

SBTi CORPORATE MANUAL

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DOCUMENT HISTORY

Version	Change/update description	Date finalized	Effective date
1.0	Combined the Science-based Target Setting Manual and the SBTi Call-to-Action Guidelines to provide comprehensive step-by-step guidance for companies that would like to commit to SBTi, develop and submit targets and track progress against targets.	April 15, 2021	April 15, 2021 to June, 2021
1.1	Updated the “benefits and drawbacks of different types of targets” section to reflect current best practices and to be inclusive of all acceptable target types, including supplier/customer engagement targets.	June, 2021	June, 2021 to July 14, 2022
2.0	Updated with new requirements and recommendations from version 5 of the SBTi near-term criteria.	December 6, 2021	July 15, 2022 to April 10, 2023
2.1	<ul style="list-style-type: none"> Edits to improve document’s readability. More substantive guidance on how companies should publicly report on their GHG emissions inventory and annual progress against their published science-based targets. Revision in target analyst assignment policy. Removal of the section detailing SBTi team structure as information is available on the SBTi website here. Minor updates to align with the revised language in the SBTi Criteria for Near-term Targets and SBTi Corporate Net-Zero Standard. Updates to align with the report from the United Nations’ High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (HLEG) recommendations on climate transition plans, just transition, and advocacy and lobbying. 	April 11, 2023	From April 11, 2023

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ABOUT THE SCIENCE BASED TARGETS INITIATIVE

The Science Based Targets initiative (SBTi) is a global body enabling businesses and financial institutions to set ambitious emissions reductions targets in line with climate science. It is focused on accelerating companies across the world to halve emissions before 2030 and achieve net-zero emissions before 2050.

The initiative is a collaboration between four of the world's most respected environmental organizations: CDP, the United Nations (UN) Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), and one of the We Mean Business Coalition commitments.

The SBTi defines and promotes best practice in science-based target (SBT) setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.

What is a near-term science-based target?

Greenhouse gas (GHG) emissions reduction targets are considered to be "science-based" if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement - to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

Why join the Science Based Targets initiative?

How business help prevent dangerous climate change

The Paris Agreement in 2015 saw nearly 200 of the world's governments commit to prevent dangerous climate change by limiting global warming to 1.5°C. This signaled an acceleration in the transition to a net-zero economy. Many companies are already demonstrating they have the skills, expertise and ingenuity to make this a reality - but need ambitious emissions reduction targets that ensure the action they take is transformational and aligned with current climate science.

The SBTi enables companies to demonstrate leadership on climate action by publicly committing to science-based GHG reduction targets. An increasing number of companies joining the initiative will create a critical mass that will drive SBT setting throughout the private sector. The overall aim of the initiative is for SBT setting to become standard business practice and for corporations to play a major role in ensuring global warming is kept to a 1.5°C increase.

Who can join the Science Based Targets initiative?

The SBTi promotes corporate climate action and encourages organizations from all sectors to demonstrate leadership by setting science-based emissions reduction targets. This includes financial institutions, joint ventures, cooperatives and state-owned enterprises. The SBTi is especially keen to welcome organizations in the highest-emitting sectors, who play a crucial role in ensuring the transition to a net-zero economy. The exception is oil and gas companies as their targets cannot yet be officially validated.

The SBTi does not currently assess targets for cities, local governments, public sector institutions (over 500 employees), educational institutions or non-profit organizations. However, we encourage these stakeholders to consider near-term SBT setting methods when developing targets independently. Cities can register their interest in setting targets through the [Science Based Targets Network \(SBTN\)](#). Public sector institutions with under 500 employees can submit targets through the [small and medium-sized enterprises \(SME\) route](#).

OVERVIEW OF THE SBTi'S TARGET-SETTING PROCESS

To learn more about the steps of the SBTi target-setting process, from the initial near-term commitment to announcing approved near-term SBTs, please visit the Step-by-Step process on the SBTi's [website](#).

STEP 1: COMMIT TO SET A NEAR-TERM SCIENCE-BASED TARGET

How to commit

Companies that wish to commit to set a near-term or net-zero SBT should [register online](#) and submit the [SBTi Commitment Letter](#). By signing the letter, companies commit to submitting a near-term or net-zero science-based emissions reduction target in line with SBTi's target-setting criteria within 24 months. If the company already has an emissions reduction target or net-zero target, the letter confirms its interest in having its existing targets verified against a set of near-term/net-zero criteria developed by the SBTi or developing new targets that will align with these near-term/net-zero criteria. The SBTi strongly encourages companies to commit before submitting targets to the initiative for validation; however, companies may choose to move straight to developing and submitting targets for validation. Companies are urged to aim for the highest level of ambition in their target setting, and we encourage companies to commit to net-zero and automatically join the Business Ambition for 1.5°C and the United Nations Framework Convention on Climate Change (UNFCCC) Race to Zero. Companies that are eligible to join the Race to Zero must follow the SBTi's current fossil fuel policy.

The list of committed companies is updated on the SBTi website every week. Companies that have committed will receive guidance on how to communicate their near-term and/or net-zero commitment. The SBTi reserves the right to perform due diligence before accepting new near-term and/or net-zero commitments.

The SBTi encourages companies to start the target development process and submit targets for validation as early as possible. Companies have 24 months to submit targets to the SBTi for validation. Refer to the [SBTi Commitment Compliance Policy](#) for more information.

Small and medium-sized enterprises

In recognition of the important role SMEs must play in global climate action as well as the limited resources available to companies of this size, the SBTi has established a separate expedited route for these companies. This simplified approach for SMEs balances the need for them to take account of emissions across their value chains without imposing too great a burden.

For the SBTi's definition of a SME, please refer to the [Small and Medium Sized Enterprises \(SMEs\) FAQs](#) document. SMEs are not required to sign the Commitment Letter, they should use the [SME science-based target setting form](#) specifically designed and solely designated for SMEs.

This pathway enables SMEs to bypass the initial SBT near-term and net-zero commitment stages and the standard target validation process. SMEs can immediately set a near-term SBT for their scope

1 and 2 emissions by choosing from predefined target options. SMEs can also set net-zero targets using this streamlined route. Unlike larger companies, the SBTi does not require SMEs to set near-term targets for their scope 3 emissions. However, SMEs must commit to measure and reduce their scope 3 emissions and scope 3 targets are required for a net-zero target.

Like larger companies using our standard target validation route, SMEs are required to complete a recent, comprehensive GHG emissions inventory following the [Greenhouse Gas Protocol Corporate Accounting and Reporting Standard](#) and [Scope 2 Guidance](#). SMEs are required to publicly report company-wide scope 1 and 2 GHG emissions inventory and progress against published targets annually. For more information on how SMEs can join the SBTi and set near-term and/or net-zero targets, please visit the [SME science-based target setting form](#).

STEP 2: DEVELOP A NEAR-TERM SCIENCE-BASED TARGET

Once a company has signed the Commitment Letter, it will have up to **24 months** to: (i) develop near-term targets aligned with the SBTi Criteria for Near-term Targets and (ii) submit the target to the SBTi for validation.

The targets must be in line with the [near-term criteria](#) that the SBTi considers critical for qualifying a target as “science-based”. The SBTi has developed a suite of [tools and guidance](#) to help companies understand how to meet these near-term criteria.

Review the latest target-setting resources

This section provides an overview of methods and steps to formulate a SBT, including key considerations for target setting for (i) all scopes, (ii) scope 1 and 2 emissions and (iii) scope 3 emissions. Before developing a target, companies are encouraged to review their scope 1, 2 and 3 GHG inventories and ensure they are aligned with the GHG Protocol and the SBTi GHG emissions inventory requirements (as set out in the [Target Validation Protocol for Near-term Targets](#)). For example, the SBTi Criteria for Near-term Targets indicates that companies may exclude up to 5% of scope 1 and scope 2 emissions combined in the boundary of the inventory and target. Therefore, if a company has not yet finalized a complete scope 1 and 2 inventory covering all GHG emissions from all relevant sources within its organization's boundary, this will need to be completed ahead of submission, as it is required by the SBTi for target approval.

Companies developing targets should carefully consult relevant SBTi resources to ensure they have the latest information on recommendations and requirements. To stay up to date on our latest resources, events and other developments, companies are also encouraged to [sign up to our newsletter](#), and/or visit our website regularly. The SBTi also encourages companies to explore the [FAQ page](#) for answers to commonly asked questions.

SBTi near-term criteria and recommendations

Targets must meet all the SBTi near-term criteria to be approved. The near-term criteria and recommendations were developed using the GHG accounting and mitigation expertise of the SBTi's partner organizations, with support from [external technical support](#). The SBTi Criteria for Near-term Targets are updated on an annual basis, generally with a grace period for when substantive content changes were made in which the previous near-term criteria may be used. Any substantive changes to criteria will be accompanied by a period for companies to digest changes before the updated criteria become mandatory for target-setting purposes. From April 11, 2023, organizations must submit targets using SBTi near-term criteria V5.1. And from April 10, 2023, SBTi criteria V5.0 is no longer eligible.

Set a near-term science-based target: key considerations for all emission scopes

Choose a base year

The meaningful and consistent tracking of emissions performance over the target period requires companies to establish a base year.

Three considerations are important for selecting a base year. First, verifiable data on scope 1, 2, and 3 emissions should exist for the base year. It is recommended that companies choose the most recent year for which data is available as the base year.

Second, the base year should be representative of a company's typical GHG profile. Companies can assess representativeness by comparing inventories and business activity levels over time.

Third, the base year should be chosen such that the target has sufficient forward-looking ambition. The minimum-forward looking ambition of near-term scope 1 and/or scope 2 targets must be consistent with reaching net-zero by 2050, assuming a linear absolute reduction, linear intensity reduction, or intensity convergence between the most recent year and 2050 (not increasing absolute emissions or intensity). This is meant to reward early action, while ensuring that targets drive continued mitigation during a company's transition to net-zero, consistent with the [SBTi Corporate Net-Zero Standard](#). The SBTi uses the year the target is submitted to the initiative (or the most recent completed GHG inventory) to assess forward-looking ambition.

Finally, various factors may necessitate recalculations of the base year inventory (and of the near-term SBT itself) to ensure continued relevance and alignment to GHG accounting best practices. See the section entitled "[Describe progress toward the target](#)" for further guidance on this topic.

Choose a target year

Companies must set a near-term target that covers a minimum of five years and a maximum of 10 years from the date the target is submitted for assessment. Near-term targets can be instrumental for identifying inefficiencies and opportunities for emission reductions.

It is also recommended to set long-term targets beyond this interval and set near-term milestones at five-year intervals. Setting [net-zero SBTs](#) (i.e., with target years of 2040 or 2050) encourages planning to manage the long-term risks and opportunities connected with climate change. These may include the creation of new services and markets and the need for large capital investments that offer GHG benefits. All scope 1 and 2 targets must be consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures.

If more than one target is set, companies should use the same base year for all targets within the near-term timeframe.¹ A common target period will simplify data tracking and communication around the target. However, if value chain data is difficult to obtain, it is acceptable if scope 1 and 2 targets use a different base year from scope 3 targets.

¹ This best practice is most applicable to emission reduction targets, i.e., absolute and intensity targets. Companies' renewable electricity, supplier engagement and customer engagement targets may and sometimes must have different target years than emission reduction targets.

Box 1: Framing and communicating near- and long-term targets

JLL commits to reach net-zero greenhouse emissions across the value chain by 2040.

Near-Term Targets

JLL commits to reduce absolute scope 1, 2 and 3 GHG emissions 51% by 2030 from a 2018 base year.

Long-Term Targets

JLL commits to reduce absolute scope 1, 2, and 3 GHG emissions 95% by 2040 from a 2018 base year.

Ensure the target boundary is aligned with the GHG inventory boundary

The GHG Protocol defines three different approaches for determining the organizational boundaries of corporate GHG inventories:

- **Operational control:** A company accounts for 100% of the emissions from operations at which it has the full authority to introduce and implement operating policies. It does not account for any of the emissions from operations in which it owns an interest but does not have operational control.
- **Financial control:** A company accounts for 100% of the emissions from operations at which it can direct financial and operating activities with a view to gaining economic benefits from those activities.
- **Equity share:** A company accounts for GHG emissions from operations according to its share of equity in the operation. The equity share reflects economic interest, which is the extent of rights a company has to the risks and rewards flowing from an operation.

Companies must align the boundaries of its near-term SBT with those of its GHG inventory. To do so, it must select a single approach based on a range of company-specific considerations and apply that approach consistently across its corporate structure, for both the corporate inventory and the SBT. The [GHG Protocol Corporate Standard](#) provides further guidance.

Companies must also ensure that the near-term SBT and corporate inventory cover all relevant emissions of the seven different GHGs or classes of GHGs covered by the UNFCCC/Kyoto Protocol. These are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

Determine how to treat subsidiaries

Complex business relationships (subsidiaries, joint ventures, etc.) can complicate how the GHG inventory and thus the target boundary are drawn. Parent companies must set near-term SBTs for subsidiaries in accordance with the selected organizational boundary approach. For more information, please consult page 19 of the [GHG Protocol Corporate Standard](#). When required by the organizational boundary approach, parent companies must include emissions from subsidiary operations in their

GHG inventory. The SBTi does allow subsidiaries to submit targets. However, regardless of whether the subsidiary has approved near-term SBTs, parent companies must include subsidiaries in their target boundary as required by the selected organizational boundary approach.

Exclude the use of offsets

Offsets (or carbon credits) are different than GHG reductions within a company's value chain as they are used to compensate for GHG emissions elsewhere. They are calculated relative to a baseline that represents a hypothetical scenario for what emissions would have been in the absence of the mitigation project generating the offsets.

Offsets shall not be counted as reductions toward meeting a near-term SBT. Instead, companies must account for reductions resulting from direct action within their operations or value chains. Offsets may be useful, however, as an option for companies wishing to finance additional emission reductions beyond the SBT.

Exclude avoided emissions

A company's product avoids emissions if it has lower life cycle GHG emissions relative to some other company's product that provides an equivalent function. The avoided emissions occur outside of the product's life cycle inventory and therefore also outside of the company's scope 1, 2 and 3 inventory. For example, a company manufactures appliances that are more energy efficient than comparable models available on the marketplace. In this case, the product avoids emissions during its use phase, but this benefit is not captured within its life cycle inventory.

Different methods are used to calculate a company's GHG inventory and avoided emissions, so avoided emissions must be reported separately from scope 1, 2 and 3 emissions, and must not be counted toward near-term SBTs, including any scope 3 target.²

Determine how to treat optional scope 3 emissions

The SBTi requires that companies account for all relevant scope 3 emissions categories in their inventory, as per the [GHG Protocol Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#). Within each relevant category for the company, the minimum boundary of emissions³ must be accounted for. Companies may include emissions that are beyond the minimum boundary within a given category. However, these additional emissions will not count towards the emissions coverage for scope 3 targets. As per the SBTi Criteria for Near-term Targets, two thirds of scope 3 emissions must be covered by a target(s).

For example, it is common for some companies to address indirect use-phase emissions, especially if they are significant. Indirect use phase emissions are not within the "minimum boundary" for category 11 (use of sold products) and are listed as "optional". They are generated by products that

² See <https://www.wri.org/publication/estimating-and-reporting-comparative-emissions-impacts-products> for a paper on avoided emissions.

³ For a definition of the minimum boundary of each scope 3 category, please see Table 5.4 (page 34) of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

only consume energy indirectly during use over their expected lifetime. Examples of such emissions include the washing and dyeing of apparel and the cooking and refrigeration of food products.⁴

If companies have significant optional emissions and have levers to address them, they are encouraged to estimate these emissions and set an optional target on these emissions. However, optional scope 3 emissions will not be counted towards the minimum two thirds scope 3 target boundary. Hence, the reduction of optional emissions will not be counted as progress towards targets on mandatory scope 3 emissions, i.e., emissions within the “minimum boundary”.

Sector-specific considerations

Companies must also align near-term SBTs with the requirements established through sector development work approved by the SBTi and are encouraged to consider additional recommendations. See the [sector guidance](#) section of the SBTi website and in the [Target Validation Protocol for Near-term Targets](#) for information on sector-specific resources.

