Net Zero Supplier Engagement: GHG Target Setting Training

Meta

OBJECTIVE

To enhance your technical understanding of science-aligned climate target setting and how it relates to science-based target (SBT) criteria.

Agenda

What are Science-Aligned Targets

Science-Aligned Targets-Sector Perspective

Process to Set a Science-Aligned Target

Types of Science-Aligned Targets

SBTi Methods to Set GHG Reduction Targets

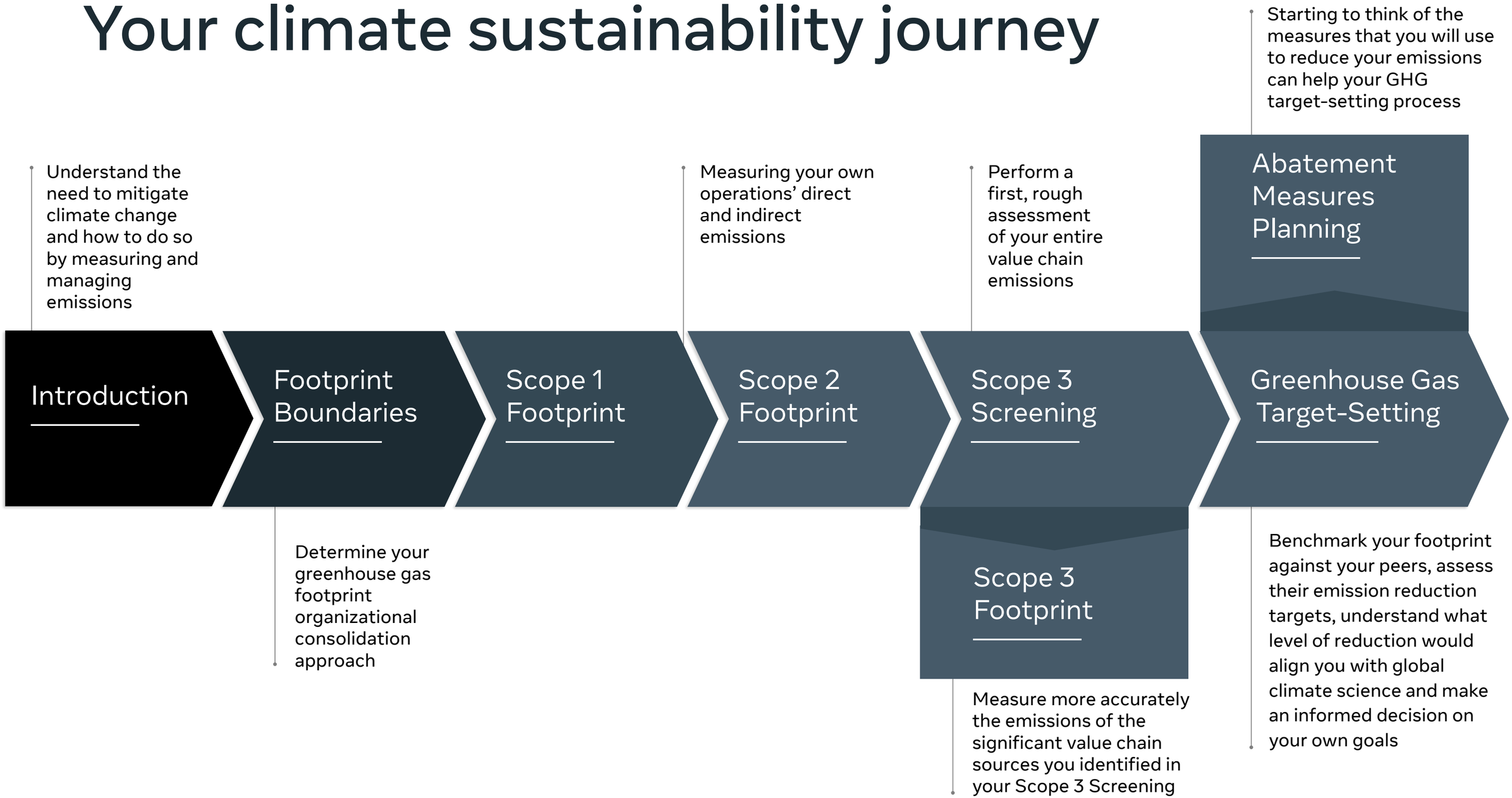
Updates and Alignment with Net Zero

Glossary

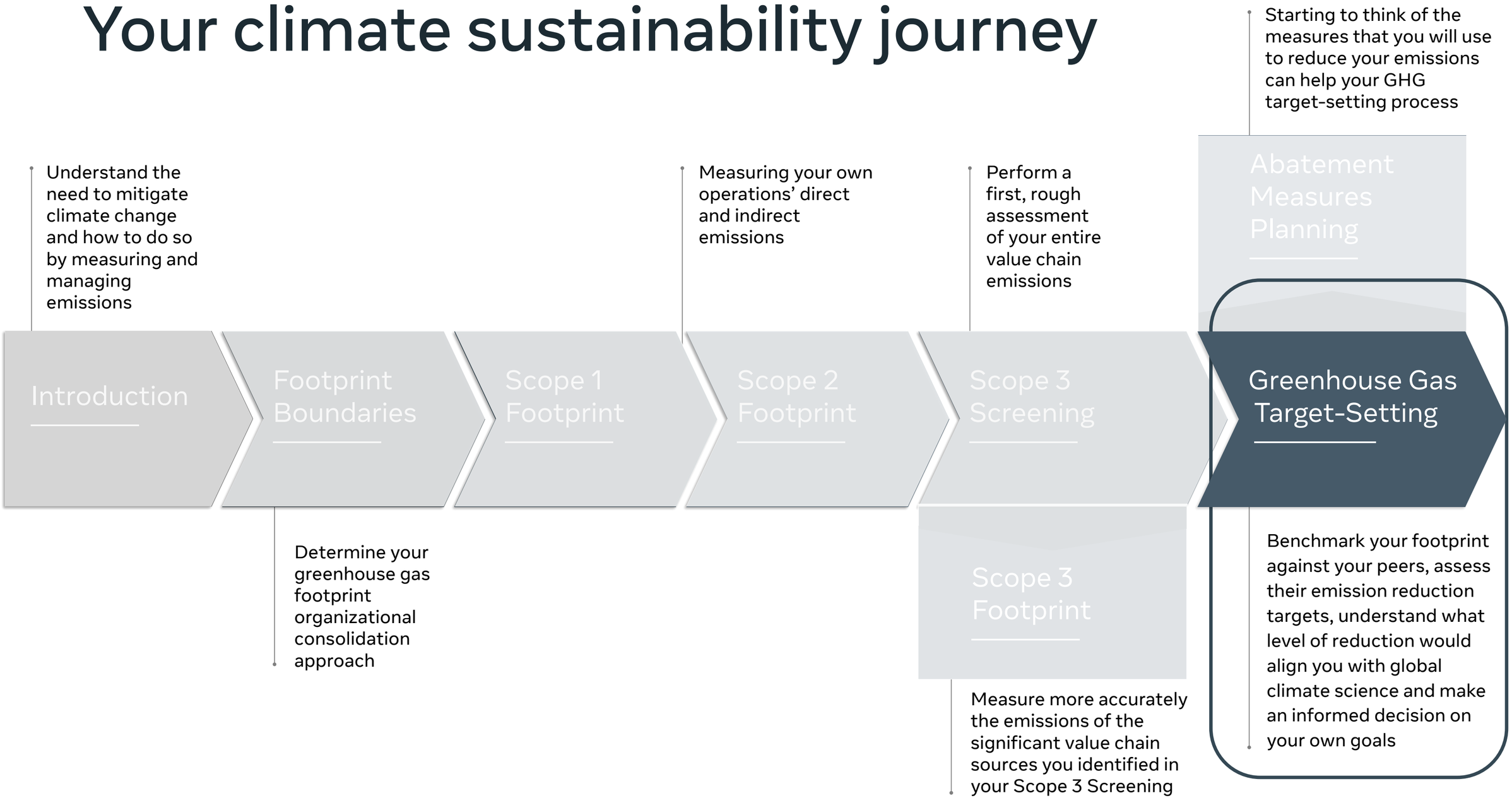
Resources

Appendix

Your climate sustainability journey



Your climate sustainability journey



01 What are science-aligned targets?

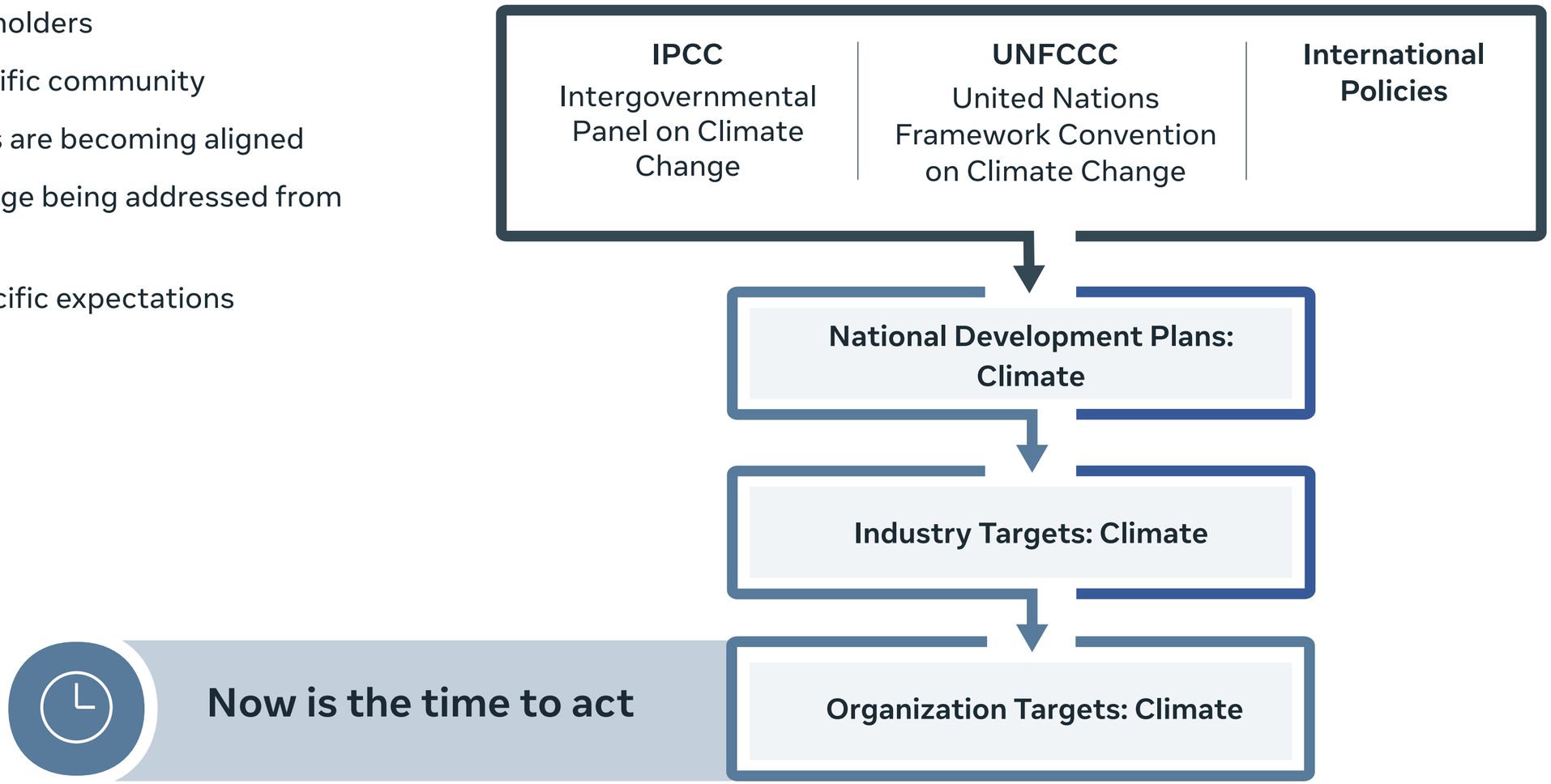
The decisive decade

“…action to meet the [UN Sustainable Development Goals] is not yet advancing at the speed or scale required. 2020 needs to usher in a decade of ambitious action to deliver the Goals by 2030.”

