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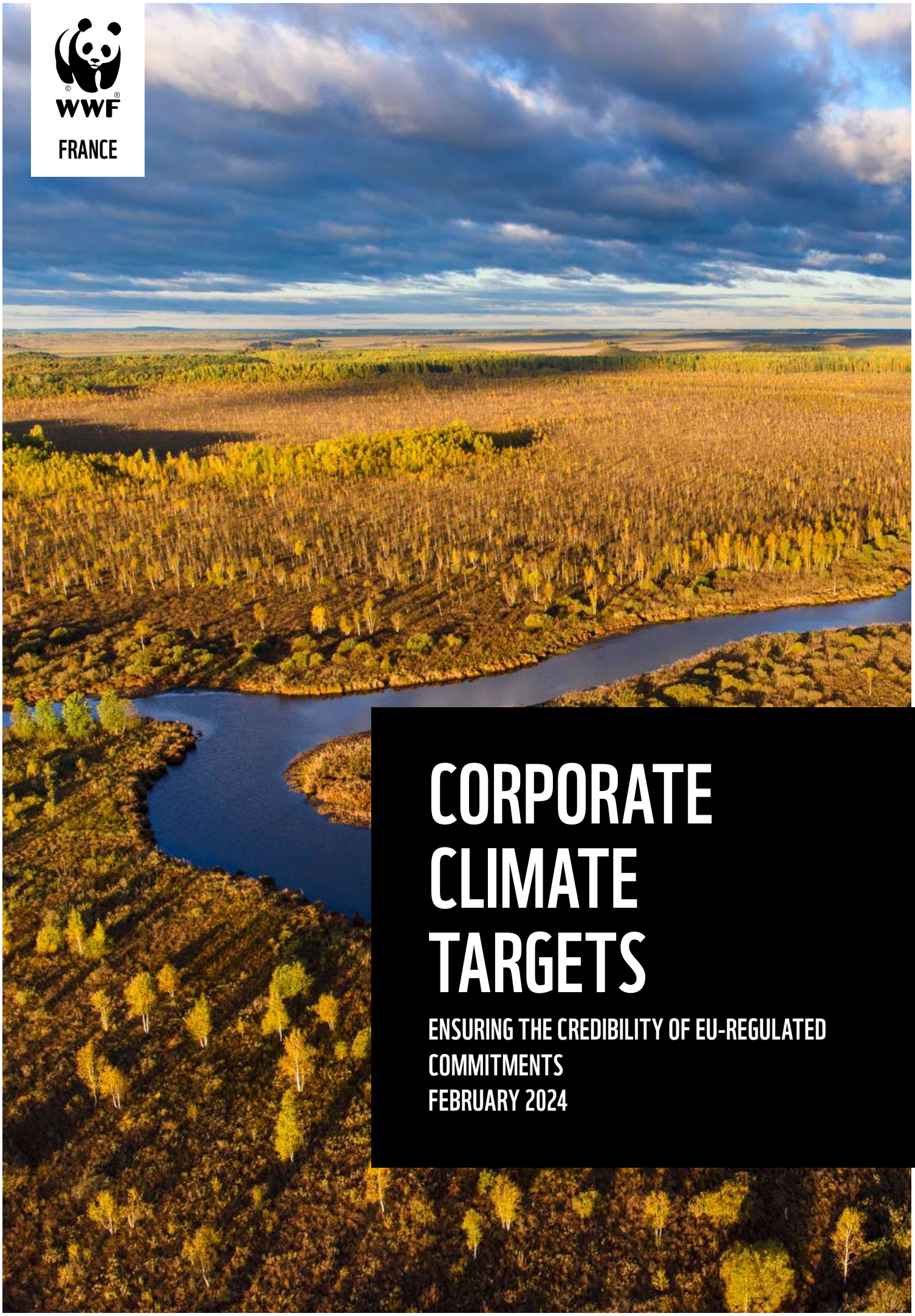

CORPORATE CLIMATE TARGETS

ENSURING THE CREDIBILITY OF EU-REGULATED COMMITMENTS

FEBRUARY 2024

WWF

WWF is one of the world's largest and most experienced independent conservation organizations, with over 5 million supporters and a global network active in more than 100 countries. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

Since 1973, WWF France has worked on a constant stream of projects to provide future generations with a living planet. With the support of its volunteers and 202,000 donors, WWF France leads concrete actions to safeguard natural environments and their species, ensure promotion of sustainable ways of life, train decision-makers, engage with businesses to reduce their ecological footprint and educate young people. The only way to implement true change is to respect everyone in the process. That is why dialogue and action are keystones for the WWF philosophy. Antoine Housset is President of WWF France, and Véronique Andrieux is Chief Executive Officer.

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Together possible.

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EXECUTIVE SUMMARY

This report focuses on the EU policy requirements for **corporate climate target setting and reporting** set by the Corporate Sustainability Reporting Directive (CSRD), which would also be applicable under the Corporate Sustainability Due Diligence Directive (CSDDD[1]). It assesses the degree of alignment of the underlying methodological requirements in the **Science Based Target initiative (SBTi)** – a voluntary initiative established to drive ambitious climate action in the private sector by developing standards, tools and guidance to enable organizations to set science-based emissions reduction targets – with the EU legal requirements from CSRD.

This report exclusively addresses climate targets for companies and financial institutions, and not the transition plans that must be associated with targets set by companies in order to achieve their decarbonization objectives. WWF acknowledges that climate targets are essential to set the ambition for transition planning by companies and financial institutions ; however, climate targets alone are insufficient to guarantee the sustainability ambitions of undertakings, or to characterize companies as transitioning. WWF has already released reports outlining the importance of a transition plan, and will continue through additional reports. **The findings of the report indicate that:**

- The CSRD requires companies to disclose (1) climate targets on all 3 scopes of carbon emissions, (2) whether these targets are compatible with the 1.5°C limit of temperature increase and (3) what and how scenarios were used to construct these targets. This requirement would be complemented with an obligation of means under CSDDD.
- Under CSRD companies must disclose targets for the near and long terms, every five years between 2030 and 2050, and express them in absolute values, so as to ensure the rapid decarbonization of economic activities. For a summary of the five key technical recommendations regarding climate target setting, see Section 2 page 14.
- **The Science Based Targets initiative (SBTi) represents the gold standard for climate target setting with independent validation to date** and enables companies to ensure that their decarbonization targets are aligned with 1.5°C-aligned climate scenarios. As of 2024, more than 4000 companies and financial institutions have validated science-based targets and a further 3000 have commitments to set them. The companies span almost 100 countries, including 2300 in the EU.
- **The methodological requirements for target creation, submission and validation by the SBTi correspond to, and at times exceed, the requirements set by the CSRD, which provides the methodological basis for climate target disclosures.**
- **The SBTi can therefore greatly facilitate the implementation by companies of EU climate target setting and reporting requirements.** This will improve the credibility and comparability of corporate climate targets, better contributing in turn to the EU 2030 climate objectives and the European Green Deal as well as to the long-term climate resilience and financial stability of companies.
- **The SBTi is explicitly mentioned in ESRS E1** as a reference for the minimum rate of carbon emissions reduction needed to align with 1.5°C.

Based on these findings, WWF issues the following three recommendations:

1. **EU institutions and Member States, relevant regulators and supervisors, and assurance providers on CSRD disclosures should immediately recommend that companies and financial institutions set SBTi-validated climate targets to ensure compliance with EU requirements on corporate climate target setting and reporting**, and provide greater transparency on their forecasted emission reductions. In its Strategy for financing the transition to a sustainable economy from July 2021, the Commission committed to examine to what extent more guidance could ensure that science-based climate targets are credible.
2. **Building on the SBTi notably, the EU should develop a methodological framework of reference for corporate climate target setting aligned with the 1.5°C limit of temperature increase, the use of which should become mandatory over time.** It is necessary to ensure credibility and comparability of corporate climate targets, and in turn better contribute to the EU 2030 climate objective and the European Green Deal. The relevance of such a standard has been demonstrated by the wide adoption of SBTi-validated targets by economic actors of all sectors and sizes globally.
3. **These climate targets must be monitored by relevant regulators (national competent authorities - NCAs) and supervisors: these authorities should ensure that appropriate means are allocated to achieving these targets and monitor progress on corporate commitments. In this sense, CSDDD represents an essential part of the EU corporate regulatory framework. It will have to be complemented with the development of a robust Measurement, Reporting and Verification (MRV) process for corporate climate targets[2].**

[1] Any information regarding CSDDD contained in this report refer to the agreement of the Parliament and Council dating from December 14th 2023. WWF acknowledges and regrets the uncertainty on the final step of CSDDD, which it views as an essential element of the regulatory framework for climate targets and transition plans in the EU. However, the same methodological requirements apply for corporate climate target setting and disclosure under CSRD and CSDDD.

[2] The same will be relevant as well for corporate climate transition plans - which are not the focus of this report.

SCOPE AND OBJECTIVES

Building on previous work by WWF[3], this report has two objectives:

- **It assesses the relevance of the SBTi for EU corporate climate target setting and reporting requirement for companies and financial institutions, in alignment with the 1.5°C limit of temperature rise**. Given our positive assessment, EU institutions and Member States, relevant regulators and supervisors, and CSRD assurance providers should recommend the adoption of the SBTi as a methodology of reference for corporate climate target setting.
- It brings complementary elements for the implementation of the CSRD (and more specifically ESRS E1) by providing **methodological guidance for climate science-based target setting based on SBTi and WWF technical expertise**, which should be used to develop a normative EU methodological framework of reference for corporate science-based climate target setting - the use of which should become mandatory over time.

These elements can largely be drawn from the SBTi's methodology, which provides an internationally recognized, comparable and ambitious science-based tool for GHG target design. Additional elements will also be provided in the report when gaps exist between SBTi and what is considered best practice by WWF.

Finally, the relevance of this approach will be illustrated with the presentation of five different use cases of SBTi target-setting by companies or financial institutions. This report does not explicitly address the *transition plans* that need to be associated with targets set by companies in order to achieve their decarbonization objectives. It is important to distinguish between targets and transition plans, as a target that is validated on the basis of its alignment with the 1.5°C limit of temperature increase is not a guarantee that companies will eventually implement the relevant strategies and actions to reach their stated objectives. WWF plans further reports on transition plans specifically.

The elements provided in this report are intended to contribute to EU efforts to create the appropriate legislative framework to guide the ecological transition in the EU, to be used by information users to evaluate the quality of data provided in the context of CSRD-mandated publications, and to be adequately monitored by relevant regulators and supervisors. This report is part of a series of WWF publications around climate and nature targets and transition plans, presented in the timeline below:

[3] See notably WWF - Recommendations for a consistent EU regulatory framework on corporate sustainability targets and transition plans (2022) or WWF - Transformation mit Plan (2023, German version only)

1 PRESENTATION OF EU REQUIREMENTS FOR CORPORATE CLIMATE TARGET SETTING AND REPORTING

1 - THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD) AND THE EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)

The Corporate Sustainability Reporting Directive (Directive EU 2022/2464), published in the Official Journal of the European Union in December 2022, sets the minimum standards for sustainability reporting for European companies. Complementarily, the European Sustainability Reporting Standards (ESRS, as a Delegated Act of CSRD) specify the disclosure contents required by the CSRD. Among these, ESRS 1 (General requirements) and 2 (General disclosures) are mandatory and establish the basis for all other potential thematic disclosures.

In the context of the rapidly accelerating physical and economic impacts of climate change, it is expected that a great majority of the companies in the CSRD scope (>250 employees and/or 40M€ revenue and/or 20M€ benefits, and listed SMEs) will also be subjected to ESRS E1 (climate change), due to the materiality of this topic for a large share of economic activities. It is also worth noting that any company subjected to the CSRD that does not identify climate as a material topic will have to justify this choice in its sustainability reporting[4].

Presupposing that an undertaking has identified climate change as a material issue for its business model, ESRS 1 and E1 set a number of principles and requirements for the disclosure of GHG emissions reduction targets (disclosure requirements). These are complemented by methodological suggestions for the development of such targets that should be applied when setting decarbonization objectives (application requirements)[5].

ESRS 1 (GENERAL REQUIREMENTS)

ESRS 1 lists the following different qualitative characteristics of information to be disclosed by companies. Definitions have been simplified to facilitate the understanding and uptake of reporting principles under the CSRD:

Relevance: Sustainability information is relevant when it may make a difference in the decisions of users under a double materiality approach. It may impact decisions of users if it has predictive value, confirmatory value, or both.

Faithful representation: To be useful, the information must not only represent relevant phenomena, it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (i) complete, (ii) neutral and (iii) accurate. Completeness of information implies that all data relevant to decision making for users is present, and not presented on a selective basis meant to influence said decisions - whether favorably or unfavorably. Neutral representation means that the information does not under or overstate certain risks and opportunities so as to bias information users. Finally, accurate information implies that the undertaking has implemented adequate processes and internal controls to avoid material errors or material misstatements. As such, estimates shall be presented with a clear emphasis on their possible limitations and associated uncertainty.