Emissions and removals from land intensive sectors shall be included in a separate Forest, Land and Agriculture (FLAG) SBT. FLAG targets cover the specific portion of emissions that are related to the land sector “up to the farm gate” (excluding energy-related emissions from processing of biomass) and shall be addressed in accordance with SBTi FLAG criteria (see [SBTi Forest, Land and Agriculture Guidance](#)). FLAG targets apply to all land-related emissions and removals in a company’s supply chain except emissions and removals related to bioenergy. Companies with land-related emissions related to bioenergy must follow the specific GHG accounting and reporting specifications for these emissions as set out in the [SBTi near-term criteria](#).

Selecting the most ambitious target

When using SBTi tools to model targets, the outputted percentage reductions are the minimum reduction values. Companies are encouraged to set targets that are more ambitious than the minimum outputted percentage reduction values. In some cases, variation will exist in the minimum target ambition output by different methods for a given company. This is due to the differences in target formulation, as well as variation among the acceptable reduction pathways themselves; for example, different scenarios in the 1.5°C scenario envelope determined by the SBTi vary in linear reduction rate (2020-2035) from 4.2%-6%. Additionally, the minimum ambition required for a sector by the Sectoral Decarbonization Approach (SDA) may be more or less ambitious than the absolute reduction rate for a 1.5°C target.

To help ensure adherence to the carbon budget, companies should use the most ambitious decarbonization scenarios and methods that lead to the earliest reductions and the least cumulative emissions. A company should screen several of the methods and choose the method and target that drives the most ambitious emission reductions to demonstrate sector leadership. Method selection may also be influenced by practical considerations, such as the availability of input data for the base year and target year.

⁴ See page 48 of the [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#) for more information.

Set a near-term science-based target: Scope 1 and 2 emissions

Set target boundaries

Near-term SBTs must cover at least 95% of company-wide scope 1 and 2 emissions.

Account for scope 2 emissions

Setting and tracking performance against scope 2 targets entails some unique considerations laid out in the sections below.

Using renewable energy to meet near-term SBTs

The [GHG Protocol Scope 2 Guidance](#) defines two approaches for calculating the scope 2 emissions from purchases of renewable energy and other forms of energy:

- The “location-based” approach is designed to reflect the average emissions intensity of grids on which energy consumption occurs and mostly uses grid-average emission factors.
- In contrast, the “market-based” approach is intended to help companies reflect the emissions impacts of differentiated electricity products that they have purposefully chosen (e.g., supplier-specific emissions rates and power purchase agreements).

For the purposes of setting near-term SBTs, companies shall choose the results of only one approach for base year emissions reporting and tracking performance. Also, if a company chooses to use the market-based approach, it shall assess all contractual instruments for conformance with the Scope 2 Quality Criteria.⁵

As an alternative to setting percentage-reduction targets on scope 2 emissions, companies may instead set targets on the procurement of renewable electricity. Such procurement targets are acceptable if they are in line with procuring 80% of electricity from renewable sources by 2025 and 100% by 2030. Companies that already source electricity at or above these thresholds shall maintain or increase their share of renewable electricity.

Accounting for purchased heat and steam

The emissions from purchased heat and steam fall under scope 2 in a corporate inventory. However, for the purposes of setting a near-term SBT using the SDA method, companies should model heat and steam-related emissions as if they were part of their direct (i.e., scope 1) emissions. This is because International Energy Agency’s Energy Technology Perspectives (IEA ETP) pathways underlying the SDA methods do not take purchased heat and steam into account under scope 2 emissions.

Available scope 1 and 2 target-setting methods

Currently, there are two main publicly available SBT-setting methods for scope 1 and 2 emissions: cross-sector absolute reduction (also referred to as the Absolute Contraction Approach) and sector-specific intensity convergence (also referred to as the Sectoral Decarbonization Approach (SDA) or

⁵ These criteria are explained in Chapter 7 of the [GHG Protocol Scope 2 Guidance](#). For further information, please consult the [RE100 Technical Criteria](#).

physical intensity convergence).⁶ This section provides an overview of these two available methods. Refer to the [Foundations of Science-based Target Setting](#) paper for an in-depth, technical discussion of these topics. A near-term SBT setting tool is available for users to model targets using these two methods. This section also describes data inputs and outputs for each method. The methods are sensitive to the inputs used and errors can propagate throughout the methods, so company data should be as accurate as possible.

In general, a near-term SBT method comprises of three components:

1. A carbon budget
2. An emissions scenario.
3. An allocation approach (convergence or contraction).

Methods can vary in terms of each of these components. *Figure 1* further describes the three main elements of a near-term SBT method.

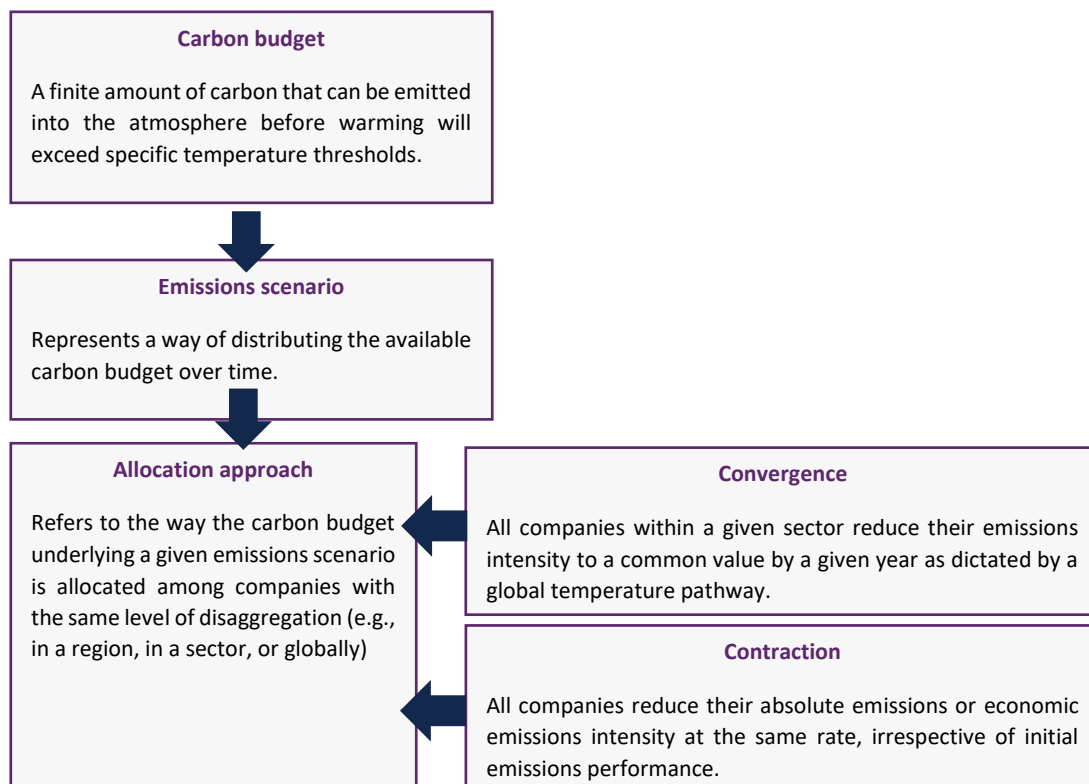


Figure 1. Main Elements of Methods for Setting near-term SBTs

Cross-sector absolute reduction

The cross-sector absolute reduction (also referred to as the Absolute Contraction Approach) is a method for setting absolute targets that uses contraction of absolute emissions. Through this

⁶ Beyond currently available methods, it is expected that new scenarios and methods will be developed for a range of specific sectors. Information on this is posted to the SBTi's website as the methods are made publicly available and/or validated by the initiative.

approach, all companies reduce absolute emissions at the same rate, irrespective of initial emissions performance. Companies need to reduce absolute emissions by an amount that is, at minimum, consistent with the cross-sector pathway. Consequently, an absolute emissions reduction target is defined in terms of an overall reduction in the amount of GHGs emitted to the atmosphere in the target year, relative to the base year (e.g., reduce annual GHG emissions 35% by 2025, from 2018 levels).

Beginning with SBTi near-term criteria V5.0, the minimum ambition for targets using the cross-sector absolute reduction approach is base year-dependent. For scope 1 and 2 targets set with a base year of 2020 or earlier, the absolute reduction approach prescribes a 4.2% minimum linear annual rate of reduction. For example, a scope 1 and 2 target set using the absolute reduction approach and a base year of 2020 would require a 42% minimum reduction in emissions by 2030 from 2020 levels (4.2% reduction x 10 years; dotted line in *Figure 2*). For scope 1 and 2 targets set using a base year later than 2020 (solid lines in *Figure 2*), the target is adjusted to ensure that companies still reduce their scope 1 and 2 emissions by a minimum of 42% in 2030 relative to base year emissions. This means that with a base year later than 2020, a steeper yearly decrease in emissions is required to achieve the 42% reduction over a shorter time frame. This base year ambition ratchet applies to scope 1, 2, and scope 3 targets set using the absolute reduction approach.

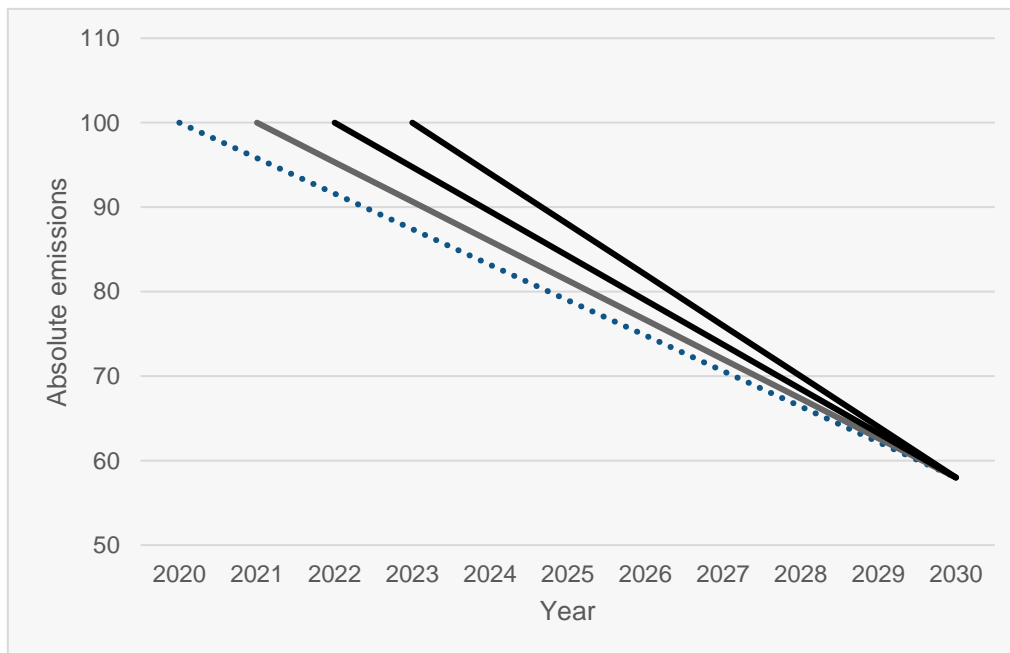


Figure 2. Illustration of the base year ambition ratchet of the cross-sector absolute reduction approach for scope 1 and 2 emissions

Similarly, for scope 3 targets set with a base year of 2020 or earlier, the absolute reduction approach prescribes a 2.5% minimum linear annual rate of reduction. For example, a scope 3 target set using the absolute reduction approach and a base year of 2020 would require a 25% minimum reduction in emissions by 2030 from 2020 levels (2.5% reduction x 10 years). For scope 3 targets set using a base year later than 2020, the target is adjusted to ensure that companies still reduce their scope 3 emissions by 25% in 2030 relative to base year emissions.

This method is a simple, straightforward approach to set and track progress toward targets that is applicable to most sectors. *Table 1* summarizes the inputs and outputs of the method and *Box 2* illustrates example of absolute reduction targets.

Table 1. Characteristics of the cross-sector absolute reduction approach

Method	Company Input	Method Output
Absolute emissions contraction	<ul style="list-style-type: none"> Base year. Target year. Base year emissions, disaggregated by scope. 	Overall reduction in the amount of absolute GHGs emitted to the atmosphere by the target year, relative to the base year.

Box 2: Examples of absolute targets

CVS commits to reduce absolute scope 1 and 2 GHG emissions 47% by 2030 from a 2019 base year. CVS also commits to reduce absolute scope 3 GHG emissions from purchased goods and services 47% by 2030 from a 2019 base year.

Sector-specific intensity convergence

The sector-specific intensity convergence (also referred to physical intensity convergence or Sectoral Decarbonization Approach) is a method for setting physical intensity targets that uses convergence of emissions intensity. An intensity target is defined by a reduction in emissions relative to a specific business metric, such as production output of the company (i.e., tonnes CO₂e per tonne product produced). Largely, the SDA assumes global convergence of key sectors' emissions intensity by 2050. For example, the emissions intensity of steel production in China, the U.S., and Brazil is assumed to reach the same level by 2050, regardless of its current diversity.⁷ Regional pathways have not been incorporated into this method.

Sector-specific pathways used in the SDA are derived from 1.5°C global emissions scenarios that meet the SBTi's scenario criteria as set out in the [Foundations of Science-based Target Setting paper](#). This includes plausibility (credibility of narrative), responsibility (reduced risk of not meeting the 1.5°C goal), objectivity (not biased towards any particular industry or organization) and consistency (having a strong internal logic). In aggregate, 1.5°C-aligned pathways used by the SBTi stay within a 500 GT carbon budget and reach net-zero CO₂ at the global level by 2050, under the assumption of at least 1-4 GT CO₂ removal per year by 2050 as delineated in the [Pathways to Net-Zero: SBTi Technical Summary](#). The specific global emissions scenarios informing the pathway for each sector are outlined in the guidance for the sector. Currently, the SDA method provides sector-specific pathways for the following homogenous and energy-intensive sectors aligned with 1.5°C emissions scenarios.⁸

⁷ Each sectoral budget is maintained, to the extent the sum of sectoral activity does not go beyond that projected for the scenario (for homogeneous sectors) and that no new businesses are created.

⁸ The SDA sectors are drawn from the IEA. An appendix in the SDA user guidance maps the IEA sectors against common industrial classification systems: <http://sciencebasedtargets.org/wp-content/uploads/2015/05/Sectoral-Decarbonization-Approach-Report.pdf>.

Available in the near-term SBT Setting Tool:

- Power Generation
- Buildings
- Cement

Available in standalone tools:

- Maritime transport
- Forest, land and agriculture (FLAG)

Companies in all sectors, except those in the power sector, maritime transport and FLAG companies, may set 1.5°C aligned targets using the cross-sector absolute reduction approach. Only companies in the power sector, maritime transport or with significant FLAG emissions are required to use the SDA.

The minimum target ambition modelled by near-term SBT Setting Tools, expressed in intensity terms, varies by company base year emissions intensity, projected activity growth and sectoral budgets. Companies can use the relevant SDA pathways to calculate an intensity target in the selected target year. In addition to a reduction in emissions intensity of the company (i.e., tonnes CO₂e per MWh), the tools also provide absolute reduction targets as an output, as outlined in *Table 2*⁹ and examples given in *Box 3*. The SDA has limited applicability to other scope 3 categories (see *Box 5*).

Table 2. Characteristics of the Sectoral Decarbonization Approach

Method	Company Input	Method Output
SDA	<ul style="list-style-type: none"> • Base year. • Target year. • Base year emissions, disaggregated by scope. • Activity level in the base year (e.g., building floor area, distance travelled, etc.). • Projected change in activity by target year. 	A reduction in emissions relative to a specific production output of the company (i.e., tonnes CO ₂ e per MWh) and its translation to absolute emissions reductions.

⁹ A previous target setting tool specific to sector-specific intensity convergence calculated near-term SBTs for a general “Other Industry” category that covers sectors other than the ones listed above, including construction industry and manufacturing sectors (e.g., food and beverage, electronics, machinery). The “Other Industry” pathway has been disabled in the new Science-based Target Setting Tool. Companies in these sectors should use the absolute emissions reduction approach to set targets.

Box 3: Physical intensity targets set using the SDA

Ignitis Group commits to reduce scope 1 GHG emissions from electricity and heat generation 94% per MWh by 2030 from a 2020 base year. Ignitis Group also commits to reduce scope 1 and 3 GHG emissions from all sold electricity and heat 90% per MWh within the same timeframe.* Ignitis Group commits to reduce absolute scope 1 and 2 GHG emissions from all other sources 42% and reduce absolute scope 3 GHG emissions from use of sold products 25% within the same timeframe.

