

The CDP Science-Based Targets Campaign 2022

Financial institutions & purchasers jointly driving the net-zero transformation

May 25th, 2022

WELCOME!

You have been muted on entry.

For questions, please use the Q&A panel on the right-side menu of your screen.

This webinar is recorded; slides and recording will be shared.



SPEAKERS & AGENDA

1. An Introduction to the Science Based Targets initiative (SBTi)

2. CDP SBT Campaign: 2022 edition

3. Q&A



JEROME TARASKA

Senior Account
Manager,
Capital markets
CDP



OLWEN SMITH

Global Lead,
Commit to Action
CDP

An Introduction to the Science Based Targets initiative (SBTi)

THE SCIENCE BASED TARGETS INITIATIVE (SBTi)



Founding Partners

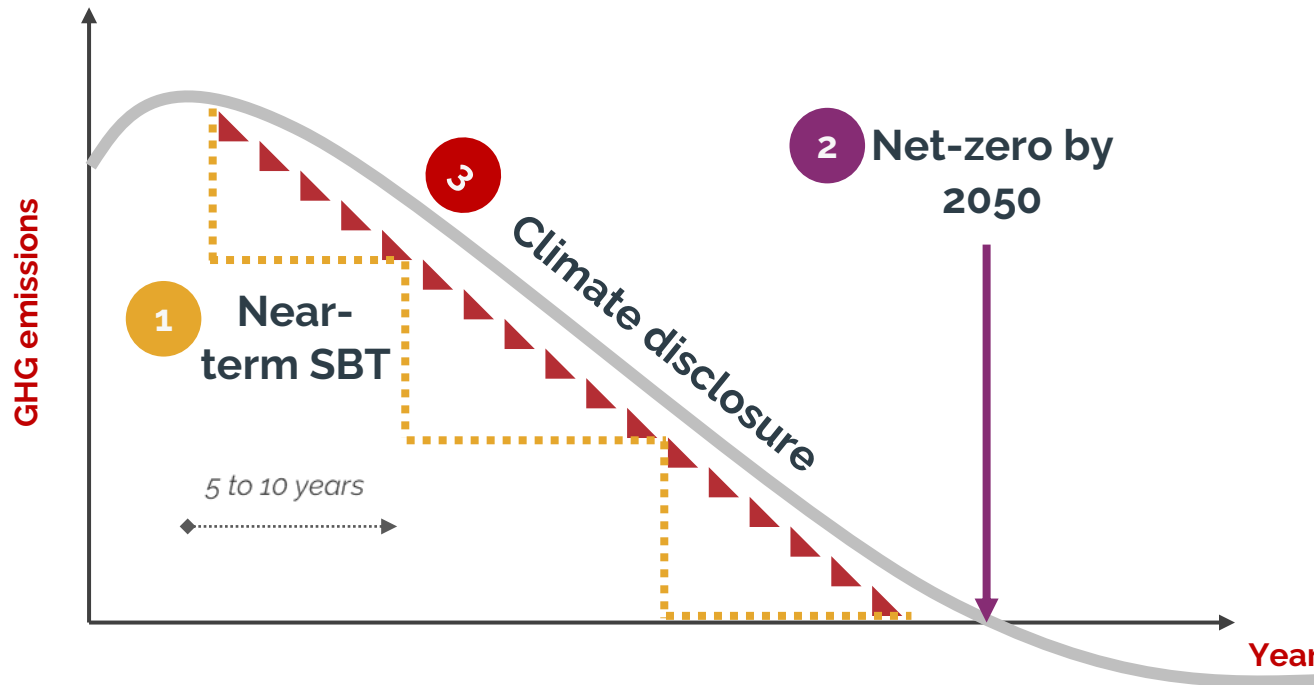


In collaboration with



INTRODUCTION TO SBTs

WHAT ARE SCIENCE-BASED TARGETS?