Comparability: Sustainability information is comparable when it can be compared with information provided by the undertaking in previous periods and can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same industry. Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for the same sustainability matter, from period to period by the undertaking and other undertakings. Consistency helps to achieve the goal of comparability.

Verifiability: Verifiability helps to give users confidence that information is complete, neutral and accurate. Sustainability information is verifiable if it is possible to corroborate the information itself or the inputs used to derive it. This implies that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

Understandability: Sustainability information is understandable when it is clear and concise. Understandable information enables any reasonably knowledgeable user to readily comprehend the information being communicated[6].

[4] ESRS E1. See also https://www.carbone4.com/en/article-csrd-opportunity
[5] All definitions from *ANNEX to the Commission Delegated Regulation (EU) .../... supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards*, Appendix B, pp. 4
[6] All definitions from *ANNEX to the Commission Delegated Regulation (EU) .../... supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards*, Appendix B, pp. 27-29

ESRS E1 (CLIMATE CHANGE)

Based on the set of principles presented above, ESRS E1 provides undertakings with a list of data points that they are required to disclose in the context of sustainability reporting. It is useful to remember that although methodological guidance is provided, it is the *presence* (or justification of absence) rather than the *quality* of the different elements required that is generally addressed in the CSRD context. As a reminder, this report focuses on the sections of ESRS E1 specific to companies' and financial institutions' climate targets. The objective of this report is to assess whether, and to which extent, the SBTi helps companies and financial institutions to meet the requirements of climate target setting for CSRD reporting. This report also provides various methodological recommendations that could be used to develop a normative framework of reference for climate target setting at the EU level.

The first key element required by ESRS E1 is for the undertaking to state whether its GHG emission reductions targets are science-based and compatible with the 1.5°C limit of temperature increase. Companies shall also state which framework and methodology have been used to determine these targets – including whether they are derived using a sectoral decarbonization pathway and what the underlying climate and policy scenarios are and whether the targets have been externally assured or certified by a third party. Undertakings shall present the information over the target period with reference to a sector-specific, if available, or a cross-sector emission pathway compatible with the 1.5°C limit of temperature increase. For this purpose, the undertaking shall calculate a 1.5°C aligned reference target value for Scope 1 and 2 (and, if applicable, a separate one for Scope 3) against which its own GHG emission reduction targets or interim targets in the respective scopes can be compared. It is important to note that in this case, 1.5°C-aligned targets imply that companies are planning to align their business models with emissions targets compatible with this climate threshold. **Thus, companies in hard-to-abate sectors should not set targets that imply emissions associated with a higher limit of temperature increase while expecting that other sectors could decarbonize at a speed that would compensate for their own slower decarbonization.** Indeed, all sectors will have to converge to the decarbonization objectives compatible with the 1.5°C limit, implying faster emissions reductions for sectors that disproportionately contribute to climate change.

In terms of activity and value chain coverage, ESRS E1 requires that GHG emission reduction targets be disclosed for Scope 1, 2, and 3 GHG emissions, either separately or combined. Companies shall specify, in case of combined GHG emission reduction targets, which GHG emission scopes (1, 2 and/or 3) are covered by the target, the share related to each respective GHG emission scope and which GHGs are covered:

- Scope 1 and 2 emissions and associated targets should be calculated and established on the basis of operational control: companies must consider 100% of their operations in these calculations, including for joint ventures, associations, unconsolidated subsidiaries and contractual engagements.
- For Scope 3 emissions and targets, these shall include GHG emissions in metric tons of CO2eq from each significant Scope 3 category (i.e. each Scope 3 category that is a priority for the undertaking).

The GHG Protocol and ISO 14064-1 are cited as proper methodological guidelines to establish the boundaries for GHG reporting. The emissions factors used for GHG accounting, which will influence the target set by the company, should be calculated by multiplying the GHG emissions in the base year with either a sector-specific (sectoral decarbonization methodology) or cross-sector (contraction methodology) emission reduction factor. These emission reduction factors can be derived from different sources. The emission reduction factors are subject to continuous development. Consequently, undertakings are encouraged to only use the latest publicly available information.

ESRS E1 requires that companies set short-term decarbonization targets, without necessarily disclosing long-term, net-zero objectives. Indeed, the reporting standards state that GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set in five year increments up to 2050. As part of the critical assumptions for setting GHG emission reduction targets, undertakings shall briefly explain how they have considered future developments (e.g. changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both GHG emissions and emissions reductions.

From 2030, target values shall be set in five year increments up to 2050

In the case where companies disclose a net-zero target in addition to the gross GHG emission reduction targets, they shall explain the scope, methodologies and frameworks applied, and how the residual GHG emissions[7] are intended to be neutralized by, for example, GHG removals in their own operations and upstream and downstream value chain. For each target, the disclosure shall include the following information: "*[...] the performance against its disclosed targets, including information on how the target is monitored and reviewed and the metrics used, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the performance of the undertaking towards achieving the target.*"

ESRS E1 requires companies to publish absolute decarbonization targets, and states that this can also be accompanied by intensity targets: "*GHG emission reduction targets shall be disclosed in absolute value (either in tons of CO2eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value*" (ESRS E1-34(a)). Intensity targets are a complementary tool to absolute decarbonization targets and are formulated as ratios of GHG emissions relative to a unit of physical activity or economic output (e.g. tons of CO2eq per ton of steel produced). Relevant units of activity or output will be referred to in ESRS sector-specific standards, to be published at a later date. In cases where the undertaking has set a GHG intensity reduction target, it shall disclose the associated absolute values for the target year and interim target year(s). This provides increased transparency on the real GHG emissions volume implied by a company or financial institution's activity: intensity targets and indicators alone cannot provide information users with a vision of the total volume of greenhouse gasses emitted by economic actors. For example, a company may increase the efficiency of its production processes, resulting in lower intensity indicators per unit of production, while seeing its overall emissions rise due to organic growth of its business. Providing absolute targets and indicators is therefore essential to ensure the alignment of an activity's GHG emissions with a 1.5°C decarbonization pathway. Therefore, companies should state whether set targets are compatible with the 1.5°C limit of temperature increase, and specify the frameworks and methodologies used to determine targets. It should also be explained whether future developments, both internal and external to the company's activity, are considered in this assessment.

ESRS E1 requires companies to publish absolute decarbonization targets

Consideration for relevant geographic levels of disaggregation regarding sustainability information are also provided by ESRS 1. According to this reporting standard, for a proper understanding of material impacts, risks and opportunities, undertakings shall disaggregate reported information by country, or by significant site or assets. The level of disaggregation provided should be guided by the materiality analysis performed by companies in the scope of CSRD. A **country-level** breakdown helps to identify significant variations in impacts, risks and opportunities, which could be obscured or hidden by providing solely global aggregated information. Similarly, **site or asset-levels disclosures** are needed to do the same for highly impactful specific locations and assets.

2 - THE CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDDD)

The Corporate Sustainability Due Diligence Directive (CSDDD), tabled by the Commission in February 2022, was agreed in a trilogue's political deal in December 2023. The directive is still being negotiated by Member States. The final text should be published in the Official Journal of the European Union a few months after being voted into law and subsequently be transposed by Member States. In terms of entry into application, CSDDD should apply in 2027 to companies with 1000+ employees, in 2028 to companies with 500+ employees and in 2029 to high-risk sector companies with 250+ employees.

[7] Residual emissions are the remaining ones after approximately 90-95% of GHG emission reduction, with the possibility for justified sectoral variations in line with a recognized sectoral decarbonization pathway.

The elements provided below with regard to two specific articles build on their quasi-final wording, agreed in the December trilogue. Although it is still unclear what the final outcome of the vote on CSDDD will be, the methodological requirements on climate targets in this directive are directly linked to CSRD. Therefore, the technical analysis and recommendations issued in this report remain relevant whatever CSDDD outcome. Some targeted wording may be slightly updated before publication into the Official Journal. Stakeholders will need to check the final version published in the Official Journal.

Currently, Article 15(1) states that Member States shall ensure that companies in the scope of CSDDD adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement, including its intermediate and 2050 climate neutrality targets.

The transition plan would be required to contain, among others, **time-bound targets related to climate change for 2030 and in five-year steps up to 2050 based on conclusive scientific evidence** and including, where appropriate, absolute emission reduction targets for greenhouse gas for Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for each significant category.

In its current formulation, Article 15(3) clarifies that companies in the scope of CSRD that report a transition plan for climate change mitigation in accordance with Article 19a, 29a or 40a of CSRD shall be deemed to have complied with the adoption of the target required in Article 15(1) of the CSDDD. Said differently, **CSRD and CSDDD climate transition plans would be identical content-wise and CSRD compliance would thus entail CSDDD compliance. This is true for adoption only: CSDDD would also set an obligation of means ('best effort' clause) to implement and reach the set target**.

The Article 18 in CSDDD currently states that **supervisory authorities shall be required to supervise the adoption and design of the transition plan** in accordance with the requirements of Article 15(1).

In the current formulation, CSDDD transition plans must aim to ensure business model compatibility with 1.5 °C in line with the Paris Agreement, including intermediate and 2050 climate neutrality targets

3 - EU LEGAL REFERENCES TO THE 1.5°C LIMIT OF TEMPERATURE INCREASE

Both the CSRD and the current version of CSDDD explicitly refer to the 1.5°C upper boundary objective of the Paris Agreement for temperature increase, as opposed to "well below 2°C" (see in Section 2.1 the relevance of this approach).

It is also the reference climate objective in the **EU Taxonomy** (Article 10 on Substantial contribution to climate change mitigation and Article 19 on Requirements for technical screening criteria).

The 1.5°C limit is also explicitly mentioned in the Benchmark Regulation setting EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.

At the overarching level, the EU Climate Law explicitly mentions the 1.5°C limit.

At a more granular level, in its Recommendation on facilitating finance for the transition to a sustainable economy from June 2023, the European Commission has issued the following 'recommendation to undertakings seeking transition finance': "*When using scenarios or pathways, it is recommended to use those that are science-based, and in the case of decarbonization pathways, those that are in line with the Paris Agreement,* ***such as the 1.5°C scenarios of the International Energy Agency or the International Panel on Climate Change with no or limited overshoot.***"

There is therefore a very clear and consistent EU regulatory framework for undertakings to set their entity-level climate target: they should ensure compatibility with the 1.5°C upper boundary objective, and therefore select a 1.5°C reference scenario and pathway.

There is a very clear and consistent EU regulatory framework for undertakings to set their entity-level climate target in line with 1.5°C

2 WWF RECOMMENDATIONS ON ESRS CLIMATE TARGET DISCLOSURES

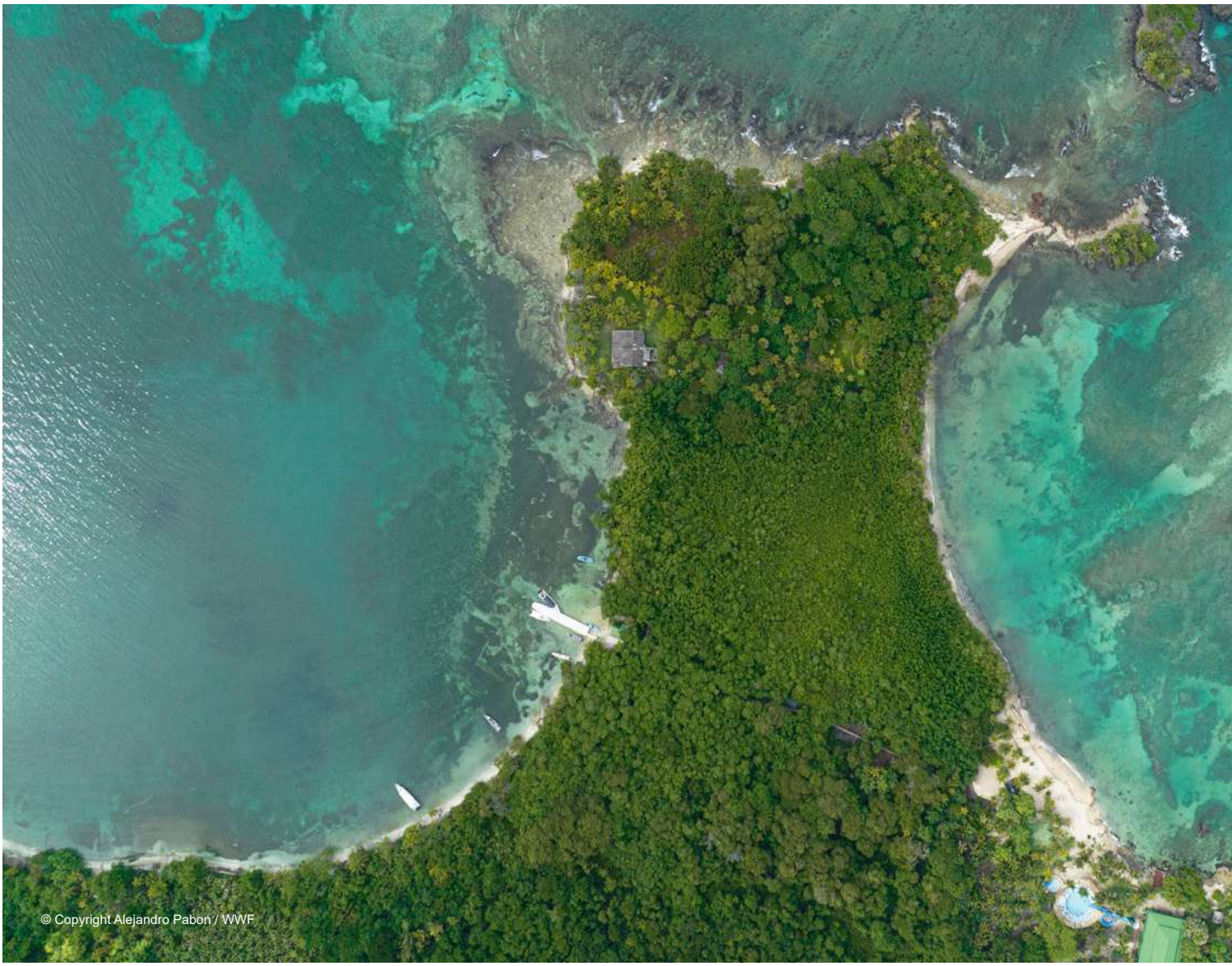
WWF RECOMMENDATIONS ON ESRS CLIMATE TARGET DISCLOSURES

Given the close alignment between CSRD and the current version of CSDDD on corporate climate targets presented in section 1, the much higher level of granularity of ESRS on such targets, and the fact that ESRS is the foundational standard to report on targets and progress against them, we focus hereafter on ESRS.