*The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

Set a near-term science-based target: scope 3 sources

When companies set targets, they initially focus on scope 1 and 2 emissions because they are generally more able to influence these emissions. However, a company's scope 3 emissions are often much greater than its scope 1 and 2 emissions (*Figure 3*) - supply chain emissions are on average 11.4 times¹⁰ higher than operational emissions. Ambitious scope 3 targets can play an integral part in a company's GHG reduction strategy, allowing it to demonstrate performance and leadership, manage supply chain risks and opportunities and address the needs of stakeholders. Scope 3 targets also help companies to better understand whether current business models are compatible with a zero-carbon future.

Scope 3 emissions are important and are often the most challenging to address. Key steps in setting scope 3 targets as part of a near-term SBT strategy include constructing a scope 3 inventory to assess whether an ambitious scope 3 target should be set and, if so, which scope 3 emissions categories should be targeted. Subsequent steps include identifying the appropriate type(s) of target and level of ambition for these categories.

¹⁰ Source: [Transparency to Transformation: A Chain Reaction, CDP Global Supply Chain Report 2020](#)

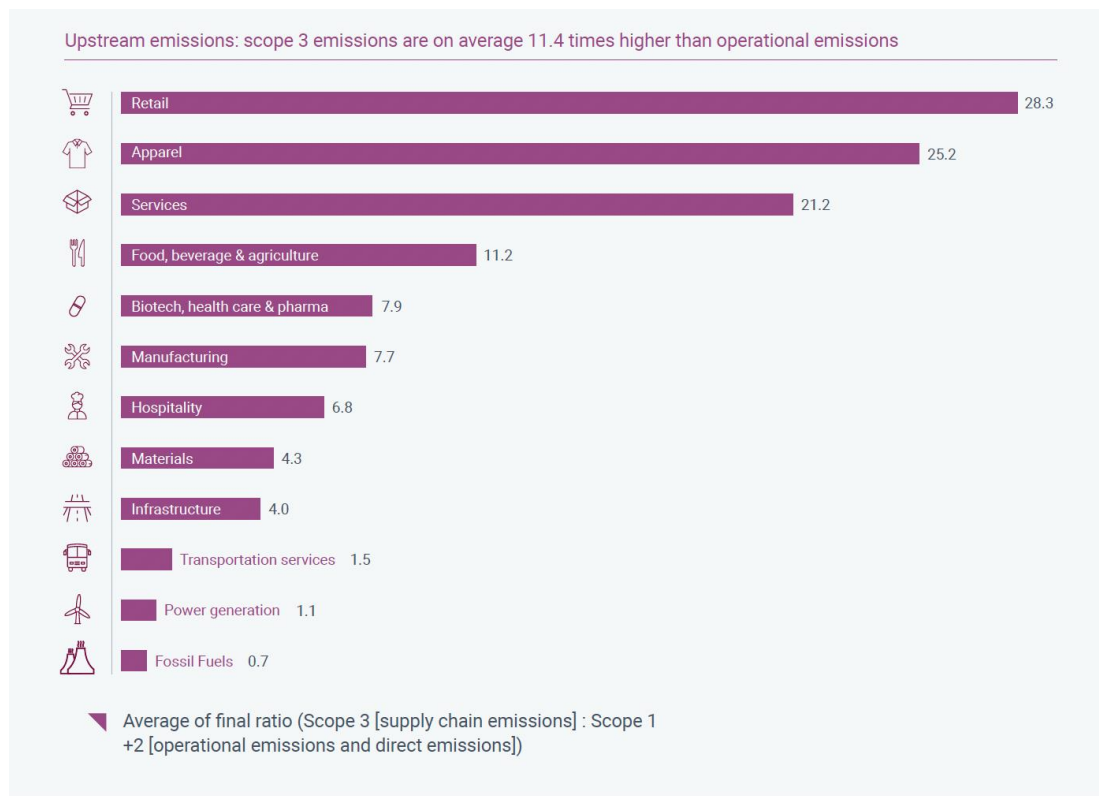


Figure 3. The relative magnitude of scope 1, 2 and 3 emissions

Conduct a scope 3 inventory

Companies must develop a complete scope 3 inventory, which is critical for identifying emissions hotspots, reduction opportunities and areas of risk up and down the value chain. The [GHG Protocol Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#), together with the [Scope 3 Calculation Guidance](#), provide detailed guidance on how to complete a scope 3 inventory. The [Scope 3 Standard](#) defines 15 distinct categories of upstream and downstream emissions sources and requires companies to include all relevant categories in an inventory, based on such criteria as the magnitude of emissions or the level of influence exerted over the categories. See chapter 7 of the Scope 3 Standard for further details.

A useful approach to calculating scope 3 emissions is to first calculate a high-level screening inventory. Such an inventory can be used to directly set a target or to identify high-impact categories for which more accurate data are needed. Over time, companies should strive to develop robust inventories and improve data quality for high-impact categories (i.e., collect primary data) to better track progress against targets.

Box 4 describes the Scope 3 Evaluator, a tool useful in constructing screening inventories.

Box 4: The Scope 3 Evaluator Tool

The GHG Protocol worked with Quantis, a consultancy, to develop [a free scope 3 screening tool](#). This tool provides users with a simple interface to make a first, rough approximation of their full scope 3 inventory, regardless of their organization type and size, largely based on underlying financial data. The tool leads users through a series of questions about their organizational structure and their activities, such as the purchase of goods and services, use of fuels, transportation of materials, and more.

Linking these inputs to a combination of economic input-output and process life cycle inventory data, the tool provides the user with a scope 3 inventory which can be used as an initial basis for identifying reduction areas, public reporting, and informing future efforts to produce a more accurate emissions inventory. Companies should work to collect primary data for categories shown to be a significant percent of their total scope 3 inventory. A screening inventory based on the Scope 3 Evaluator tool can be used to directly set a target or to identify high-impact scope 3 categories for which more accurate data is needed. Over time, companies should strive to develop robust inventories and improve data quality for high-impact categories (i.e., collect primary data) to better track progress against targets.

Scope 3 data quality

Companies are likely to face challenges in collecting data and ensuring data quality for scope 3 sources because these sources are not under the reporting company's ownership or control. These challenges include:

- Reliance on value chain partners to provide data (e.g., for calculating the emissions from purchased goods and services).
- Lesser degree of influence over data collection and management practices.
- Lesser degree of knowledge about data types, sources and quality.
- Broader need for secondary data (i.e., data not specific to a company's value chain).
- Broader need for assumptions and modeling (e.g., for calculating the emissions from the use of sold products).

In general, companies should select data that are the most complete, reliable and representative in terms of technology, time and geography. Companies should collect high-quality ("primary") data from suppliers and other value chain partners for scope 3 activities deemed most relevant and targeted for GHG reductions. Companies' own marketing and sales departments may also be able to provide primary data on product use phase and end-of-life activities. Secondary data is acceptable but does limit a company's ability to track performance. Secondary data is therefore better suited for scope 3 categories that are not significant in terms of magnitude. Chapter 7 of the [Scope 3 Standard](#) provides further guidance on data quality issues.

If scope 3 emissions compose over 40% of total scope 1, 2 and 3 emissions, companies must develop ambitious scope 3 near-term targets that collectively cover at least 67% of scope 3 emissions. For more information on how the SBTi defines ambition for scope 3 targets, consult the [SBTi near-term criteria](#).

Identify which scope 3 categories should be included in the target boundary

Using a scope 3 inventory, companies can identify which categories should be included in the boundary of a scope 3 target(s) to meet the 67% threshold. Across sectors, category 1 (purchased goods and services) and category 11 (use of sold products) account for the majority of scope 3 emissions (CDP, 2016). These categories will therefore be integral to many companies' targets. However, the relative importance of different scope 3 categories will vary by sector. Scope 3 categories likely to be important (in terms of emissions magnitude) for companies in specific sectors include:

- Automotive: use of sold products.
- Chemicals: end of life treatment of sold products.
- Consumer packaged goods: purchased goods and services.
- Electronics: use of sold products.
- Food processing: purchased goods and services.
- Gas distribution and retail: use of sold products.
- Logistics: upstream transportation and distribution.

Available scope 3 target-setting methods

Scope 3 targets can be framed as absolute reduction targets, emission intensity targets, or supplier or customer engagement targets, as described in the [SBTi Near-term Criteria](#) and [Target Validation Protocol for Near-term Targets](#). This section provides an overview of options available for companies to formulate scope 3 targets.

Cross-sector absolute reduction and sector-specific intensity convergence

Companies can use the cross-sector absolute reduction and sector-specific intensity convergence approaches to set targets on one or more of their scope 3 categories. The mechanics of these two methods are described in detail in the section entitled "[Available scope 1 and 2 target-setting methods](#)". The use of the sector-specific intensity convergence approach may be limited for setting scope 3 targets, as described in *Box 5*.

Considering the challenging nature of reducing scope 3 emissions, the minimum ambition for scope 3 targets set using these two approaches is a well-below 2°C (minimum 2.5% annual linear reduction factoring in base year adjustment under cross-sector absolute reduction and well-below 2°C alignment option for sector-specific intensity convergence pathways). While well-below 2°C is the minimum level of ambition for scope 3 targets, companies are encouraged to pursue greater efforts towards a 1.5°C trajectory.

Box 5: Applicability of the sector-specific intensity convergence approach in setting scope 3 targets

Companies should be aware of two limitations in using the sector-specific intensity convergence approach to set absolute or emissions intensity scope 3 targets. Note that the content in this box does not apply to the sector-specific intensity convergence approach for the transport sector, which is specifically applicable to several scope 3 categories.

One limitation is that the sector-specific intensity convergence approach can only be used for scope 3 targets when the GHG emissions of tier 1 suppliers are significant, relative to those of suppliers further removed from the company, and when scope 1 and 2 data can be obtained from the tier 1 suppliers. In practice, this means the sector-specific intensity convergence approach is most appropriate for buildings (leased assets and franchises) and upstream or downstream transportation and distribution.

The second limitation is that the sector-specific intensity convergence approach can limit options for tracking reductions in certain scope 3 categories, depending on how comprehensive a company's overall scope 3 target is. For example, a construction company could set an intensity target for purchased steel using the iron and steel sector pathway. This pathway does not support material switching to less GHG-intensive steel substitutes, so the company could only meet this target by reducing the GHG-intensity of purchased steel. This problem can be circumvented by setting a target (or targets) for all purchased goods and services.

Scope 3 physical intensity reduction

Companies can also drive physical intensity reduction at a minimum rate of 7% in annual compounded terms. To calculate this, companies are encouraged to use the [SBTi Tool](#).

Scope 3 economic intensity reduction

GHG Emissions per Value Added ([GEVA](#)) is a method for setting economic intensity targets using the reduction of economic intensity. Targets set using the GEVA method are formulated by an intensity reduction of tCO₂e/\$ value added.¹¹ Under the GEVA method, companies are required to reduce their GEVA by 7% per year (compounded). The 7% year-on-year reduction rate is based on an absolute emissions reduction of about 75% by 2050 from 2010 levels. Based on recent economic projections and estimates of historic emissions, the 7% rate is broadly compatible with high-confidence IPCC (RCP2.6) pathways, and its ambition is intermediate between the IEA 2DS and B2DS pathways under idealized conditions that are expounded below (ETP, 2017; SBTi, 2019).

The 7% year on year reduction rate must be applied on the companies' value added in the base year, which can be calculated using one of the formulae set out in "[Greenhouse gas emissions per unit of value added \("GEVA"\) — A corporate guide to voluntary climate action](#)":

- Value added = sales revenue - the cost of goods and services purchased from external suppliers

¹¹ Please note that value added is the only economic metric allowed for the application of GEVA.

- Value added = gross profit (in U.S. accounting, often available in the annual financial statement)
- Value added = operating profit = earnings before interest and depreciation (EBITDA) + all personnel costs¹²

Unlike the cross-sector absolute reduction and sector-specific intensity convergence methods, GEVA only maintains a global emissions budget to the extent that the growth in value added of individual companies is equal to or smaller than the underlying economic projection. The differentiated growth of companies and sectors is not balanced by GEVA (and other economic intensity target-setting methods); thus, the currently accepted GEVA value depends on idealized conditions where all companies are growing at the same rate, equal to that of GDP, and GDP growth is precisely known. For these reasons, and due to the volatility of economic metrics, economic intensity target-setting methods are considered less robust than absolute reduction and physical intensity methods. GEVA is therefore only applicable for scope 3 target-setting. See *Table 3* for a summary of the method.

Table 3. Characteristics of the GEVA approach

Method	Company Input	Method Output
GEVA	<ul style="list-style-type: none"> • Base year. • Target year. • Base year emissions, disaggregated by scope. • Value added in the base year. • Projected change in value added by target year. 	A reduction in emissions relative to financial performance of the company (i.e., tonne CO ₂ e per value added).

Box 6: Economic intensity target set using scope 3 economic intensity reduction

Apotea commits to reduce scope 3 GHG emissions from purchased goods and services and use of sold products 35.3% per SEK value added by 2025 from a 2019 base year.

Supplier or customer engagement targets

Supplier or customer engagement targets may be valuable if a company has yet to identify levers for more specific reduction opportunities amongst its value chain partners and/or if it has mostly indirect spend and therefore does not spend enough on individual suppliers to support collaborative reduction efforts. Supplier engagement targets may help to drive reduction behaviors that benefit other customers of the same supplier.

Engagement targets may be set around any credible relevant upstream or downstream scope 3 category where engagement efforts could lead to reduction in emissions. Companies can identify

¹² Personnel costs should include payment to management and board members (Randers 2012).

which suppliers and customers to include under the target based on spend and/or emissions impact. Engagement targets may alternately focus on “critical suppliers” or “strategic suppliers” that the company has already identified based on a variety of factors, such as operational risk. Spend data and critical supplier lists are advantageous when they can reliably serve as a proxy for leverage over suppliers. However, the biggest suppliers by spend are not always the biggest GHG emitters, so companies should ensure that, together with any additional scope 3 targets, the engagement target covers at least 67% of total scope 3 emissions.

Box 7: Supplier engagement target

Fisher & Paykel Healthcare Corporation Limited also commits that 87% of suppliers by spend covering purchased goods and services and the use of sold products will have science-based targets by FY2024.

Various other considerations are important when setting engagement targets. Importantly, engagement targets should result in timely emissions reductions of suppliers and customers. To this end, targets shall be fulfilled within a maximum of five years from the date on which the target is submitted to the initiative for validation. Also, suppliers and customers must set near-term SBTs for their scope 1 and 2 emissions, at a minimum, where emissions data tend to be more available. Over time, scope 3 targets should also be set if suppliers’ scope 3 emissions are 40% of total GHG emissions and as data become more available. Suppliers should also report progress on an annual basis.

Determine whether to set a single target or multiple targets

Companies can choose to set multiple, category-specific targets or a single target covering all relevant scope 3 categories. They may also choose to set a single target covering total scope 1, 2, and 3 emissions. Each type of target boundary has advantages and disadvantages (see *Table 4*).

Table 4. Advantages and disadvantages of different target boundaries covering scope 3 emissions

Target Boundary	Target Examples	Advantages	Disadvantages
A single target for total scope 1, 2 and 3 emissions	Latin American wine producer Viña Concha y Toro commits to reduce absolute scope 1, 2 and 3 GHG emissions 55% by 2030 from a 2017 base year.	<ul style="list-style-type: none"> Ensures a more comprehensive management of emissions across the entire value chain. Simple to communicate to stakeholders. Does not require base year recalculation for shifting activities between scopes (e.g., outsourcing). 	<ul style="list-style-type: none"> May provide less transparency for each scope 3 category's emissions and reporting on progress. Requires the same base year for the different scopes, which may be difficult if scope 1 and 2 base years have already been established.
A single target for total scope 3 emissions	Siemens AG also commits to reduce absolute scope 3 GHG emissions 15% by 2030 from a 2019 base year.	<ul style="list-style-type: none"> Ensures a more comprehensive GHG management and greater flexibility on how to achieve GHG reductions across all scope 3 categories (compared to separate targets for selected scope 3 categories). Relatively simple to communicate to stakeholders. 	<ul style="list-style-type: none"> May provide less transparency for each scope 3 category's emissions and reporting on progress. May require base year recalculation for shifting activities between scopes (e.g., outsourcing).
Separate targets for individual scope 3 categories	Capgemini SE commits to reduce absolute scope 3 purchased goods and services GHG	<ul style="list-style-type: none"> Allows customization of targets for different scope 3 categories based on different circumstances. Provides more transparency for each scope 3 category. 	<ul style="list-style-type: none"> More complicated to communicate to stakeholders.