— UN STATEMENT ON THE DECADE OF ACTION

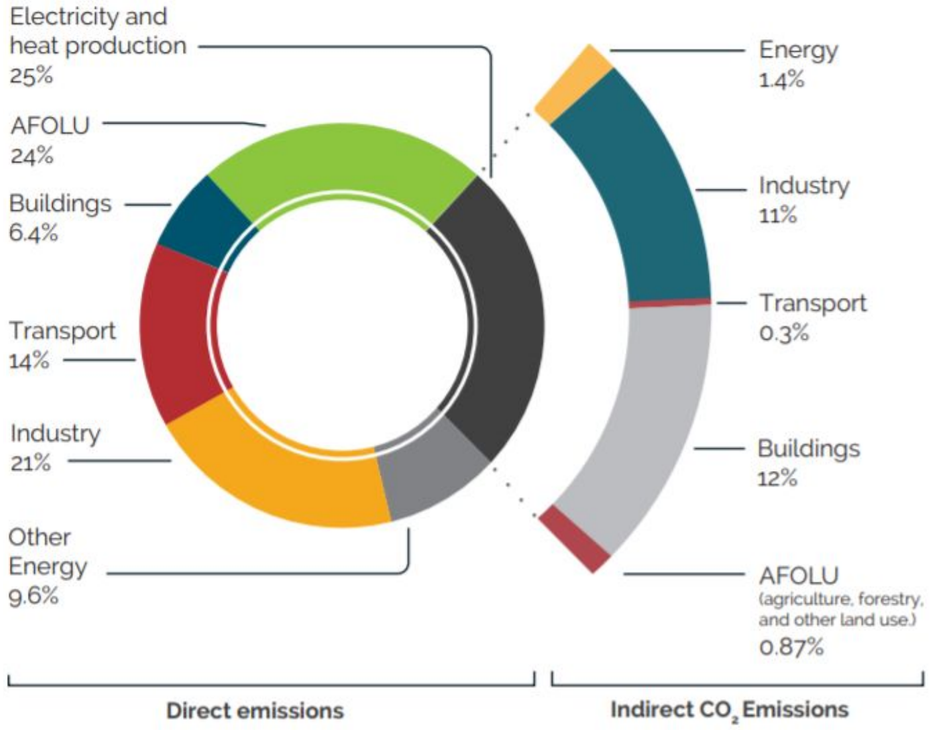
Where are the targets coming from?

- Global stakeholders
- Global scientific community
- Expectations are becoming aligned
- Climate change being addressed from many sides
- Industry specific expectations



Where are the emissions hotspots?

Global emissions result mainly from the activities of major economic sectors, including electricity and heat production; agriculture, forestry and other land use (AFOLU); commercial buildings; transport and industry.



Electricity generation: 25%

What needs to happen? Need ambitious action by power companies.

How can you contribute to reductions? Invest in wind, solar, and geothermal energy sources.

Industry: 21%

What needs to happen? Waste reduction, followed by re-use and recycling and energy recovery.

How can you contribute to reductions? Improve energy and process efficiency, material use efficiency, carbon capture and storage, recycle and reuse, demand reduction.

Transportation: 14%

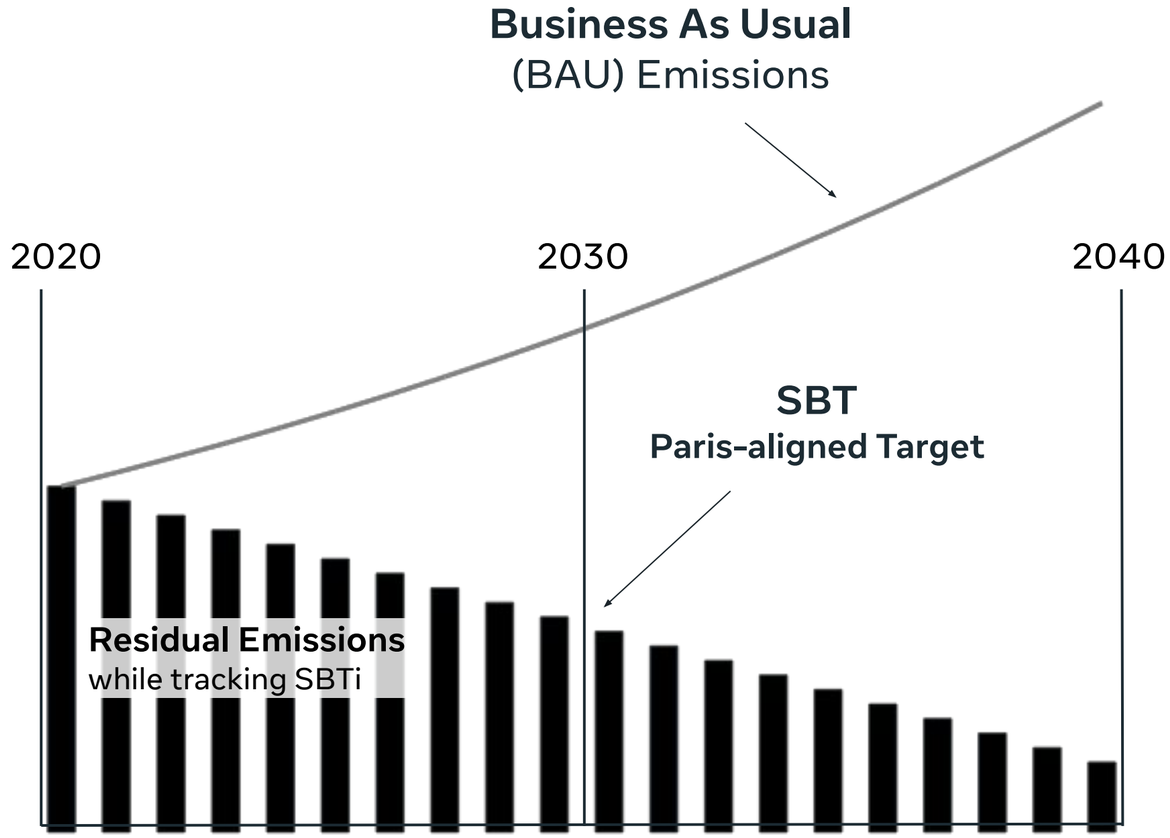
What needs to happen? Transportation mitigation as well as new fuel standards from policy for air and road.

How can you contribute to reductions? Prioritize low carbon transport modes, transition to electric vehicles, optimize transportation routes, reduce unnecessary travel.

UN NDC Registry

A science-aligned target meets industry standard criteria

Science-aligned targets are targets set by companies to reduce its GHG emissions on a trajectory that is in-line with the latest climate science that is necessary to limit global temperature change to a safe level: well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

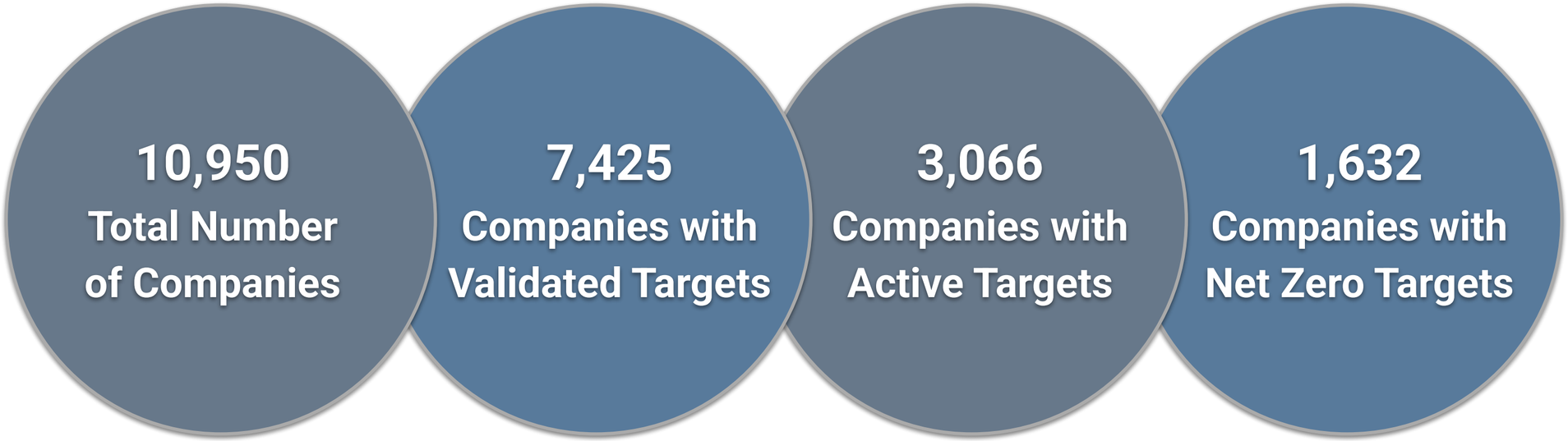


Companies adopting science-aligned targets with the SBTi become science-based

Join the companies taking action

The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF). The SBTi call to action is one of the We Mean Business Coalition commitments.

By **committing** and **submitting** targets for validation with the Science-Based Targets Initiative (SBTi), your targets become **science-based** and **verified** by an international recognized initiative.



*As of March 21, 2025

Source: SBTi Website

Science-aligned

GE's goal for GHG reductions is a 50%+ absolute reduction from a 2019 baseline of operational GHG emissions by 2030 in conjunction with a larger goal of carbon neutrality by 2030.

In June 2021, Google announced that they had joined the Race to Zero and the Exponential Roadmap Initiative and commits to halving emissions before 2030 towards Net Zero throughout the value chain.

Science-based

Target commits to reduce absolute scope 1 and 2 emissions and scope 3 GHG emissions from retail purchased goods and services 30% by 2030 from a 2017 base-year. Target also commits that 80% of its suppliers by spend covering all purchased goods and services will set science-based scope 1 and scope 2 targets by 2023.

Microsoft commits to continue annually source 100% renewable electricity through 2030. Microsoft also commits to reduce scope 3 GHG emissions intensity per unit of revenue 30% by 2030 from a 2017 base year and to avoid growth in absolute scope 3 emissions.

