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Science Based Targets

SBT INTRODUCTION

Science-based targets help Corporates to devise a clearly defined path to reduce their emissions in line with the Paris agreement. These targets help companies in avoiding the worst impact on climate and making their business more resilient to climate change.

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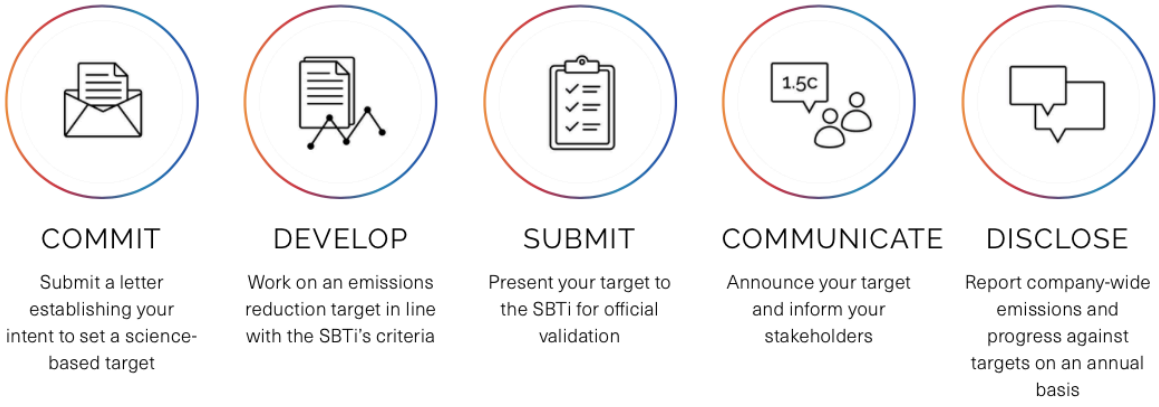
SBT Introduction

Science-based targets provide companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals. More than 4,000 businesses around the world are already working with the Science Based Targets initiative (SBTi).

Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Setting a science-based target is a five-step process:
Commit: submit a letter establishing your intent to set a science-based target
Develop: work on an emissions reduction target in line with the SBTi's criteria
Submit: present your target to the SBTi for official validation
Communicate: announce your target and inform your stakeholders
Disclose: report company-wide emissions and track target progress annually



SBT should meet the following range of criteria to ensure rigour and credibility:

- An SBT should cover a minimum of 5 years and a maximum of 15 years from the date the target is publicly announced.

- Companies are also encouraged to develop long-term targets (e.g., up to 2050).
- The boundaries of a company's SBT should align with those of its GHG inventory.
- The emissions reductions from scope 1 and 2 sources should be aligned with well-below 2°C or 1.5°C decarbonization pathways.
- SBTs should cover at least 95 percent of company-wide scope 1 and 2 emissions.
- Companies should use a single, specified scope 2 accounting approach ("location-based" or "market-based") for setting and tracking progress toward an SBT.
- If a company has significant scope 3 emissions (over 40% of total scope 1, 2 and 3 emissions), it should set a scope 3 target.
- Scope 3 targets generally need not be science-based, but should be ambitious, measurable and clearly demonstrate how a company is addressing the main sources of value chain GHG emissions in line with current best practice.
- The scope 3 target boundary should include the majority of value chain emissions, for example, the top three emissions source categories or two-thirds of total scope 3 emissions.
- The nature of a scope 3 target will vary depending on the emissions source category concerned, the influence a company has over its value chain partners and the quality of data available from those partners.
- SBTs should be periodically updated to reflect significant changes that would otherwise compromise their relevance and consistency.
- Offsets and avoided emissions should not count toward SBTs.

SBT-setting methods are complex and should be considered in the context of each company's operations and value chains. To calculate SBTs, companies should use a method that is based either on sector-specific decarbonization pathways (i.e. the Sectoral Decarbonization Approach) or on a percentage reduction in absolute emissions.

To conclude, SBTs represent a more robust approach for companies to manage their emissions over the long haul. SBTs are grounded in an objective scientific evaluation of what is needed for global GHG emissions reduction

determined by relevant carbon budgets, rather than what is achievable by any one company. They offer a firm foundation for companies' long-term climate change strategies, boosting their competitive advantage in the transition to the low-carbon economy.