- 1 (Near-term) science-based target:** Ensures that the company is taking near-term action to reduce emissions at a pace that is consistent with keeping warming below 1.5°C;
- 2 Long-term net-zero target:** Provides clarity about the direction that the company will follow and serves as a north-star for long-term strategic and investment decisions;
- 3 Annual disclosure:** Gives visibility on how the climate strategy is being implemented and provides transparency on progress against targets

Science-based targets show companies **how much** and **how quickly** they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change

SBTi 2021 PROGRESS REPORT

KEY FINDINGS AT A GLANCE



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



DISCLOSURE INSIGHT ACTION

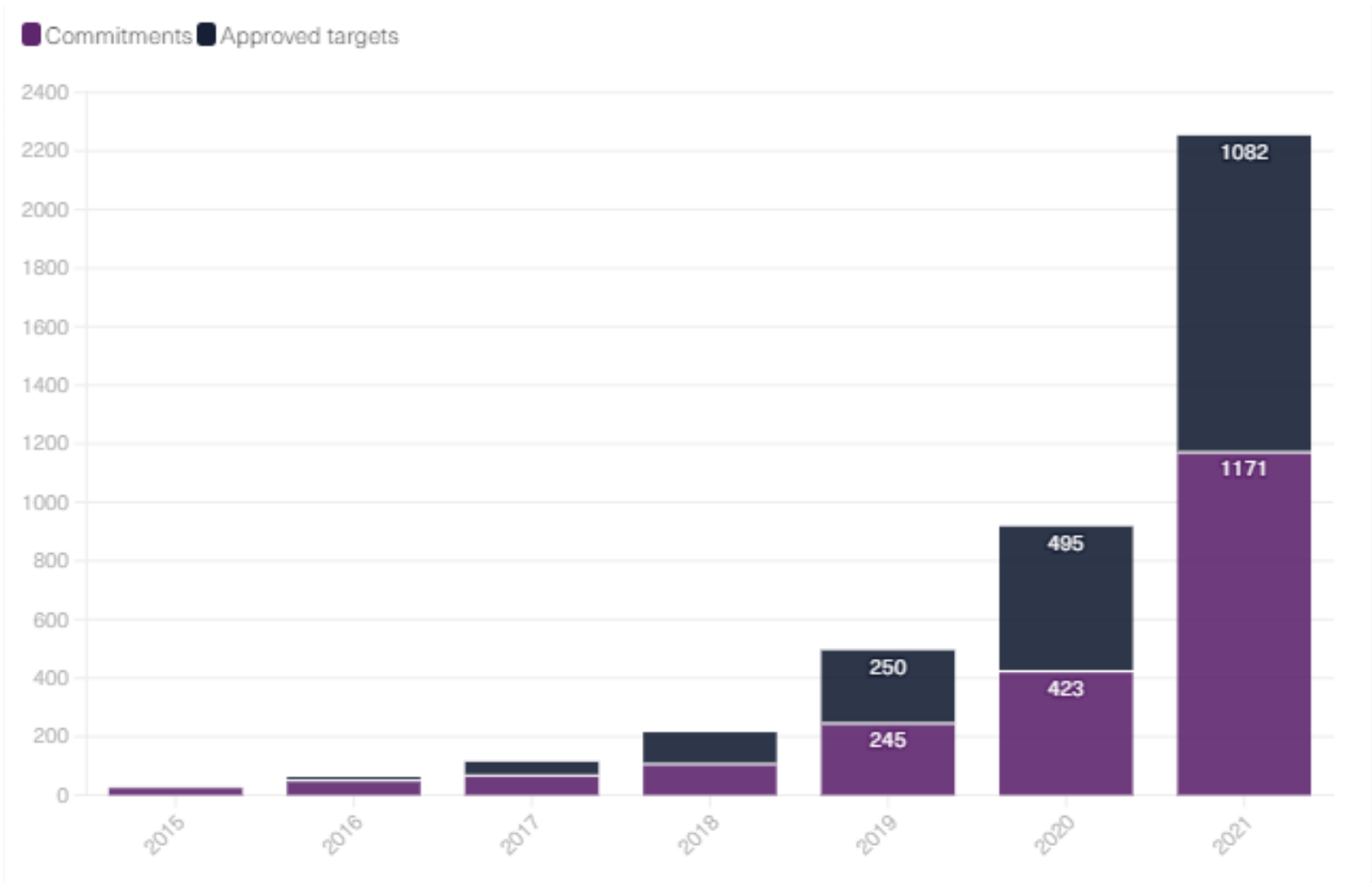


#SBTiProgress

Source: 'Scaling Urgent Corporate Climate Action Worldwide', Science Based Targets initiative, May 2022

EXPONENTIAL GROWTH OF THE SBTi

Companies joining the SBTi 2015 - 2021



PROCESS FOR SETTING AN SBT*

INCLUDES INDEPENDENT TARGET VALIDATION



DAY 1

24 MONTHS

AFTER
APPROVAL



COMMIT

Company submits a letter establishing its intent to set a science-based target



DEVELOP

Company works on an emissions reduction target in line with the SBTi criteria



SUBMIT

Company presents the target to the **SBTi for official validation**



COMMUNICATE

Company announces the target and inform stakeholders



DISCLOSE

Company report its wide emissions and progress against targets on an annual basis

*Process for large companies. SBTi offers a streamlined route for SMEs.