This section issues recommendations on the main building blocks of GHG target-setting as described in section 4 of this report, dedicated to the description of ESRS requirements around targets. Methodological elements meant to provide guidance for the analysis of the targets' quality are also provided. As a reminder, this report does not focus on the relevance and credibility of *transition plans*: it addresses only decarbonization *targets*, which alone are not a guarantee that the underlying strategies and actions plans for reaching these targets are valid.

Key recommendations resulting from this analysis are the following:

1. **Companies and financial institutions must develop climate targets aligned with a 1.5°C limit of temperature increase, with reference to robust science-based scenarios to be identified by the EU;**
2. **Climate targets must include Scope 1, 2 and 3 emissions using recognized frameworks and methodologies (GHG Protocol, ISO 14064-1, SBTi);**
3. **Targets should be set for the near term (2030) and in increments of five years until the attainment of a net zero target, by 2050 at the latest;**
4. **Absolute decarbonization targets must be published by companies and financial institutions;**
5. **Specific targets should be provided for carbon-intensive assets or geographies to guide action at operational level.**



1 - CLIMATE TARGETS MUST BE COMPATIBLE WITH A 1.5°C LIMIT OF TEMPERATURE INCREASE

⇨ *ESRS REF: [ESRS E1 Objective 1, DR E1-1, DR E1-4.34(e) and all associated Application Requirements]*

In recent years, with the evolution of climate science, scientists and world leaders alike have stressed the need to aim for the 1.5°C objective of the Paris Agreement[8] – instead of the well below 2°C objective[9].

This is because the projected impacts of a change in the climate at these two different levels are radically different: risks associated with a 1.5°C temperature increase are quite significant but can be somewhat predicted, and adaptation solutions could therefore be developed to mitigate some of the impacts that would come with such a change. On the other hand, risks may skyrocket with 2°C of global warming: scientists have notably pointed to the risk of activating several climate feedback loops (linked to various tipping points) susceptible to generating even higher levels of global warming. From a risk mitigation perspective, it is therefore imperative that economic actors, as well as public institutions, strive to maintain climate change within the 1.5°C boundary[10].

An Oxford study finds that a level of 2.2°C of global warming by 2050 could diminish GDP levels by up to 20% in this same period, with even greater consequences on the 2050-2100 timeframe[11].

A Deloitte report published for the 2023 Davos summit also estimates that inaction on climate change could cost the world economy US$178 trillion by 2070[12] – compared to the necessary 6.9 trillion dollars necessary to invest yearly until 2030 to reach Paris Agreement goals, according to the OECD[13]. This last figure does not take into account the value to be created by these investments. Finally, it is worth noting that these studies typically lack the appropriate tools to estimate the potential of large-scale, systemic breakdown: severe and wide-spread climate impacts could destabilize our global value chains beyond evaluated figures.

This is why the EU established a clear and consistent EU regulatory framework for undertakings to set an entity-level climate target that is compatible with the 1.5°C limit of temperature increase, as presented in Section 1.

One key methodological element of corporate climate target-setting should thus be to ensure alignment with the 1.5°C limit of temperature increase. This issue has been taken into account in most well-recognized climate scenarios: for example, both the International Energy Agency's Net-Zero Emissions by 2050 Scenario (NZE) and the SBTi reference scenario have been developed in alignment with the 1.5°C target.

A level of 2.2°C of global warming by 2050 could diminish GDP levels by up to 20% in this same period

Inaction on climate change could cost the world economy US$178 trillion by 2070

[8] https://www.theguardian.com/environment/2023/mar/20/ipcc-climate-crisis-report-delivers-final-warning-on-15c
[9] https://unfccc.int/process-and-meetings/the-paris-agreement
[10] https://www.ipcc.ch/sr15/chapter/spm/
[11] https://www.oxfordeconomics.com/resource/the-global-economic-costs-of-climate-inaction/
[12] https://www.deloitte.com/content/dam/assets-shared/legacy/docs/gx-global-turning-point-report.pdf
[13] https://www.oecd.org/environment/cc/climate-futures/policy-highlights-financing-climate-futures.pdf

For companies seeking to establish GHG emissions reduction targets, **compatibility with the 1.5°C objective (with no or limited overshoot) thus constitutes a methodological priority**. In this case, "no or limited overshoot" means that a given scenario does not excessively consider the global capacity for development of carbon capture and storage (CCS) or carbon dioxide removal (CDR), and does not therefore allow for significant "negative emissions" in transition planning[14]. Any company that is not aligned with such an objective should raise alert as to its level of ambition, and understanding of the potential impacts of climate change. Moreover, **the choice of reference scenario is a key consideration in target-setting: anchoring GHG reduction goals to well-established and science-based frameworks is critical to ensure the credibility of an undertaking's engagements. This can be a reference scenario at the international (IEA - NZE, SBTi, NGFS – ordinate transition, IPCC – SR1.5), regional (EU Fit for 55 roadmap), or national (French Stratégie Nationale Bas Carbone - SNBC) levels, provided that these scenarios are science-based and in line with the 1.5°C objective.**

Sector-specific roadmaps can also help to refine target-setting efforts, and identify appropriate levers for attaining the undertaking's objectives. However, **companies should strive to avoid basing their targets solely in frameworks developed in the context of industry representation groups** (although these may be used in conjunction with other scenarios) to avoid any conflicts of interest inherent to the development of such tools. **WWF recommends that EU institutions and Member States, as well as relevant regulators and supervisors, make specific reference to scenarios that are considered appropriate for climate target setting on the basis of limited or no overshoot of the 1.5°C limit of temperature increase objective.** This will bring clarity for companies and financial institutions, and facilitate the implementation of their EU climate target setting and reporting requirement – while improving their contribution to the EU 2030 climate objectives and the European Green Deal. WWF is preparing a paper on this specific issue.

2 - CLIMATE TARGETS MUST FULLY COVER UNDERTAKINGS' ACTIVITIES AND VALUE CHAINS (BOUNDARIES DEFINITION)

⇨ *ESRS REF: [DR E1-4.34(b), DR E1-6 and all associated Application Requirements]*

GHG accounting has developed a well-established method for distinguishing emissions stemming from direct operations, energy purchases, and their value chain at large. These are separated into different scopes, detailed below and aligned with GHG protocol and/or ISO 14064-1 definitions.

SCOPE 1

Scope 1 GHG emissions occur from sources directly owned or controlled by the company

Scope 1 GHG emissions occur from sources directly owned or controlled by the company. For example, these may include emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc. emissions from chemical production in owned or controlled process equipment.

Direct CO2 emissions from the combustion of biomass shall not be included in Scope 1 but reported separately.

GHG emissions not covered by the Kyoto Protocol, e.g. CFCs, NOx, etc. shall not be included in Scope 1 but may be reported separately.

Companies should report on the totality of their direct emissions, and seek to be as granular as possible in the calculation of GHG emissions associated with different activities and processes.

In accordance with ESRS 1 recommendations, both Scope 1 accounting and targets should cover the same activity perimeter as the financial statements published by the company.

[14] The Production Gap Report, produced annually by a coalition of research and academic institutions backed by the UN, stresses the need to adopt a precautionary approach limiting the consideration of CCS and CDR technologies in transition planning, in line with IPCC analysis on these technologies' potential.

SCOPE 2

Scope 2 accounts for GHG emissions from the generation of purchased energy (electricity, steam, heat or cooling) consumed by the company. Purchased energy is defined as energy that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where energy is generated.

As for Scope 1 emissions, companies should report on the totality of purchased energy in their Scope 2 disclosures. The emissions factors used to estimate total GHG produced by purchased energy should rely on the tightest possible node available for associated emissions factors. Indeed, the level of emissions associated with a given volume of purchased electricity, for example, could vary largely from country to country, and even state-to-state - or at even finer geographical levels.

On the topic of green energy, it should be noted that by convention, green energy purchased directly from physical sources or produced on site by the company could be counted as contributing to zero emissions on Scope 2 (although some Scope 3 emissions may be associated with such forms of energy production). Companies should also transparently disclose the volume of green energy purchased for their operations, to the extent that this is possible. However, green energy purchased through certificates should not be considered zero-emissions; companies could disclose that they have put in place such practices, but still count emissions associated with the energy purchased from the energy provider's physical infrastructure, as these will still have occurred from a physical perspective. Undertakings should therefore report on their Scope 2 using the location-based approach to better account for the real impact of emissions induced by use of the local energy grid.

In accordance with ESRS 1 recommendations, both Scope 2 accounting and targets should cover the same activity perimeter as the financial statements published by the company.

Scope 2 accounts for GHG emissions from the generation of purchased energy (electricity, steam, heat or cooling) consumed by the company

SCOPE 3

Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. These emissions can occur either upstream or downstream of the company's value chain, and cover the following categories described in the GHG Protocol Scope 3 Calculation Guidance:

UPSTREAM SCOPE 3 EMISSIONS	DOWNSTREAM SCOPE 3 EMISSIONS
Purchased goods and services	Downstream transportation and distribution
Capital goods	Processing of sold products
Fuel and energy-related activities not included in Scopes 1 and 2	Use of sold products
Upstream transportation and distribution	End-of life treatment of sold products
Waste generated in operations	Downstream leased assets
Business travel	Franchises
Employee commuting	Investments
Upstream leased assets	

Moreover, Scope 3 emissions should be published for all value chain sources that significantly impact the GHG inventory of the company. One way to ensure sufficient coverage of Scope 3 emissions is to ensure that these cover activities equate with more than two-thirds (⅔) of the company's purchases and/or revenues, and progressively seeking to cover the full extent of Scope 3 emissions categories over time. The GHG Protocol provides multiple criteria for further identifying relevant Scope 3 activities to include in an undertaking's GHG inventory. These include the size of the emissions associated with a source, degree of influence on the source, contribution to risk of financial exposure, materiality to stakeholders, outsourced nature of activities, association with high expenses or revenues, and identification of a particular source as material in well-established sectoral guidance.

The value of Scope 3 emissions calculation and target-setting is that although companies may have less direct control over these outputs, they can use their influence - sometimes conjointly with other actors sharing the same sources - to strive to lower emissions in their value chain. For example, if multiple large companies influence and co-sponsor the reduction of emissions for a given supplier of a critical material to all their activities, this may incite the supplier to transition faster than if no pressure were applied to them.

In accordance with the consistency principle presented in section 2.4 of this report, **GHG targets should also be created and published on all 3 scopes, in line with GHG inventory best practices. Emissions factors used to calculate total GHG production could stem from self-measured values for processes to reliable, precise and well-recognized proxies** (ADEME Base Carbone, IPCC, EEA, IEA...)

