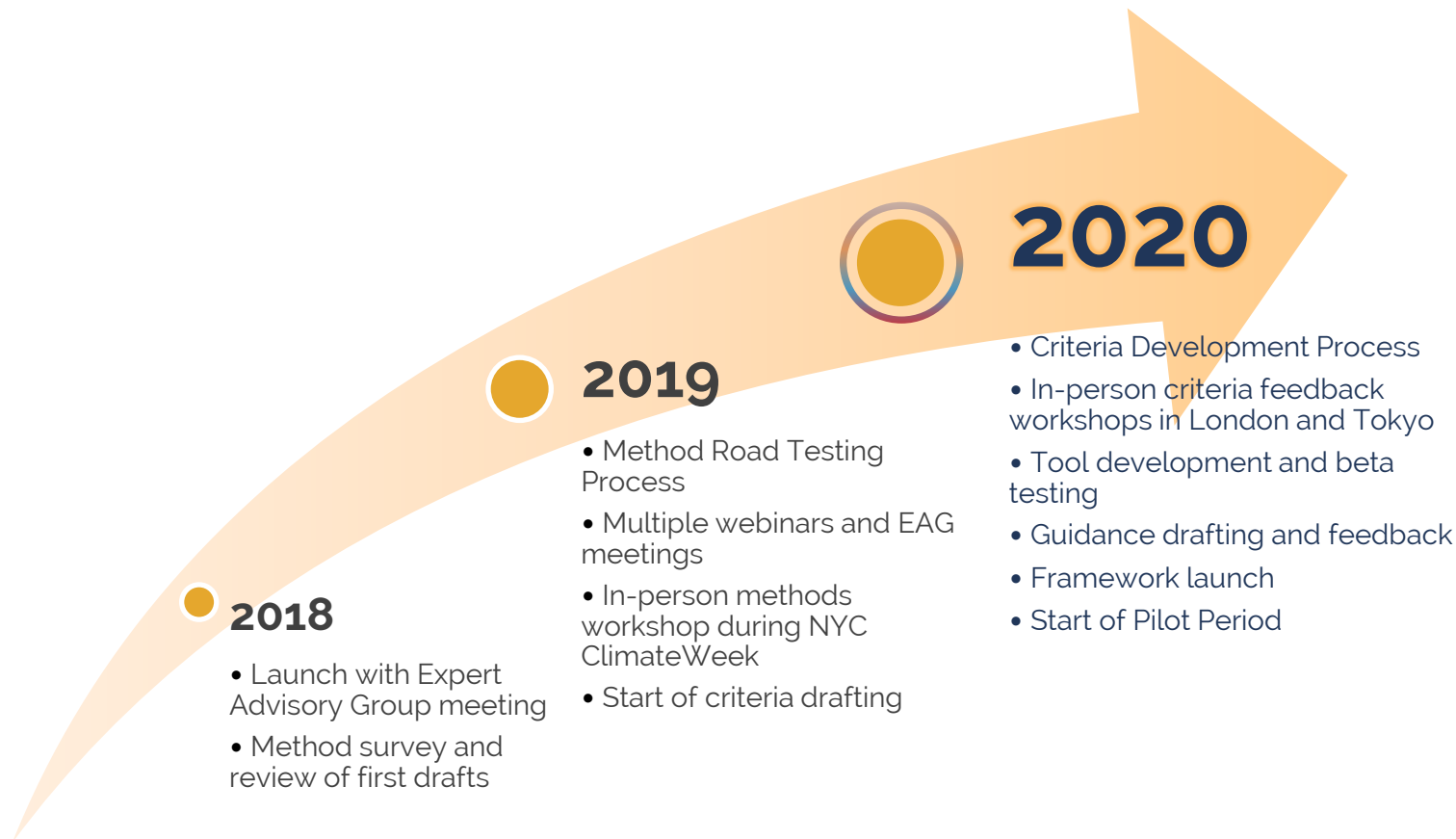
SBTi Finance Framework | 58 Committed Financial Institutions