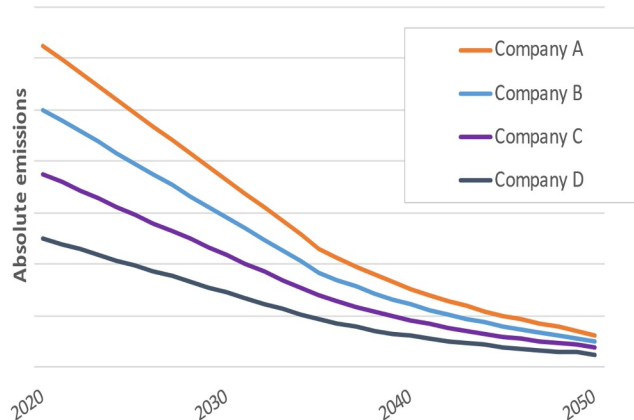
SBT SETTING METHODS

ELIGIBLE FOR ALL SCOPES*



Absolute reduction

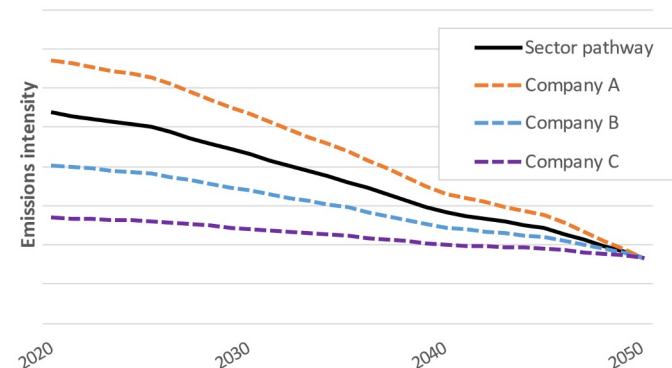
Absolute emissions are reduced by an amount that is, at minimum, consistent with the cross-sector or sector-specific pathway



- Targets may cover a mix of activities and emissions sources
- Applicable to all sectors except power generation

Sector-specific intensity convergence

Emissions intensity targets are calculated based on all companies in a sector converging to a sector-specific emissions intensity by 2050 or sooner



- Targets cover a specific sector, physical output, or activity
- Applicable to homogenous sectors and activities ¹

1. This includes Power Generation, Industry sectors (Cement, Iron & Steel), Transport sectors (Road Transport, Aviation, Maritime Transport), Buildings, and Agricultural Commodities

THE SBTI NET-ZERO STANDARD

ADDRESSING LACK OF CLARITY ON DEFINITION OF 'NET ZERO'



- Corporate net-zero targets can play a critical role in addressing the climate emergency, but the **lack of a robust benchmark has triggered scepticism** around net-zero as a concept.
- The SBTi carried out a **rigorous, stakeholder-informed process** to develop a framework enabling companies to set science-based NZ targets.
- The SBTi Net-Zero Standard was launched on October 28th, 2021
- Since January 2022 onwards , companies are able to have Net-Zero targets **independently validated** by the SBTi
- So far over 1,070 companies have made a Net-Zero commitment via the SBTi, with 20 validated NZ targets



SBTi UPDATES

SECTORAL PROJECTS & GUIDANCE



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



▼ Forests, land, and agriculture (FLAG) sector project

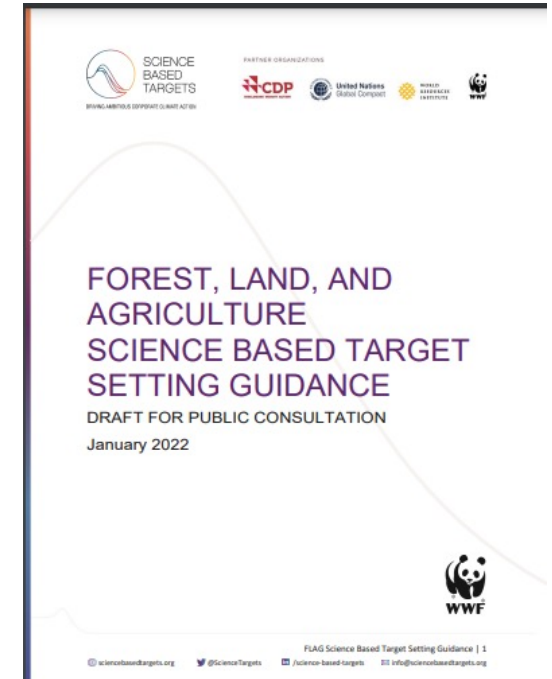
- In June 2022, the SBTi will release a dedicated sector pathways & guidance for companies with significant forests, land, and agricultural emissions
- See SBTi's [FLAG FAQ document](#) for further information