Commits to reduce absolute scope 1 and scope 2 GHG emissions by 50% by 2030 from a 2018 base year. Reduce absolute scope 3 GHG emissions from fuel and energy related activities by 50% by 2030 from a 2018 base year. Suppliers representing 60% of its scope 3 emissions, covering all upstream emission categories, will set science-based targets by 2024.

Motivations and barriers

Why are companies setting science-aligned targets?

- External pressure from customers and investors
- To show leadership and commitment, join the global call to action
- To create a long-term strategy for their company using a set target
- To hedge against risk and be ready for the low carbon transition, prepare for costs
- To understand emissions and what can be done to reduce them

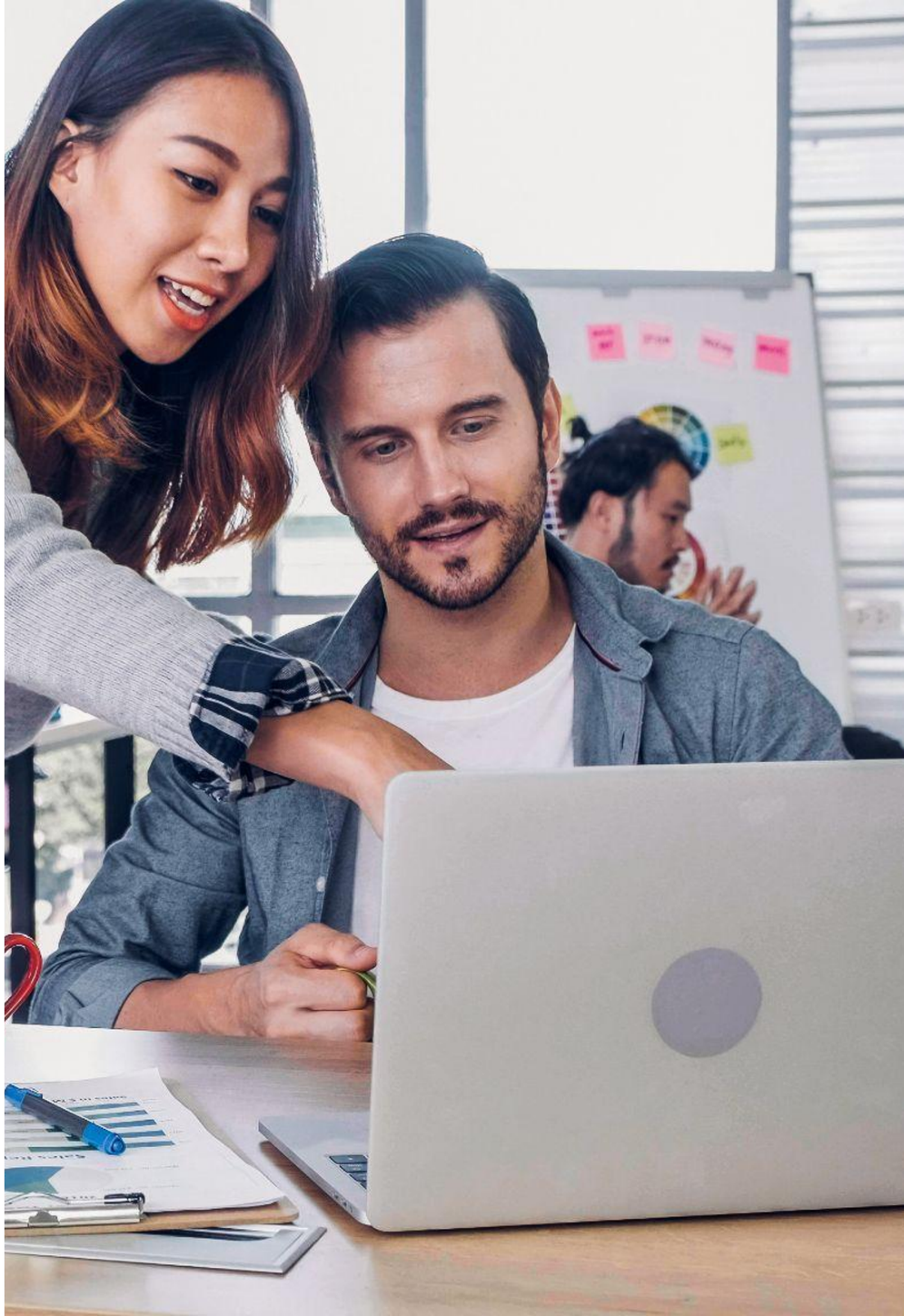
Why are companies opting out?

- Some sectors and industries are not feeling the pressure yet where demand is still inelastic to climate change — that’s quickly changing
- Changing criteria, hesitate to act too soon
- Not enough alignment behind climate within the organization

Key takeaways

What are science-aligned targets?

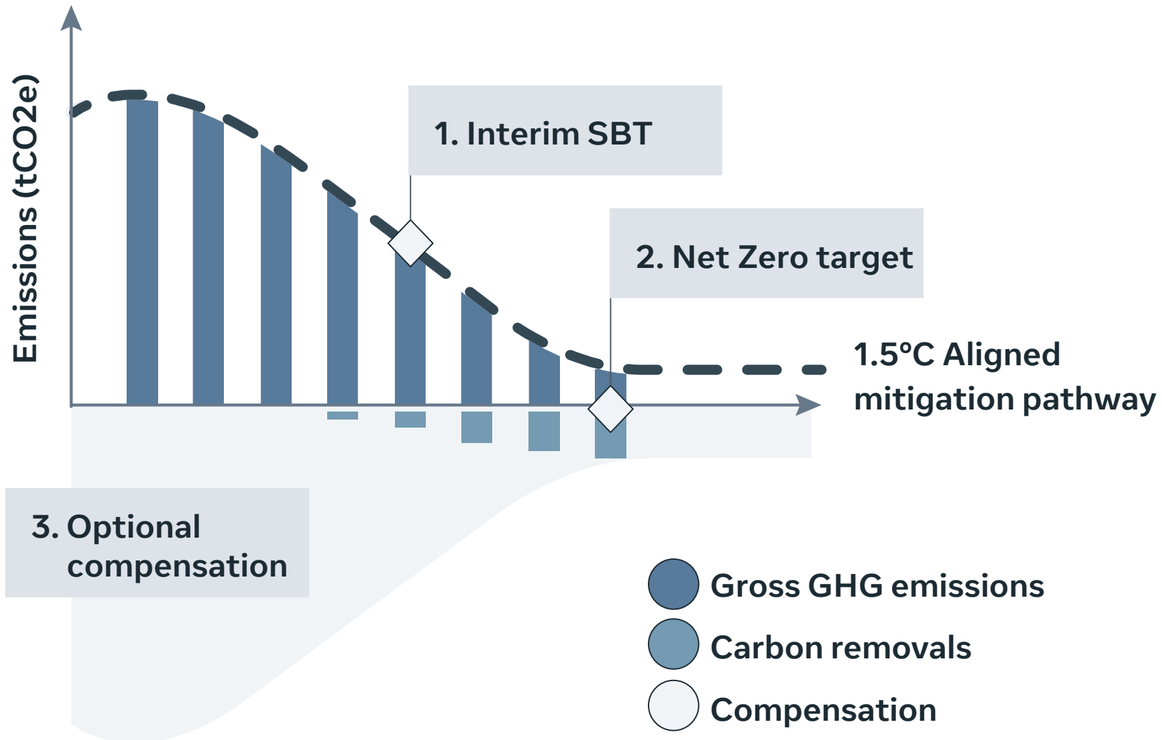
- The latest climate science tells us that we all must take **swift action** to minimize emissions within the next decade, and businesses will have a critical role to play in all this
- **Science-aligned targets** align with modelled emission reduction trajectories set forth by the IPCC report
- **Science-aligned** and **Science-based target** definitions are different: one requires you to commit and submit to the Science-Based Targets initiative (SBTi) and the other only required you to follow the guidance
- Set science-aligned targets to **safeguard** your company against future **climate risk** and demonstrate **leadership**
- 10,950 companies worldwide are participating in the Science-Based Target initiative and 7,425 companies have not only have become **Science-Aligned**, but they have also become **Science-Based** through **validated targets** with SBTi



02 Science-aligned targets: Sector perspective

Reductions and removals

Figure 0.1. Graphical representation of a Net Zero target, interim SBT, and optional compensation

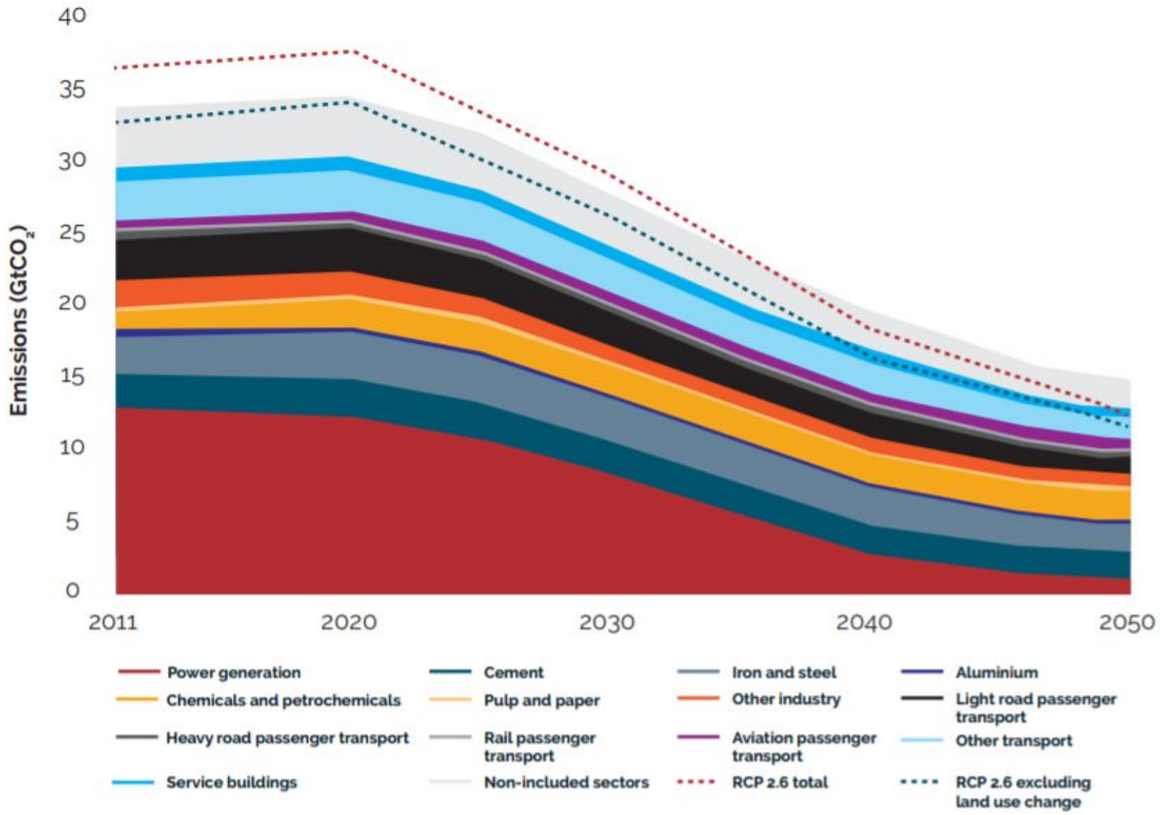


Reduction is priority

- Reduction within a company's value-chain enables long-term transition to a Net Zero economy
- Reduction is primary and removals is secondary (as a way to balance in the meantime)
- Experts expect a 90% reduction in scope 1, 2 and 3 by 2050
- Experts expect 42% reduction by 2030

What are the reductions needed per sector?