Companies must ensure the coverage of at least 2/3 of purchases and/or revenues when reporting on Scope 3 emissions

3 - CLIMATE TARGETS MUST BE SET FOR THE NEAR TERM AND DEMONSTRATE A COMMITMENT TO NET ZERO EMISSIONS ON THE LONG TERM (PROGRESSIVE AND TIME-BOUND REDUCTION OF EMISSIONS)

The European Union's "Fit for 55" strategy requires EU member states to decarbonize their economies by 55% by 2030 to contribute their fair share to global emissions reduction efforts

⇨ *ESRS REF: [DR E1-4.34(d), and all associated Application Requirements]*

GHG emissions reduction targets offer multiple benefits to both companies and information users in terms of realism and reliability related to climate action. From the perspective of undertakings, targets help to set the ambition for decarbonization and further transition efforts. They can also serve as a benchmark against which to compare progress as their transition plans spur into action. On the side of information users, GHG targets help to both assess the level of ambition being proposed by companies, and track companies' progress on their commitments. This can help them to either progressively direct financial flows to best performers, or to put pressure on companies that do not deliver on their targets and transition efforts.

In order to show their commitment to the 1.5°C limit of temperature increase, companies should produce two types of targets: near-term emissions reduction targets, and long-term, net-zero aligned targets. ESRS 1 proposes certain definitions of the time scopes relevant for environmental action: they suggest that medium-term efforts should be contained within a 5-year interval starting from the date of a given report, while long-term time horizons could stand between 5 years after the date of a publication and further along in the future. For the purpose of this report, these definitions will be applied to near-term target-setting (periods of 5 years), and long-term target-setting (in the future, aligned with net-zero emissions by 2050 at most).

Near-term targets should be set at regular intervals, preferably in alignment with the definitions given above. Setting targets every five years creates a motivation to impulse action at the moment that the decarbonization efforts are set, as they create intermediary benchmarks with which an undertaking can compare its real trajectory. Therefore, an incentive will be created to simultaneously work towards quick wins in terms of reduction efforts, while pushing for the creation of relevant strategies, actions plans and monitoring tools to implement their transition plans. Additionally, the confrontation of the real decarbonization trajectory with projected targets, combined with an analysis of previously implemented actions can help to identify any inefficiencies and opportunities that exist in the undertaking's strategy. The establishment of these targets also helps to ensure that the total GHG output of the company is aligned with their 1.5°C budget allocation; indeed, not only do companies need to attain net zero emissions by 2050 in order to be aligned with the objectives of the Paris Agreement, but they also need to decarbonize at a high speed in the first years of their decarbonization efforts to stay within budget. Indeed, emitting at constant rates over ten more years releases much more carbon into the atmosphere than halving emissions over the same time period - and would require a very abrupt transition following this time period to stay in line with the Paris Agreement. This is the concept that underlies the European Union's Fit for 55 strategy, by which EU member states must decarbonize their economies by 55% by 2030 to contribute their fair share to global emissions reduction efforts[15].

It is important to note that companies should not include carbon offsets in their near-term targets, as both nature- and technology-based solutions for carbon entrapment are long-term endeavors and present major uncertainties concerning feasibility and real impact of contribution to mitigation efforts[16].

Long-term net-zero targets are also an essential component of proper target-setting practices. Setting such objectives empowers companies to demonstrate their alignment with both the Paris Agreement and EU Net-zero goals.

[15] https://www.consilium.europa.eu/en/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/
[16] Achakulwisut, P., Erickson, P., Guivarch, C. et al. Global fossil fuel reduction pathways under different climate mitigation strategies and ambitions. Nat Commun 14, 5425 (2023). https://doi.org/10.1038/s41467-023-41105-z

The combination of near and long-term targets also provides companies with a clear path to follow, which in turn enables them to develop proper roadmaps for following their projected decarbonization paths and meet their objectives. It is well-established that in order to bring the impacts of economic activity in line with planetary boundaries, transformational change will be needed in the way we conduct business and perceive value and growth. In a logic complementary to that of near-term targets, long-term net-zero goals enable undertakings to rethink their business models, identify spaces for which innovation - whether technical, technological or system-oriented - is key, and to develop the proper tools to create perennial, structural changes. On the topic of carbon offsetting, undertakings should not excessively rely on carbon credits to reach their net-zero ambitions: indeed, both nature- and technology-based carbon capture mechanisms still lack proper demonstration in their long-term ability to compensate for significant shares of carbon emissions.

In line with the recommendations from the SBTi's target-setting methodology described in section 3.1 of this report, companies should use the most ambitious decarbonization scenarios to establish their targets. The SBTi facilitates the scenario selection exercise for companies, as the platform builds a reference decarbonization pathway in line with a 1.5°C limit on temperature rise on the basis of principles described in its *Foundations of SBT Setting* paper[17]. Companies that do not develop their science-based targets and get them validated by the SBTi are recommended to screen multiple frameworks, in particular other sectoral decarbonization pathways, and select those that maximize their incentives to decarbonize rapidly, in a way that is aligned with global efforts to stay below the 1.5°C limit of temperature increase. However, the SBTi greatly reduces the burden of identifying and selecting scientifically robust pathways for companies, while bringing credibility to their target-setting efforts through independent validation.

4 - CLIMATE TARGETS MUST BE EXPRESSED IN ABSOLUTE AND INTENSITY-BASED FORM

⇨ *ESRS REF: [Targets MDR-T, DR E1-4.34(a), and all associated Application Requirements]*

A distinction exists between emissions targets expressed in absolute and relative, or intensity-based values. Absolute emissions reduction targets provide undertakings and information users with a view of the company's intention to abate its real, total emissions over time. In contrast, intensity targets provide stakeholders with a vision that relates GHG emissions to business activity. These approaches are complementary, and **undertakings should strive to publish both absolute and intensity targets to address different stakeholders' information requirements, and provide a full-picture view of their decarbonization efforts**.

Absolute emissions targets provide a "hard" reference point for illustrating a company's decarbonization efforts. These targets are independent from any business-oriented projections or considerations, and solely concern the reduction in total emissions produced by an undertaking. The question that this sort of target provides an answer to is: "will the company practically reduce its GHG emissions over time and thus align itself with a given scenario ?" This type of objective is constructed by setting a total carbon budget that a company can emit in order to stay in line with global efforts to be aligned with the 1.5°C limit of temperature increase. This takes into consideration both the end-point (long term net-zero target) and the trajectory of emissions reduction projected by the undertaking (by setting near-term targets as described in section 4.3 of this report). Absolute targets therefore enable clear readability on the capacity of the company's strategy to provide a satisfactory contribution to the 1.5°C limit of temperature increase.

Absolute targets help to answer the question: will the company practically reduce its GHG emissions over time and thus align itself with a given scenario ?

[17] "SBTi scenarios are drawn primarily from the Integrated Assessment Modeling Consortium (IAMC) and the International Energy Agency (IEA). The IAMC hosts an ensemble of more than 400 peer-reviewed emissions pathways, which have been compiled and assessed by the authors of the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5˚C (SR15); and the IEA publishes its own scenarios regularly, which provide a greater amount of sectoral granularity." (p. 7, *Foundation of SBT Setting*)

Intensity targets help to answer the question: is the undertaking producing more efficiently, regardless of inflationary, growth or recession-oriented impacts on the business ?

Intensity targets are a complementary tool that can be used to relate decarbonization efforts to the evolution of the given business. They are expressed as a ratio - typically GHG emissions to revenue, or GHG emissions to sold unit of a product (e.g. tons of CO2e per ton of cement produced) - and enable undertakings to see if they are conducting their activities in increasingly efficient ways. The question answered by this type of target is thus: "is the undertaking producing more efficiently, regardless of inflationary, growth or recession-oriented impacts on the business ?" This can facilitate a better integration of ecological and economic objectives for the company, by taking into account growth projections and other economic conjunctions in indirect fashion. Indeed, a company could continue to grow its activity while simultaneously increasing the efficiency of its productive processes, which would often translate to a shrinking GHG intensity metric. Such objectives are typically set by referring to sectoral decarbonization scenarios, which usually take expected growth or shrinkage of the economic volume of the relevant sector in plotting emissions reduction trajectories. The targets are created to converge on a level of intensity compatible with the sector's necessary decarbonization efforts to be aligned with the Paris Agreement. Intensity targets thus enable companies and information users to see if decarbonization efforts are integrated into the general business strategy of the company, which could be especially useful in the earlier periods of emissions reduction efforts.

In order to provide a full-picture view and avoid any of the pitfalls that may come with using one or the other type of target, **companies should set one target of each type (i.e. one absolute and one relative) and annually publish information regarding their progress against each**. The sole reference to intensity targets is insufficient in the long term, because if a company grows its activity massively, even sustained GHG efficiency efforts may prove insufficient to align with the upper boundary of 1.5°C temperature increase. This is why absolute targets are required in the first place.

This is especially true for GHG-intensive sectors: if we suppose a 6% annual reduction of relative GHG emissions from an oil & gas undertaking, but that undertaking grows its business activity by 8% a year, the real emissions induced by the undertaking's business will continue to grow. If this is projected at the aggregate sector level, or for the whole economy, there is a huge risk that long-term growth and business evolutions could overshadow decarbonization objectives and bias the perceptions of the public over time.

Starting GHG emissions/product:	100
Starting products sold:	100
Annual rate of reduction of GHG emissions/product sold:	2,5%
Annual rate of growth of products sold:	3%

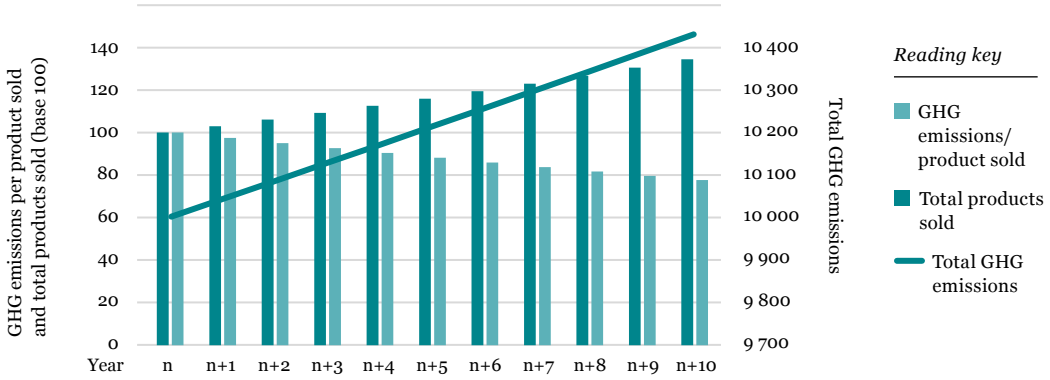
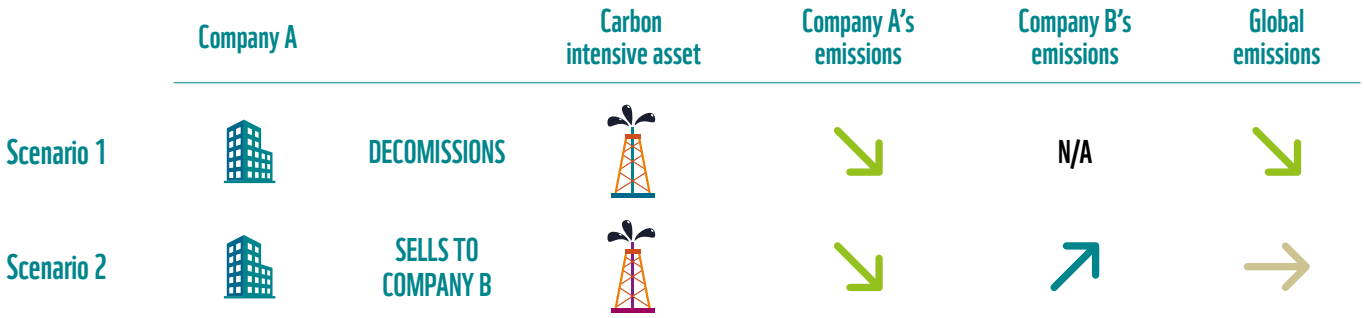


Fig.1: A reduction in emissions intensity combined with high growth may lead to increasing absolute emissions

Reversely, absolute emissions reductions may provide a more objective measure of the degree to which a company is aligned with the objectives of the Paris Agreement, but could lead to certain misrepresentations about global decarbonization of the world economy. To be sure, if a company reduces its business activity, but that this same volume of activity is taken over by a competitor that does not provide the same efforts to decarbonize its activities, the net result could be a rise in emissions - although, on paper, the first company will be doing its fair share of efforts towards the Paris Agreement goals. To be sure, the publication of intensity targets does not guarantee an absence of emissions transfer risk. To avoid these transfers, companies must plan the decommissioning of carbon-intensive assets, or ensure that any carbon-intensive assets sold off by the company are subject to a guarantee of closure by Paris-aligned deadlines and subject to the highest environmental management standards. Intensity figures, however, may enable information users to verify whether any sudden drop in absolute emissions is linked to the sale of a given asset or site, or to a change in business models.