▼ SBTi fossil fuels policy and O&G methodology development:

- In early March, the SBTi announced [an updated fossil fuel policy](#);
- The SBTi is continuing to work on the development of an Oil & Gas sector method, more info on its release date will be provided before the end of 2022
- See this [SBTi energy sector blog](#) for more information

▼ The SBTi also continues its work on other sector projects

- Find out more on the [SBTi sector webpages](#)



SBTi UPDATES

PROCESS, GOVERNANCE & ACCOUNTABILITY



▼ SBTi target validation process

- The SBTi has been working to rapidly grow its capacity and has reduced the waiting time for target validations significantly since the start of 2022. Capacity will continue to increase over the coming months and process improvements are being implemented to validate targets in a shorter time frame.

▼ SBTi improving technical governance and accountability

- Over the coming year, the SBTi will develop a Measurement, Reporting & Verification (MRV) framework in order to provide a robust mechanism to assess, incentivize and disclose organizations' progress against their science-based targets.
- Scope 3 target setting as an evolving practice – the SBTi is carrying out a comprehensive review of scope 3 target setting methods and criteria to ensure they reflect lessons learned over the last seven years, and are fully aligned with new Net-Zero Standard
- The SBTi is currently working with consultants to improve its governance model. It is also hiring a director who will handle formal complaints, including conflict of interest charges. More information will be released soon.

CDP SBT CAMPAIGN: 2022 EDITION

CAMPAIGN CONTEXT IN 2022

Urgent corporate action required:

- IPCC sixth assessment report showed we urgently need an acceleration of 1.5°C aligned corporate action
- At COP26, GFANZ announced membership of 450 major FIs with over \$130 trillion AUM
- The financial sector has a key role to play: decarbonizing their portfolios (700x times higher than scope 1&2)
- Purchasing companies must also cascade climate action down their supply chain

CDP is uniquely positioned to drive this forward:

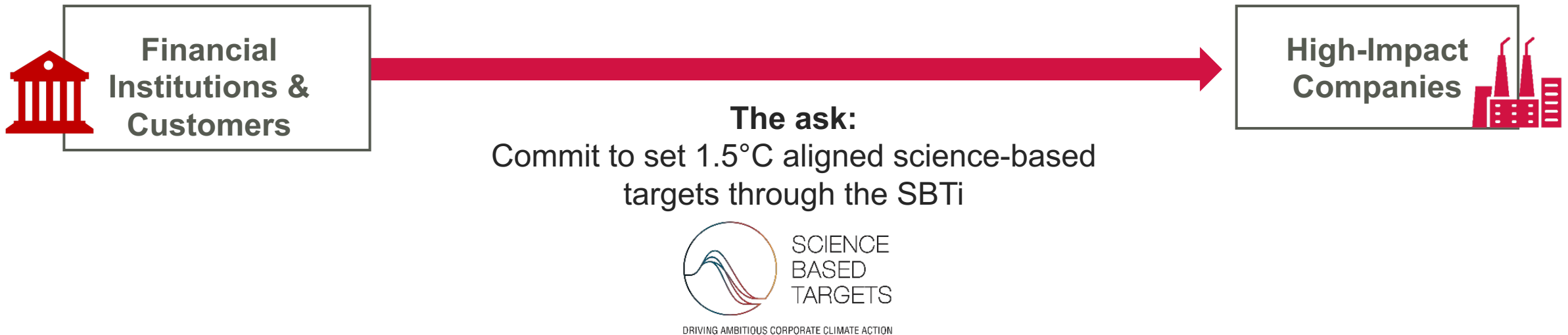
- ✓ 680+ investors with +\$131 trillion in assets to drive annual disclosure
- ✓ 250+ major purchasers with +\$5.5tn of purchasing power
- ✓ Founding partner of the Science-Based Targets initiative;
- ✓ SBTi Net-Zero Standard provides a robust framework for companies
- ✓ SBT-setting framework for FIs gaining traction
- ✓ Co-Founder of the Net Zero Asset Manager Initiative [NZAM]
- ✓ 2 previous successful editions of annual CDP SBT Campaign

THE CDP SBT CAMPAIGN

How it works



THE CAMPAIGN GOAL: Create a positive ambition loop between investors, purchasing organisations and companies that incentivizes high-impact companies to set SBTs and accelerates the decarbonization of the real economy.



