



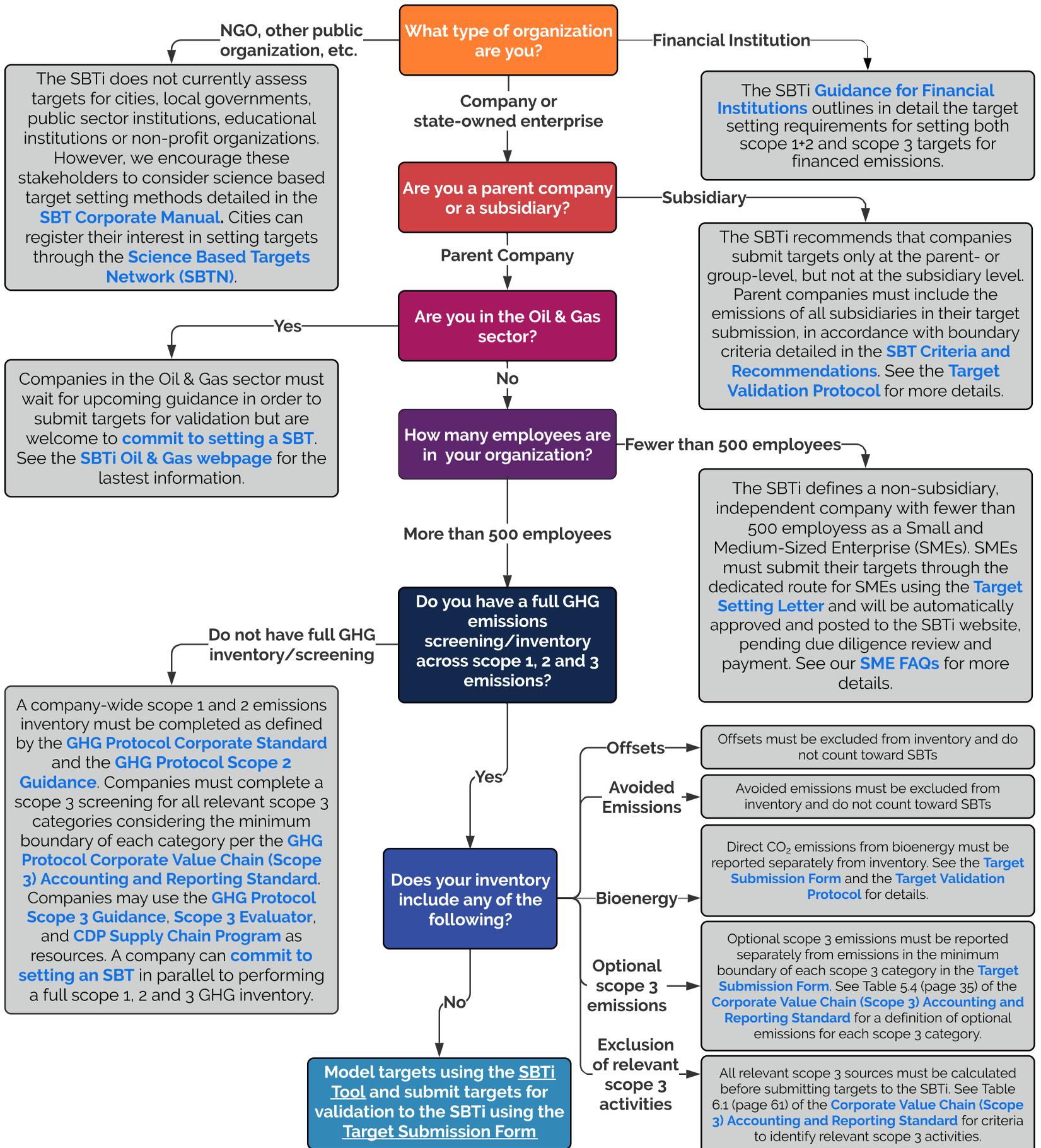
SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