To return to our oil-and-gas example: suppose that company A decides to terminate its activity in exploration of new fields, in line with the global scientific consensus that no new fossil fuel assets should be developed to be aligned with

the 1.5°C limit of temperature increase. One option could be to decommission or convert its current assets linked to exploration, retrain the portion of its workforce dedicated to this activity, while simultaneously diversifying into other business lines. All of this would, however, come at a cost; Company A might therefore be incentivized to sell off all relevant assets and transfer its associated workforce to Company B, which has no stated intention to contribute to the objectives of the Paris Agreement and does not monitor its emissions. Company A would therefore be in alignment with global efforts to maintain temperature increase below the 1.5°C limit, but nothing would change in real terms, as company B would continue to emit to a level similar to what company A would have done without the sale of assets.



Diag. 1: GHG impact of decommissioning or selling carbon intensive assets under different scenarios

To mitigate both risks mentioned above, and help to create a complete, global picture of the state of decarbonization of the real economy, **undertakings therefore need to publish one of each type of targets and report on the progress against each.**

5 - CLIMATE TARGETS MUST ALSO BE SET AT THE LEVEL OF GHG-INTENSIVE ASSETS AND GEOGRAPHIES

⇨ *ESRS REF: [ESRS 1-3.7.54 and all associated Application Requirements]*

GHG emissions reductions objectives set at the level of a company can help create a global strategy for the decarbonization of its activities and business model. **However, for this to be declined into an operational, action-oriented transition plan, it is important that undertakings identify the key geographies and assets from which emissions emanate.** Indeed, by pinpointing where the most emissive infrastructure or activities are in their direct operations, undertakings can focus their efforts on transitioning specific elements of their business, or even infer conclusions as to what activities are viable in the long term, by seeing if trends emerge around certain types of assets when performing this analysis. It is also essential that companies do not invest in assets tied to high levels of locked-in emissions, so their efforts in respecting their climate targets at specific sites are not offset by investments in other carbon-intensive assets.

On a direct operational level, companies should seek to map out where emissions are primarily emitted. This could be done on a geographic level, an asset level (a plant, factory, or even at a finer node such as specific manufacturing equipment), or other relevant scales (owned logistics, services etc.). This enables undertakings to identify the proper levers available for the decarbonization of whatever elements the analysis was conducted upon. For example, if a factory regroups highly carbon-intensive equipment, this could be a sign that the equipment is not up to standards with transition requirements. This could either lead the company to invest in new, more efficient technologies, or even invest in research and development for the creation of such new equipment. Another example is a power utility having notably coal and gas-fired plants in its fleet: it needs to know the emissions of each plant to properly set up its coal phase-out and then gas phase-out plans[18] while developing solar and wind farms in parallel. On a more systemic view, if an undertaking identifies that all locations producing a certain type of product or service are systematically high carbon, this may provide an incentive to orient their product or service mix toward less carbonated activities.

This therefore constitutes an essential building block that helps to bridge the gap between target-setting and transition planning, which will be the focus of a subsequent WWF report.

[18] Phase-out plans are increasingly discussed in the net zero context, see for example GFANZ (2022), The Managed Phaseout of High-emitting Assets.

3 SBTI: A FRAMEWORK FOR SCIENCE-BASED CORPORATE CLIMATE TARGET-SETTING

1 - THE SBTI'S TARGET-SETTING METHODOLOGY HELPS COMPANIES AND FINANCIAL INSTITUTIONS TO COMPLY TO RELEVANT LEGAL REQUIREMENTS UNDER CSRD

Given the close alignment of CSRD and the current version of CSDDD on corporate climate targets presented in section 1, the much higher level of granularity of ESRS on such targets, and the fact that ESRS is the foundational standard to report on targets and progress against them, we focus hereafter on the compatibility of the SBTi's methodology with ESRS.

Multiple challenges exist for companies attempting to set targets aligned with the 1.5°C objective of the Paris Agreement. As highlighted previously, the variety of scenarios that exist around climate change and decarbonization pathways, the need to quantify a specific company's contribution to climate change mitigation efforts, or technical difficulties that exist in setting targets in both absolute and intensity measures can make it complicated to both set targets and understand whether these targets are sufficiently ambitious to be aligned with the 1.5°C limit of temperature increase.

The Science Based Targets initiative (SBTi) drives ambitious corporate climate action by enabling businesses and financial institutions globally to set science-based greenhouse gas emissions reduction targets.

It was formed as a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI), the World Wide Fund for Nature (WWF) and the We Mean Business Coalition. The SBTi's goal is to enable companies worldwide to do what climate science requires of the global economy: to halve emissions by 2030 and achieve net-zero before 2050.

The SBTi develops criteria and provides tools and guidance to enable businesses and financial institutions to set GHG emissions reduction targets in line with what science tells us is needed to keep global heating below 1.5°C.

To date over 4400 companies in 80 countries have set science-based targets and had them validated by the SBTi, and a further 2850 have committed to set targets. Of those companies with targets, all 4400 have near-term targets and close to 2800 have net-zero targets (which include near-term and long-term targets). 1435 companies with targets (32%) are headquartered in the EU.

It is important to acknowledge that while this provides transparency, reliability and credibility to the objectives set by companies, the SBTi does not validate the transition plans designed to achieve science-based targets. Thus, **the SBTi validates that targets set are indeed aligned with the 1.5°C objective, but not that companies are going to hit their targets at the given deadlines**[19]. WWF conducted an analysis of the different elements demanded by ESRS E1 for the climate targets-related disclosure requirements, and compared these to the conditions set by the SBTi for target validation. In order to validate the targets set by companies, the platform requires a certain number of methodological elements that are well-aligned with the disclosure requirements of ESRS E1. To be sure, all near-term Scope 1 and 2 targets published by companies must be consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures. These targets can be set in absolute, implying a rapid decarbonization rate at the 2030 horizon (as defined per the SBTi's calculation of the remaining carbon budget to limit temperature increase to 1.5°C), or in intensity, if a company's sector is eligible for the sectoral decarbonization approach (SDA). In this case, the company must also communicate the absolute emissions volumes associated with their intensity target to the platform, but need not disclose these publicly. For the near term (2030), the SBTi also requires businesses whose Scope 3 emissions are 40% or more of their total GHG emissions to set Scope 3 targets. Targets are then meant to be updated on a 5-year rolling basis, with Scope 1, 2 and 3 targets that need to be aligned with a limit of temperature increase of 1.5°C at a 2050 horizon - as described in the SBTi's Corporate Net-Zero Standard.

Companies are expected to cover the majority of their Scope 1 and 2 emissions within their targets (>95%), although at this stage the SBTi enables companies to determine their organizational boundaries according to different methods (operational control, financial control or equity share). Moreover, companies for which Scope 3 emissions account for over 40% of total GHG emissions must develop and publish associated targets covering at least two thirds (2/3rds) of these emissions. These targets must be aligned with a minimum ambition for the rate of decarbonization in the near-term (defined by the SBTi), and a 1.5°C scenario on the 2050 horizon. It is mandatory that companies set these targets for the near-term (a minimum of 5 years and a maximum of 10 years after the date of target submission), and recommended that targets are set again at regular intervals of 5 years. Long-term, net-zero targets are not explicitly required by the SBTi, but strongly encouraged. The SBTi's Corporate Net-Zero Standard has been developed to help companies develop these types of targets and was launched in October 2021[20].

Companies are expected to cover the majority of their Scope 1 and 2 emissions within their targets (>95%) and at least 2/3 of Scope 3 emissions

[19] SBTi is in the process of developing an MRV (monitoring, reporting and verifying) process on the achievement of science-based targets. A first landscape report was published November 2023. In addition, WWF will issue a dedicated paper on MRV of corporate climate targets in 2024-25.

[20] The time gap of this standard's launch by the end of 2021 compared to the launch of the initiative (2015) partly explains why 39% of SBT companies have long term, net-zero commitments - while 60% have a validated near term target.

Per the latest version of the Procedure for the Validation of SBTi Targets published by the SBTi in December 2023, the temperature classification of validated targets does not extend to Scope 3 targets. Indeed, while the SBTi requires companies whose Scope 3 emissions are equal to 40% or more of total GHG emissions to submit Scope 3 targets and sets a minimum ambition for the rate of decarbonization to be achieved in companies' value chains, the SBTi cannot provide a temperature rating for these types of targets[21]. For companies in sectors without a sector-specific pathway, the SBTi validates targets on the basis of a cross-sector rate of emissions reduction to bring global emissions in line with a 1.5°C limit of temperature rise[22]. For Scope 3 targets, the SBTi also enables companies to set engagement targets with their suppliers and/or clients, pushing their value chain to adopt science-based decarbonization targets themselves. The combination of absolute contraction targets with value chain engagement targets helps to set a credible ambition for rapid and ambitious decarbonization efforts from companies on their Scope 3 emissions. In this sense, the SBTi validates the "ambitious" characterization of Scope 3 targets, but cannot guarantee their temperature alignment.

This approach is reflected in the SBTi's Financial Sector Science-Based Targets Guidance: as the majority of financial institutions' emissions are linked to its financing activities, targets are submitted per portfolio and must answer the same requirements as other Scope 3 targets. Thus, financial activities must also be compatible with a maximum temperature increase of well-below 2°C. A draft conceptual framework and initial criteria document was released for consultation in 2023, with further developments planned in 2024. This standard will define a methodology for setting 1.5°C-aligned, near- and long-term net-zero targets for financial activities.

It is also important to note that coverage rate requirements for Scope 3 targets are different for financial institutions. Indeed, the coverage required for financed emissions depends on the asset class being addressed. For example, equity and corporate bonds must be fully covered by a Scope 3 target, while for corporate loans, the minimum coverage requirement stands at 67%. These coverage rate requirements will be updated in the version of the financial institutions standard to be published in 2024.

Moreover, the SBTi requires most undertakings to publish absolute targets. Some GHG-intensive sectors (electricity generation, iron and steel, aluminum, cement, pulp and paper, transport - including road, rail and air passenger or freight transport -, commercial buildings, manufacturing, as well as chemicals and petro-chemicals) are allowed to submit intensity targets that are validated through the SDA (sectoral decarbonization approach) methodology, which compares the expected rate of intensity reduction with what is considered necessary for these GHG-intensive sectors to align with the 1.5°C limit of temperature increase. The SBTi also requires the companies eligible to this mechanism to disclose the associated expected absolute emissions reductions, which helps them to verify the adequacy of stated objectives with a 1.5°C scenario. It is not mandatory for companies validated through the SDA to communicate publicly on these absolute emissions reductions. Moreover, the SBTi requires businesses to set targets at the level of the parent company or group, and leaves them a choice to have their subsidiaries pursue validation of their own science-based targets. It does not, however, require the companies to trace decarbonization targets to the levels of specific geographies or assets[23].

Upon target submission to the SBTi, its Target Analysts assess companies' and financial institutions' targets against the science-based decarbonization pathways. Sector-specific pathways are also designed to ensure that companies in specific GHG-intensive sectors are in line with the decarbonization objectives for their sectors. When developing targets, companies are therefore expected to rely on ambitious and science-based scenarios aligned with the 1.5°C objective of the Paris Agreement[24].

The **SBTi is explicitly mentioned in ESRS E1** as a reference for the minimum rate of carbon emissions reduction needed to align with a 1.5°C objective.

[21] With the exception of financial institutions, for which a temperature alignment can be verified for financing activities included in SBTi.
[22] Minimum contraction rates required under this approach are 42% GHG emissions reduction between the base year and 2030, and a 90% reduction at the 2050 horizon.
[23] *SBTi Corporate Manual*, April 2023
[24] *SBTi Corporate Manual*, April 2023

SBTI FOR FINANCIAL INSTITUTIONS

The SBTi developed a guidance and target-setting methodology for investment and lending activities to account for the specific role of financial institutions in the development of economic activity. Indeed, the SBTi recognizes that financial sector actors are "uniquely positioned to influence other actors through their investment and lending activities", which affords unique opportunities in mobilizing resources towards corporates and activities in alignment with the 1.5°C objective of the Paris Agreement. Financial institutions that set targets on their lending and investment portfolios thus align their emissions footprint with the 1.5°C limit of temperature increase, influencing and enabling companies that they lend to or invest in to also set targets and work toward their decarbonization objectives in line with their debtors' engagements.

At this stage, only the near-term alignment of investment and lending activities with a 1.5°C objective is validated by the SBTi via the Financial Sector Science Based Targets Guidance, on the basis of the alignment of underlying Scope 1 and 2 emissions trajectories of different asset classes through the Sectoral Decarbonization Approach, Portfolio Coverage, and Temperature rating methods. In the summer of 2023, a consultation draft of version 2.0 was shared publicly for stakeholder input to revise the current version 1.1 of the guidance. Stakeholder feedback has since been integrated into the guidance, and a pilot testing exercise has been launched to test the proposed changes with interested financial institutions. Results from the pilot testing will inform the guidance which is due to be submitted for internal governance approval and public release in the coming months.

Additionally, the SBTi published a consultation draft for a Financial Institutions Net-Zero Standard. Once finalized, this net-zero standard will allow for incorporation of financial activities outside of investment and lending (i.e. Facilitated and insurance associated emissions), to set both near- and long-term targets in line with a 1.5°C limit of temperature rise at a 2050 horizon.