	<p>emissions 50% by 2030 from a 2019 base year. Capgemini SE further commits to reduce scope 3 business travel and employee commuting GHG emissions 55% per employee within the same timeframe.</p>	<ul style="list-style-type: none"> • Provides additional metrics to track progress. • Does not require base year recalculations for adding additional scope 3 categories to the inventory. • Easier to track performance of specific activities. 	<ul style="list-style-type: none"> • May require base year recalculation for outsourcing or insourcing. • May allow increases in absolute emissions and/or emissions intensity from other categories, unless those categories also have their own targets.
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Combining multiple target-setting approaches

Companies may also use various target setting approaches and aggregate the modelled target results into one single target, expressed in a single unit. For instance, a company may wish to set one single scope 3 target covering multiple categories for the ease of communication. The company may use the sector-specific intensity convergence for scope 3 categories where sector pathways are available. For example, it may use the sector pathway for transport for category 4 (upstream transportation and distribution). For the rest of the categories, the company may use the cross-sector absolute reduction approach.

To combine the results into one single target, the company should use the absolute emissions reduction output of the sector-specific intensity convergence in the SBTi Target-setting tool. The company should sum up the target year emissions in category 4 as an output of the sector-specific intensity convergence approach and the target year emissions of all other categories modelled under the cross-sector absolute reduction approach. It should then proceed to calculate the percentage reduction in absolute emissions from base year to target year of all categories. Together with base year, target year, scope and optionally category information, the percentage reduction figure is used to define the combined target.

Unsuitable targets

Certain other types of targets shall not be set because of the difficulty in establishing whether these targets lead to the reductions expected of an absolute, intensity or engagement target. In particular, companies shall not set targets to reduce emissions by a specified mass of GHGs (e.g., “to reduce emissions by 5 million tonnes by 2030”) or targets that benchmark performance against sector average values. This is because such targets are not transparent about changes in emissions performance. Also, sector-benchmarked targets may also change over time with changes in sector performance, reducing the ability to track long-term changes in performance.

Benefits and drawbacks of different types of targets

Comparing absolute targets and intensity targets

Absolute and intensity targets each have advantages and disadvantages. Intensity targets do not necessarily lead to reductions in absolute emissions. This is because increases in business output can cause absolute emissions to rise even if efficiency improves on a per unit basis (please see *Figure 4* for an illustration of this point).

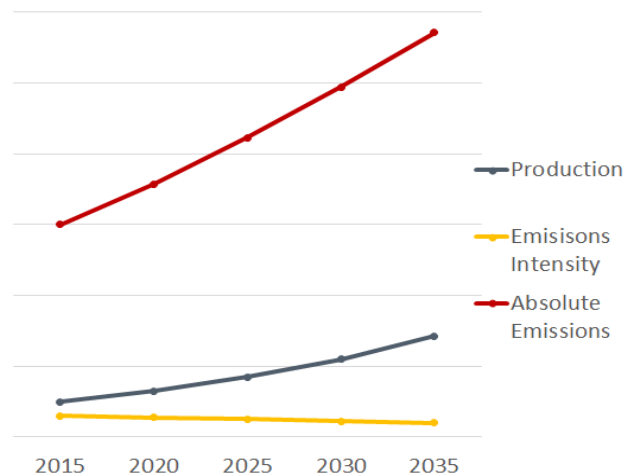


Figure 4. Intensity reduction targets can lead to absolute emissions increases when production levels increase

Absolute targets also have some shortcomings. They do not allow comparisons of GHG intensity amongst peers, and they do not necessarily track with efficiency improvements, as reported reductions can result from declines in production output, rather than improvements in performance.

Box 8: Combination of absolute and intensity targets

Klockner Pentaplast commits to reduce absolute scope 1 and 2 GHG emissions 50% by 2025 from a 2019 base year. Klockner Pentaplast also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, processing of sold products, and end of life treatment of sold products 20.4% per tonne of raw materials by 2029 from a 2019 base year.

Comparing scope 3 physical intensity reduction targets and economic intensity reduction targets

Physical intensity reduction targets and economic intensity reduction targets set on scope 3 emissions also have their own strengths and limits. Physical intensity metrics (e.g., tons GHG per ton product or MWh generated) are best suited for use within sectors that create a homogenous product (e.g., steel or cement sectors) and may be less suitable for companies that generate a diverse product mix.

In general, economic intensity metrics (i.e., tons GHG per unit value added) can be used to normalize emissions for sectors with varying products that are difficult to directly compare against one another (e.g., retail or chemical sectors).

Economic intensity reduction targets may only be appropriate for sectors with limited fluctuations in product prices over time, where growth in emissions is often tied to economic growth of the company. In other words, if a company sells more products, more emissions are produced to make those products.

However, economic intensity indicators are subject to a number of variables that can lead to apparent changes in a company's carbon intensity that are not linked to its environmental performance, but rather with extrinsic factors. Examples include the fluctuation of commodity prices, inflation, or changes in the relative contribution of different business activities to a company's bottom line.

Economic metrics may not be useful for tracking emissions performance. Companies should use cross-sector absolute reduction.

Examples of sectors with volatile pricing:

- A pharmaceutical company's prices for certain drugs may fluctuate based on demand, patents or regulatory factors.
- The value added (or gross profit) of a luxury brand company can be related to marketing and consumer willingness to pay for a premium product, introducing variability into pricing.
- The price of many commodities (e.g., metals and agricultural commodities) is set by trades placed on commodity exchanges.

In addition to absolute or intensity emissions reduction targets, supplier or customer engagement targets can enable early actions from companies with limited data or information on what reduction levers are most suitable. However, as companies tend to focus on suppliers' or customers' scope 1 and 2 emissions as the most straightforward starting point, the scope of such targets can be limited at least in the early engagement phase. For more information, see section "[Supplier or customer engagement targets](#)".

Table 5 summarizes the main advantages and disadvantages of these four types of targets.

Table 5. The main advantages and disadvantages of absolute reduction, physical intensity reduction, economic intensity reduction and engagement targets.

	Absolute target (scopes 1, 2 and 3)	Physical intensity target (scope 3)	Economic intensity target (scope 3 only)	Supplier or customer engagement target (scope 3 only)
Advantages	<ul style="list-style-type: none"> • Relatively low data requirement. • Designed to reduce the quantity of GHGs emitted to the atmosphere by a specific amount. • Demonstrates strong ambition for target communications. • Environmentally robust and more credible to stakeholders as it entails a commitment to reduce total GHGs by a specified amount, thus also making the contribution to global emissions reductions efforts predictable and transparent. 	<ul style="list-style-type: none"> • Reflects GHG performance and efficiency improvements independent of business growth or decline. • Can be more in line with emissions reduction strategies and internal progress tracking. • May increase the comparability of GHG performance among companies (assuming that inventory consolidation approaches used are the same and product mixes are highly similar). 	<ul style="list-style-type: none"> • For companies that generate diverse products and services, economic units can be used as the denominator to formulate intensity targets. • Provides more flexibility for companies that are prioritizing growth. 	<ul style="list-style-type: none"> • Relatively low data requirement. • Can enable early actions from companies with limited data or information on suitable reduction levers. • Given the global nature of companies' value chains, engagement targets can scale up adoption of science-based emissions reduction targets globally.

Disadvantages	<ul style="list-style-type: none"> • Does not allow comparisons of GHG intensity/efficiency to that of peers. • Reported reductions can result from declines in production/output, rather than improvements in performance. • Target may be more challenging to achieve if the company grows and growth is linked to GHG emissions. 	<ul style="list-style-type: none"> • Higher data requirement given that physical activity data may not always be readily available. • Risk of being seen as less credible to stakeholders because absolute emissions may rise even if intensity decreases (e.g., because output increases more than GHG intensity decreases). • Companies with diverse operations may find it difficult to define a single physical intensity common business metric. 	<ul style="list-style-type: none"> • Challenging to track progress if companies experience financial losses in certain years. • Economic intensity indicators are subject to extrinsic factors that can lead to apparent changes in a company's carbon intensity that are not linked to its environmental performance (e.g., fluctuation of commodity prices and inflation, etc.). • May not correlate with emissions tied to physical production processes, especially for sectors with high price fluctuations. • Can be less environmentally robust due to the volatility of economic metrics and method reliance on 	<ul style="list-style-type: none"> • The scope of such targets can be limited if companies focus on scope 1 and 2 emissions of value chain partners. • As the target metric is percentage of suppliers or customers engaged, the amount of emissions reduction is less clear than emissions-based targets. • Available strategies to achieve targets are limited given that the target focuses on engagement.
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			<p>“idealized” conditions (i.e., GEVA targets).</p> <ul style="list-style-type: none"> • For economic intensity targets that lead to sufficient absolute emissions reduction given the growth projection provided at the validation stage, the actual emissions reduction impact is unclear if growth trajectory is not in line with projected growth in reality. 	
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STEP 3: SUBMIT YOUR TARGET FOR VALIDATION

Validation of a company's target ensures that it meets a set of rigorous near-term criteria defined by the SBTi. It is the company's responsibility to make the case that the target is science-based and clearly provide appropriate information. The section below provides an overview of the validation process.

Submit the target for validation

Near-term Target Submission Form

Companies that wish to submit targets to be evaluated should download the latest [Near-term Target Submission Form and Guidance](#) and fill it out as clearly, completely and accurately as possible. It is highly recommended that companies consult the guidance available before completing the form, including the target language guidance. Additional documents should be attached only if they are directly related to the information requested. Companies should reference the specific page numbers, figures or text that is being referred to in accompanying documents. Missing, unclear or erroneous information will result in the validation process being delayed.

It is the company's responsibility to ensure the integrity of the information provided. Once the form is completed, companies should submit the form together with any supporting documents via the [online Target Validation Booking System for near-term targets](#). The booking system reserves a date for your target validation service to begin and submits your Near-term Target Submission Form and any other relevant documents to the SBTi for validation purposes. The Near-term Target Submission Form should be submitted in **Word format**.

How company information is treated

The SBTi safeguards the confidentiality of all information provided by companies to assess targets. This means that information provided will be used in accordance with the target validation service contract that companies are asked to sign before target assessments commence.

The target validation service

Preliminary validations, offered as a separate service before July 2020, have been combined with our official validation process to create a single validation option. *Table 6* outlines various aspects of the validation process.

The target update service is a combination and improvement upon of the previous "resubmission" and "voluntary ambition update" services. For the pricing of these services, please reference the [SBTi Target Validation Service Offerings](#). The results of the validation will be ready within 30 business days from the date the contract has been fully executed by both parties and provided that any queries for further information or clarification sent by the validation team are resolved within 2 business days.

The target update service is a streamlined process developed for companies who wish to align their targets with our new minimum ambition level of 1.5°C or to update or edit previously approved targets in other ways. The SBTi has combined the "resubmission" and "voluntary ambition update" services into a single service called the "target update service" and is a discounted service from the near-term

submission service. Companies headquartered in developing countries and emerging economies are eligible for a fee exemption on request.¹³ The service offering is summarized in *Table 6* below.

Table 6. Target validation service summary

Item	Target validation service
Who can be assessed	Any company that passes the initial screening. Note that the cost for companies headquartered in developing countries and economies in transition can be waived.
Scope	Evaluation of a company's target(s) against all SBTi near-term criteria.
Near-term Target Submission Form	Submission form must be completed as required per the validation requested, indicating if the company is using the full service or the target update option.
Reviewed by	The SBTi Target Validation Team (TVT)
Level of feedback provided	Detailed feedback is provided for each round of assessment through: <ul style="list-style-type: none"> • A comprehensive target validation report including recommendations to address non-compliances, if applicable. • An official decision letter. • Up to 60 minutes of feedback conversations with a technical expert from the SBTi, upon request and prioritized for companies who are not approved.
Turnaround times	Official decision letter and target validation report will be presented within 30 working days from the full execution of the validation service Terms and Conditions if there are no changes made to the inventory or targets, and a company fully resolves all queries sent by the validation team within two business days.
Validity of decision	Approved targets modelled with an old version of tool(s)/method(s) will be accepted in a target submission only within six months after the issuance date of the most recent tool(s)/method(s). After that period, the targets must be recalculated using the new tool/method for submission.
Communications	Companies are assigned an opt-out publication date for the SBTi website one month from their approval date (when deliverables were sent). This is communicated in their approval email. However, should this date not be agreed upon, companies must announce approved targets publicly within six months of the approval date.

3.1 SME validation option

SMEs are entitled to submit targets through a dedicated SME target validation route. For target validation by SBTi, an SME is defined as a non-subsidiary, independent company that employs fewer

¹³ As defined by the Department of Economic and Social Affairs of the United Nations Secretariat in the World Economic Situation and Prospects 2018. See [FAQs](#) for more information.

than 500 employees. Public entities with fewer than 500 employees that are interested in validating targets are also eligible to set emissions reduction targets using the SMEs streamlined route.

By submitting the [SME science-based target setting form](#), SMEs commit to:

- Work towards achieving the chosen science-based scope 1 and 2 target following the rules of the GHG Protocol within the specified timeframe.
- Measure and reduce scope 3 emissions. While the SBTi does not require specific scope 3 targets to be set by SMEs, it encourages companies to orientate themselves on the SBTi criteria and best practice recommendations when considering their scope 3 emissions.
- Publicly report its company-wide scope 1 and 2 GHG emissions inventory and progress against published targets on an annual basis. Companies shall follow the GHG Protocol Corporate Standard and Scope 2 Guidance.

Table 7 below displays the scope 1 and 2 target options available to SMEs. Submissions will be considered valid if the company selects one of these options and meets other requirements as described in the [SME science-based target setting form](#).

Table 7. SME scope 1 and 2 near-term SBT options

<p>1.5°C aligned option</p> <p>“_____ commits to reduce absolute scope 1 and scope 2 GHG emissions ___% by 2030 from a 20__ base year, and to measure and reduce its scope 3 emissions.”</p> <p><input type="checkbox"/> 50% from a 2018 base year</p> <p><input type="checkbox"/> 46% from a 2019 base year</p> <p><input type="checkbox"/> 42% from a 2020 base year</p> <p><input type="checkbox"/> 42% from a 2021 base year</p> <p><input type="checkbox"/> 42% from a 2022 base year</p>

3.2 Financial sector options

In October 2020, the SBTi formally launched its target setting framework for Financial Institutions (FIs). A specific set of [criteria and guidance](#) for FIs has been developed and must be followed by all relevant FIs. A target setting protocol, to complement the target setting criteria for Financial Institutions, is under development.

The SBTi defines a FI as a company whose business involves the arrangement and execution of financial and monetary transactions, including deposits, loans, investments, and currency exchange. More specifically, the SBTi deems a company a financial institution if 5% or more of its revenue or assets comes from the activities described above.

3.3 Corporate validation process

Process overview

After the target is submitted, the target validation process follows a multi-step process as described in [Target Validation Protocol for Near-term Targets](#) and outlined in *Figure 5* below.



Figure 5. Overview of the target validation process

For processes and timelines regarding validations for CDP scoring, companies can refer to [CDP's Technical Note on SBTs](#). Submission deadlines for CDP leadership point responses will be communicated on the SBTi website and newsletter.

Initial screening

Upon receiving the company's submission, the pipeline team performs the initial screening which is not included within the 30-business day turn around. The initial screening is a first, high-level assessment of the submission form to verify its completeness and the company's eligibility to be validated. In the initial screening, the administrative team also assesses compliance with several near-term criteria as indicated in *Table 8*. Please note that not all near-term criteria are assessed at this stage.

- a) If the company does not pass the initial screening, a formal desk review will not be undertaken by the Target Validation Team (TVT). A decision letter indicating the reasons for non-compliance and recommendations for resubmission is then issued and sent to the company. Companies can make the recommended changes and immediately resubmit to the SBTi for another initial screening.
- b) If the company passes the initial screening, the submission proceeds to the next stage for a formal desk review by the TVT. The company will receive an email indicating they have passed the initial screening and will be directed to sign the Terms and Conditions and informed of the next steps for invoicing related to the validation service. The target validation service is conducted within 30 business days, with the start date beginning once the company passes the initial screening.