ABN Amro Bank N.V.
Actiam NV
Albaraka Türk Participation Bank
Allianz Investment Management SE
Amalgamated Bank
ASN Bank
Australian Ethical Investment
AXA Group
BanColombia SA
Bank Australia
Bank J. Safra Sarasin AG
BBVA
BNP Paribas
Caixa Geral de Depósitos
Capitas Finance Limited
Chambers Federation
Commercial International Bank Egypt
(SAE) CIB
Commerzbank AG
Credit Agricole

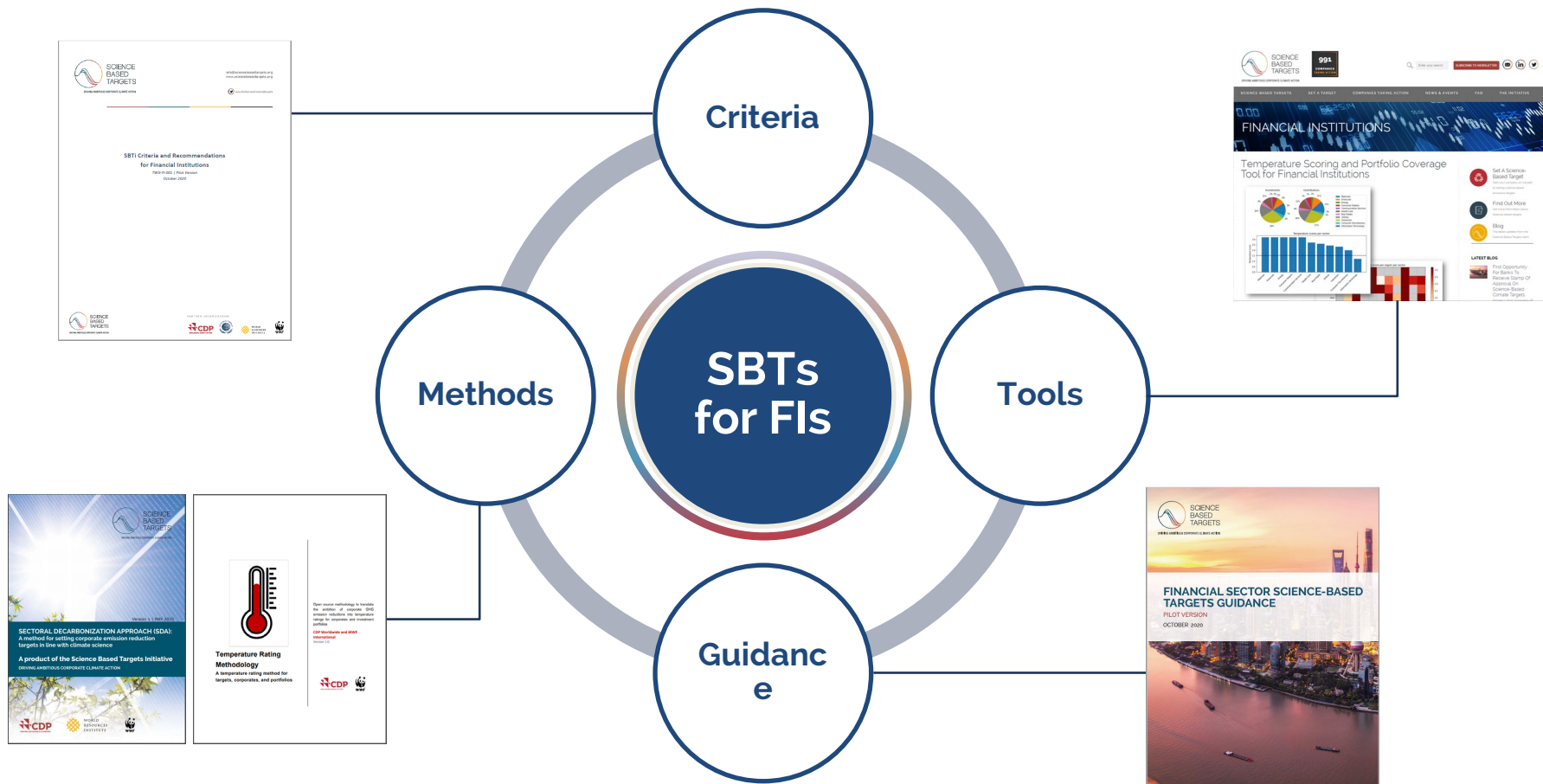
DGB FINANCIAL GROUP
Eurazeo
Fubon Financial Holdings
FullCycle
Grupo Financiero Banorte SAB de CV
Hannon Armstrong
Hitachi Capital Corporation
HSBC Holdings plc
ING Group
KLP
La Banque Postale
London Stock Exchange
Mahindra & Mahindra Financial Services
Limited
MetLife, Inc.
MP Pension
MS&AD Insurance Group Holdings, Inc.
Novo Banco, SA
OXI-ZEN Solutions SA