To be 1.5° aligned, all these sectors must follow a science-aligned pathway set forth by the IPCC



This means these sectors

- Power generation
- Cement
- Industry
- Chemicals/petrochemicals
- Aviation
- Service buildings
- Iron and steel
- Pulp and paper
- Heavy road transport

...must reduce by a range of 25% to 50% by 2030 (see next slide)

Industry expectations

Activity	Pathway Type	Units	% Reduction		Eligible Companies
			2019–2030	2019–2050	
Universal	Absolute	GT Co2e	42%	90%	Most companies with emissions from non-FLAG activities except power generation companies
Cement	Absolute	Mt CO_2	23%	95%	Building companies, other cement purchasers
	Intensity	tO_2/t cement	24%	94%	Cement producers, capital goods
Iron and steel	Absolute	Mt CO_2	29%	91%	Building companies, auto manufacturers, other steel purchasers
	Intensity	tO_2/t steel	32%	92%	Steel producers, capital goods

The SBTi Net Zero Corporate Manual V1.1 for company road test July 2021

Industry expectations

Activity	Pathway Type	Units	% Reduction		Eligible Companies
			2019–2030	2019–2050	
Power generation	Absolute	Mt CO_2	57%	99%	Electricity users
	Intensity	tCO_2/kWh	69%	99%	Electric utilities
Aviation	Absolute	Mt CO_2	23%	79%	Airline users
	Intensity	tO_2/thousand pkm	39%	89%	Airlines, airline manufacturers
Service buildings	Absolute	Mt CO_2	56%	99%	Building users
	Intensity	tCO_2/M^2	63%	99%	Real estate companies
Heavy road transport	Absolute	Mt CO_2	12%	89%	Retail companies, other shipping purchasers
	Intensity	tO_2/thousand tkm	38%	95%	Shipping service companies

The SBTi Net Zero Corporate Manual V1.1 for company road test July 2021

Examples of industry targets and collaborations

- SABA is spearheaded by RMI, a non-partisan, non-profit organization that works to transform global energy systems across the real economy
- SABA's mission is to accelerate the path to carbon-neutral air transport by driving investment in sustainable aviation fuel (SAF), catalyzing new and additional SAF production and technological innovation, and supporting member engagement in policy making
- Education and policy support: SABA will help members navigate the technical aspects of Sustainable Aviation Fuel (SAF) and the SAF market, aviation emissions accounting, and the SAF policy landscape
- Investment opportunity: SABA will establish a rigorous, transparent SAF certificate system enabling air transport customers —not only aircraft operators—to invest in high-quality SAF to meet their ambitious climate goals
- Please watch this resource on primary SABA objectives

- The Clean Energy Buyers Alliance (CEBA) is an alliance of large clean energy buyers, energy providers, and service providers
- CEBA aims to support the marketplace for all non-residential energy buyers to lead a rapid transition to a cleaner, prosperous, zero-carbon energy future
- Current programs: education, policy innovation, supply chain and international collaboration
- Learn more and how to join here

Examples of industry targets and collaborations

- SteelZero is a global initiative that brings together leading organizations to speed up the transition to a Net Zero steel industry
- Organizations that join SteelZero make a public commitment to procure 100% Net Zero steel by 2050
- By harnessing collective purchasing power and influence, SteelZero sends a strong demand signal to shift global markets and policies towards responsible production and sourcing of steel

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- Concrete Action for Climate (CAC) was launched by the World Economic Forum and the Global Cement and Concrete Association
- It aims to bring industry, the built environment, civil society, governments, and investors to coordinate global climate actions towards 2050 Net Zero targets and stimulate demand for sustainable cement
- The CAC already represents 40% of the global concrete and cement industry through the GCCA

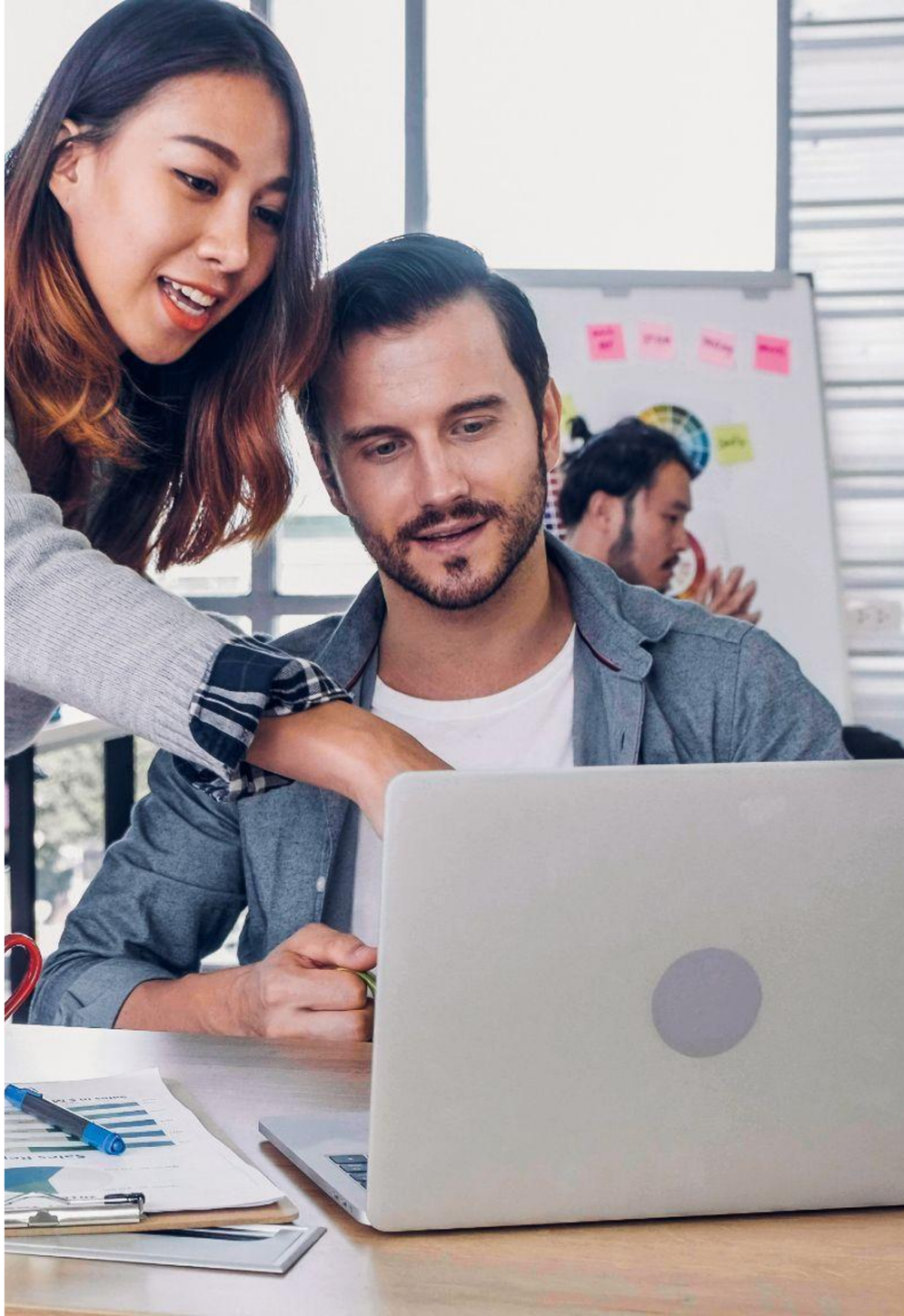
Examples of industry targets and collaborations

- The Coalition for the Energy of the Future aims to sustain new green mobility models and to reduce the impact of transport and logistics on climate change
- Announced its seven projects to be deployed in 2021 to fight climate change within the transport and logistics industry
- The coalition's 14 members include: Total Energies, Engie, Schneider Electric, Amazon Web Services and Wärtsilä
- New members include Airbus, Bureau Veritas and PSA International

Key takeaways

Science-aligned targets: Sector perspective

- Each sector must do its part by reducing between **25 to 50% absolute reductions** to stay in line with the latest climate science
- Industry groups are coming together to address climate change by developing strategies to **tackle Net Zero**
- Look for support and **join relevant industry** groups to help support your sustainability journey
- **Knowledge sharing and preparing** for transition is key



03 Process to set science-aligned targets

Things to consider when setting a science-aligned target

- [ ] Has your company completed a GHG inventory that covers both Scope 1 and Scope 2 emissions? If so, has your inventory been verified?
- [ ] Have you evaluated the relevance of all or some of the 15 Scope 3 emissions categories?
- [ ] Have you calculated the emissions associated with all of your relevant Scope 3 categories? Do you currently have methods in place to communicate and engage with your value chain and collect environmental/ energy/ carbon data?
- [ ] Do you purchase any Renewable Energy Credits, Power Purchase Agreements, or Guarantees of Origin?
- [ ] What are feasible emission reduction initiatives for your company, and how far could they get you?
- [ ] Has your company implemented energy efficiency projects to decrease energy consumption?
- [ ] Has your company set an emissions/energy reduction target before?
- [ ] Why are you interested in setting an SBT? OR what is your company’s primary goal?

What is the experience overall like?

1. **Typically requires alignment across various internal departments.**
   May include but not limited to departments responsible for:
   - Electricity procurement
   - Energy efficiency
   - Transportation and fleet
   - Supply chain
   - Packaging and manufacturing
   - Distribution center and warehouse management
2. **Requires approval from leadership usually in presentation for a board meeting.**
   - Setting targets and their associated costs are modelled due to financial implications
   - All assumptions need to be agreed upon and aligned by various departments
3. **This is not just a modelling exercise but a strategy piece that has a lot of implications on tracking, costs, and the development of reduction programs and partnerships to support the target chosen.**
4. **If setting SBTi verified GHG Target: There is a foundation for SBT criteria, there are many uncertainties that require companies to be actively engaged with new science-aligned criteria.**
   - Following updates with the science-based targets initiative (SBTi)
   - Changing GHG accounting methodologies
   - Tracking and monitoring emissions over time
   - Reporting and restating your base year, case-by-case basis, MandA’s
   - New target criteria, i.e., Net Zero

Questions to help you navigate internal buy-in

- **Peer-Benchmarking** (why and what GHG targets your peers are setting?)
- Identifying and presenting **stakeholders expectations** (what are your customers, investors and suppliers expecting of your organization?)
- What would the future look like if you set **GHG target vs. if you do not**?
- How will the target **affect the business**? (pros and cons)
- Is the GHG target in alignment with the company's future **business model** and stakeholder expectations?
- What would the **roadmap** look like for the **next 10 years**?
- What challenges you see in **implementing the roadmap**?
- **Budget and resources** needs to plan and implement the GHG Target?