Table 8. Initial screening steps

Steps	Screening procedure	Screening outcome
I. Eligibility check	The submission is reviewed to assess if the company belongs to one of the following cases:	
	For a definition of fossil fuel companies, please visit SBTi's policy on fossil fuel companies .	Due to the developing status of SBTi's oil and gas method, in addition to the existing SBTi policy to pause the validation of fossil fuel sector targets, the SBTi have also paused commitments from these companies. Please visit SBTi's policy on fossil fuel companies on further information on the eligibility of these companies to participate in the SBTi.
	The submission is reviewed to assess if the company operates in the financial sector. The SBTi defines FIs as organizations whose business involves the dealing of financial and monetary transactions, including deposits, loans, investments, and currency exchange. If 5% or more of a company's revenue or assets comes from activities such as those described above, they are considered to be a FI. Development financial institutions are currently out of project scope.	If the company is classified as an FI, it will be requested to submit its targets via the SBTi FI framework.
	The submission is also reviewed for organizational type - the SBTi does not validate targets of cities, local governments, educational institutions or non-profit organizations.	No validation is conducted.
	SMEs, defined as a non-subsubsidiary, independent	SME is redirected to the streamlined route. No validation is conducted.

	company with fewer than 500 employees must validate targets using the streamlined process for SMEs, instead of the standard route.	
II. Form completeness	The submission is reviewed to assess if the form is completed as required.	If the form is incomplete and missing key information, the submission cannot be assessed due to lack of information.
III. Scope 3 - screening	The submission is reviewed to assess if the company has conducted a complete scope 3 screening inventory. All company submissions need to complete a full scope 3 inventory in order to pass the initial screening stage.	An incomplete scope 3 GHG inventory means that the submission will not pass the initial screening stage.
IV. Scope 3 – target	The submission is reviewed to assess the contribution of scope 3 emissions to the GHG inventory. If scope 3 emissions account for more than 40% of total emissions, the submission is further reviewed to assess if the company has a scope 3 target.	If scope 3 emissions are less than 40% of total emissions and no target is set, the submission will not pass the initial screening stage.
V. Timeframe check	The submission is reviewed to assess if all relevant targets have a valid target year.	If the company does not cover relevant emissions with target(s) that have valid target year(s), the submission will not pass the initial screening stage.
VI. Use of offsets	The submission is reviewed to assess if the company indicated the use of offsets in the submission form.	If the company uses offsets to achieve its targets, the submission will not pass the initial screening stage.
VII. Avoided emissions	The submission is reviewed to assess if the company indicated the use of avoided emissions in the submission form.	If the company uses avoided emissions to achieve its targets, the submission will not pass the initial screening stage.

Target validation team assignment

A validation team consisting of a lead reviewer (LR) and an appointed approver (AA) is assigned for each target submission. The LR performs the desk review of the submission, prepares the deliverables (target validation report and certificate, if approved), organizes a feedback call if

necessary, and acts as the point of contact between the company and the SBTi throughout the validation process. The AA acts as a peer reviewer on the completed desk review avoiding potential conflict of interest. This is determined through the conflict-of-interest process detailed in the following section. The LR will be the main point of contact between the company and the SBTi. In cases where the company is re-submitting targets, the same validation team is assigned whenever possible, to ensure continuity.

Any SBTi partner organization with a conflict of interest (COI) must be excluded from the assessment process. When all partners have a COI, the results of the validation must be unanimous. The validation must also be approved by the SBTi Executive Leadership Team. This aims to ensure an independent, credible and objective target validation process.

What is considered a conflict of interest?

Any situation where the impartiality and independence of a reviewer is at risk is considered a COI. More specifically, COIs include but are not limited to the following:

- When any member of a partner organization is paid any amount to provide advisory services to a company on their target.
- When a company provides any significant amount of funds to any of the SBTi partner organizations (e.g., through a partnership, service offering or donation). No SBTi partner organization shall accept funding where an objective of such funding is to influence any SBT validation decisions. This applies equally to grants, sponsorship, sales of services or any other income.

Any attempt, by any member of the SBTi that is excluded from a target validation due to a COI to amend responses or influence validation results or assist any other party in doing so for personal gain will be regarded as gross misconduct and dealt with on a case-by-case basis.

Desk review

- Once the validation team has been assigned, the Near-term Target Submission Form and all supporting documents are assessed against [SBTi Criteria for Near-term Targets](#).
- The LR thoroughly assesses the accuracy, relevance, completeness, consistency and transparency of the information provided by the company in the submission form and any accompanying documents.
- If clarifications or additional information is required from the company, the LR may send a query to the company to obtain the required information. Queries may be sent to the company at this or any other stage in the process. If it is deemed necessary, the LR may request a call to clarify certain aspects of the company's submission. Queries from the LR range in subject but are focused on ensuring a target is assessed correctly against SBTi near-term criteria. Common query topics include clarifying GHG accounting processes, asking for underlying assumptions or calculations and ensuring the correct interpretation of data provided by the company in the Near-term Target Submission Form. For more information, refer to the [Target Validation Protocol for Near-term Targets](#).

- The company must respond to queries sent by the LR **within 2 business days¹⁴ to receive a decision within 30 business days** from execution of the Terms and Conditions. If a response is not received within 2 business days, the SBTi cannot guarantee the decision or deliverables will be ready within a 30 business day timeframe. If a company uses target wording that deviates from SBTi guidelines, this may also delay a decision beyond 30 business days. The SBTi recommends that the company contact is in office or is available to field queries throughout the duration of the target review process to limit delays in response. An alternative company contact should be provided, should the primary contact be out of office due to holidays or illness. If a company changes or updates submitted data during the validation process, this also constitutes missing the 2 business day turnaround and may also delay a decision beyond the 30 business days.
- It is the company's responsibility to provide all the information required to complete the desk review. If a company needs to update or change data that deviates from the original target submission information during the validation process this may delay a decision beyond 30 business days. If the information provided is deemed insufficient by the SBTi after at least two query attempts, the SBTi may consider the submission to be non-compliant. During the desk review, the target language is also assessed to ensure compliance with SBTi guidelines. This process is initiated to avoid delays in case the company's targets are ultimately approved but does not mean the target will be approved.
- Once the desk review is completed, the LR drafts the deliverables and the results of the assessment for the peer-review process.

Box 9: Query vs. non-compliance

LRs use a "query form" sent via email to the company contact to clarify any elements that are not clear in the submission form or to request any additional information required to determine compliance or non-compliance against any of the SBTi near-term criteria (e.g., the company has submitted an intensity target but has not provided the activity data needed to assess the ambition in absolute terms).

Non-compliances rather than queries are declared when the lack of information clearly implies that the near-term criteria will not be met, and/or if the request for additional information would require a substantial amount of time for the company to complete. (e.g., the company's scope 3 emissions are more than 40% of total emissions and there is no scope 3 target).

Appointed approver review

- A review of the assessment results and deliverables is completed by the AA to ensure accuracy and compliance with the [SBTi Criteria for Near-term Targets](#) and [Target Validation Protocol for Near-term Targets](#).

¹⁴ A business day means any day except any Saturday, any Sunday, or any day which is not a holiday within the United States. A 2-business day turnaround means for example, a query sent anytime on Monday would need to be resolved by the immediate Wednesday close of business.

- Disagreements between the LR and the AA on the results of the assessment are resolved during TVT meetings. If the AA agrees with the recommendations of the LR, the LR presents the joint recommendation on targets for discussion at the TVT meeting.

TVT discussion

- Upon completion of the desk and peer review process, the assessment is discussed at a TVT meeting.
- If the TVT is unable to decide on the results of the assessment during the TVT meeting, the case is further discussed by the wider Technical Department until a decision is reached.

Communicating decisions and feedback

- Upon reaching a final decision, the LR completes the deliverables for the company.
- Deliverables are sent directly to the company contacts included in the submission form.
- The company receives a target validation report, which contains detailed information on the assessment and the overall target validation decision (approval/non-approval).
- In addition to the target validation report, the company can request a feedback call with the lead reviewer of their target validation after the deliverables have been received by the company. The company should contact their LR directly to request the call. The SBTi only recommends a feedback call when the result of the decision is a rejection and there is feedback to discuss with the company.

STEP 4: ANNOUNCE THE TARGET

- Should a target be approved, upon receipt of the final deliverables communicating the outcome of the target review process, the relationship management passes from the TVT to the Communications Team. For complete submissions approved by the SBTi, the Communications Team directly coordinates target publication plans with the company and a company should direct all queries relating to target publication to the Communications Team that is copied in the decision email.
- Communications guidelines are available to all approved companies, which includes messaging to use and how the SBTi logo may be used.
- The SBTi suggests a publication date when sending the deliverables, usually one month from the date these are sent. The SBTi can accept requests to embargo the release/announcement date of an approved target, but it should be announced within six months of the date the approval was sent to the company. In cases where a company requests not to publish a target within six months, their targets will no longer be valid, and they will need to resubmit targets for validation to be recognized. The SBTi recommends that companies should have final approval of the proposed near-term SBT ahead of the validation process as the SBTi cannot extend the six-month announcement period, should a company need additional time for clearance of an approved near-term SBT by a Board or a similar decision-making body.
- All approved companies are listed on our [webpage](#) as well as on our partner websites at [We Mean Business](#).

The SBTi reserves the right to remove a company from its list of companies with approved targets as well as from partner websites at its discretion, for reasons including non-compliance with the SBTi criteria, reputational concerns or failure to update the SBTi on business changes (e.g., no longer existing as an entity due to merger or dissolution).

STEP 5: DISCLOSE YOUR PROGRESS

Following approval of science-based targets, companies must publicly disclose GHG emissions and progress against targets annually.

Decide where to disclose

Climate disclosure is critical in positioning companies to respond to climate-related frameworks issued by both government and non-governmental entities. For instance, companies could be subject to sustainability disclosure regulations, such as the Exchange Act reporting requirements from the US Securities and Exchange Commission (SEC), or the Corporate Sustainability Reporting Directive (CSRD) from the European Financial Reporting Advisory Group (EFRAG). Companies may also want to align their sustainability disclosures to meet the Task Force on Climate-related Financial Disclosures (TCFD) recommendations or may decide to adopt the climate reporting standard set by the International Sustainability Standards Board (ISSB). All these frameworks or standards require that organizations disclose their GHG emissions, targets used to manage climate-related issues, and the performance against these targets.

Therefore, in addition to fulfilling SBTi's annual reporting requirements, it is in a company's best interest to focus on transparent disclosure of GHG emissions and target progress. The table below lists some of the avenues in which companies may choose to publicly disclose this information.

Table 9. Potential disclosure avenues to report on science-based targets

Disclosure avenue	Disclosing science-based targets
CDP's Climate Change Questionnaire	<p>CDP provides a platform to disclose climate-related indicators to investors, purchasers and governments through its climate change questionnaire. This is a well-known public resource for reaching large external audiences that continuously evolves to align with the most relevant climate-related disclosure standards.</p> <p>CDP, as a partner company of the SBTi, recognizes that science-based targets represent best practices in target setting and incentivizes and rewards their adoption and progress through its scoring methodologies. CDP aligns the climate change questionnaire on a yearly basis to reflect the latest criteria and recommendations adopted by the SBTi and issues a dedicated technical note on science-based targets in its Climate Change questionnaire.</p> <p>CDP also communicates SBTs to the Global Climate Action portal, which tracks significant commitments made by “non-</p>

	state actors”, including companies, as part of the UNFCCC’s Action Agenda.
Corporate public reports	<p>Corporates may use public reports such as sustainability reports, Corporate Social Responsibility reports, annual reports and strategic plans to periodically disclose GHG-related information and to integrate emissions performance data into their non-financial disclosures.</p> <p>Target performance can also be presented in the company’s webpage, linking it to related sustainability resources.</p> <p>Disclosure in any of these resources should follow the reporting principles and recommendations presented in this chapter to ensure adequate performance tracking of science-based targets.</p> <p>In addition to disclosing on standardized reporting platforms, corporates are encouraged to integrate GHG-related and target performance information in their public reports and websites to facilitate access to any stakeholder and increase the degree of detail and context of their information.</p>
The Global Reporting Initiative (GRI)	Companies may publicly report on targets set and their performance in their GRI-aligned reports by registering them in the GRI Standards Report Registration System. GRI is an initiative that provides a widely used framework for reporting environmental, social, and governance indicators.

Follow guiding reporting principles

It is essential to disclose all pertinent aspects of the target so that the audience can fully understand its context, implications, and nuances. The [GHG Protocol Corporate Standard](#) defines five overarching principles that should guide the development of corporate GHG inventories. These same principles should also be used to describe the target and report on its progress.

1. **Relevance:** Ensure the target appropriately reflects the GHG emissions of the company and serves the decision-making needs of the users – both internal and external to the company.
2. **Completeness:** Account for and report on all GHG emission sources and activities within the chosen target boundary. Disclose and justify any specific exclusions.
3. **Consistency:** Use consistent methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods or any other relevant factors in the time series.

4. **Transparency:** Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting, calculation methodologies and data sources used.
5. **Accuracy:** Ensure the quantification of GHG emissions is systematically not overreported nor underreported, and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information.

Specific recommendations for describing the target and reporting on progress are outlined below.

Reporting guidance

This section sets out further SBTi recommendations on how businesses should publicly report their GHG emissions inventory and annual progress against their published science-based targets. Such information is important to help stakeholders better understand a company's year-on-year progress towards achieving the target leading up to the target year.¹⁵

This section aims to provide reporting guidance largely for non-CDP climate change questionnaire responders for use in public platforms such as annual sustainability reports in line with SBTi criteria (particularly near-term criterion 25 "frequency"), resources and methodologies, [CDP's Climate Change Reporting Guidance](#) and [CDP's Technical note on science-based targets](#).

The following is a set of best practice disclosure items that companies should integrate into their communications of progress against science-based targets. The guidance covers the following reporting elements:

1. Target description
2. Target progress
3. Substantial emission variations and changes in target
4. Actions towards meeting SBTs
5. GHG emissions inventory

Table 10. Reporting guidance for approved science-based targets

Disclosure items	Disclosure guidance
1. Target description	
1.1 Description of the target	Companies ¹⁶ should report all approved targets (scope 1, 2 and/or 3) on a public platform annually. This is to ensure transparent disclosure and tracking against a company's approved SBT.

¹⁵ Reporting using the recommendations in this guidance will not only help companies' stakeholders more clearly understand progress towards targets, but will also enable the SBTi to identify and highlight reporting in line with target-setting criteria as part of its annual [Progress Report](#) and its progress dashboard. As the work on [measurement, reporting and verification \(MRV\) of science-based targets](#) is developed, these recommendations and presentation of target progress results will likely evolve.

¹⁶ Hereafter in the section entitled "Reporting guidance," the term "companies" is used as a general term to refer to large companies, SMEs and FIs with approved SBTs.

	<p>Targets should be described with the exact SBTi-aligned wording including target information such as the target type, coverage, base year and target year.</p>
<p>1.2 Target elements (near-term and long-term emission reduction targets)</p>	<p>The publicly disclosed target details should be consistent with the targets approved by the SBTi as presented in the SBTi's Companies Taking Action webpage, covering the below target elements:</p> <ul style="list-style-type: none"> • Target type (absolute, intensity, renewable electricity, supplier/customer engagement). • Target IDs as provided by the SBTi (when applicable) of near-term and long-term targets (for example, "ABS1" illustrating the first absolute target set by a company). • Names of emission scope(s) and scope 3 category(ies) covered by the target, including: percentage of base year emissions covered and activities covered. • Base year. • Base year emissions in tonnes of CO₂e, disaggregated by scope and scope 3 category as set out in the GHG Protocol. • Target coverage of base year emissions in tonnes of CO₂ equivalent and represented as a percentage, disaggregated by scope and scope 3 category. • Target year. • Target value, i.e., targeted percentage reduction from base year. • Companies are strongly encouraged to specify the actual target emissions reductions (in tonnes CO₂e) in addition to the targeted percentage reduction from base year. • For scope 2 emissions, whether a location-based or market-based approach was used to calculate emissions in the base year and to track performance. • Emissions scenario, allocation approach and method(s) used to set the target, including, for near-term FLAG targets, whether a commodity pathway, the sector pathway, or a combination of pathways was used. • Any other information required by the utilized target-setting method (assuming that the data is not commercially sensitive). • A link to the company's annual GHG inventory that follows the GHG Protocol's reporting requirements, including an assurance statement, ideally from a third-party, when applicable (see section 5 in this table). Companies may also choose to include annual emissions reporting alongside target progress reporting. • For intensity targets, an explanation of the metric or activity value considered. Please note that intensity targets should be expressed on both an absolute and an intensity basis.