THE CDP SBT CAMPAIGN



Objective: Leverage the influence of CDP Investor signatories & Supply Chain members to accelerate the adoption of SBTs from high impact companies



Science Based Targets initiative
COMMITMENT LETTER

Our organization wishes to join the growing group of leading corporations that are setting emissions reduction targets in line with what climate science says is necessary. By doing so, we recognize the crucial role the business community can play in minimizing the risk climate change poses to the future of our planet.

Thereby, I am pleased to confirm that [insert company name] is committing to set science-based emissions reduction targets (near-term targets), in line with the SBTi Criteria and Recommendations, submit them to the SBTi for validation and publish our approved targets, all within a maximum of 24 months.

We acknowledge that our commitment will be recognized on sciencebasedtargets.org as well as on our partner websites at We Mean Business and UN Global Compact.

In addition, to align with the most ambitious aim of the Paris Agreement and to what science dictates is necessary to reduce the destructive impacts of climate change on human society and nature - to reach net-zero global emissions by 2050 at the latest in order to limit global warming to 1.5°C - my company is committing to:

☐ **Set net-zero targets, including a long-term science-based target:** My company commits to set a long-term science-based target to reach net-zero value chain GHGs emissions by no later than 2050 in line with the [SBTi Net-Zero Standard](https://sciencebasedtargets.org), submit it for SBTi validation and publish it, all within a maximum of 24 months. By committing to set a net-zero target, I also acknowledge that my company will be part of the Business Ambition for 1.5°C campaign. My company will also join the Race to Zero campaign.^{3,4,5}

Science-based targets (SBTs) are near-term targets that meet the criteria and recommendations of the SBTi.

Science-based net-zero targets are longer-term targets - by 2050 at the latest. The SBTi defines the state of net-zero emissions for companies as reaching a state of no impact on the climate resulting from the organization's GHG emissions.

Reaching a status of science-based net-zero emissions implies the following two conditions:

- Achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in pathways that limit warming to 1.5°C with no or low overshoot.

³ All companies except oil and gas companies, airports and companies with >50% coal or at risk of non-parent approach will be able to join Race to Zero at this point in time. If companies have questions, please reach out to Race to Zero at racetozero@unfccc.int or refer to the [Business Ambition for 1.5°C Guidance and FAQs document](https://sciencebasedtargets.org).

⁴ Companies must have valid near-term science-based targets (SBTs) that meet SBTi Criteria to be eligible for a net-zero target, unless the long-term SBT target year is 10 years or fewer from the date of submission.

⁵ Companies that are already part of the initiative can raise their ambition by also committing to set a net-zero target.



LOOKING BACK: 2021 CDP SBT CAMPAIGN



1,600+ Companies

- Representing **40 trillion USD** of market cap & 25% of global S1+S2 GHG emissions
- Within CDP's universe of disclosing or requested-to-disclose companies



220 Financial Institutions

- Holding nearly **US\$30 trillion in assets** (60% growth from 2020)



25 Purchasing companies

- CDP Supply Chain members

PREVIOUS CAMPAIGN PROGRESS

2020 SBT campaign final results*



8.1%

Of the CDP SBT Campaign sample joined the SBTi between October 2020 and August 2021.

Following the campaign's launch in October 2020, CDP's global corporate engagement team actively engaged the companies targeted to inform, educate and support them to commit to setting science-based targets through the SBTi. This ongoing work by CDP is critical to the campaign's impact.



1830

• Companies targeted with letters to their CEO



700

• Follow ups from CDP corporate team



200

• CDP conversations with companies



90%

• Interest from companies in setting SBTs

154

New commitments and targets through the Science Based Targets initiative.

0.7 GtCO₂e

in annual Scope 1 + 2 emissions to be covered by new targets - approximately equivalent to Germany's annual emissions.

ENGAGEMENT WORKS

2020 SBT campaign final results*



CDP ran a survey among 115 newly-committed companies; 23 companies with a market capitalization of US\$198 billion responded.