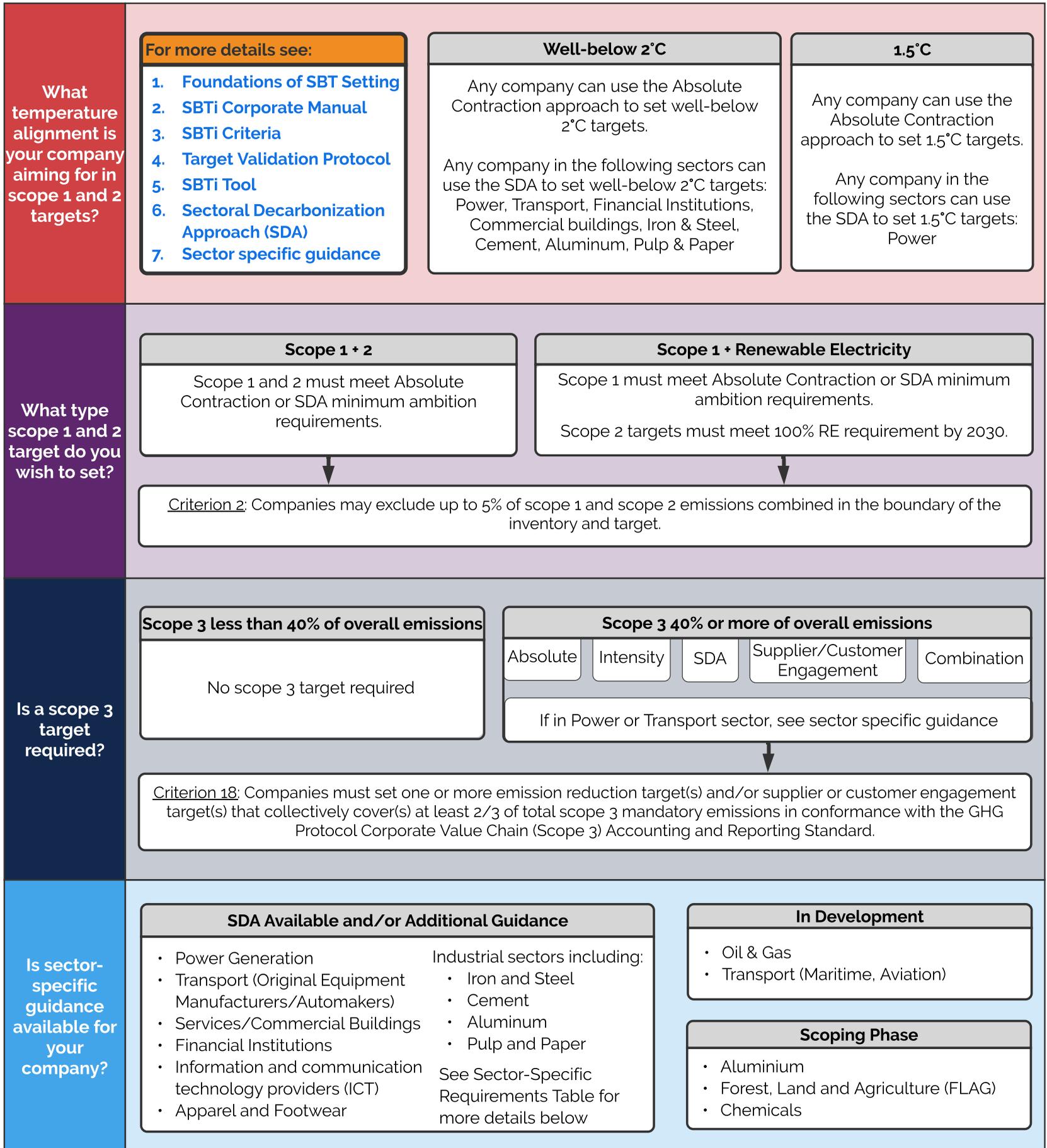
HOW TO GUIDE FOR SETTING SCIENCE BASED TARGETS

TVT-INF-001 | Version 1.0
April 2021

GETTING STARTED WITH SCIENCE BASED TARGETS



SETTING SCIENCE BASED TARGETS



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.

| Sector | Scope 1 and 2 | Scope 3 | Guidance/Notes |
|------------------|---|--|--|
| Power Generation | <p>The Sectoral Decarbonization Approach (SDA) power generation pathway defines the minimum forward-looking ambition the company must use to set targets.</p> <p>The timeframe and forward-looking ambition must be, at a minimum, aligned with the well-below 2°C pathway.</p> <p>Companies operating in the power sector must adhere to the Guidance for Electric Utilities</p> | <p>Ambition must be in line with C20</p> | <p>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.</p> |