Organization’s internal process to set science-aligned GHG targets

1. Determine your baseline year (most recent GHG inventory)
2. Analyze your scope 1 and 2 baseline footprint
3. Determine which scope 3 categories are relevant and most material
4. Analyze your scope 3 baseline footprint
5. Project emissions to target year
6. Model emission reduction initiatives and determine the feasible level of ambition
7. Internal buy-in, roadmap development and resource alignment
8. Finalize and publish targets

Organization’s internal process to set science-aligned GHG targets

1. **Submit the commitment letter**
2. **Develop a target**
   - Calculate a complete GHG inventory: Scope 1, 2, and 3
   - Verify this GHG inventory with a third party
   - Set target pathways on Scope 1, 2, and 3 that align with the level of ambition set by industry standards such as the science-based targets initiative
3. **Submit target for validation**
4. **Announce the target**
   - Publicly disclose your target in sustainability reporting and annual reporting
5. **Update the target over time**
   - Make continual improvements in your GHG accounting
   - Track new changes to your business
   - Update at minimum every 5 years

Quiz 1: What elements need to be in place to begin developing a target?

A. Scope 1 emissions inventory for my operations completed

B. Scope 1, 2, and 3 emissions screened and evaluated

C. Scope 1 and 3 emissions screened and evaluated

D. Scope 1 and 2 emissions inventory completed

Quiz 1: What elements need to be in place to begin developing a target?

A. Scope 1 emissions inventory for my operations completed

B. Scope 1, 2, and 3 emissions screened and evaluated

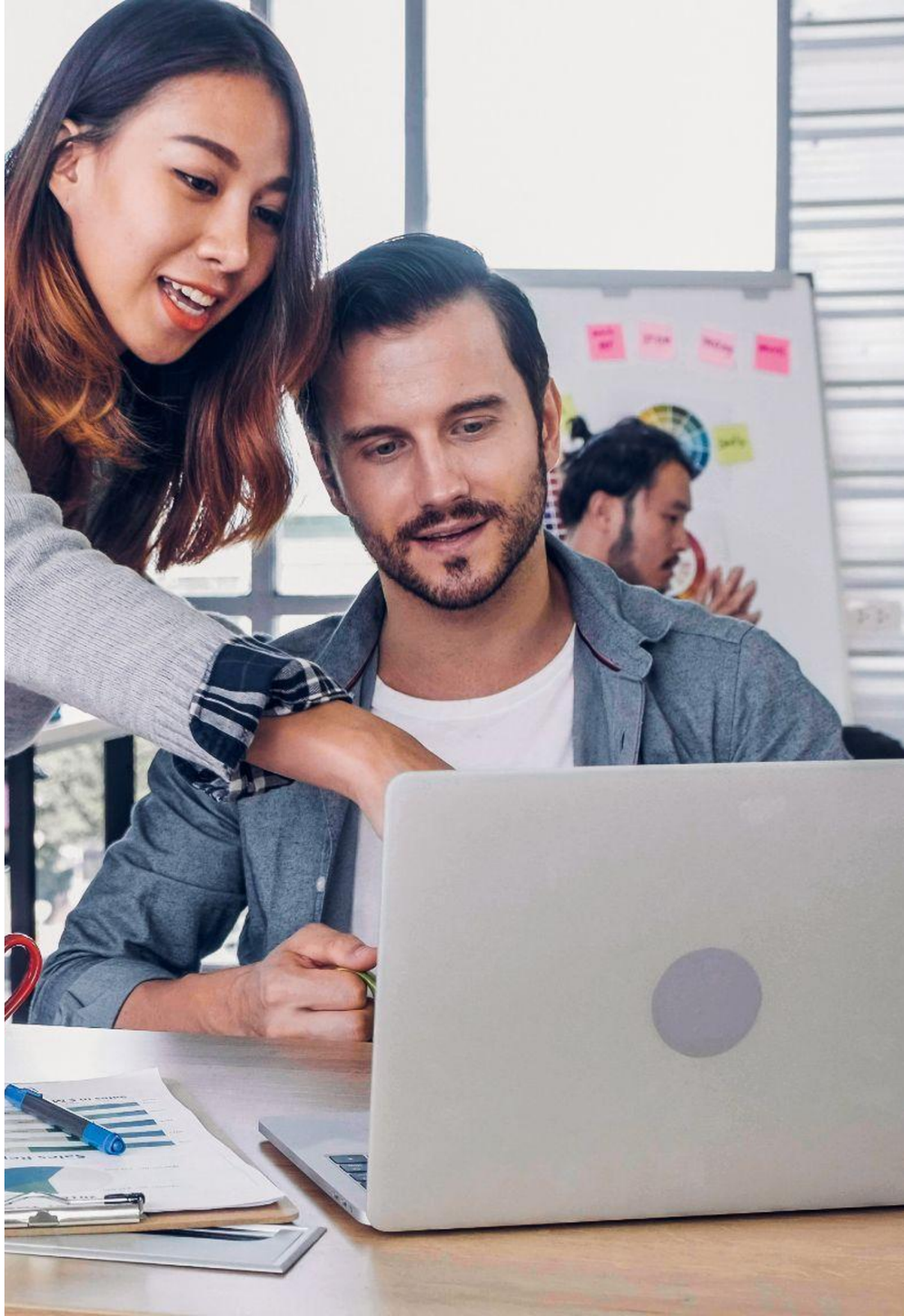
C. Scope 1 and 3 emissions screened and evaluated

D. Scope 1 and 2 emissions inventory completed

Key takeaways

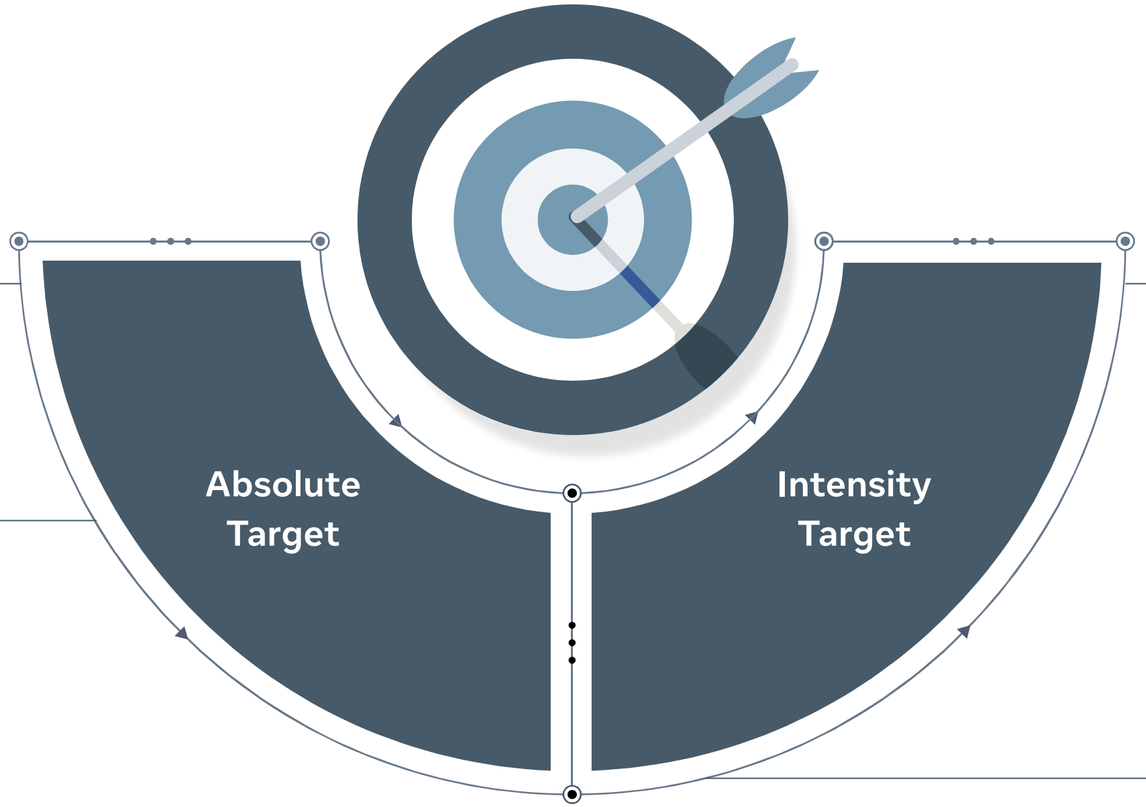
Process to set science-aligned targets

- Your science-aligned strategy should include multiple business units and most important leadership oversight
- Make sure to factor in emissions as well as costs when developing targets
- Make sure to have a robust GHG emissions inventory and a process for updating it in order to track progress



04 Types of science-aligned targets

Types of targets



Aims to reduce GHG emissions by a set amount

Requires a **base year, target year, and reduction %**

Company A commits to reduce 3 million tons of CO2e 50% by 2030 from 2019 base year

A normalized metric that sets a company's emissions targets relative to some sort of **physical** output

Not only requires a **base year, target year, and reduction %, but a denominator KPI**

Numerator: Emissions ▶ CO2e emissions

Denominator: KPI ▶ Weight of product / FTE's / Distance (km) traveled

Company B commits to reduce aviation business travel 75% per FTE by 2035 from a 2019 base year

Current SBTi standard criteria

Absolute Reduction Targets

Scope 1 and 2

- Equivalent to at least a **4.23%** linear average
- Aligned with 1.5°C

Scope 3

- Equivalent to at least a **2.5%** linear average year-on-year reduction
- Aligned with well below 2°C

Physical Intensity Targets or Physical Intensity Convergence (SDA)

Physical intensity targets

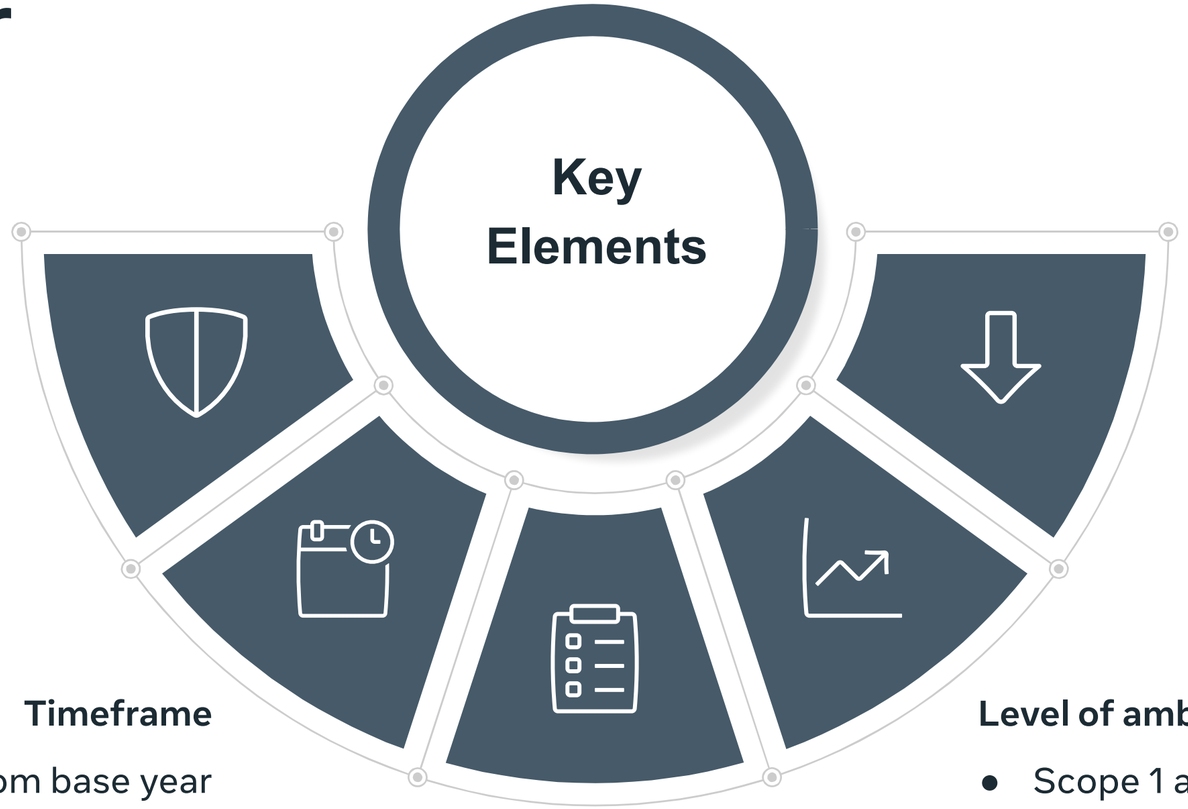
- Relevant only for Scope 3 for companies that produce a physical good
- At least 7% YoY reduction in intensity