96%

Of companies responding to CDP survey said that general investor pressure influenced their decision to join the SBTi.

ALMOST ALL COMPANIES JOINING THE SBTi WERE INFLUENCED BY TO DO SO BY GENERAL INVESTOR INFLUENCE

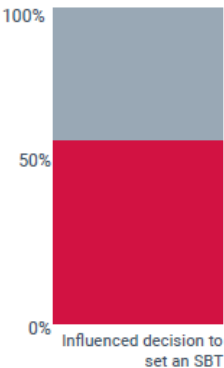


Continued support for science-based targets from investors was helpful to prioritize our climate change actions.

Al Hildreth
Global Energy Manager
General Motors



56% of companies asked by CDP reported that the SBT campaign had a direct influence over their decision.



*[Link to SBT Campaign Progress Report 2020](#) published in Sept 2021
Results of the 2021 campaign will be released alongside the launch of the 2022 campaign in October

2022 CAMPAIGN: SAMPLE OF TARGETED COMPANIES



- ▼ The campaign targets the most climate-relevant companies within the global investable market
- ▼ CDP has carefully curated this sample with the MSCI ACWI Index as a starting point, applying a number of filters to ensure maximum impact and relevance
- ▼ See full methodology for more detail.

	Number of companies (estimated)	Total market cap	Total GHG emissions (Scope 1,2,3)	% of MSCI ACWI coverage
CDP High Impact SBTs Campaign sample	1,200	\$ 28 000 billion	22,29 Gt	26% (750) of MSCI ACWI

*These numbers are estimations. Final target list will be finalized by end of September.

CDP & Net Zero Financial Institutions



DATA & ENGAGEMENT

Capital Markets Signatory
Banks & Supply Chain program
Non-Disclosure, **SBT Campaign**, Say on Climate
Capacity Building
CDP Temperature Rating Dataset

REPORTING & VALIDATION

TCFD Aligned Financial Services CDP Questionnaire
Reporter Services
CDP Temperature Rating Dataset



TARGET SETTING

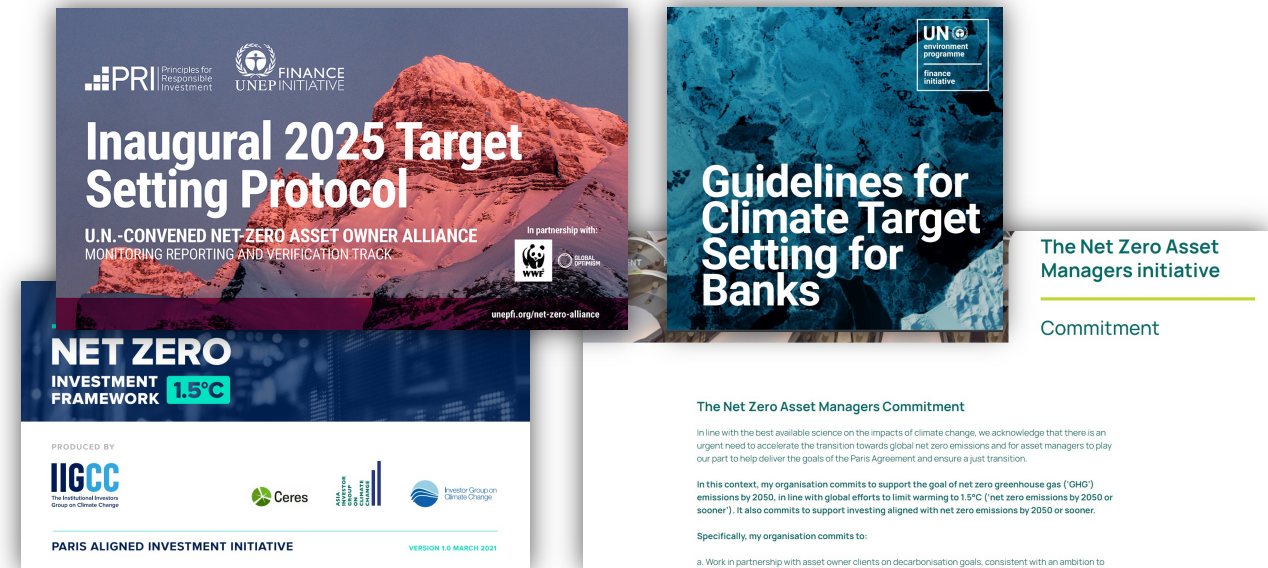
Science Based Targets for Financial Institutions
SBT Campaign
CDP Temperature Rating Dataset