<p>1.3 Target elements (SMEs)</p>	<p>Companies that have approved targets through the streamlined validation route for SMEs should follow the reporting guidance in section 1.2, where applicable.</p> <p>SMEs are committed to measure and reduce its scope 3 emissions as part of their targets; thus SMEs should disclose their scope 3 emissions in the company’s annual GHG inventory.</p> <p>The SBTi recommends that SMEs report using best practice while acknowledging the unique constraints and barriers they may face in reaching the detailed level of disclosure required of larger companies.</p>
<p>1.4 Target elements (net-zero targets)</p>	<p>The publicly disclosed target details should be consistent with the SBTs approved by the SBTi covering the below target elements:</p> <ul style="list-style-type: none"> • Target year. • Neutralization commitment of emissions to be permanently neutralized per scope 1, 2 and 3 at the target year (in tonnes CO₂e and percentage). • Nature and scale of planned actions to mitigate emissions beyond the company’s value chain. • Target IDs as provided by the SBTi (when applicable) of near-term and long-term targets linked to the net-zero target. At least one of these emission reduction targets should have the same target year as the net-zero target.
<p>1.5 Target elements (portfolio targets set by FIs)</p>	<p>The publicly disclosed target details should be consistent with the SBTs approved by the SBTi. Please view the latest SBTi guidance for the financial sector for more information on what is required for setting a target on investment and lending activities.</p> <p>Financial institutions (FIs) should report on their scope 1+2 and scope 3 categories 1-14 targets (non-portfolio targets) targets as described elsewhere in this document. The guidance for operational and value chain (scope 1+2 and scope 3 categories 1-14) targets is also relevant for targets on scope 3 category 15 (portfolio targets), with additional reporting practices that should be considered:</p> <ul style="list-style-type: none"> • As investment and lending activities may change over the course of the year, FIs should indicate for which point in time the base year information is reported. For example, if the reporting reflects the state of invested emissions as of December 31, this should be stated. • FIs have a headline target that states what percentage of financing and lending is covered by a target. This figure should also be reported for the base year.

	<ul style="list-style-type: none"> Beyond the headline target, companies should report on asset class level targets and include information on the lending activity, chosen methodology and target metric.
<p>1.6 Different levels of ambition by scope and/or activity</p>	<p>Companies should focus on equal reductions across all scopes or scope 3 categories included within a specific emissions reduction target. However, in cases where ambition is differentiated across scopes or scope 3 categories included within a particular target, this needs to be clarified in the description of the target.</p> <ul style="list-style-type: none"> Companies should describe whether the target has different levels of ambition for different scopes, scope 3 categories, and/or activities. For example, if a company has a target to reduce absolute scope 1 and 2 GHG emissions by 50% but plans to reduce scope 1 by 40% and scope 2 by 75%, they should make this clear in the description of their target. Companies should also contextualize the significance or magnitude of the target per scope or scope 3 category. For example, companies should describe the percentage of scope 3 emissions covered by the target's chosen scope 3 categories or describe the magnitude of the scope 3 target relative to that of the company's scope 1 and 2 target.
<p>1.7 Exclusions from emissions inventory and/or target boundary</p>	<p>Companies should describe the exclusions from the emissions inventory and/or target boundary, as detailed in the target validation process, and should communicate future plans to bring any currently excluded emissions into their emissions inventory and/or target boundary.</p> <p>When describing their target, companies should only report the emissions or intensity value in the base year covered by their target. Similarly, companies should only report the emissions or intensity value in the reporting year covered by the approved SBT i.e., any exclusions have been left out in the emissions coverage of the target.</p>
<p>1.8 Qualitative and contextual information</p>	<p>Companies should explain the context for a target to help stakeholders understand the significance of the target compared to sector peers and to the whole market. Qualitative and contextual information can allow a company to showcase how corporate climate action is both feasible and financially relevant and can help highlight the company's leadership on climate change. Contextual information can include:</p> <ul style="list-style-type: none"> Motivation: Why did the company commit to such significant emissions reductions? Why is following climate science important for corporate leadership? The answers to these questions are illuminating for a large variety of stakeholders including investors, analysts, journalists, politicians, consumers, suppliers and buyers. Relationship with broader company objectives: Many companies will explore radically different business models, technologies,

	<p>operational procedures, suppliers, and other business practices in order to become a net-zero aligned business. The company may wish to connect the target to its strategic, financial and operational plans to allow stakeholders to understand the company’s current standing and vision for the future when considering an SBT.</p> <ul style="list-style-type: none"> • The case for following climate science: SBTs are notable because they support the global effort to prevent the most dangerous consequences of climate change. It is important for stakeholders to understand that climate science can and should guide decisions on emissions reductions. • Press coverage and external communication: companies can include links to awards, press coverage, and other notable communications materials to help stakeholders navigate the evolution of the company’s climate targets and their progress. Companies should ensure that their communication material is complete, accurate, easily accessible and not misleading. Any updates to an existing target in terms of updated target ambition or modified target elements should be disclosed and easily accessible to the public.
<p>2. Target progress</p>	
<p>2.1 Progress in the reporting year</p>	<p>On an annual basis, companies must report on progress toward their target(s).</p> <ul style="list-style-type: none"> • Companies should report the target progress from the target base year to the reporting year in terms of emissions reductions, share of renewable electricity, or supplier/customer engagement (annual breakdowns are preferable). Variability between years is expected, so it is important to show trends over multiple years. • Companies should make any adjustments or recalculations to their baseline emissions before target progress is calculated and reported. See section 3 in this table for further guidance. <p>Companies can choose to illustrate their progress in terms of target completion percentage. This percentage shows how advanced the company is in the progress against its target. The calculation assigns a completed target with a value of 100%. It is calculated as follows:</p> $\text{Target completion}(\%) = \frac{\text{base year emissions} - \text{reporting year emissions}}{\text{base year emissions} - \text{target year emissions}} \times 100$ <p>For example, a company with a 60% absolute reduction target that has a base year value of 1,000 tCO₂e and a reporting year value of 700 tCO₂e would have a target completion percentage of (1,000 - 700) / (1,000 - 400) = 50%.</p>

- Companies can additionally illustrate the target's timeframe elapsed. This percentage shows how much time passed for the target completion and is calculated as follows:

$$\begin{aligned} & \textit{Target timeframe elapsed (\%)} \\ &= \frac{(\textit{reporting year} - \textit{base year})}{(\textit{target year} - \textit{base year})} \times 100 \end{aligned}$$

Absolute emissions reduction targets

- Companies should report absolute emission values (within the target boundary) in the reporting year by scope and by scope 3 category. See section 2.2 in this table for further guidance.
- This applies to both near-term and long-term emissions reduction targets.

Emissions intensity targets

- Companies should report absolute emission values (within the target boundary) in the reporting year by scope and by scope 3 category.
- Companies should report emissions in tCO₂e per unit of activity based on the activity metric chosen in the reporting year e.g., tonnes of CO₂e per unit of production, tonnes of CO₂e per passenger kilometer, tonnes CO₂e per FTE employee, etc.) See section 2.2 in this table for further guidance.
- Companies with emissions intensity targets for scope 3 or set using the sector-specific methods for scope 1 and 2 are encouraged to also report their equivalent absolute emission values in tCO₂e.
- This applies to both near-term and long-term emissions reduction targets.

Renewable electricity targets

- Companies setting renewable electricity targets should report the level of renewable electricity procurement¹⁷ within the reporting year in terms of the percentage of renewable electricity procured out of total electricity consumed.
- It is also recommended to report the absolute quantity of electricity procurement (in kWh or a comparable unit) and the quantity of electricity procurement that comes from renewable sources.

¹⁷ Per the SBTi near-term target-setting criteria, companies setting renewable electricity targets must follow the recommendations of [RE100 initiative](#).

- Companies should disclose information on the procurement mechanism used towards meeting their target. See section 4.2 in this table for further guidance.

Supplier / customer engagement targets

- Companies should report the percentage of suppliers or customers, as defined by the relevant metric (e.g., by emissions or by spend), with science-based emission reduction targets within the reporting year.
- As supplier or customer lists may change over time, companies should account for corresponding changes in their scope 3 inventory when compiling their annual inventory. As the supplier or customer list changes and emissions in the relevant scope 3 categories fluctuate, the target value continues to apply until the target is updated, if relevant.
- For example, if a company sets a goal to target 70% of its suppliers by emissions, then it will recalculate the portion of scope 3 emissions each supplier represents annually and tally up the list until the 70% threshold is covered. This means that there may be new suppliers added to the list, other suppliers that shift beyond the emissions/spend threshold, and others that the company may discontinue business with.

Net-zero targets

- Companies disclose progress on net-zero targets by reporting the progress of near-term and long-term targets associated with the net-zero target and disclosed mitigation actions towards the achievement of these targets.
- Companies should disclose information on planned actions towards meeting targets related to reducing emissions, achieving net-zero and actions to mitigate emissions beyond the company's value chain. See section 4 in this table for further guidance.

Portfolio targets

- FIs should report the percentage of financing and lending that is covered by a target for the reporting year, in reference to financing and lending as of the reporting date.
- FIs should indicate the exact date when the target progress was calculated, as investment and lending activities may change over the course of the year and not reflect the situation at the moment of reporting. For example, if the reporting reflects the state of the portfolio as of December 31, this should be disclosed.

	<ul style="list-style-type: none"> • FIs should indicate how their targets relate to their public financial information e.g., balance sheet or other published Assets Under Management (AUM) information. • Additionally, they should provide context on the significance of emissions within their targets to their entire business. • See section 2.2 in this table for further guidance on this item. <p>No deforestation commitments</p> <ul style="list-style-type: none"> • For companies with FLAG targets including no deforestation, no conversion or no peat burning commitments, companies should report on progress towards these commitments. The SBTi highly recommends that companies align deforestation commitments with the Accountability Framework initiative (AFi) guidance. • See section 2.2 in this table for further guidance on this item. <p>SMEs</p> <ul style="list-style-type: none"> • SMEs should follow this reporting guidance for disclosing progress against targets. When applicable, SMEs should acknowledge the constraints and barriers to reaching this detailed level of disclosure. • SMEs should disclose their scope 3 emissions in the company's annual GHG inventory as well as actions to reduce these emissions as part of their target commitment. • SMEs should disclose the strategies to acquire better data and their current data limitations (see section 5.2 in this table) on their website, public platform or report.
<p>2.2 Level of disaggregation</p>	<p>Companies should report their progress toward their target(s) at the level of disaggregation as set out in the approved target language on the SBTi's Companies Taking Action webpage and as set out in section 1 in this table.</p> <p>Multiple near-term targets:</p> <ul style="list-style-type: none"> • Companies with several SBTs should report each SBT separately. For example, a company that has an approved SBT that covers scope 1 and an approved SBT covering scope 2 should report progress toward its two targets (scope 1 and scope 2) separately. • When reporting, companies should not combine or aggregate approved SBTs into a single target unless they have also reported at the level of disaggregation that is communicated in their approved target language. For example, a company has set a physical intensity target on scope 3 category 1 "purchased goods and services" and an absolute target on scope 3 category 11 "use of sold products" and

category 12 “end-of-life treatment of sold products.” This company should report on the physical intensity scope 3 target and the absolute scope 3 target separately.

Combined scope near-term or long-term targets:

- Companies with combined scope targets (e.g., scope 1+2+3) should report with the same level of aggregation as the approved target.
- Companies that have approved SBTs covering a combined scope 1+2+3 target should report the progress in scope 1, scope 2 and scope 3 separately *in addition to* the combined scope 1+2+3 target.

For example, a company that has an approved scope 1+2 target and a scope 3 target should report progress toward its two targets (scope 1+2 and scope 3) separately.

- SBTi also recommends a further disaggregation as set out below.

Further disaggregation:

- The SBTi recommends that companies additionally report targets at a more detailed level of disaggregation, i.e., by scope and scope 3 category.

For example, a company that has an approved scope 1+2 target, may optionally report the scope 1 portion and the scope 2 portion of the targets separately.

- The SBTi recommends that companies also report per disaggregated target setting method (e.g., absolute or sector-specific intensity convergence method), if they have aggregated targets in their target language.

For example, a company sets an absolute reduction target on scope 3 category 1 “purchased goods and services” and uses the transport pathways available in the sector-specific intensity convergence on scope 3 category 4 “upstream transportation and distribution” and scope 3 category 9 “downstream transportation and distribution”. The company then communicated their target on the basis of absolute emission reductions. It is therefore recommended that this company reports their progress per target-setting method (absolute reduction and each sector-specific intensity convergence method) separately.

Portfolio targets

- Beyond reporting the progress on the percentage of financing and lending covered by a target, FIs should also report progress on asset class level targets and include information on the lending activity, chosen methodology and target metric.

	<ul style="list-style-type: none"> Please refer to section 6.1 of the Financial Sector Science-based Targets Guidance on guidance to disclose progress against FI targets. <p>FLAG targets</p> <ul style="list-style-type: none"> When aggregating FLAG targets across commodities and/or approaches, companies should report progress on sub-targets, in addition to the overarching, aggregated target. Companies shall meet the aggregated target, and they should also strive to meet their sub-targets (e.g., individual commodities). Sub-targets may not be met in cases where doing so impedes progress on demand-side levers, for example. Please refer to criterion FLAG-C12 in the Forest, land and agriculture target-setting guidance to disclose progress against FLAG targets.
3. Substantial emission variations and changes in target	
<p>3.1 Reasons for substantial emissions variations</p>	<p>Companies should disclose significant increases/decreases in scope 1, 2 and 3 emissions between the current reporting year and previous reporting years. The following reasons may be applicable:</p> <ul style="list-style-type: none"> Divestment. Acquisition. Merger. Change in business output (product and/or service) such as organic growth, purchase of new facilities due to business expansion or release of a new product. Change in methodology used to calculate the emissions inventory (for example, changes in emission factors). Change in organizational boundary or operational boundary used in emissions inventory calculation (for example, changing from equity share approach to operational control approach). Change in physical operating conditions which refers to how weather changes have significantly impacted company operations (for example, increased rainfall heightened the production of hydroelectricity). <p>For substantial variations in emissions that are a result of changes in renewable energy consumption, emission reduction activities, changes in business output or changes in physical operating conditions, a recalculation of approved SBTs is not triggered (see criterion 27 of the SBTi near-term criteria).</p> <p>A recalculation of approved SBTs is triggered to reflect significant changes that would compromise the relevance and consistency of the existing target e.g., divestment, acquisition, merger, change in</p>

	<p>methodology and change in boundary, including a change in consolidation approach (as per criterion 27 of the SBTi near-term criteria). See section 3.3 in this table for further guidance on significant adjustments to the base year inventory.</p> <p>In some cases, a recalculation of base year emissions would not necessarily trigger a target revision. In comparison with intensity targets, absolute targets would remain valid regardless of the magnitude of emissions reported in the inventory or changes in the company’s activity projections. For example, a company with absolute targets whose baseline changes due to a change in calculation methodology does not need to recalculate its targets should this company prefer to keep the same percentage reduction from the new baseline value. In general, if a significant change occurs and the company’s target(s) no longer meet required ambition or boundary requirements of SBTi criteria, then the target(s) need to be recalculated and revalidated.</p>
<p>3.2 Reviewed targets</p>	<p>Companies should state whether the target they are reporting progress against is currently active on the SBTi website. In the case that the target has been reviewed and updated with the SBTi, companies must report progress on that current target. This should be accompanied with a description of the reasons for revision.</p> <p>For transparency, it is recommended to disclose at least the target language (and preferably additional data points), describing the target that was replaced by the updated target.</p> <ul style="list-style-type: none"> • When disclosing progress against a target that has replaced a previous target due to a base year recalculation of the GHG emissions inventory, the company must ensure that they are disclosing the restated emissions inventory. For consistency, the company may restate the GHG emissions data between the base year and the reporting year. • In the case where the target update process with the SBTi is still in progress, the company should report progress on the target that is valid at the time of reporting. The company may optionally clarify that an updated target is under review and report progress against the future updated target. • SBTs should be recalculated and resubmitted to the SBTi for validation to align with significant changes and ensure relevancy and consistency with current business structures. Targets must be revised as set out in the SBTi Near-term Criteria and Recommendations (criterion 26 and 27). • In general, SBTs must be reviewed, and if necessary, recalculated and revalidated, at a minimum every 5 years, to ensure consistency with the most recent climate science and best