PensionDanmark
Piraeus Bank SA
Principal Financial Group, Inc.
Raiffeisen Bank International AG
SK Securities, Co., Ltd
Societe Generale
Sompo Holdings, Inc.
Standard Chartered Bank
Storebrand ASA
Swedbank AB
Swiss Re
Türkiye Garanti Bankası A.S.
Teachers Mutual Bank
Tokio Marine Holdings, Inc.
Tribe Impact Capital LLP
TSKB
Vakifbank
Westpac Banking Corporation
YES Bank
Yuanta Financial Holding Co Ltd
Zurich Insurance Group Ltd

SBTi Finance Framework | Project Process and Timeline




SBTi Finance Framework | Framework Components



SBTi Finance Framework | 3 Methods for Finance Sector Targets

For the first phase of this project, the SBTi supports three methods for financial institutions. The SBTi developed criteria specific to these three methods.



The diagram consists of three identical circles arranged horizontally. Each circle has a multi-colored border with shades of purple, blue, and orange. The text inside each circle is centered and bold.

**Sectoral
Decarbonization Approach
(SDA)**

**SBT Portfolio
Coverage
Approach**

**Temperature
Rating Approach**

SBTi Finance Framework | Method & Asset Class Coverage Links

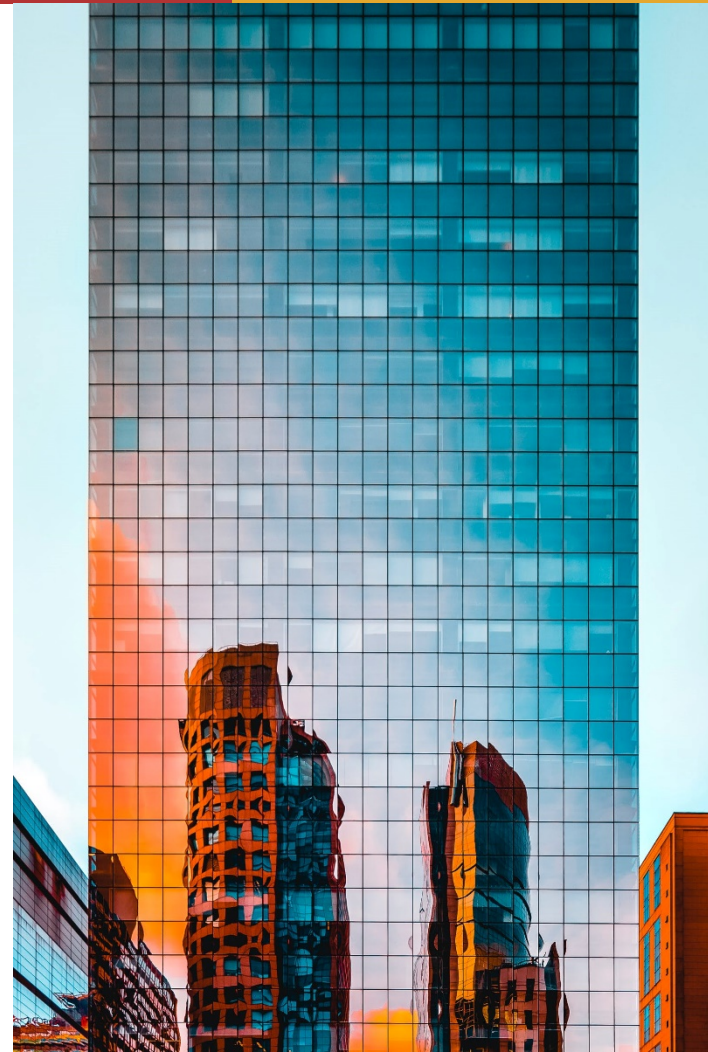
Asset Class	Method	Description
Real Estate	Sector Decarbonization Approach (SDA)	Emissions-based physical intensity targets are set for non-residential buildings' intensity and total GHG emissions.
Mortgages	SDA	Emissions-based physical intensity targets are set for residential buildings' intensity and total GHG emissions.
Electricity Generation Project Finance	SDA	Emissions-based physical intensity targets are set for electricity generation projects' intensity and total GHG emissions.
Corporate Instruments (equity, bonds, loans)	SDA	Emissions-based physical intensity targets are set at sector level within the portfolio for sector where sectoral decarbonization approaches are available.
	SBT Portfolio Coverage	Financial institutions engage a portion of their investees to have their own science-based targets such that they will reach 100% coverage by 2040.
	Temperature Rating	This approach enables financial institutions to determine the current temperature rating of their portfolio and take actions to align their portfolios to ambitious long-term temperature goals by engaging with portfolio companies to set ambitious targets (e.g., 2.6°C in 2019 and 1.7°C in 2025).

