SCIENCE BASED TARGETS FOR FINANCIAL INSTITUTIONS

FINANCIAL SECTOR FRAMEWORK LAUNCH

October 1, 2020, 9:00-10:00 AM EST
Climate Week NYC Webinar

PARTNER ORGANIZATIONS

CDP
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WE MEAN BUSINESS
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

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<td>Welcome, Cynthia Cummis, WRI</td>
<td>5 min</td>
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<tr>
<td>Opening remarks, Mr. Mark Carney</td>
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<tr>
<td>Opening remarks, Mr. Gonzalo Muñoz</td>
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<td>Overview of the SBTi Finance Framework, Nate Aden, WRI, Donald Linderyd, WWF</td>
<td>20 min</td>
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<td>Business case for Amalgamated Bank to set SBTs, Ivan Frishberg</td>
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<tr>
<td>Financial Sector SBT Guidance and Pilot Target Validation Period, Chendan Yan, WRI</td>
<td>10 min</td>
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<td>Next Steps for the SBTi Finance Framework, Nate Aden, WRI</td>
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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 Manager
Sustainable Finance
WWF
Global Momentum by the Numbers

991 companies committed to set science-based targets

472 companies with approved targets

$15.4tn of estimated market value covered by committed companies

22% of Global Fortune 500 companies committed
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).
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

Donald Linderyd  
Project Manager 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

Project Technical Partner:
SCIENCE BASED TARGETS FOR FINANCE

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

OPENING REMARKS

Gonzalo Muñoz
UN High Level Climate Action Champion for Chile,
COP26 Team
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
Turkiye Garanti Bankasi 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

2018
- Launch with Expert Advisory Group meeting
- Method survey and review of first drafts

2019
- Method Road Testing Process
- Multiple webinars and EAG meetings
- In-person methods workshop during NYC ClimateWeek
- Start of criteria drafting

2020
- Criteria Development Process
- In-person criteria feedback workshops in London and Tokyo
- Tool development and beta testing
- Guidance drafting and feedback
- Framework launch
- Start of Pilot Period
SBTi Finance Framework | Framework Components

Criteria

Methods

SBTs for FIs

Tools

Guidance
For the first phase of this project, the SBTi supports three methods for financial institutions. The SBTi developed criteria specific to these three methods.
## SBTi Finance Framework | Method & Asset Class Coverage Links

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Method</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Real Estate</td>
<td>Sector Decarbonization Approach (SDA)</td>
<td>Emissions-based physical intensity targets are set for non-residential buildings’ intensity and total GHG emissions.</td>
</tr>
<tr>
<td>Mortgages</td>
<td>SDA</td>
<td>Emissions-based physical intensity targets are set for residential buildings’ intensity and total GHG emissions.</td>
</tr>
<tr>
<td>Electricity Generation Project Finance</td>
<td>SDA</td>
<td>Emissions-based physical intensity targets are set for electricity generation projects’ intensity and total GHG emissions.</td>
</tr>
<tr>
<td>Corporate Instruments (equity, bonds, loans)</td>
<td>SDA</td>
<td>Emissions-based physical intensity targets are set at sector level within the portfolio for sector where sectoral decarbonization approaches are available.</td>
</tr>
<tr>
<td></td>
<td>SBT Portfolio Coverage</td>
<td>Financial institutions engage a portion of their investees to have their own science-based targets such that they will reach 100% coverage by 2040.</td>
</tr>
<tr>
<td></td>
<td>Temperature Rating</td>
<td>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).</td>
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</table>
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 Tool provides analysis, modelling, and reporting for alignment and target setting purposes.

Learn more: https://sciencebasedtargets.org/finance-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.
### 8 Case Studies

<table>
<thead>
<tr>
<th>Institution</th>
<th>Method</th>
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<tr>
<td>Amundi</td>
<td>Temperature Rating Method</td>
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<tr>
<td>Bank J. Safra Sarasin</td>
<td>SDA for Real Estate</td>
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<tr>
<td>Storebrand</td>
<td>SDA for Real Estate</td>
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<tr>
<td>Eurazeo</td>
<td>SBT Portfolio Coverage</td>
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<tr>
<td>La Banque Postale</td>
<td>SBT Portfolio Coverage &amp; SDA</td>
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<tr>
<td>Mizuho Financial Group</td>
<td>SDA for Electricity Generation Project Finance</td>
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<tr>
<td>De Volksbank</td>
<td>SDA for Mortgages</td>
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<tr>
<td>Wells Fargo &amp; Company</td>
<td>PCAF</td>
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</table>
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
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

FI s 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**

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**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

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.
NEXT STEPS
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
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<td>Tool Training for Users</td>
<td>Asia/EU + US/EU</td>
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<td>SBTi Framework for Financial Institutions</td>
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<td>November 10</td>
<td>SBTs for Financial Institutions</td>
<td>Asia</td>
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<tr>
<td>November (TBD)</td>
<td>Deep Dive SBTi Finance Methods and Criteria</td>
<td>North America</td>
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<tr>
<td>November (TBD)</td>
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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.