	<p>practices as set out in criterion 26 in the SBTi Near-term Criteria and Recommendations.</p>
<p>3.3 Base year recalculation policy and threshold</p>	<p>Companies should reference whether they have a base year recalculation policy in place and what significance threshold is used. The SBTi requires a 5% or less as a quantitative significance threshold as set out in criterion 26 in the SBTi Near-term Criteria and Recommendations.</p> <p>For transparency on target progress and how a company’s baseline may change throughout the target timeframe, companies should reference their base year recalculation policy in annual reports, either in the reporting itself or as a reference to the policy published elsewhere. According to the GHG Protocol Corporate Standard: “companies shall develop a base year emissions recalculation policy, and clearly articulate the basis and context for any recalculations. If applicable, the policy shall state any ‘significance threshold’ applied for deciding on historic emissions recalculation”.</p> <p>Companies should recalculate/rebaseline their emissions inventory before target progress is calculated and reported.</p> <p>For detailed guidelines, please review Chapter 5 of the GHG Protocol Corporate Standard Tracking Emissions Over Time.</p>
<p>4. Actions towards meeting SBTs</p>	

<p>4.1 Information on emission reduction projects (near-term targets)</p>	<p>Companies should report information on emission reduction projects contributing to the achievement of their targets, including the following information:</p> <ul style="list-style-type: none"> • Description of the emission reduction initiatives within the reporting year and the total estimated annual CO₂e savings. The stage of development of each emissions reduction initiative should be clear e.g., to be implemented, implementation commenced or implemented. • For each emission reduction initiative, companies should disclose in which scope(s) and/or scope 3 category(ies) the GHG emissions impacts are expected or have already occurred. • Novel or innovative efforts or partnerships that have been put into place and can differentiate a company and highlight it as a leader in reducing emissions. • Investments or changes that have been made that may not yet have delivered significant results but that are expected to do so in the coming years or that enable the necessary transformation towards the long-term goal. • Companies with net-zero targets are encouraged to develop and disclose their climate transition plans (including their financial plans) to outline how they will deliver on their strategy to reach their net-zero targets. See section 4.7 in this table for further guidance.
<p>4.2 Information on contractual instruments (for scope 2 targets)</p>	<ul style="list-style-type: none"> • Companies should provide details on the types of contractual instruments (e.g., unbundled renewable energy certificates, power purchase agreements) that are used to reduce their scope 2 market-based emissions and/or make progress towards a renewable electricity target. Note that the SBTi expects companies with renewable electricity targets to align with RE100 initiative guidelines. • Companies should provide an illustration of how the market-based instruments being used comply with the GHG Protocol Scope 2 Guidance, specifically the quality criteria.
<p>4.3 Decarbonization pathway</p>	<p>If possible, companies should specify the anticipated and/or observed progress curve against their targets i.e., linear, logarithmic, exponential, or variable. This clarifies the pace of reduction; for example, linear progress is a steady pace of reduction year-on-year, whereas an exponential progress curve displays a fast initial decrease followed by a slower rate of decrease towards the target year. When applied to renewable electricity and engagement targets, the progress curve is not a function of emission reductions but instead progress of the relevant metric for those targets e.g., percentage of suppliers engaged for a scope 3 supplier engagement target over time.</p>

	<p>If progress of targets and planned emission reductions are currently not on track or deviates away from the target pathway, companies should provide an explanation as to the reasons why and the strategy for addressing these deficits in the future.</p>
<p>4.4 Planned milestones and/or near-term investments for neutralization at target year (net-zero)</p>	<p>Companies with net-zero targets should disclose the following elements:</p> <ul style="list-style-type: none"> • The magnitude of emissions that is planned to be neutralized in the net-zero target year. This quantity of emissions should include not only non-abated emissions within the target boundary, but also emissions excluded from the target boundary and/or inventory. • Description of any planned milestones and/or near-term investments that demonstrate the integrity of your commitment to neutralize unabated emissions in the target year. For example, a company should disclose if it is investing or planning to invest into carbon dioxide removal and storage technologies (e.g., direct air capture) in the near-term.
<p>4.5 Planned actions or investments to mitigate climate change beyond your value chain (net-zero)</p>	<p>The SBTi Corporate Net-Zero Standard strongly recommends that companies take immediate action above and beyond their science-based targets to contribute to reaching global net-zero through beyond value chain mitigation (BVCM). If applicable, companies should report the following elements:</p> <ul style="list-style-type: none"> • Description of any actions taken, or investments deployed in the reporting year, as well as plans for beyond value chain mitigation activities or investments in future years to accelerate the net-zero transition beyond the company's value chain. Companies should report annually on the nature and scale of those actions and/or investments pending further guidance. • If no beyond value chain mitigation activities are taken or considered, companies should explain the reasoning.
<p>4.6 Use of offsets and avoided emissions</p>	<p>Companies should publicly disclose carbon credits which are sourced from outside the company's value chain (i.e., what are often referred to as "offset credits") separately from their reported GHG inventory and ensure that they are not counted towards the progress of their near- or long-term SBTs.</p> <p>Companies should publicly disclose emission reductions that occur outside of a product's life cycle or value chain, but as a result of the use of that product (often described as "avoided emissions") and ensure that they are not counted towards the progress of their near- or long-term SBTs.</p> <p>This information should be publicly available and easily accessible.</p>

	<p>Companies should refrain from using any misleading wording and it should be very clear that target progress does not include offsets and/or avoided emissions.</p>
<p>4.7 Climate Transition plan information and progress</p>	<p>Companies are encouraged to develop comprehensive and actionable transition plans which indicate the corporate actions that will be undertaken to align to their net zero pathway and meet all climate targets. According to CDP, a climate transition plan is a time-bound action plan that outlines how an organization will pivot its existing assets, operations, and entire business model towards a trajectory aligned with the latest and most ambitious climate science recommendations. Climate transition plans should be ambitious, have integrity and transparency, be credible and fair. They should be updated every 5 years and progress (including any changes to the plan) should be reported annually.</p> <p>Companies are encouraged to publicly disclose every year information related to their climate transition plans and progress towards their implementation, including:</p> <ul style="list-style-type: none"> • Governance structure to oversee the development, implementation, and verification of climate transition plans and review frequency of plans. • Incentive structure related to climate change including any executive compensation linked to near and long-term targets. • Description of alignment with credible sector pathways consistent with limiting warming to 1.5°C and explanation of any material difference between the company's transition plan and sector pathways. Please refer to SBTi Pathways to Net-zero and specific sector guidance for more information (e.g. FLAG guidance). • Financial indicators (e.g., capital expenditure (CAPEX), operating expenditure (OPEX), revenue, research and development expenditure) and how these are used to plan and implement a business model aligned with a 1.5°C world. Capital expenditure plans, research and development plans, and investments should be split between new and legacy/stranded assets. • Specific actions across all parts of the company's value chain that will help meet near- and long-term targets, including supplier and customer engagement approach. • Specific actions to address any data limitations (e.g., on emissions).

	<ul style="list-style-type: none"> • Skills and human resource development related to climate change. • Specific policies and regulations, including carbon pricing, needed to facilitate transition plans. • Clear disclosures on public advocacy, lobbying and policy engagement expenditures and effort on policies that could limit or worsen climate change. Specifically, companies should describe how current and future lobbying and policy engagement activities are consistent or inconsistent with a 1.5°C world. • Actions planned or implemented that contribute to a just transition (e.g., partnerships with workers, trade unions, communities, and suppliers and the integration of free, prior and informed consent of Indigenous Peoples). Specifically, the climate transition plan should explain how it considers and addresses social consequences and impacts of mitigation actions, including on race, gender, and intergenerational equity. • Actions planned or implemented to avoid the conversion of remaining natural ecosystems – eliminating deforestation, wetland and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030. • Results of any third-party assessment and/or verification of the company’s climate transition plan or “readiness for net-zero” by other initiatives, such as ACT (Assessing low-carbon transition). <p>Targets and metrics are usually one main section of the transition plans. Companies reporting following a transition plan should include all what is related to the science-based target(s) description and progress against the target(s) in that section following this reporting guidance.</p> <p>Please refer to further guidance on transition plans elements such as the report from the United Nations’ High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities “Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions”; CDP resources on transition plans; or the report from the Glasgow Financial Alliance for Net Zero (“GFANZ”) “Expectations for Real-economy Transition Plans”.</p> <p>Companies without a transition plan are recommended to disclose climate transitional information to provide a robust context and increase their transparency in their decarbonization journey.</p>
5. GHG emissions inventory	
5.1 Full GHG inventory	<ul style="list-style-type: none"> • Companies must report a full GHG emissions inventory on an annual basis, in addition to the annual progress against the target described above.

	<ul style="list-style-type: none"> • Companies must report all emissions scopes (1, 2 and 3) and all scope 3 categories, including those that do not fall within a target boundary. • For scope 3 categories that are considered negligible, companies must report an estimate (either in tonnes of CO₂ equivalent or percentage of total scope 3 emissions). • Any exclusions from the inventory (scope 1, 2 or 3) must be described, estimated and disclosed. • Companies should report the type of data used, data sources, methodologies and assumptions used to determine the GHG emissions data. Companies should disclose which portions of the reported emissions data come from primary data (i.e., data obtained from suppliers or value chain partners) versus other data sources, such as average emission factors. • Companies should describe their plans for continuing to refine the accuracy of their GHG inventory data over time e.g., including a greater percentage of primary data in their scope 3 inventories. • Where a FLAG target is set, the FLAG inventory and non-FLAG inventory must be reported separately. • Companies must disclose their GHG inventory for the base year and current reporting year. They may also disclose GHG inventories for the intervening years between the base year and reporting year to show the trend in emissions over time.
5.2 Data limitations	<ul style="list-style-type: none"> • Companies should report on how they plan to bridge data gaps, exclusions and improve data quality. • Companies should quantify and provide the level of uncertainty that has been introduced by use of estimates or averages, where possible.
5.3 Verification or assurance of GHG inventory	<p>Assurance is a process performed by an independent third-party accredited to perform verification and assurance of GHG emissions data. Third-party assurance is best practice in emissions reporting as this ensures the quality of the calculation methods and underlying disclosed data and processes. If a company has had their GHG emissions inventory for the base year and/or reporting year verified or assured, the following information should be disclosed:</p> <ul style="list-style-type: none"> • Status of third-party verification or assurance (third-party verification or assurance underway, or third-party verification or assurance process in place). • Specification on the scope(s): information should be disclosed for each scope separately. For scope 2, it should be stated whether the location-based and/or the market-based figure has been verified. • Proportion of reported emissions verified as a percentage: e.g., 100% of scope 2 emissions have been verified.

	<ul style="list-style-type: none"> ● Frequency of verification cycle: annual, biennial, or triennial process. ● Type of assurance: limited assurance, moderate assurance, reasonable assurance, high assurance. ● If the GHG inventory has been verified since the base year, the assurance information should be available for all years since and including the base year. ● The opinion issued by the assurance provider(s). ● Link/attachment of verification or assurance statement. ● Standard used for the verification or assurance. ● The name of the assurance provider(s). ● Additional information about assurance and verification, if relevant.
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Worked example of how companies can report target progress

This section sets out a reporting example of Example Corp. that summarizes the reporting guidance set out in the section entitled “Reporting guidance” above. The example mirrors the sections in Table 10 covering the following reporting elements:

1. Target description
2. Target progress
3. Substantial emission variations and changes in target
4. Actions towards meeting SBTs
5. GHG emissions inventory

1. Target description

Example Corp.’s near-term emission reduction targets were approved by the Science Based Targets initiative in 2019. Our long-term and net-zero targets were approved in 2022. Example Corp. using a financial year running from 1 April to 31 March. Our approved science-based targets are as follows:

- NZ: Example Corp. commits to reach net-zero greenhouse gas emissions across the value chain by FY2050 from a FY2018 base year.
- ABS1: Example Corp. commits to reduce scope 1 and 2 emissions 50% by FY2030 from a FY2018 base year.
- O1: Example Corp. also commits to increase annual sourcing of renewable electricity from 20% in FY2018 to 100% by FY2025.
- INT1: Example Corp. also commits to reduce scope 3 purchased goods and services and upstream transportation and distribution emissions 45% per product sold by FY2030 from a FY2018 base year.
- O2: Example Corp. also commits that 80% of suppliers by emissions covering purchased goods and services will have science-based targets by FY2025.
- LTABS1: Example Corp. commits to reduce absolute scope 1, 2 and 3 GHG emissions 90% by FY2050 from a FY2018 base year.

2. Target progress

Table 11. Example Corp.'s progress on their approved scope 1 and scope 2 science-based targets (emissions and related metrics)

Reporting item	Base year value FY2018 (tCO ₂ e)*	Base year emissions covered by targets (tCO ₂ e) (%)	FY2019 reporting value	FY2020 reporting value	FY2021 reporting value	FY2022 reporting value	FY 2022 % change (from FY2018)
Scope 1 (tCO ₂ e)	1,000	1,000 (100%)	1,100	350	300	880	-12%
Scope 2 (market-based) (tCO ₂ e)	8,000	8,000 (100%)	6,800	1,200	2,500	6,320	-21%
Total scope 1+2 (market-based) (tCO ₂ e) [ABS1]	9,000	9,000 (100%)	7,900	1,550	2,800	7,200	-20%
Total electricity use (MWh)	22,000	N/A	21,500	5,000	11,000	28,000	+27%
Electricity procurement from renewable sources (MWh)	4,400	N/A	6,450	1,500	3,300	14,000	N/A
% of electricity from renewable sources [O1]	20%	N/A	30%	30%	30%	50%	N/A

Table 12. Example Corp.'s progress on their approved scope 3 science-based targets (emission reductions)

Reporting item	Base year value FY2018*	Base year emissions covered by targets, (tCO _{2e}) (%)	FY2019 value	FY2020 value	FY2021 value	FY2022 value	FY2022 % change (from FY2018)
Scope 3, category 1: Purchased goods and services (tCO _{2e})	202,000	200,000 / 99% (INT1)**	201,000	180,000	170,000	175,000	-12.5%
Scope 3, category 4: Upstream transportation and distribution (tCO _{2e})	70,000	70,000 / 100% (INT1)	70,000	55,000	62,000	68,000	-2.9%
Total scope 3, cat. 1 and 4 (tCO _{2e})	272,000	270,000	271,000	235,000	232,000	243,000	-10%
Activity level: number of products sold	10,000	10,000	10,100	8,000	8,200	10,410	+4.1%
Overall emissions intensity (tCO _{2e} /product) [INT1]	N/A	27.00	26.83	29.38	28.29	23.34	-13.6%
Suppliers of purchased goods and services with science-based targets (% coverage of scope 3, cat. 1) [O2]	0%	N/A	0%	5%	10%	20%	N/A

*Example Corp. performs a full inventory of its scope 1, 2 and 3 emissions on an annual basis. Emissions from small offices with fewer than 5 employees are excluded from the inventory and consist of 0.1% of scope 1 and 2 emissions in the target base year.

**This target does not cover purchased office supplies and cleaning services emissions within scope

3 category 1.

3. Substantial emission variations and changes in target

We have recalculated and restated our base year (financial year 2018) across scope 3 category 4 to reflect an improved data collection methodology and ensure consistent estimation methods for each reporting year.

Base year recalculation policy and threshold

Our company's base year's emissions recalculation policy defines a significant change as a cumulative change of 5% or larger in an organization's total base year emissions. We have assessed the implications of this restatement on our science-based targets and have not identified a need to update the target. Furthermore, with the revised emissions values, our scope 3 targets continue to represent over SBTi's threshold of our total scope 3 emissions in the base year. For accessing the company's recalculation policy follow "this link".