SBTi Finance Framework | Criteria

A financial institution's submission to SBTi will consist of **scope 1 and 2 targets and scope 3 portfolio targets** that meet SBTi criteria. Recommendations on best practices are also provided.

1. GHG Emissions Inventory and Target Boundary
2. Scope 1 and 2 Target Time Frame
3. Scope 1 and 2 Target Ambition
4. Scope 2
- 5. Scope 3 – Portfolio Target Setting Requirements**
- 6. Reporting**
7. Recalculation and Target Validity

Sections 5 and 6 of the criteria are designed specifically for financial institutions' target setting, progress-tracking, and action reporting practices for their investment and lending activities.



SBTi Finance Framework | Temperature Scoring and Portfolio Coverage Tool

The tool is:

Open Source &
Fully Transparent

Data & UI
Agnostic

Integrated into
Commercial &
Homegrown Solutions

Workflow tool for
Portfolio Managers
& Analysts

Development
Team: SBTi + Data
Providers + Users

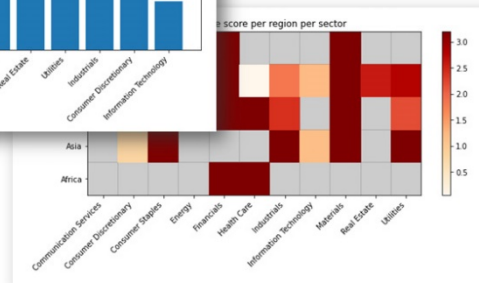
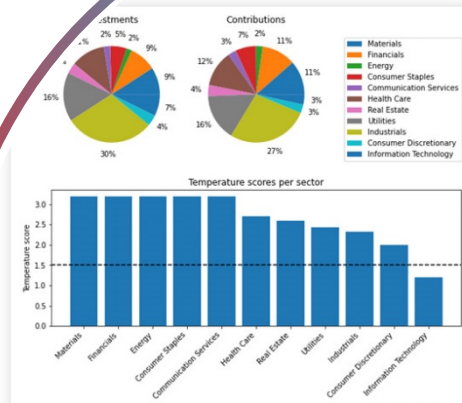


Integrate via Python or API into:

- Commercial platforms
- Asset managers' inhouse solutions
- Supported by Bloomberg, CDP, ISS ESG, MSCI, Ortec Finance, OS-Climate, Trucost & Urgentem.