Financial institutions must set targets for Scope 1 and 2 activities in the same manner as companies set their objectives for their direct operations and energy purchases. The financial sector guidance provides an abbreviated version of the criteria for target setting applicable to companies more broadly on these two scopes, and refers financial institutions to the latest version of the GHG Protocol and the SBTi Corporate Manual for any updates to the methodology concerning Scopes 1 and 2 accounting and target setting.

As Scope 3 emissions represent the vast majority of financial institutions' emissions, associated targets possess their own methodological requirements. Financial institutions must set targets on their investment and lending activities, and may choose among different methods for this exercise according to the portfolio being considered. The proposed update to the financial institutions near-term target setting framework (V2) broadens the scope of sectors or asset classes available for target-setting and provides guidance on the financed emission calculations for activities at the asset class and portfolio level[25].

Table 1, published in the SBTi guidance for financial institutions, provides detail on the different activities that must currently be covered by Scope 3 targets for SBTi to validate a financial institution's objectives (broken down by asset class), and the expected level of coverage associated with the identified portfolios. To account for the potential absence or insignificant materiality of portfolio emissions data, activities are classified between required, optional and out of scope. Targets are submitted per required activity on the basis of minimum coverage thresholds for each asset class described in table 1. Financial institutions need to submit a complete GHG inventory for all in-scope asset classes to determine their respective climate materiality. As shown in the table, financial actors may currently choose between different methods for target setting depending on the activity they are setting targets for (with the exception of certain activities where specific methodological requirements are imposed). The four principal approaches to target setting that exist at this time are the following:

Sectoral Decarbonization Approach (SDA) targets: financials may use this approach for the relevant activities identified in table 1. SDA targets must meet the minimum ambitions provided for each sector the methodology is available for, and cover all scopes and time horizons demanded in sector-specific guidelines provided by the platform.

[25] When establishing an emissions inventory, the FI shall include Scope 1 and 2, for all portfolio holdings, and shall include Scope 3 for key sectors: automotive, oil and gas, and Forest, Land and Agriculture (FLAG). The emissions inventory should where possible provide at least an estimate for the Scope 3 emissions for all other sectors.

This implies a management of the portfolio and engagement with undertakings in the financial institution's portfolio to bring the emissions intensity and associated absolute GHG output in line with a 1.5°C decarbonization pathway. This is the only sector-specific approach that requires emissions measurement on an asset-class level.

SBT Portfolio Coverage Targets: in this approach, financial institutions must engage with companies in eligible portfolios to adopt science-based targets. Financial institutions must commit to having 100% of the companies in a given portfolio adopt a science-based target by the year 2040, in alignment with a 1.5°C pathway. These commitments must cover all 3 scopes of GHG emissions on the corporate level in accordance with SBTi corporate guidelines, and financials must provide information on the percentage of corporate equity and debt portfolios covered by such targets.

Portfolio Temperature Rating Targets: for this method, financials must calculate the temperature rise implied by their investments or loans in a given portfolio, according to an open-source methodology developed by WWF and CDP on behalf of SBTi[26]. The calculation of implied temperature rise is calculated on the basis of public GHG reduction targets set by companies in the portfolio, as compared to necessary GHG emissions reductions to bring the global economy in line with a 1.5°C limit of temperature rise according to selected IPCC shared socioeconomic pathways (SSP). Financial institutions are then expected to engage with the companies in their portfolios or invest in companies that are better aligned with the objectives of the Paris Agreement to bring their own implied temperature rise in line with their stated targets.

Fossil Fuel Finance Targets: FIs required to set targets on the fossil fuel sector according to the coverage requirements outlined in Table 5.2 of version 2 of the financial institutions near-term guidance may set such targets using any of the available methods specified in Table 5.2 or use the following requirements.

- First, FIs shall set targets on their loans, investments, and assets under management in fossil fuel-related projects and companies as delineated in the boundary requirements of Criterion 17.4 for coal, oil and gas companies or projects.
- Second, FIs must disclose financial services, absolute GHG emissions, and a breakout of methane emissions across all financial services provided to counterparties within the boundary.
- Third, FIs shall commit, via a publicly available policy published prior to submission of the FI's science-based target, to the immediate cessation of activities incompatible with low-no overshoot 1.5°C scenarios.
- Fourth, FIs shall establish near-term targets to reduce absolute GHG emissions attributed to their loans, investments, and assets under management in coal projects and companies and upstream oil and gas projects and companies.
- Finally, FIs shall commit, via a publicly available policy published prior to submission of the FI's science-based target, to the phasing out of existing financial services to all coal projects and coal companies (as defined in the Boundary section of this method) in line with a full phaseout by the end of 2030 for projects and companies operating in OECD (The Organization for Economic Co-operation and Development) countries and by the end of 2040 globally.

More details on the proposed requirements and associated recommendations for the fossil fuel finance policy may be referenced from page 20 of the pilot testing version of the Financial Institutions Near-Term V2.0 criteria and recommendations.

To calculate the emissions associated with their activity prior to target-setting, financial institutions should use the PCAF framework. They can then prioritize the different portfolios to focus on for target-setting in accordance with the level of emissions associated with different lending or investment vehicles. Financials should then report their progress against the targets they have set, showing their degree of alignment with the target and disclosing absolute emissions reductions implied by this progress.

The SBTi target setting methodologies for investment and lending activities have been available since October 2020 (including methods, criteria, tools and guidance). To date, 90 financial institutions have validated targets with the SBTi platform, and another 152 have committed to set a target. In December 2023, the SBTi published a new brief as a first step towards the development of a standard for the insurance sector.

[26] Method developed by CDP and WWF. SBTi developed the Python tool used to implement the method. Both components are open source with MIT licenses.

Asset class	Products and Requirement for Inclusion in Targets	Required Minimum Coverage for Required Activities	Applicable Methods		
Consumer loan	Residential mortgages	Optional	SDA		
	Motor vehicle loan	Not applicable	Not available		
	Personal loans				
Project finance	Electricity generation project finance	100% of base year activity (kWh)	SDA		
	Other project finance (e.g., infrastructure)	Not applicable	Not available		
Corporate loan	Corporate loan: commercial real estate	Min. 67% of base year activity (m^2)	SDA	SBT Portfolio Coverage	Temperature Rating
	Corporate loan: electricity generation	100% of base year activity (kWh)	SDA		
	Corporate loan: other long-term debt (more than one year), excluding electricity generation project finance and real estate	Fossil fuel companies: min. 95% of base year corporate lending (loan value) Other companies: min. 67% of base year corporate lending (loan value or financed emissions)	SDA (where available)	SBT Portfolio Coverage	Temperature Rating
	Corporate lending: SME loans	Optional	SDA	SBT Portfolio Coverage	Temperature Rating
	Corporate lending: short-term debt (less than one year, such as line of credit, intraday, and overdraft facilities)				
	Corporate loan: other project finance	Not applicable	Not available		
Listed equity and bonds	Common stock	100%	SDA	SBT Portfolio Coverage	Temperature Rating
	Preferred stock				
	Corporate bonds				
	Exchange traded funds				
	Investments in real estate investment trusts (REITs), listed real estate companies, and real estate mutual funds				
	Funds of funds	Optional			
	Derivatives	Not applicable	Not available		
	Sovereign and government bonds				
	Supranational, subsovereign (including municipal) bonds				
	Agency bonds				
	Securitized fixed income (includes asset-backed securities/mortgagebacked securities, covered bonds)				
Private equity and debt, includes venture capital	Private equity and debt, e.g., mezzanine capital, ordinary shares, preferred shares, shareholder loans, private real estate companies	Optional	SDA	SBT Portfolio Coverage	Temperature Rating
Advisory services, if relevant	Advisory services (e.g., Mergers and acquisitions), debt and equity underwriting, brokerage-securities and commodities, trading securities and commodities, credit guarantees, insurance contracts, transaction services	Not applicable	Not available		

Reading key Required activities | Optional activities | Out of scope activities

Table 1: SBTi requirements for target setting at asset class level

It is important to reiterate that although the SBTi represents the gold standard of target validation mechanisms to date, an approved target does not imply the validity of the associated transition plan issued by companies. The assessment of transition plans requires different, dedicated tools that differ from the SBTi platform and will be assessed by WWF in a subsequent report.

As reflected in our detailed review below, we believe that the SBTi appropriately answers reporting requirements under ESRS E1. More broadly, given the close alignment of CSRD and the current version of CSDDD on corporate climate targets presented in section 4, the SBTi should be used as a framework of reference for all companies setting and reporting climate targets under CSRD (and eventually CSDDD). Indeed, a target validated by the SBTi platform implies that it is aligned with the Paris Agreement, provides a declination of decarbonization goals on all 3 scopes of GHG emissions, requires near-term targets compatible with a 1.5°C pathway and recommends long-term net zero commitments, and is expressed either in absolute terms in most cases, or in intensity measures with associated expected absolute emissions reductions in specific cases.

1.5°C upper boundary compatibility

	Disclosure requirement	ESRS reference	ESRS detail	SBTi reference	SBTi detail	SBTi adequacy to ESRS	WWF recommendation	SBTi adequacy to WWF reccomendations
1	Reference to a 1.5°C target	E1-4.34.(e)	The undertaking shall state whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C.	SBTi Corporate Standard, pp. 10, 22-25 ; SBTi Corporate Net Zero Standard, p. 37	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. For the near term (5 to 10 years from date of submission), the SBTi also requires businesses whose Scope 3 emissions represent 40% or more of total emissions to set Scope 3 target(s). These targets must be aligned with the minimum rate of decarbonization defined by the SBTi for Scope 3. Targets are then meant to be updated on a 5-year rolling basis, with Scope 1, 2 and 3 targets that need to be aligned with a limit of temperature increase of 1.5°C at a 2050 horizon - as described in SBTi's net-zero standard for companies.		One key methodological element of corporate climate target-setting should thus be to ensure alignment with the 1.5°C limit of temperature increase. [...] For companies seeking to establish GHG emissions reduction targets, compatibility with the 1.5°C objective (with no or limited overshoot) thus constitutes a methodological priority.	
2	Reference to ambitious, science-based and well-established scenarios	E1-4.34(e)	The undertaking shall state which framework and methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and policy scenarios are and whether the targets have been externally assured.	SBTi Corporate Standard, p. 15 ; SBTi Corporate Net Zero Standard, pp. 22-25	The SBTi uses its own science-based, methodological framework, which draws on a variety of reference climate scenarios compatible with a 1.5°C limit of temperature increase. It also has broken this down this into several sectoral sub-scenarios for intensity-based convergence scenarios. Upon target submission to the SBTi, its Target Analysts assess companies' and financial institutions' targets against the science-based decarbonization pathways. Sector-specific pathways are also designed to ensure that companies in specific GHG-intensive sectors are in line with the decarbonization objectives for their sectors. The absolute emissions reductions associated with intensity targets are also analyzed by the SBTi to ensure the compatibility of intensity targets with a 1.5°C limit of temperature increase. However, the absolute emissions reduction implied by intensity targets does not need to be disclosed publicly.		The choice of reference scenario is a key consideration in target-setting: anchoring GHG reduction goals to well-established and science-based frameworks is critical to ensure the credibility of an undertaking's engagements. This can be a reference scenario at the international (IEA - NZE, SBTi, NGFS - ordinate transition, IPCC - SR1.5), regional (EU Fit for 55 roadmap), or national (French Stratégie Nationale Bas Carbone - SNBC) levels, provided that these scenarios are science-based and in line with the 1.5°C objective. Sector-specific roadmaps can also help to refine target-setting efforts, and identify appropriate levers for attaining the undertaking's objectives. However, companies should strive to avoid basing their targets solely in frameworks developed in the context of industry representation groups (although these may be used in conjunction with other scenarios) to avoid any conflicts of interest inherent to the development of such tools.	