Physical intensity convergence (SDA)

- Scope 1, 2, and 3 for companies whose sector fits within the defined SDA sectors
- Minimum requirements are sector specific

Source: SBTi Criteria v.5.2

To be science-aligned, there are key elements to consider



Coverage

- 95% of Scope 1 and 2 must be under the target you set
- 67% of Scope 3 for near term targets or 90% of Scope 3 for targets up until 2050 is suggested

Timeframe

- 5 to 10 years from base year to target year; Base year suggested 2019 or 2021

Disclosure

- Report your GHG emissions on an annual basis, i.e. through CDP

Type of target

- Absolute reduction targets are more ambitious than intensity targets, but it is recognized that absolute reduction is not feasible for everyone

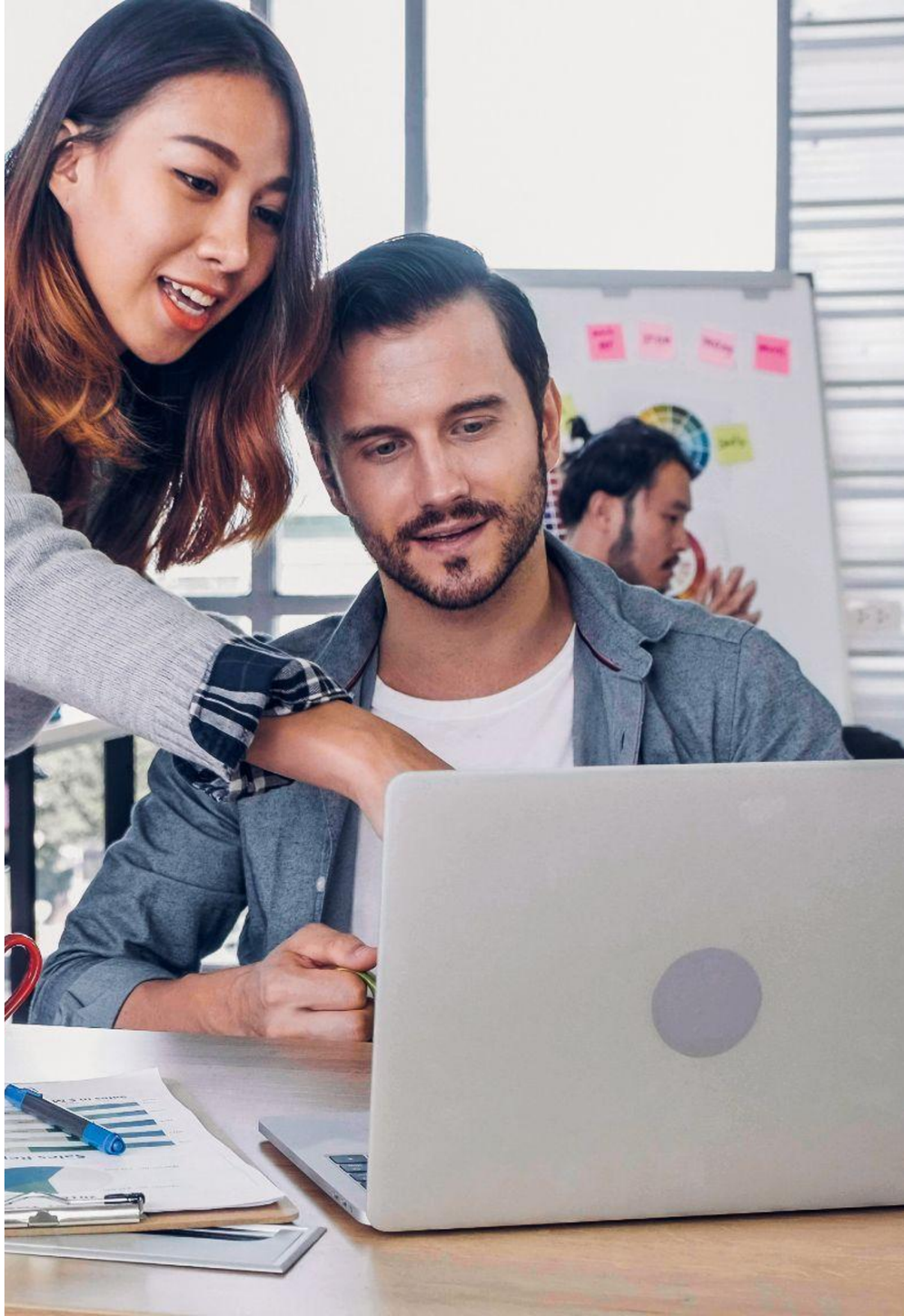
Level of ambition

- Scope 1 and 2 is recommended to be in line with a 1.5°C trajectory (4.2% reduction annually)
- Scope 3 is recommended to be in line with a 1.5°C trajectory

Key takeaways

Approaches to setting science-aligned targets

- **Science-aligned targets** come in 1 of 2 forms: a **carbon intensity** metric where emissions targets are relative to either a physical output, and an **absolute target** where the company aims to reduce GHG emissions by a set amount
- There are varying levels of ambition that focus around a 1.5-degree threshold for scope 1 and 2 and a well below 2-degree threshold for scope 3
- Science-aligned targets have different **timelines** associated with when they can be set from the base year
- The emissions under target must cover a certain share (%) of scope 1, 2, and 3 emissions



05 SBTi methods to set GHG reduction targets

Methods for setting SBTi GHG reduction targets

Method	Absolute Contraction		Physical Intensity	SDA (Sectoral Decarbonization Approach)	
Scope included	Scope 1 and 2	Scope 3	Scope 3	Scope 1 and 2	Scope 3
Minimum reduction requirement	4.2% Y-o-Y	2.5% Y-o-Y	7% Y-o-Y	4.2% Y-o-Y	2.5% Y-o-Y
Applicability	All sectors		All sectors	• Power • Iron and steel • Cement • Aluminum	• Pulp and paper • Services-buildings • Passenger and freight • Transport
Emissions coverage	95%	67% (⅔ of emissions)	67% (⅔ of emissions)	95%	67% (⅔ of emissions)
Example target	“Company A commits to reduce absolute scope 1 and 2 GHG emissions by 50% by 2030 from 2019.”	“Company A commits to reduce absolute scope 3 GHG emissions from purchased goods and services and use of sold products 30% by 2030 from a 2017 base year.”	“Company B commits to reduce the intensity of scope 3 GHG from capital goods 20% per square foot by FY2030 from a FY2021 base year.”	“Company C commits to reduce scope 1 and 2 GHG emissions 45% per MWh generated to by 2030 from a 2019 base year.”	“Company C commits to reduce scope 3 GHG emissions 45% per MWh delivered to the market by 2030 from a 2019 base year.”

Absolute contraction method

Description	How it Works
This method is used for setting **absolute** targets, based on an **absolute reduction** of emissions	Emissions are reduced by an overall amount by the target year, relative to the base year
What is Needed	**Applicable Scopes**
• Base year • Target year • Base year emissions, disaggregated by scope	Scope 1, Scope 2, and Scope 3 (although different SBTi % requirement for Scope 3)
Example	**Minimum Reduction Required**
Reduce annual CO2e emissions 50% by 2030, from 2019 levels	Scope 1 and 2: 1.5°C (4.2% annual linear reduction) Scope 3: Well-below 2°C (2.5% annual linear reduction)

Sample trajectory

Example: Base year of 2019, target year of 2030 (11-year goal period)

Reduction pathway: 1.5°C (1.5DC)

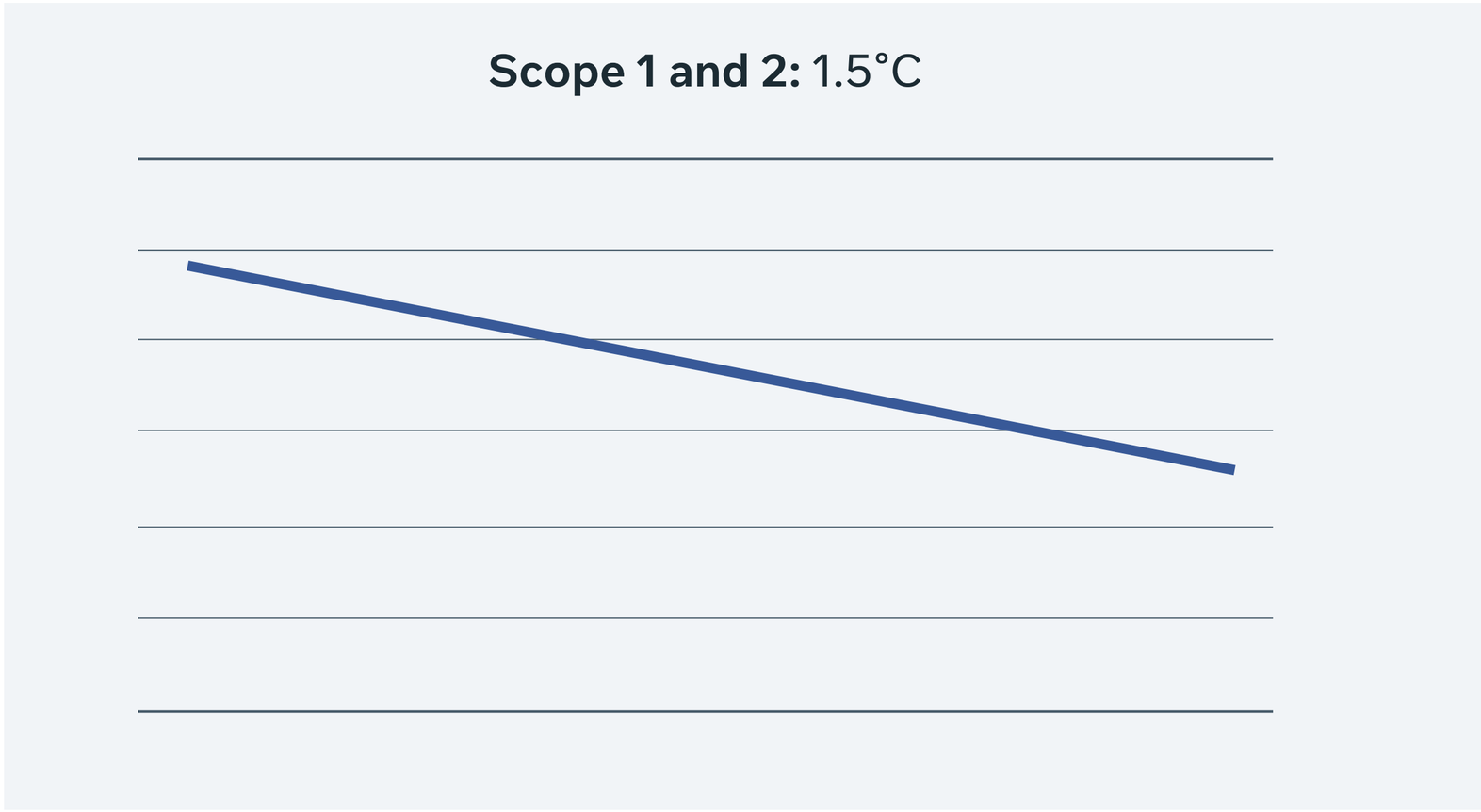
Scope: Scope 1 and 2

Base year emissions [tCO2e]: 4,827,567

Annual % reduction: -4.2%

Total reduction: 46.2% (11 years* 4.2%/year)