| Sector | Scope 1 and 2 | Scope 3 | Guidance/Notes |
|---|--|---|--|
| Original Equipment Manufacturers (OEMs)/ Automakers | Sufficient ambition if in line with the SDA Transport Tool for passenger light-duty vehicle (PLDV) manufacturers or absolute contraction approach. | Targets covering 'use of sold products' must meet the minimum level of ambition determined by the SDA Transport tool, covering Well-to-Wheel (WTW) emissions of sold vehicles, and aligned to the well-below 2°C pathway. | <p>Tested vs Real emissions for OEMs original equipment manufacturers:</p> <p>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.</p> |
| Transport Services | Sufficient ambition if in line with the SDA Transport Tool or absolute contraction approach | Sufficient ambition if in line with the SDA Transport Tool or absolute contraction approach. | <p>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.</p> <p>For companies in the aviation and maritime transport sectors, please consult the SBTi transport resources for further information on sector-specific transport methodologies.</p> <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> |

| Sector | Scope 1 and 2 | Scope 3 | Guidance/Notes |
|--|--|--|--|
| Oil & Gas | <p>The SBTi is developing targets setting methods for oil & gas companies and cannot validate targets for this sector before the guidance is completed.</p> <p>While the project is underway, Oil & Gas companies are invited to commit to set SBTs by submitting a Commitment Letter.</p> | <p>The SBTi is developing targets setting methods for oil & gas companies and cannot officially validate targets for this sector before the guidance is completed.</p> <p>While the project is underway, oil & gas companies are invited to commit to set SBTs by submitting a Commitment Letter.</p> | <p>For the target validation by the SBTi, "Oil & Gas" includes, but is not limited to, integrated Oil & Gas companies, Integrated Gas companies, Exploration & Production Pure Players, Refining and Marketing Pure Players, Oil Products Distributors, Gas Distribution and Gas Retailers.</p> <p>The SBTi will assess companies on a case-by-case basis to determine whether companies will be classified as Oil & Gas companies for SBTi validation, and if so, reserve the right to not move forward with their validation until after the SBTi Oil & Gas sector development has been completed.</p> |
| <p>Fossil Fuel Sale/Transmission/Distribution*</p> <p><i>*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.</i></p> | <p>N/A – follow guidance for the primary sector.</p> | <p>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.</p> | <p>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.</p> |

| Sector | Scope 1 and 2 | Scope 3 | Guidance/Notes |
|---|--|--|--|
| Services/Commercial Buildings | Sufficient ambition if in line with the available SDA pathway or absolute contraction approach. | <p>Ambition must be in line with C20.</p> <p>Inclusion of emissions from use of sold products for architecture/design firms</p> | <p>Real Estate Investment Trusts (REITs) wishing to set targets must specify if they are a mortgage-based REIT or equity-based REIT.</p> <p>Equity REITs must pursue the regular target validation route for companies.</p> <p>Mortgage REITs must instead utilize the Financial Institutions guidance for setting SBTs.</p> |
| <p>Industrial Sectors:</p> <ul style="list-style-type: none"> • Iron and Steel • Cement • Aluminum • Pulp and Paper | Sufficient ambition if in line with the available SDA pathway or absolute contraction approach. | Ambition must be in line with C20. | |
| Financial Institutions | Sufficient ambition if in line with the Absolute contraction approach or relevant SDA pathways (e.g., Services/ Commercial buildings). | As of October 2020, the SBTi has developed the first version of criteria for financial institutions to align their investment and lending portfolios with Paris-aligned climate stabilization pathways, and financial institutions are now welcome to submit targets for official validation based on this criteria. | 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. |

| Sector | Scope 1 and 2 | Scope 3 | Guidance/Notes |
|--|--|------------------------------------|---|
| Information and communication technology providers | Sufficient ambition if in line with the Absolute contraction approach or if it meets the minimum requirements of the relevant ICT pathways | Ambition must be in line with C20. | The SBTi guidance 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. |
| Chemicals | Sufficient ambition if in line with the absolute contraction approach. | Ambition must be in line with C20. | <p>The chemical sector pathway in the SDA tool cannot be used at present. SBTi has launched an ongoing scoping project to develop sector-specific methods, to guide chemical and petrochemical companies in setting ambitious targets and begin decarbonization.</p> <p>Companies that produce or sell fluorinated 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".</p> <p>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".</p> |
| Apparel and footwear | Sufficient ambition if in line with the absolute contraction approach. | Ambition must be in line with C20. | Companies across the apparel and footwear value chain should consult the Apparel and Footwear sector SBT guidance for detailed guidance on target setting. |
| All other sectors | Sufficient ambition if in line with the absolute contraction approach. | Ambition must be in line with C20. | |