PORTFOLIO ALIGNMENT & TRANSITION PLANS

CDP Temperature Rating & Reported Dataset
Investor Agenda ICAPs
CDP & ACT Scores
Collaboration with GFANZ, ICMA & Others

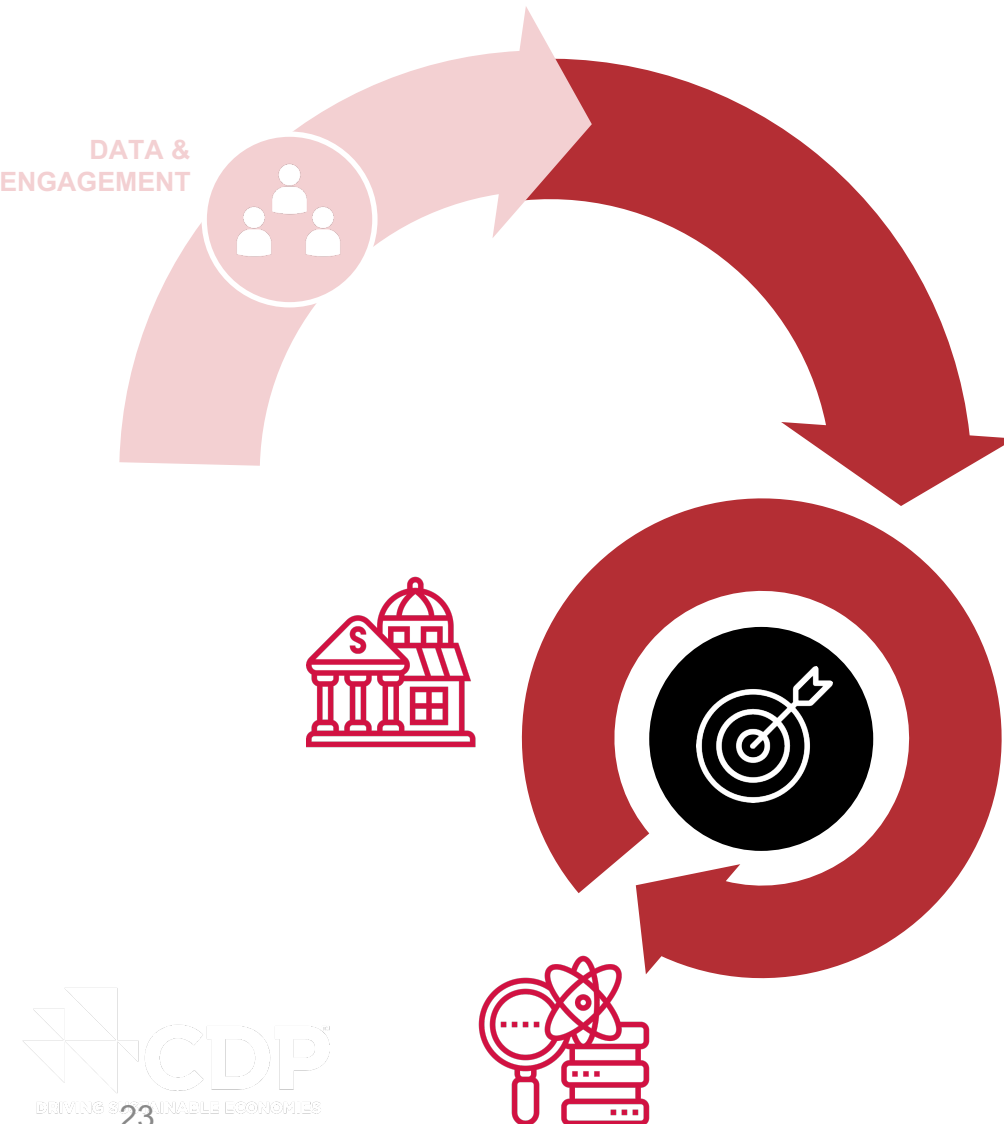
Target Setting for Financial Institutions

Net Zero Initiatives for FIs



SBTi for Financial Institutions (SBTi-FI)

- ▶ Third party target setting and validation mechanism
- ▶ Help Increasing the # companies with net zero targets
- ▶ Support the various 'Portfolio Coverage' and engagement led methodologies within SBTi-FI & GFANZ alliances
- ▶ Demonstrating stewardship with the real economy



ASK FOR CAMPAIGN SUPPORTERS



Sign up

Simply fill in relevant form to become a campaign supporter:

- CDP Capital Markets Signatory form
- CDP Supply Chain Member form

Amplify

Share the Campaign Press Release, LinkedIn Posts etc.