Target year emissions [tCO2e]: 2,799,989



Absolute reduction target examples

Hewlett Packard Enterprise commits to reduce absolute scope 1 and 2 GHG emissions by 55% by 2025 from 2016 base year. Hewlett Packard Enterprise also commits to reduce absolute scope 3 GHG emissions 15% by 2025 from 2016 base year.

Global food and beverage company Nestlé commits to reduce absolute scope 1 and 2 GHG emissions by **12% between 2014 and 2020**.

Cisco commits to reduce absolute scope 1 and 2 GHG emissions 60% by FY2022 from a FY2007 base-year.

Source: SBTi Website

Physical intensity method: 7%

Description	How it Works
A method for setting an intensity target in which emissions are reduced at a minimum rate of 7% in annual linear terms relative to a specific business metric, such as emissions per production output of the company	• Emissions are reduced relative to a specific business metric, such as production output of the company. Flexible in terms of KPI and must be relevant to the scope 3 category i.e., purchased goods and services or fuel and energy related activities • Absolute emissions should not increase during the specified target time period
What is Needed	**Applicable Scopes**
• Base year • Target year • Base year emissions, disaggregated by Scope • Activity level in the base year • Projected change in activity by target year	Scope 3
Example	**Minimum Reduction Required**
Reduce GHG emissions per pair of shoes 95% by 2030 from a 2017 base year, this is a 95 ÷ 13 = 7.31% intensity reduction in annual linear terms and meets the minimum physical intensity improvement requirement	Well-below 2°C (2.5% annual linear reduction)

Physical intensity target examples*

Western Digital commits to reduce absolute scope 1 and 2 GHG emissions **42% by FY2030** from a FY2020 base year. Commits to reduce scope 3 GHG emissions from **use of sold products 50% per petabyte capacity** sold by FY2030 from a FY2020 base year.

Lenovo commits to reach net-zero GHG emissions across the value chain by FY2049/2050. Lenovo commits to reduce absolute scope 1 & 2 GHG emissions **50% by FY2029/2030** from a FY2018/2019 base year. Commits to reduce scope 3 GHG emissions from **use of sold products 35% on average for comparable products**. Commits to reduce scope 3 GHG emissions from **purchased goods & services 66.5% per million US$ gross profit**. Commits to reduce scope 3 GHG emissions from **upstream transportation & distribution 25% per tonne-km of transported product**.

UltraTech Cement Limited commits to reduce scope 1 GHG emissions **27% per ton of cementitious material by FY2032** from a FY2017 base year. UltraTech Cement Limited also commits to reduce scope 2 GHG emissions **69% per ton of cementitious material within the same time frame.** The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

Source: SBTi Website

Sectoral decarbonization approach (SDA)

Description	How it Works
A method for setting physical intensity targets that uses convergence of emissions intensity by sector • **Power** • **Iron and steel** • **Cement** • **Aluminum** • **Pulp and paper** • **Services-buildings** • **Passenger and freight transport**	Emissions are reduced relative to a specific business metric, such as production output of the company. The SDA assumes global convergence of key sectors' emissions intensity by 2050
What is Needed	**Applicable Scopes**
• Base year • Target year • Base year emissions, disaggregated by Scope • Activity level in the base year • Projected change in activity by target year	Scope 1, 2 and 3
Example	**Minimum Reduction Required**
Company C commits to reduce scope 3 GHG emissions 45% per MWh delivered to the market by 2030 from a 2019 base year	Specific to sector guidance

SDA target examples

Enel commits to reach **net-zero GHG emissions across the value chain by 2040**. Commits to reduce scope 1 from power generation GHG emissions 80% per kWh by 2030. Commits to reduce scope 1 & 3 GHG emissions from **fuel & energy related activities covering all sold electricity 78% per kWh by 2030**. Commits to reduce absolute scope 3 GHG emissions from the use of sold products 55%. Commits to reduce absolute scope 1 & 2 **non-power generation emissions** & scope 3 GHG emissions covering **purchased goods & services, capital goods, & all remaining fuel & energy related activities 55%**.

Hilton commits to reduce absolute scope 1 and 2 GHG emissions **46.2% by 2030** from a 2019 base year. Hilton also commits to reduce absolute scope 3 GHG emissions from **franchises 27.5%**.

Eneco commits to achieve **net-zero GHG emissions across the value chain by 2035** from a 2019 base year. Commits to reduce absolute **scope 1, 2 & 3 GHG emissions 57% by 2030** from a 2019 base year. Commits to reduce scope 1 GHG emissions from **power & heat generation 80.7% per MWh**. Commits to reduce scope 1 & scope 3 category 3, **fuel & energy-related activities, power generation GHG emissions of all electricity sold to end users 76.2% per MWh**. Commits to reduce absolute scope 3 GHG emissions from the **use of sold products 46.2%**. Commits to **annually sourcing 100% renewable electricity for own use through 2030**.

Source: SBTi Website

SDA in the SBTi tool

Section 1.Input data

Target setting method	Sectoral Decarbonization Approach	
SDA scenario	ETP B2DS	*(only B2DS is currently available for SDA)*
SDA sector	Services - Buildings	*Dropdown*
Base year	2014	*Dropdown*
Target year	2026	*Dropdown*
Projected output measure	Target year output (Linear)	*Dropdown*
Base year output	10,000	*Square meters*
Target year output (Linear)	10,000	*Square meters*
Scope 1 emissions	200	*tCO2e (S1 intensity: 20 kCO2/m2)*
Scope 2 emissions	600	*tCO2e (S2 intensity: 60 kCO2/m2)*

Select **Sectoral Decarbonization Approach**

Select **appropriate SDA sector**

Enter **Base and Target year**

Enter **Base and Target year output (output is dependent on sector)**

Enter **Base year Scope 1 and Scope 2 emissions**

The SBTi target setting tool can be used to model targets in line with SBTi approved criteria and methods.

IEA ETP B2DS scenario

Review all target modelling data

	Base year (2014)	Target year (2026)	% Reduction
Company | Scope 1 emissions (tCO2)	200.0	95.3	52.3%
Company | Scope 2 emissions (tCO2)	600.0	298.3	50.3%
Company | Scope 1+2 emissions (tCO2)	800.0	393.6	50.8%
Company | Scope 1 emissions intensity (kCO2/m2)	20.0	9.5	52.3%
Company | Scope 2 emissions intensity (kCO2/m2)	60.0	29.8	50.3%
Company | Scope 1+2 emissions intensity (kCO2/m2)	80.0	33.9	57.6%

Source: SBTi Target setting tool (download)

Renewable electricity targets

Approaches to setting science-aligned targets

- Allowed in addition to emissions reductions targets
- Based on **actively** sourced renewable electricity
- Required targets: (RE100) aligned with WB2D — 80% RE procurement by 2025 and 100% by 2030

RE100 companies can achieve 100% renewable electricity by making claims to:

- **Produce renewable electricity** from their own facilities
  - Grid-connected and onsite/offsite, or off-grid
  - Own consumption or production only claims
- **Purchase renewable electricity** sourced from generators and suppliers
  - Direct purchases (e.g. PPAs), onsite or offsite
  - Retail purchases from suppliers and utilities, and energy attribute certificates

Example: **Microsoft** commits to continue to **annually source 100% renewable electricity through 2030**