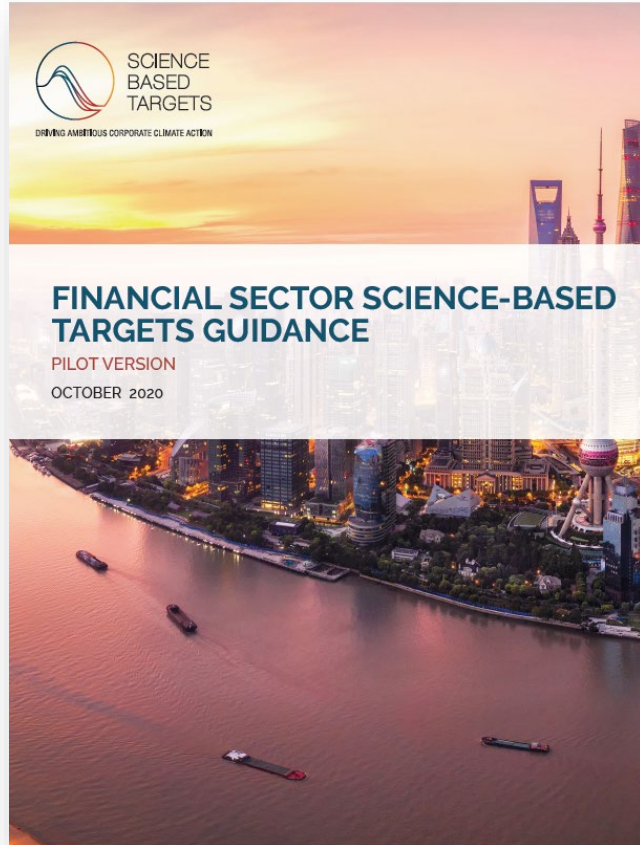
SBTi Finance Tool provides analysis, modelling, and reporting for alignment and target setting purposes.



Learn more:

<https://sciencebasedtargets.org/finance-tool/>

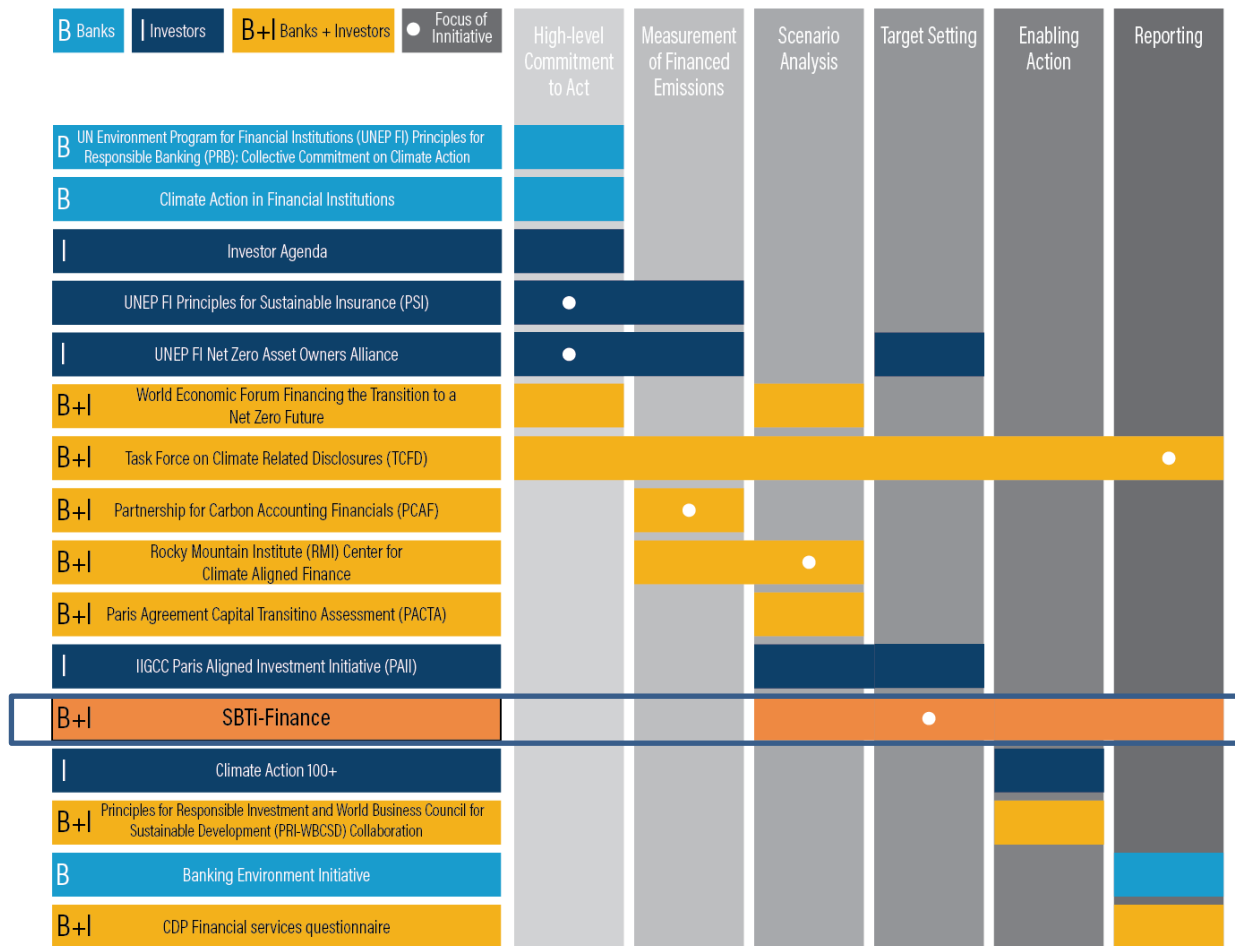
SBTi Finance Framework | Guidance



8 Case Studies

Institution	Method
Amundi	Temperature Rating Method
Bank J. Safra Sarasin	SDA for Real Estate
Storebrand	SDA for Real Estate
Eurazeo	SBT Portfolio Coverage
La Banque Postale	SBT Portfolio Coverage & SDA
Mizuho Financial Group	SDA for Electricity Generation Project Finance
De Volksbank	SDA for Mortgages
Wells Fargo & Company	PCAF

SBTi's Finance framework contributes to the wider ecosystem of related initiatives through its transparent and robust target setting platform and disclosure requirements



Source: Financial Sector Science Based Targets Guidance (Pilot Version), based on 2019 PCAF figure

FINANCIAL INSTITUTION PERSPECTIVE FROM AMALGAMATED BANK



Mr. Ivan Frishberg
Director of Impact
Policy



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FINANCIAL SECTOR SCIENCE-BASED TARGETS GUIDANCE

Pilot Version

What's In The Financial Sector SBT Guidance?

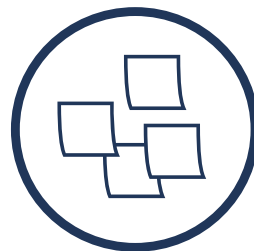
The guidance document ties the three other components of the Framework together and provides recommendations on how to set portfolio SBTs.



Business case for setting SBTs



Guidance to use the criteria, methods and tools to prepare a SBT submission



Case studies from global financial institutions



Recommendations on target communication



Recommendations on steps that FIs can take to achieve their targets

Communicating Science Based Targets



FIs shall formulate target language as follows:

- A **scope 1 and 2 target** following the target language template
- A **headline scope 3 portfolio target** that describes for which asset classes targets are set, and how much of their total portfolio is covered; and
- Specific target language templates for **asset-level targets**

Example Targets

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

A commits to achieve SBTs in [asset classes] by [target year] from a [base year]. Financial Institution A's portfolio targets cover [XX]% of its total investment and lending activities by [unit].

SDA for real estate: FI A commits to reduce its real estate portfolio GHG emissions XX% per square meter by 2030 from a 2017 base year.
SBT Portfolio Coverage: FI A commits that XX% of its equity portfolio within the [asset class or sector] by [unit] will have set science-based targets by 2024.

Communicating strategies to achieve portfolio SBTs



It's crucial that financial institutions provide transparency to stakeholders about the actions they plan to take to achieve their portfolio targets.

- At the time of target submission, FIs shall **submit a brief summary of the strategy and actions the FI will implement to reach their portfolio SBTs** and **why** they selected these actions.
- This summary shall be provided by the FIs with their target submission and **will be published**, alongside the SBTs, on the SBTi website.

Example Language

Financial Institution A will implement the following strategy and actions to achieve its targets:

- Example: Financial Institution A aims to steer its [XX dollar amount] corporate equity, bonds, and loan book in power generation, steel, cement, and aviation through actively supporting clients' low-carbon transition. For example, it will offer more favorable interest rates to investees that set and stay on track to meet ambitious climate goals. Financial Institution A selected these actions because [add reasons].

Launching the pilot target validation phase for financial institutions

1.