4. Actions towards meeting SBTs

Table 13. Example Corp.'s actions taken to meet their science-based targets

Target	Progress
Reduce absolute scope 1 and 2 emissions 50% by FY2030 from a FY2018 base year.	<p>Target completion: 40%</p> <p>In 2022, we decreased our scope 1 and 2 emissions by 20% compared to 2018 levels.</p> <p>This was achieved through a 12% reduction in scope 1 and 21% reduction in scope 2 market-based emissions.</p> <p>In scope 1, we reduced direct emissions by continuing to convert our fleet of internal combustion engine vehicles and propane forklifts to electric vehicles and machines.</p> <p>In scope 2, we have increased our manufacturing facility energy efficiency by an average of 9% since 2018 resulting in a decrease in electricity demand, which has been partially offset by the electricity used for our new fleet.</p>
Increase annual sourcing of renewable electricity from 20% in 2018 to 100% by 2025.	<p>Target completion: 37.5%</p> <p>Additionally, we have entered into renewable electricity purchase agreements that have reduced scope 2 market-based emissions further and helped us make progress towards our goal of 100% renewable electricity by 2025.</p>
Reduce scope 3 purchased goods and services and upstream transportation and	<p>Target completion: 30.1%</p> <p>Within our scope 3 target, significant progress has been made to make our products with less raw materials per item. Additionally, we are working to engage our suppliers and provide resources</p>

<p>distribution emissions 45% per product sold by 2030 from a 2018 base year.</p>	<p>for them to decarbonize their own operations. We may need to recalculate our baseline in a few years as we switch from using average emission factors to supplier-specific factors, at which time we will assess whether our target needs to be revised and updated with the SBTi. Overall, covered emissions in categories 1 and 4 have decreased 10% while the number of products sold has increased 4%, from 10,000 in 2018 to 10,410 in 2022. Emissions intensity has thus decreased 13.6% from the base year.</p>
<p>Key suppliers representing 80% of emissions from our purchased goods will set a science-based emission reduction target by FY2025.</p>	<p>Target completion: 25% Key suppliers representing 20% of emissions from our purchased goods and services have set a science-based emissions reduction target as of the end of FY2022. We have undertaken workshops with these subcontractors to improve their scope 1, 2 and 3 reporting, modelled science-based targets together and developed carbon reduction plans. We have also worked with them to ensure their supply chains set science-based targets too.</p>
<p>Reduce absolute scope 1, 2 and 3 GHG emissions 90% by FY2050 from a FY2018 base year.</p>	<p>Target completion: 17.7% Our long-term target includes all scopes and scope 3 categories at 100% coverage. Due to this, progress towards this target is displayed below alongside the full GHG inventory data. As of FY2022, we have reduced our total scope 1, 2 and 3 emissions 16%, which is almost 18% of the way to achieving our target.</p>
<p>Reach net-zero greenhouse gas emissions across the value chain by FY2050 from a FY2018 base year</p>	<p>Target completion: N/A Reaching net-zero greenhouse gas emissions across the value chain is linked to achieving the long-term target (LTABS1) and neutralizing all unabated emissions with permanent removals. In 2050, Example Corp. commits to neutralizing 34,668 tonnes of CO₂-equivalent equivalent to 9% of total actual emissions. This target is also linked to the aforementioned near-term targets, which are interim steps on the path to net-zero: ABS1, O1, INT1, and O2. Example Corp. is exploring opportunities for direct air capture in the near future.</p>
<p>Use of offsets and avoided emissions</p>	<p>Example Corp. buys offsets from XYZ but does not count them as progress towards targets, nor does progress include avoided emissions accounting. Example, Corp purchases 350tCO₂e of emission reduction carbon credits at 80USD/tCO₂e from “Name of carbon market”, verified to “Name of standard”. These credits are used to counterbalance the unabated emissions as the</p>

	<p>company reduces its value chain emissions in line with its 1.5°C target.</p>
<p>Climate transition plan information and progress</p>	<p>Governance:</p> <ul style="list-style-type: none"> The Board of Directors of Example Corp. approves the company’s decarbonization strategy and oversees climate performance metrics, emissions reduction targets, low-carbon technological developments, and investment plans to ensure that they are on track and compliant with the approved transition plan. The Board of Directors reviews the climate transition plan once a year. <p>Incentive structure:</p> <ul style="list-style-type: none"> Example Corp has an incentive structure tied to various ESG indicators. In relation to climate change, 2% of the annual bonus to the CEO and Management team is dependent on being on track with achieving the set science-based targets. Financial indicators: Example Corp. has set various decarbonization levers to contribute to the net-zero goal over the FY2031-FY2050 horizon. <ul style="list-style-type: none"> Example Corp. will allocate a total of 20 million Euros for FY2023-FY2025 to low carbon investments, representing 25% of total planned investment for the period. The company has also established a goal to dedicate 10% for FY2023-FY2030 of the investment in R&D projects to be in line with the climate transition plan. Overall, by 2030 Example Corp plans to spend 50% of its CAPEX and OPEX in activities aligned with a 1.5°C future and it is planning to generate 60% of its revenues from low-carbon products by 2030. In the reporting year, the company was on track to achieve these goals (please see the transition plan footnotes on our financial statements for details). <p>Incentive structure for decarbonization:</p> <ul style="list-style-type: none"> Example Corp. has set an internal carbon price to help guide investment decisions on new projects and assess whether an investment is in line with the decarbonization path. Part of the CEO’s and Executive Leadership team’s annual bonus (5%) is dependent on the achievement of

	<p>the climate performance indicators set out in the climate transition plan. Further bonus-based incentives on the climate transition have been rolled out for upper management and middle management across the company.</p> <p>Just transition:</p> <ul style="list-style-type: none"> • Example Corp is investing in a new factory in Tanzania fully powered by renewable energy generated on-site. Any surplus energy will be sold at a rebated price to the local community to reduce usage of fossil-powered generators. The factory is planned to be completed by 2025. There is also a plan to create a training program for the local community on solar panel maintenance which aims at ensuring business continuity whilst reducing unemployment and increasing income per capita in the area. <p>Public advocacy:</p> <ul style="list-style-type: none"> • Example Corp. has joined relevant pledges (e.g., the Business Ambition 1.5°C declaration) and has advocated for an ambitious approach to fully decarbonize the sector by 2050. Example Corp has not supported any policy that advocates for fossil fuel expansion in the past year.
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5. GHG emissions inventory

Full GHG inventory

Table 14. Example Corp.'s GHG inventory*

Scope or scope 3 category	Base year emissions FY2018, (tCO ₂ e)	FY2019, (tCO ₂ e)	FY2020, (tCO ₂ e)	FY2021, (tCO ₂ e)	FY2022, (tCO ₂ e)
Scope 1	1,000	1,100	350	300	880
Scope 2 (location-based)	10,000	9,800	2,200	5,000	12,000
Scope 2 (market-based)	8,000	6,800	1,200	2,500	6,320
Scope 3, category 1:	202,000	203,000	180,500	170,500	175,500

Scope or scope 3 category	Base year emissions FY2018, (tCO ₂ e)	FY2019, (tCO ₂ e)	FY2020, (tCO ₂ e)	FY2021, (tCO ₂ e)	FY2022, (tCO ₂ e)
Purchased goods and services					
Scope 3, category 2: Capital goods	30,000	29,000	3,000	18,000	16,000
Scope 3, category 3: Fuel- and energy-related activities	3,000	2,940	660	1,500	3,600
Scope 3, category 4: Upstream transportation and distribution	70,000	70,000	55,000	62,000	68,000
Scope 3, category 5: Waste generated in operations	10,000	9,500	9,500	8,000	9,000
Scope 3, category 6: Business travel	5,000	6,000	5,500	200	2,500
Scope 3, category 7: Employee commuting	2,500	2,500	2,400	100	1,000
Scope 3, category 8: Upstream leased assets	0	0	0	0	0
Scope 3, category 9: Downstream transportation and distribution	0	0	0	0	0
Scope 3, category 10: Processing of sold products	0	0	0	0	0
Scope 3, category 11: Use of sold products	0	0	0	0	0
Scope 3, category 12: End-of-life treatment of sold products	15,000	15,150	12,000	12,300	15,600

Scope or scope 3 category	Base year emissions FY2018, (tCO ₂ e)	FY2019, (tCO ₂ e)	FY2020, (tCO ₂ e)	FY2021, (tCO ₂ e)	FY2022, (tCO ₂ e)
Scope 3, category 13: Downstream leased assets	0	0	0	0	0
Scope 3, category 14: Franchises	0	0	0	0	0
Scope 3, category 15: Investments	0	0	0	0	0
Total: scope 1, scope 2 market-based, scope 3 (all categories) LTABS1	346,500	345,990	268,910	272,900	291,200

*Example Corp. performs a full inventory of its scope 1, 2 and 3 emissions on an annual basis. Emissions from small offices with fewer than 5 employees are excluded from the inventory and consist of 0.1% of scope 1 and 2 emissions in the target base year.

Data limitations

For our emissions from scope 3, category 1 “Purchased goods and services”, manufacturers are invited to present their own estimates or simulations based on fuel consumption and specific activity data. We expect to develop a new methodology to calculate these emissions for next year’s GHG inventory. If the current values or assumptions are adjusted in any material way, Example Corp. will communicate these changes and perform the corresponding adjustments to the baseline, following our base year emissions recalculation policy.

Verification or assurance of GHG emissions

Example Corp. engaged with “Name of third-party verification body” to conduct a verification review of our corporate GHG emissions inventory over the period April 1, 2021 to March, 31 2022. The review was performed in accordance with the “Name of verification standard used”. The verified metrics included scope 1, scope 2, scope 3 category 1 Purchased goods and services, category 2 Capital goods, category 3 Fuel- and energy-related activities, category 4 Upstream transportation and distribution, category 5 Waste generated in operations, category 6 Business travel, category 7 Employee commuting and category 12 End-of-life treatment of sold products. The verification body has found no evidence that the above metrics reported are not materially correct, and no evidence that the assertion is not consistent with Example Corp. actual corporate GHG emissions position, with a moderate (i.e., limited) level of assurance. The results of the assessment can be found in the following link to the “Independent Assurance Statement”.

STEP 6: TARGET RECALCULATION PROTOCOL

Companies may review and revise approved targets to keep them up to date and aligned with the most recent climate science and best practices. The target update service is a streamlined process developed for companies who wish to align their targets with our new minimum ambition level of 1.5°C or to update or edit previously approved targets in other ways. The SBTi has combined the “resubmission” and “voluntary ambition update” services into a single service called the “target update service” and is a discounted service from the near-term submission service. The service offers the same comprehensive review performed in the near-term submission service and will also include a comprehensive target validation report including recommendations to address non-compliances, if applicable, and an official certificate if targets are approved.

6.1 Updating previously approved targets

Mandatory recalculation

Mandatory target recalculation process - Updating previously submitted targets to fulfill criterion 26:

C26 - Mandatory target recalculation: To ensure consistency with the most recent climate science and best practices, targets must be reviewed, and if necessary, recalculated and revalidated, at a minimum every 5 years. For companies with targets approved in 2020 or earlier, targets must be reviewed and revalidated by 2025, if necessary. Companies with an approved target that requires recalculation must follow the most recent applicable criteria at the time of resubmission. A company’s base year emissions recalculation policy must include a significance threshold of 5% or less that is applied to emission recalculations or in the absence of a base year emissions recalculation policy, a company must agree to apply a 5% significance threshold for emission recalculations.

When submitting under the mandatory update process, the following rules apply:

- All previously submitted targets must be assessed against current SBTi near-term criteria at the time of submission.
- Any targets not in line with current SBTi near-term criteria will be removed from SBTi website and communications; companies are able to edit previously submitted targets to ensure they are aligned with current SBTi near-term criteria.

C27 – Triggered target recalculation: Targets should be recalculated, as needed, to reflect significant changes that could compromise relevance and consistency of the existing target.

The following changes should trigger a target recalculation:

- Scope 3 emissions become 40% or more of aggregated scope 1, 2 and 3 emissions.
- Emissions of exclusions in the inventory or target boundary change significantly.
- Significant changes in company structure and activities (e.g., acquisition, divestiture, merger, insourcing or outsourcing, shifts in goods or service offerings).

- Significant adjustments to the base year inventory, data sources or calculation methodologies, or changes in data to set targets such as growth projections (e.g., discovery of significant errors or a number of cumulative errors that are collectively significant).
- Other significant changes to projections/assumptions used in setting the science-based targets.

When submitting under the triggered recalculation process, the following rules apply:

- Only the affected previously submitted target(s) must be assessed against current SBTi near-term criteria at the time of resubmission.
- Active targets that are not affected by changes will not need to be brought in line with current SBTi near-term criteria.

Submitting new targets

Target update process - Submitting new target(s) to the SBTi when a company already has approved near-term SBTs. Likely reasons for a target update process include:

- Designing new targets to increase the ambition of previously submitted target(s).
- Arriving at the target year of one or more targets, regardless of whether the target was achieved.
- Submitting new targets to meet current SBTi near-term criteria outside of the mandatory recalculation process.
- Achieving a target ahead of time (before target year).

When submitting under the target update process, the following rules apply:

- Only the newly submitted target(s) must be assessed against current SBTi near-term criteria at the time of resubmission.
- Active targets that are not affected by new targets will not need to be brought in line with current SBTi near-term criteria.

For all options companies must submit an updated Near-term Target Submission Form and submit via the target update service to allow the SBTi to assess the nature and the impact of the relevant changes. It is highly recommended for companies to provide a detailed explanation of the causes and implications of the changes in relation to the methods, emissions factors, assumptions, company structure, inventory and/or targets in the newly submitted Near-term Target Submission Form.

GLOSSARY

Appointed approver (AA): A technical expert, directly employed by one of the SBTi partners, who performs target validations and reviews assessments made by LRs.

Executive Leadership Team (ELT): The decision-making body of the SBTi initiative composed of one representative from each of the four SBTi partner organizations. One of its functions is to provide the final sign-off on target validation decisions that are particularly complex.

Initial screening: A review for completeness of the Near-term Target Submission Form, to ensure the company has provided all information required to assess the target and if the target meets certain near-term criteria that are assessed at this stage (e.g., boundary, timeframe).

Lead reviewer (LR): A technical expert directly employed by one of the SBTi partners, who performs target validations including the following activities: reviews submission forms, assesses targets against SBTi near-term criteria, liaises with companies, and submits assessments and recommendations.

Near-term Target Submission Form: The form the company fills out with its inventory and target information. The SBTi uses the information in the form to determine if the targets meet its near-term criteria during target validation.

Query log: A record of questions or requests for further information sent to the company and the company's response.

Round of assessment: Process from when the company sending a completed submission form to when the SBTi issues a decision on proposed targets and the related deliverables after the targets have been assessed against the SBTi near-term criteria.

Science Based Targets initiative partners (SBTi partners): SBTi is a joint initiative by CDP, UNGC, WRI and WWF, commonly referred to as the partner organizations.

Target update service: A combination and improvement upon of the previous “resubmission” and “voluntary ambition update” services. The target update service is a streamlined process developed for companies who wish to align their targets with our new minimum ambition level of 1.5°C or to update or edit previously approved targets in other ways. The SBTi has combined the “resubmission” and “voluntary ambition update” services into a single service called the target update service” and is a discounted service from the near-term submission service.

Target validation: Evaluation process that a target must pass in order for the SBTi to endorse it as science based. Only positive results are communicated publicly. The target validation is not a negotiation of a company's target(s), rather an assessment of the target(s) against the SBTi near-term criteria.

Target validation service: A paid service for the target validation process that aims to provide a faster process and additional feedback to companies.

Target Validation Team (TVT): A team of technical, GHG accounting experts whose role is to conduct target validations, and to work cross-functionally with other arms of the initiative to establish and uphold best practices in the target-setting domain. The validation team is supported by the SBTi pipeline team that processes submissions, helps conduct initial screenings and assigns reviewers for each submission. The validation team consists of a lead reviewer (LR) and an appointed approver (AA). The LR performs the desk review of the submission, prepares the deliverables (target validation report and certificate, if approved), organizes a feedback call if necessary, and acts as the point of contact between the company and the SBTi throughout the validation process. The AA acts as a peer reviewer on the completed desk review.

Technical Department: The Technical Department leads the development and maintenance of the key resources within the initiative to enable the adoption of climate targets in line with the best available science and following best-practice for standard-setting organizations. The normative and non-normative resources developed by the Technical Department are the backbone of the SBTi target-setting framework. This includes, amongst others, the development of standards, criteria, recommendations, sector-specific guidance, topic-specific guidance and tools, as well as, the scientific foundations that underpin all of these, including the curation of scenarios, target-setting methods, though leadership and novel research.