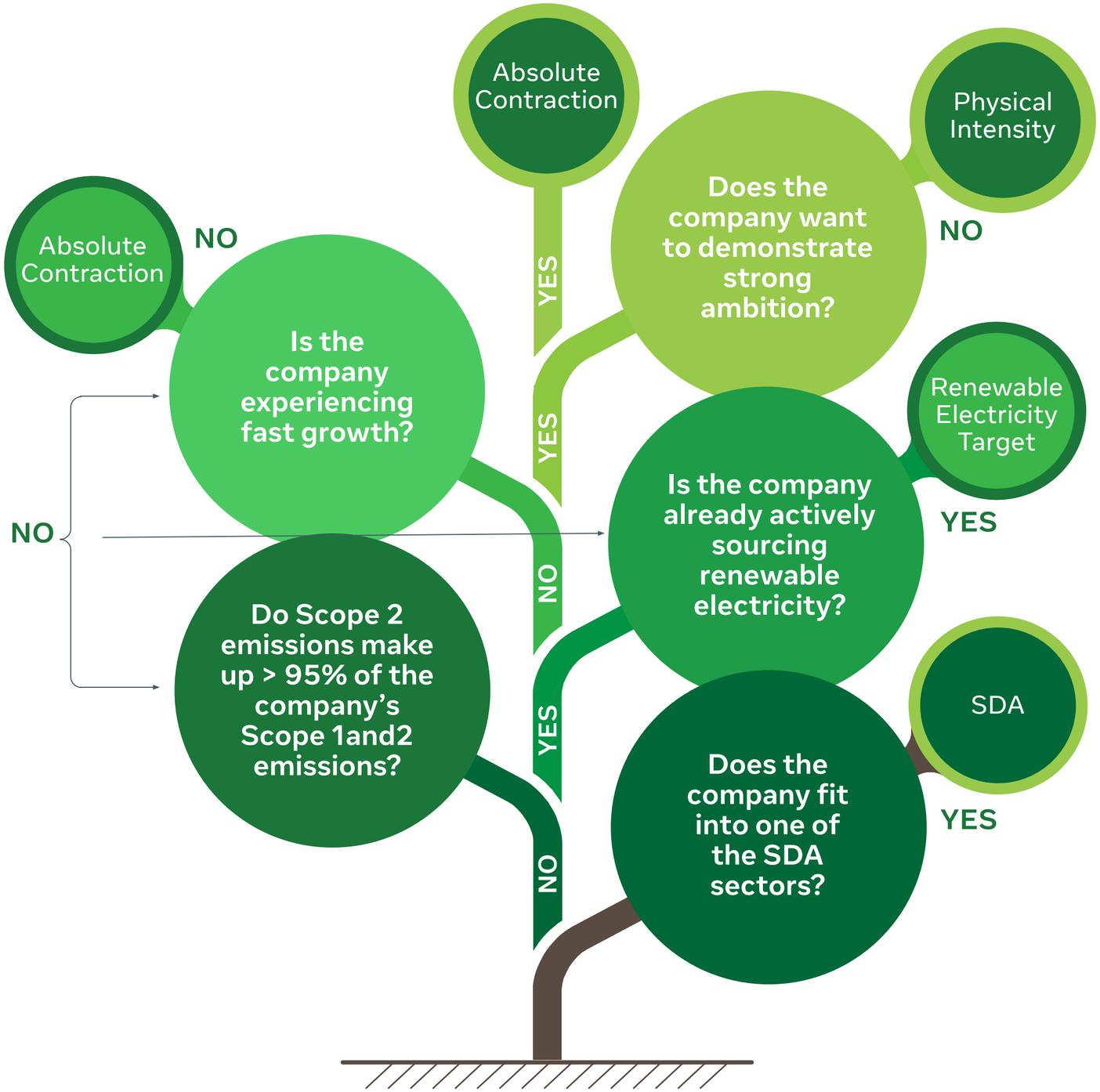
Source: RE100 Technical Guidance

Recommendations on choosing an SBT method

	Absolute Reduction Target	Physical Intensity/SDA	Renewable Electricity Target
Applicability	All	• Power generation • Iron and steel • Cement • Aluminum • Pulp and paper • Transport services • Services/commercial buildings	All
Advantages	• Aims to reduce GHGs emitted to the atmosphere by a specific % • Environmentally robust and more credible to stakeholders • Easy to model/communicate	• Independent of economic growth or decline • Can be more in line with emissions reduction strategies and internal progress tracking • May increase the comparability of GHG performance amongst companies	• Suitable for companies for whom electricity is large source of emissions • Suitable for companies with existing RE goals • Suitable for companies who have already achieved the SBTi RE % requirements
Disadvantages	• Does not allow comparisons of GHG intensity/efficiency to that of peers • Reported reductions or increases in GHGs may be tied to declines in production/output or growth	• Absolute emissions may rise even if intensity decreases (e.g., if output increases more than GHG intensity decreases) • SDA is not suitable for heterogeneous sectors	• Does not address Scope 1 emissions • Must still cover 95% of scope 1 and 2 emissions - May require a combined goal

Source: SBTi Target setting manual

Decision tree: Choosing the right method



Quiz 2:
True or False?

An **absolute** target is measured using a physical denominator and reduces 7% per year.

Quiz 2:
True or False?

FALSE.

An **absolute** target is measured using a physical denominator and reduces 7% per year.

Quiz 3:
What are the three components of an absolute target?

- ❑ Base year,
- ❑ Target year
- ❑ Reduction %
- ❑ KPI (e.g. weight of product, revenue, or FTE’s)

Quiz 3:
What are the three components of an absolute target?

- ✖ Base year,
- ✖ Target year
- ✖ Reduction %
- ❑ KPI (e.g. weight of product, revenue, or FTE’s)

Quiz 4:
Based on the company scenario below, what target setting method best describes this company's chosen target?

A commercial services company wants to set a target that reduces their total Scope 3, Category 1, PGandS emissions by 50% by 2030 from a 2019 baseline.

A. Base year,
B. Target year
C. Reduction %
D. KPI (e.g. weight of product, revenue, or FTE's)

Quiz 4:
Based on the company scenario below, what target setting method best describes this company's chosen target?

A commercial services company wants to set a target that reduces their total Scope 3, Category 1, PGandS emissions by 50% by 2030 from a 2019 baseline.

A. Base year,
B. Target year
C. Reduction %
D. KPI (e.g. weight of product, revenue, or FTE's)

Quiz 5:
Based on the company scenario below, what would be the best target setting method to choose?

A corporation would like to set an intensity target of GHG emissions by volume of sold hard drives.

A. Absolute

B. SDA

C. Physical intensity

Quiz 5:
Based on the company scenario below, what would be the best target setting method to choose?

A corporation would like to set an intensity target of GHG emissions by volume of sold hard drives.

A. Absolute

B. SDA

C. Physical intensity

06 Updates and alignment with Net Zero

Net Zero and the new SBTi strategy

In 2019, SBTi launched a process to develop the first science-based global standard to enable companies to set robust and credible Net Zero targets in line with a 1.5°C future.

Emissions reductions need to be seen at a massive scale in the near term in order to reach Net Zero emissions by no later than 2050.

Announced in March 2025

[Draft of Corporate Net-Zero Standard V2]

- Scope 1 & 2 are split for emissions to reflect the challenges decarbonizing these categories
- Proposes increased flexibility through options to set targets for green procurement and revenue generation for scope 3 to focus on action in the most emission-intensive activities, instead of setting an emissions reduction target
- Introduces an assessment & communication of progress against targets requirement, to enhance accountability and recognize companies leading on decarbonization

Net Zero changes to SBT criteria

Criterion	Near-Term	Long-Term
Timeframe	2030 or sooner	2050 or sooner
Scope 1 and 2 ambition	1.5˚C	1.5˚C
Scope 3 ambition	1.5˚C	1.5˚C
Target boundary	• Scope 1 and 2: 95% • Scope 3: 67% coverage required	• Scope 1 and 2: 95% • Scope 3: 90% of total emissions
Method	• Absolute contraction • SDA • Renewable electricity target • Supplier engagement • Physical intensity contraction	• Absolute contraction • SDA • Renewable electricity target

What are the implications of these changes for your company’s commitment?

- If you are already among the group of companies with scope 1 and 2, 1.5°C aligned targets — congratulations.
- Companies that had targets approved in 2020 or earlier, will have until 2025 as per the current SBTi criteria to update their targets.
- Companies that have been approved after that date — including companies with approved well-below-2°C targets in 2021 — **will need to review and update their targets at least every 5 years.**
- SBTi provides this flexibility because it takes some time to adjust targets once set. They strongly encourage companies to update their targets as soon as possible before our deadlines, in order to be aligned with the latest climate science.
- If your company already has a validated SBT that does not fulfil the ambition criteria for scope 1 and 2 or scope 3, it must be updated, however, companies will not be required to update targets to meet the new timeframe requirement.

FLAG Update

SBTi published the FLAG guidance in September 2022. Here's what you need to know:

Forestry, Land Use, and Agriculture

FLAG Inventory/Targets

- SBTi companies that meet the requirements must complete a FLAG inventory and set a FLAG target
- FLAG emissions/removals include land use change, land management, carbon removals, and storage

Relevant Companies

- Forest & paper products, food production (animal source or agricultural), food & beverage processing, food & staples retailing, and tobacco

  OR

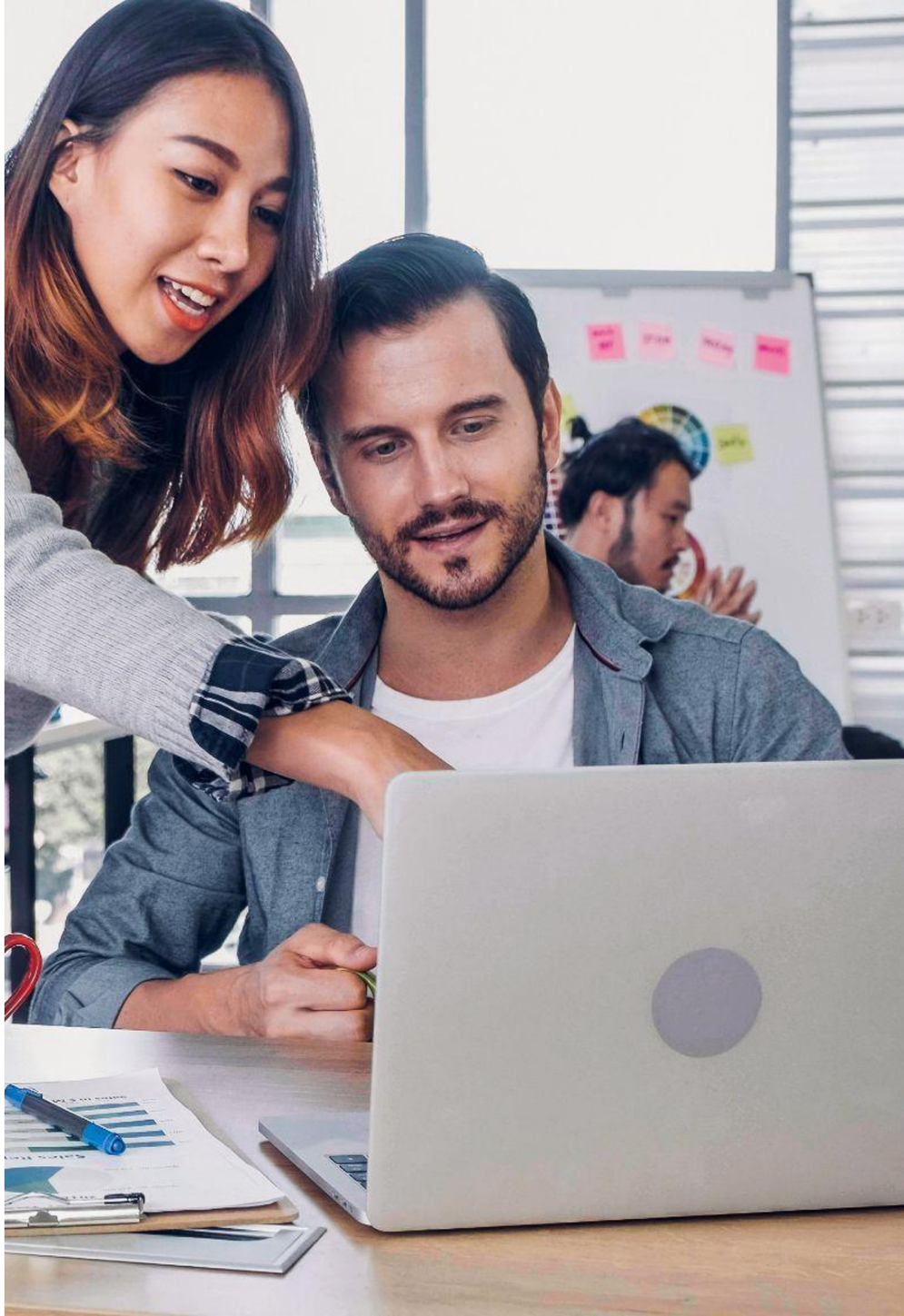
- Companies in any other SBTi sector with FLAG emissions accounting for more than 20% of overall emissions across all scopes

Forests, Land and Agriculture - Science Based Targets

Key takeaways

Updates and alignment with Net Zero

- There are simply **4 categories of targets:** absolute, physical intensity, renewable, and Net Zero targets
- **On ambition:** The absolute target category is more ambitious than any intensity target and if your absolute target is Net Zero that is science-aligned, that is the highest ambition currently
- You should understand the **cost and reduction** implications of any of these science-aligned targets before making them official
- Net Zero targets have a **near-term (interim)** target and a **long-term target** by midcentury or 2050. The long-term target is more ambitious, requires more emissions coverage, and is **NOT** intensity-based



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