Reading key:

 Full alignment

 Near-full alignment (wording/arrangement difference, but satisfactory)

 Partial alignment (certain elements missing)

 Misalignment (key component missing)

 Not applicable (due to previous dependency not being fulfilled)

	Disclosure requirement	ESRS reference	ESRS detail	SBTi reference	SBTi detail	SBTi adequacy to ESRS	WWF recommendation	SBTi adequacy to WWF reccomendations
	Coverage of activities and value chain							
3	Presence of a Scope 1 target	E1-4.34(b)	GHG emission reduction targets shall be disclosed for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission scopes (1, 2 and/or 3) are covered by the target, the share related to each respective GHG emission scope and which GHGs are covered.	SBTi Corporate Standard, pp. 14-18	Scope 1 target mandatory.		Scope 1 GHG emissions occur from sources directly owned or controlled by the company. For example, these may include emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc. ; emissions from chemical production in owned or controlled process equipment.	
4	Coverage of activity	E1-4.34(b); E1-6.46; AR-39(a)	Undertakings shall include the GHG emissions in accordance with the extent of the undertaking's operational control over them, and targets should be aligned with the GHG inventory. GHG Protocol and ISO 14064-1 are explicitly referenced for boundary-setting and must be used for carbon accounting.	SBTi Corporate Standard, pp. 14-18	Near-term SBTs must cover at least 95% of company-wide Scope 1 and 2 emissions.		Companies should report on the totality of their direct emissions, and seek to be as granular as possible in the calculation of GHG emissions associated with different activities and processes, in line with GHG Protocol and/or ISO 14064-1 guidelines.	
5	Presence of a Scope 2 target	E1-4.34(b)	See line 3	SBTi Corporate Standard, pp. 14-18	Scope 2 target mandatory.		Scope 2 accounts for GHG emissions from the generation of purchased energy (electricity, steam, heat or cooling) consumed by the company. Purchased energy is defined as energy that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where energy is generated. These definitions are in line with GHG Protocol and/or ISO 14064-1 guidelines.	
6	Coverage of activity	E1-4.34(b); E1-6.46; AR-39(a)	See line 4	SBTi Corporate Standard, pp. 14-18	Near-term SBTs must cover at least 95% of company-wide Scope 1 and 2 emissions.		As for Scope 1 emissions, companies should report on the totality of purchased energy in their Scope 2 disclosures, in line with GHG Protocol and/or ISO 14064-1 guidelines.	
7	Presence of a Scope 3 target	E1-4.34(b)	See line 3	SBTi Corporate Standard, pp. 19-27, SBTi Corporate Net Zero Standard, pp. 30-42	Scope 3 targets are a requirement under the SBTi Corporate and Net-Zero Standards. The SBTi Criteria for near-term targets also states that if a company's Scope 3 emissions are 40% or more of total Scope 1, 2, and 3 emissions (i.e. the vast majority of companies), a Scope 3 target is required. These targets should cover at least 67% (two-thirds) of Scope 3 categories and must be aligned with the minimum rate of decarbonization defined by the SBTi for Scope 3. Businesses may also choose to set supplier and/or customer engagement targets to ensure the mobilization of the company's value chain in emissions reductions efforts. Long-term, net-zero targets require a 90% reduction by 2050, in line with net-zero and Paris Agreement requirements.		Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. These emissions can occur either upstream or downstream of the company's value chain, and cover the categories described in the GHG Protocol Scope 3 Calculation Guidance.	
8	Coverage of value chain	E1-6.44(c); AR-46(h)	The disclosure of gross Scope 3 GHG emissions required by paragraph 44 (c) shall include GHG emissions in metric tons of CO2eq from each significant Scope 3 category (i.e. each Scope 3 category that is a priority for the undertaking). GHG Protocol and ISO 14064-1 referenced for boundary-setting and must be used for carbon accounting.	SBTi Corporate Standard, p. 22 SBTi Corporate Net Zero Standard, pp. 30-42	As per the SBTi Criteria for Near-term Targets, two thirds of Scope 3 emissions must be covered by a target, or disaggregated Scope 3 targets. At a 2050 horizon, Scope 3 targets should be aligned with a 1.5°C-compatible level of reduction, implying at least a 90% reduction in emissions on this scope.		Scope 3 emissions should be published for all value chain sources that significantly impact the GHG inventory of the company. One way to ensure sufficient coverage of Scope 3 emissions is to ensure that these cover activities equate with more than two-thirds (2/3) of the company's purchases and/or revenues, and progressively seeking to cover the full extent of Scope 3 emissions categories over time. The GHG Protocol provides multiple criteria for further identifying relevant Scope 3 activities to include in an undertaking's GHG inventory. These include the size of the emissions associated with a source, degree of influence on the source, contribution to risk of financial exposure, materiality to stakeholders, outsourced nature of activities, association with high expenses or revenues, and identification of a particular source as material in well-established sectoral guidance.	

	Disclosure requirement	ESRS reference	ESRS detail	SBTi reference	SBTi detail	SBTi adequacy to ESRS	WWF recommendation	SBTi adequacy to WWF reccomendations
9	Source of emissions factors	AR-27; AR-39(b)	The reference target value may be calculated by multiplying the GHG emissions in the base year with either a sector-specific (sectoral decarbonisation methodology) or cross-sector (contraction methodology) emission reduction factor. These emission reduction factors can be derived from different sources. The emission reduction factors are subject to further development. Consequently, undertakings are encouraged to only use updated publicly available information. Undertakings should be transparent about the emissions factors they use to establish GHG inventories and targets.	SBTi Corporate Standard, p. 45	There is no mandatory source for the emissions factors that must be used by companies or financial institutions to set climate targets. However, the SBTi platform demands transparency on the sources of emissions factors used by companies or financial institutions setting climate targets. A coherence check is also conducted by SBTi on the factors used for GHG inventory calculations.	🟢	Emissions factors used to calculate total GHG production could stem from self-measured values for processes to reliable, precise and well-recognized proxies (ADEME Base Carbone, IPCC, EEA, IEA...)	🟠
10	Reporting perimeter	E1-6.50(a); AR-46	The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6): For Scope 1 and Scope 2 emissions the undertaking shall disaggregate the information, separately disclosing emissions from: (a) the consolidated accounting group (the parent and subsidiaries); and (b) investees such as associates, joint ventures, or unconsolidated subsidiaries that are not fully consolidated in the financial statements of the consolidated accounting group, as well as contractual arrangements that are joint arrangements not structured through an entity (i.e., jointly controlled operations and assets), for which it has operational control. Scope 3 emissions inventories and targets must cover GHG emissions from each significant Scope 3 category.	SBTi Corporate Standard, p. 11	Companies must align the boundaries of their near-term SBTs with those of their GHG inventory. To do so, they must select a single consolidation 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. This implies that the consolidation approach for target-setting under SBTi must be aligned with financial reporting. 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. Moreover, companies should report and establish targets covering at least two thirds of their Scope 3 GHG emissions. The GHG Protocol Corporate Standard provides further guidance.	🟠	In accordance with ESRS 1 recommendations, Scope 1 and 2 accounting and targets should cover the same activity perimeter as the financial statements published by the company and include any entities over which the reporting structure has operational control. Scope 3 accounting and targets should strive to cover all significant emissions within the value chain of the company, based on the principles mentioned above.	🟡
	Near- and long-term target setting							
11	Presence of near term-target	E1-4.34(c)	GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every 5-year period thereafter.	SBTi Corporate Standard, pp. 9-10	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 validation.	🟢	Near-term targets should be set and aligned with science-based, recognized frameworks that enable the real decarbonization of the undertaking's activity over time.	🟢
12	Presence of sequential targets				SBTi requires that companies update their targets every five years to ensure compatibility with the latest climate science. If significant changes arise in the targets set by companies or financial institutions, targets must be re-validated by the platform.	🟢	The near-term targets set by the company should be sequential over five year intervals from the date of publication.	🟢

	Disclosure requirement	ESRS reference	ESRS detail	SBTi reference	SBTi detail	SBTi adequacy to ESRS	WWF recommendation	SBTi adequacy to WWF reccomendations
13	Quality of established near-term targets	E1-4.34(e)	The undertaking shall state whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which framework and methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and policy scenarios are and whether the targets have been externally assured. As part of the critical assumptions for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g., changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions.	SBTi Criteria and Recommen-dations for Near-Term Targets, p. 13	Near-term targets must be aligned to SBTi-defined, 1.5°C-compatible trajectories since the publication of the updated SBTi Criteria and Recommendations for Near-Term targets, published in April 2023. Prior to this standard, companies could validate a well-below 2°C target, but this has been phased out by the platform. Offsets and removals must be reported separately from the rest of the GHG inventory, and must only be used to neutralize residual emissions or other emissions not covered by the SBTi-validated target. Avoided emissions should not be considered in the GHG inventory either.		The establishment of these targets also helps to ensure that the total GHG output of the company is aligned with their 1.5°C budget allocation; indeed, not only do companies need to attain net zero emissions by 2050 in order to be aligned with the objectives of the Paris Agreement, but they also need to decarbonize at a high speed in the first years of their decarbonization efforts to stay within budget. Indeed, emitting at constant rates over ten more years releases much more carbon into the atmosphere than halving emissions over the same time period - and would require a very abrupt transition following this time period to stay in line with the Paris Agreement. In line with the recommendations from the SBTi target-setting methodology described in section 3.1 of this report, companies should use the most ambitious decarbonization scenarios to establish their targets. It is important to note that companies should not include carbon offsets in their near-term targets, as both nature- and technology-based solutions for carbon entrapment are long-term endeavors and present major uncertainties concerning feasibility and real impact of contribution to mitigation efforts.	
14	Repor-ting on established near-term targets	MDR-T-80	The undertaking shall disclose the measurable, outcome-oriented and time-bound targets on material sustainability matters it has set to assess progress. For each target, the disclosure shall include the following information: [...] the performance against its disclosed targets, including information on how the target is monitored and reviewed and the metrics used, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the performance of the undertaking towards achieving the target.	SBTi Corporate Standard, p. 44-46	Companies are expected to report on their progress yearly through the CDP platform, or another publicly available source (annual report, sustainability report, dedicated webpage...).		The confrontation of the real decarbonization trajectory with projected targets, combined with an analysis of previously implemented actions can help to identify any inefficiencies and opportunities that exist in the undertaking's strategy. This data should be disclosed in a standardized format, as proposed by the upcoming ESAP which should allow information users to access all sustainability data in a standardized format at a single location. However, measurement, review and validation is outside the direct scope of this document.	
15	Presence of a long-term net-zero target	E1-4.34(e)	GHG emission reduction targets shall at least include target values for the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every 5-year period thereafter.	SBTi Corpo-rate Standard, p. 7 and SBTi FAQ page	The long-term net-zero target is not mandatory. However, companies that committed to the SBTi on or after July 15, 2022 must use Version 5 of SBTi criteria, which requires alignment with a 1.5°C-pathway for most companies.		Long-term net-zero targets are also an essential component of proper target-setting practices. Setting such objectives empowers companies to demonstrate their alignment with both the Paris Agreement and EU Net-zero goals.	
16	Quality of established long-term target	E1-7.60	In the case where the undertaking discloses a net-zero target in addition to the gross GHG emission reduction targets, it shall explain the scope, methodologies and frameworks applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction with the possibility for justified sectoral variations in line with a recognised sectoral decarbonisation pathway) are intended to be neutralised by, for example, GHG removals in its own operations and upstream and donwstream value chain.	SBTi Corporate Net Zero Standard, pp. 53-55	If companies establish a long-term net zero target, these must be aligned with the SBTi reference scenario compatible with a 1.5°C pathway. Offsets and removals must be reported separately from the rest of the GHG inventory, and must only be used to neutralize residual emissions or other emissions not covered by the SBTi-validated target. Avoided emissions should not be considered in the GHG inventory either.		In line with the recommendations from the SBTi target-setting methodology described in section 3.1 of this report, companies should use the most ambitious decarbonization scenarios to establish their targets. Companies that do not validate their targets through the SBTi platform are recommended to screen multiple frameworks, in particular sectoral decarbonisation pathways, and select those that maximize their incentives to decarbonise rapidly, in a way that is aligned with global efforts to stay below the 1.5°C limit of temperature increase.	
17	Repor-ting on established long-term target	MDR-T-80	See line 14	SBTi Corporate Net Zero Standard, p. 55	Companies are expected to report on their progress yearly through the CDP platform, or another publicly available source (annual report, sustainability report, dedicated webpage...)		The confrontation of the real decarbonization trajectory with projected targets, combined with an analysis of previously implemented actions can help to identify any inefficiencies and opportunities that exist in the undertaking's strategy. Companies should therefore report on their progress toward their decarbonization targets yearly. This specific topic will be the focus of a later publication regarding measurement, reporting and verification (MRV) for climate targets and transition plans.	