COMMIT

2.



DEVELOP

3.



SUBMIT

Submissions from the **first 20 financial institutions** will be assessed **free of charge**.

The target submission form will be posted on the [project website](#)

Contact targets@sciencebasedtargets.org to express your interest!

Starting from today, FIs have up to **2 years** to have their targets approved and announced by SBTi once they commit.

Previously committed FIs will have **24 months from today** to do so.

4.

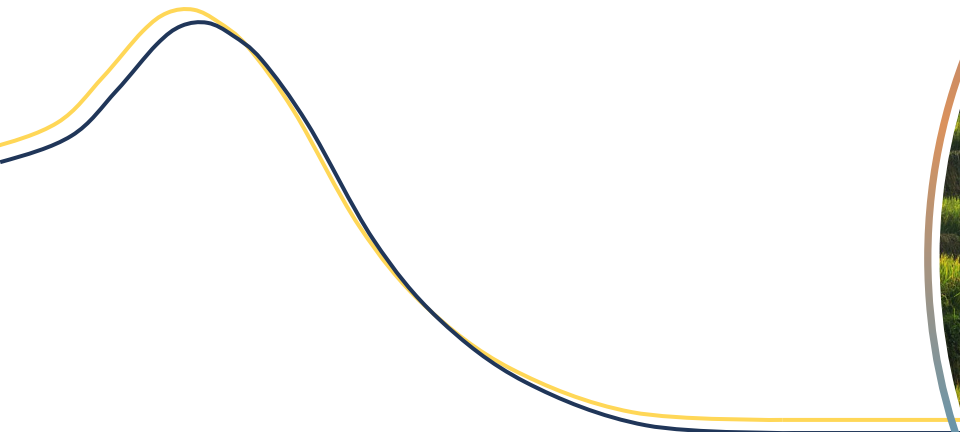


COMMUNICATE

5.



DISCLOSE



NEXT STEPS



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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi Finance Framework | Phase 2 Strategy (*Contingent on Funding*)

Launch pilot target
validation phase

Provide outreach
and training

Publish updated
criteria and guidance
next April

Scope net-zero
framework for
financial institutions

Explore additional
asset class coverage
(e.g., underwriting,
sovereign debt ,
IPOs)

Develop process to
review additional
methods

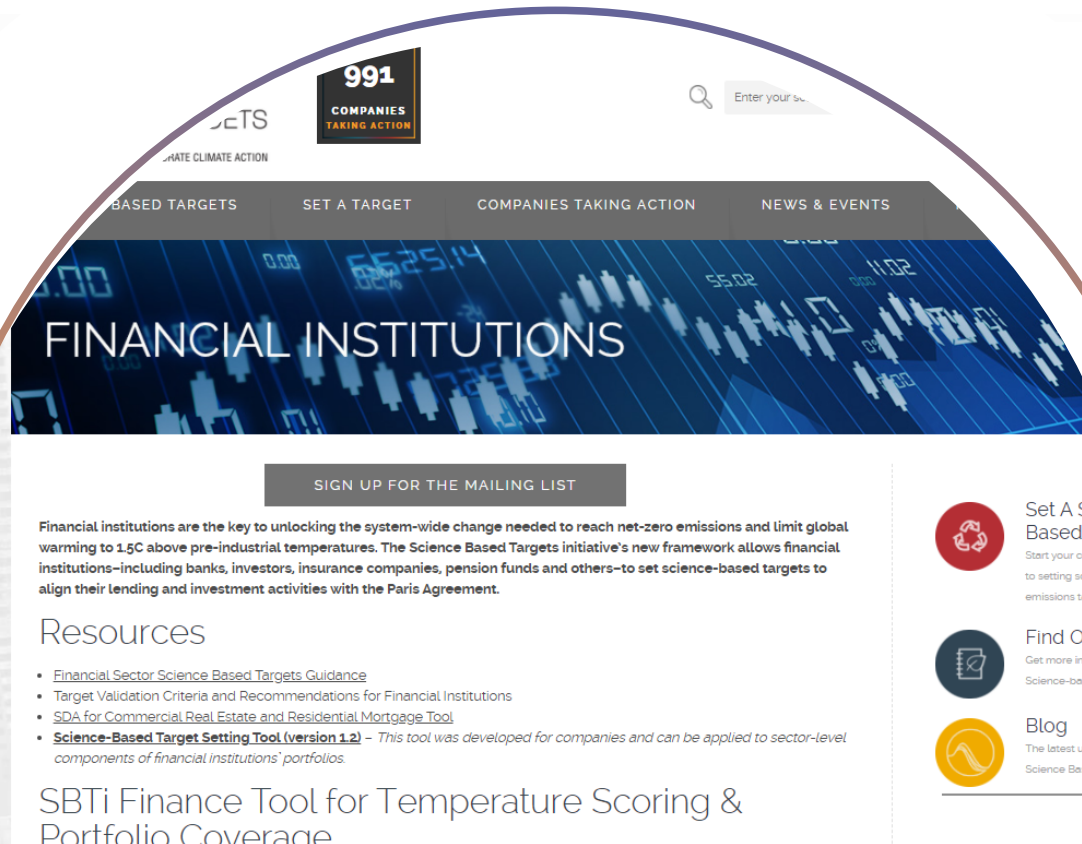
SBTi Finance Framework | Upcoming Training and Webinars