Engage
(Optional)

Campaign resources for engagement:

- Recommended Message
- Guidance for SBT engagement
- Transition Plans & SBTs 1 pager

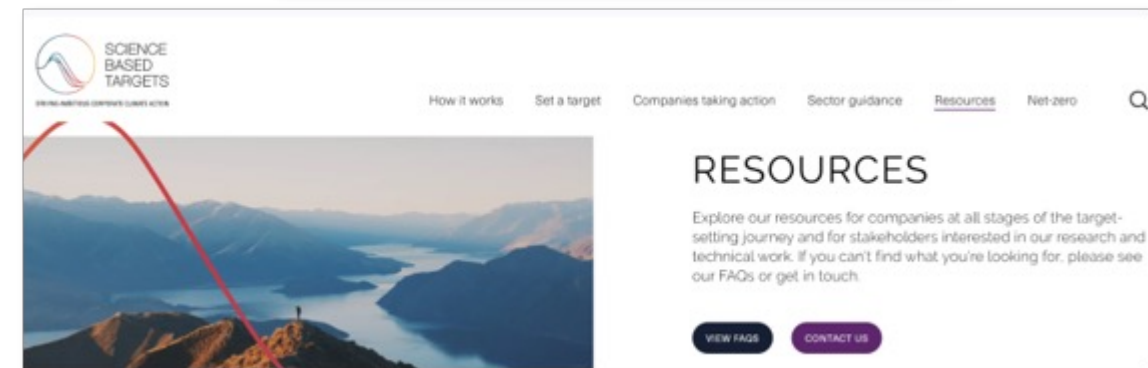
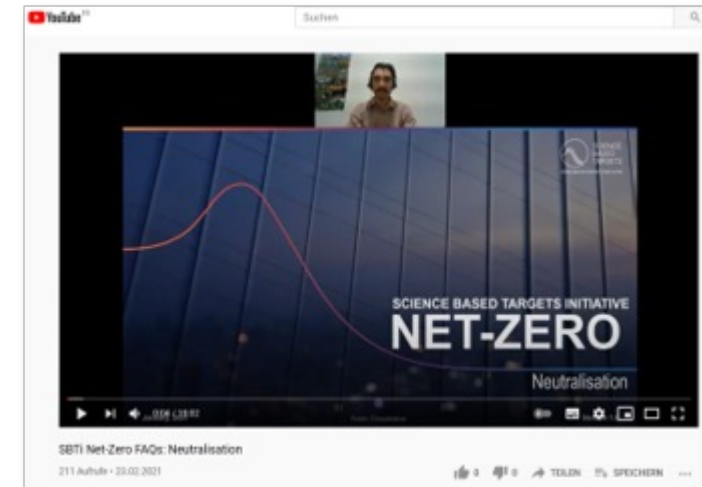


SBT ENGAGEMENT RESOURCES

For use by campaign supporters & companies setting SBTs



- ▼ [SBT Talking Points & Conversation Guide](#)
- ▼ [Engaging on Climate Transition Plans as part of the SBT Campaign](#)
- ▼ [SBTi Progress Report 2021](#) – published in May 2022
- ▼ SBTi website – key resources include:
 - [SBTi Corporate Manual](#)
 - [SBTi How-to-Guide](#)
 - [SBTi Net Zero Standard](#)
 - [Deep Dive webinar on SBTi NZ Standard](#)
 - [SBTi FAQs](#)



2022 CAMPAIGN TIMELINE

May to July
2022

July to Sept
2022

Oct 2022
to Oct 2023

Sign up phase:

- Sign up period for campaign supporters
- Webinar for campaign supporters (May 25th)
- Development of partnerships with organisations endorsing the campaign

Internal preparatory phase:

- Final update of companies targeted in 2022 campaign
- Prepare corporate letters
- Prepare press releases
- Write final progress report for 2021 Campaign

Campaign launch:

- Publication of 2021 progress report
- 2022 Campaign letters sent (early Oct)
- Continuous proactive engagement by CDP (1:1 calls, webinars etc.)
- Direct engagement from campaign supporters

Thank you! Questions?

More information:
[Campaign Website](#)