Date	Topic	Region
October 13	Tool Training for Users	Asia/EU + US/EU
October 14	Tool Training for Developers	Asia/EU + US/EU
October 15	SBTi Framework for Financial Institutions	AUS/Asia
November 10	SBTs for Financial Institutions	Asia
November (TBD)	Deep Dive SBTi Finance Methods and Criteria	North America
November (TBD)	Deep Dive SBTi Finance Methods and Criteria	Asia/EU

SBTi Finance Framework | More Information and Engagement

Please **visit our project site** for more information and opportunities for engagement.

Sign up for the mailing list to join the Stakeholder Advisory Group and receive email updates on this work.



The screenshot shows the SBTi Finance Framework website. At the top, there's a navigation bar with links: "BASED TARGETS", "SET A TARGET", "COMPANIES TAKING ACTION", and "NEWS & EVENTS". A search bar is also present. Below the navigation bar, the main heading is "FINANCIAL INSTITUTIONS". A prominent button reads "SIGN UP FOR THE MAILING LIST". The text below the button states: "Financial institutions are the key to unlocking the system-wide change needed to reach net-zero emissions and limit global warming to 1.5C above pre-industrial temperatures. The Science Based Targets initiative's new framework allows financial institutions—including banks, investors, insurance companies, pension funds and others—to set science-based targets to align their lending and investment activities with the Paris Agreement." Under the "Resources" section, there is a list of links: "Financial Sector Science Based Targets Guidance", "Target Validation Criteria and Recommendations for Financial Institutions", "SDA for Commercial Real Estate and Residential Mortgage Tool", and "Science-Based Target Setting Tool (version 1.2) - This tool was developed for companies and can be applied to sector-level components of financial institutions' portfolios." On the right side of the page, there are three circular icons with text: a red circle with a recycling symbol for "Set A Science Based Target", a blue circle with a document icon for "Find Out More", and a yellow circle with a hand icon for "Blog".

991 COMPANIES TAKING ACTION

Enter your search

BASED TARGETS SET A TARGET COMPANIES TAKING ACTION NEWS & EVENTS

FINANCIAL INSTITUTIONS

SIGN UP FOR THE MAILING LIST

Financial institutions are the key to unlocking the system-wide change needed to reach net-zero emissions and limit global warming to 1.5C above pre-industrial temperatures. The Science Based Targets initiative's new framework allows financial institutions—including banks, investors, insurance companies, pension funds and others—to set science-based targets to align their lending and investment activities with the Paris Agreement.

Resources

- Financial Sector Science Based Targets Guidance
- Target Validation Criteria and Recommendations for Financial Institutions
- SDA for Commercial Real Estate and Residential Mortgage Tool
- Science-Based Target Setting Tool (version 1.2) - This tool was developed for companies and can be applied to sector-level components of financial institutions' portfolios.

SBTi Finance Tool for Temperature Scoring & Portfolio Coverage

Set A Science Based Target

Find Out More

Blog



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www.sciencebasedtargets.org



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