	Disclosure requirement	ESRS reference	ESRS detail	SBTi reference	SBTi detail	SBTi adequacy to ESRS	WWF recommendation	SBTi adequacy to WWF reccomendations
	Absolute and intensity-based targets							
18	Presence of both absolute and intensity-based decarbonization targets	MDR-T-80; E1-4.34(a); AR-23	The undertaking shall disclose the measurable, outcome-oriented and time-bound targets on material sustainability matters it has set to assess progress. For each target, the disclosure shall include the following information: [...] the defined target level to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured. If the undertaking has set GHG emission reduction targets, ESRS 2 MDR-T and the following requirements shall apply: GHG emission reduction targets shall be disclosed in absolute value (either in tons of CO2eq or as a percentage of the emissions of a base year) and, where relevant, in intensity value. Where intensity targets are published, associated expected absolute reduction targets are expected to be communicated.	SBTi Corporate Standard, p. 14-19	Absolute targets are required for the sectors for which no sectoral scenarios have been established. For hard-to-abate sectors, specific contraction scenarios have been developed that allow for the setting of intensity-based targets. Companies can choose to report either or both types of targets. When companies submit their targets to the SBTi, they must also disclose the expected absolute emissions reductions from intensity-based targets, if the latter are being submitted for validation. However, there is no obligation to publicly communicate on this absolute reduction volume.	●	A distinction exists between emissions targets expressed in absolute and relative, or intensity-based values. Absolute emissions reduction targets provide undertakings and information users with a view of the company's intention to abate its real, total emissions over time. In contrast, intensity targets provide stakeholders with a vision that relates GHG emissions to business activity. These approaches are complementary, and undertakings should strive to publish both absolute and intensity targets to address different stakeholders' information requirements, and provide a full-picture view of their decarbonization efforts.	●
19	Alignment of absolute targets with a 1.5°C-compatible scenario	E1-4.34(e)	The undertaking shall state whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which framework and methodology has been used to determine these targets including whether they are derived using a sectoral decarbonisation pathway and what the underlying climate and policy scenarios are and whether the targets have been externally assured. As part of the critical assumptions for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g., changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions.	SBTi Corporate Standard, pp. 14-22	Targets must be aligned to SBTi-defined, 1.5°C-compatible trajectories. SBTi demands that companies submit either (or both) an absolute target, or an intensity target with associated absolute emissions reductions (for sectors eligible to this methodology). This enables the platform to verify that a company's emission targets are indeed compatible with a 1.5°C remaining carbon budget. However, companies do not necessarily have to publicly disclose their projected absolute emissions reductions if their intensity targets are validated.	●	This kind of target is constructed by setting a total carbon budget that a company can emit in order to stay in line with global efforts to be aligned with a 1.5°C limit of temperature rise. This takes into consideration both the end-point (long term net-zero target) and the trajectory of emissions reduction projected by the undertaking. Absolute targets therefore allow clear readability on the capacity of the company's strategy to provide a satisfactory contribution to 1.5°C upper climate heating boundary objectives.	●
20	Alignment of intensity targets with a sectoral trajectory compatible with a 1.5°C scenario					●	Such targets are typically set by referring to sectoral decarbonization scenarios, which usually take expected growth or shrinkage of the economic volume of the relevant sector in plotting emissions reduction trajectories. The targets are created to converge on a level of intensity compatible with the sector's necessary decarbonization efforts to be aligned with the Paris Agreement. Intensity targets thus enable companies and information users to see if decarbonization efforts are integrated into the general business strategy of the company, which could be especially useful in the earlier periods of emissions reduction efforts.	●
	Granularity of targets for highly emissive assets							
21	Desired level of disaggregation	1.3.7.54	When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information: (a) by country, when there are significant variations of material impacts, risks and opportunities across countries and when presenting the information at a higher level of aggregation would obscure material information about impacts, risks or opportunities; or (b) by significant site or by significant asset, when material impacts, risks and opportunities are highly dependent on a specific location or asset.	SBTi Corporate Net Zero Standard, p. 54	SBTi only requires that companies disaggregate their target publication by scope (separate Scope 1, 2 and 3 targets). Companies may also establish their targets by sector, Scope 3 category or methodology if different methods are used to set targets. The emissions reductions are assessed by scope, with a requirement on minimum emissions reductions individual to each 3 scopes.	●	For a company-level GHG emissions reduction strategy to be declined into an operation, action oriented transition plan, it is important that undertakings identify the key geographies and assets from which emissions emanate. This enables businesses to pinpoint and focus on transitioning specific elements of their business or even infer what activities are viable in the long term.	●

2 - ANALYSIS OF MARKET PENETRATION RATES OF THE SCIENCE BASED TARGET INITIATIVE

The SBTi framework represents the gold standard for target setting in the corporate and financial sectors, and appropriately answers the reporting needs of ESRS E1. The initiative has gained traction over the past decade, with close to 2800 companies and financial institutions publishing science-based targets with an objective to become net-zero before 2050, with a trajectory aligned with the 1.5°C objective of the Paris Agreement. This is particularly true in the EU, where the take-up on SBTi has been widespread. Indeed, based on the latest SBTi data, as of the end of 2023, **around 2300 companies based in the European Union had SBTi-validated targets or commitments: around 60% (close to 1400) had set and validated science-based targets** and 40% had committed to target setting with a publicly stated goal to get their objectives validated in a 2-year timeframe.

It should be added that the adoption rate has drastically increased in the last few years: since 2018, the minimum growth rate for the combination of committed and validated targets has been 100% per annum - **which means that since 2018 the number of such companies has more than doubled every year**. This reflects a broader worldwide trend on science-based climate target adoption, as a skyrocketing number of companies have joined the initiative in their ambition to align to the 1.5°C objective of the Paris Agreement.

As a matter of comparison, the number of commitments to set targets by the end of 2023 represented close to 5% of companies in the scope of CSRD (around 50,000) and nearly 19% of EU companies that could end up in the scope of CSDDD (around 12,800 EU companies according to the Commission[27]). If we assume that the growth rate of SBTi companies remains the same as in the last five years (doubling every year), by the end of 2026 the number of companies setting targets through the SBTi will represent around 37% of EU companies in the scope of CSRD and nearly 140% of EU companies that could end up in the scope of CSDDD. As a reminder, CSDDD should enter into application in 2027 for the largest companies only (1000+ employees), if the Council votes it as planned.

5%

of companies in the scope of CSRD had committed or validated science-based targets in 2023

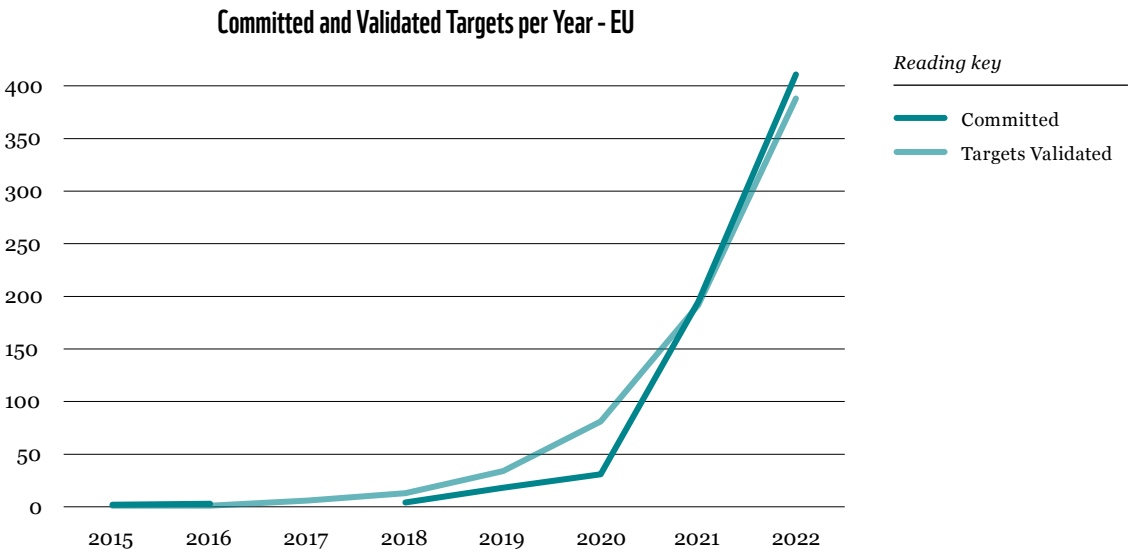


Fig. 2: New Committed or Validated SBT per Year (EU).

These curves in the EU are similar to those observed globally.

[27] On the basis of the Commission's legislative proposal on CSDDD from February 2022.

Additional details of the committed and set targets can be found below, with a repartition of SBTs set by EU country, as of the end of 2022. At this date, companies in 18 out of 27 EU countries had committed or validated their science-based targets.

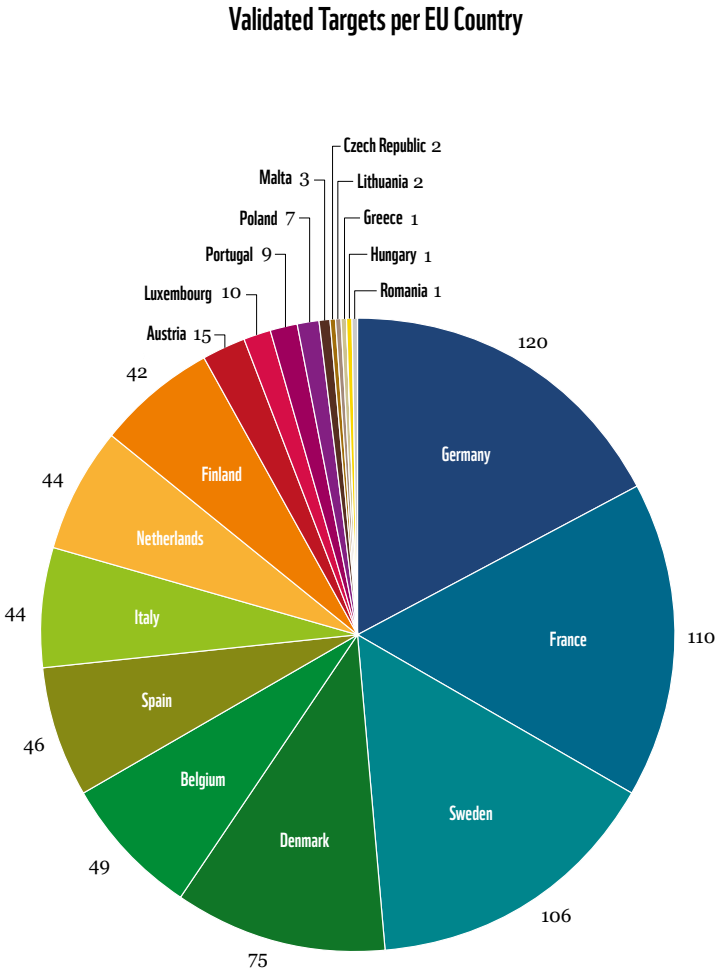


Fig. 3.1: Validated Targets per EU Country

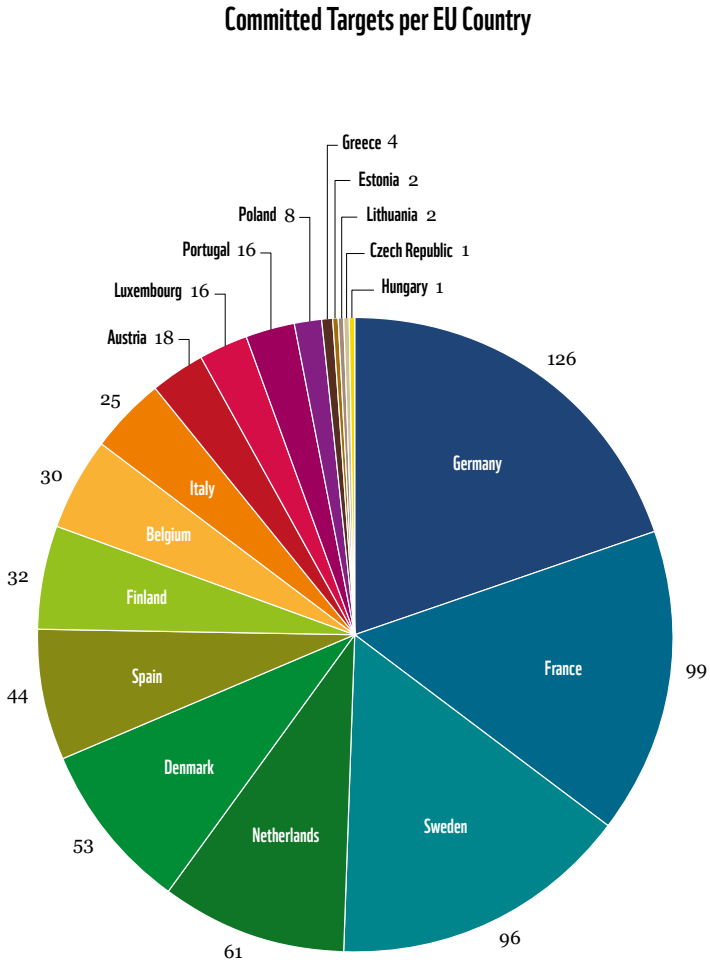


Fig. 3.2: Committed Targets per EU Country

This rapid uptake of the SBTi framework has enabled the platform to cover a decent share of global GHG emissions issued by companies. Together, commitments and set targets cover around 2 billion tons of CO2-equivalent GHG emissions at the global level, representing around 3% of worldwide emissions. This coverage only accounts for Scope 1 and 2 coverage, while Scope 3 targets engulf a much larger share of the emissions covered by the SBTi. Interestingly, in comparison to the global level, EU companies within SBTi have set CO2 targets that cover a very significant share of the region's emissions; indeed, set Scope 1 and 2 targets in the EU 27 account for close to 1 billion tons of CO2 equivalent GHG emissions, out of the 3.5Bn tons emitted by the EU: **EU companies' commitments and targets within SBTi represent close to a third of total EU emissions**. This is promising as it highlights the fact that even with partial coverage of EU companies, high levels of emissions coverage can be achieved.

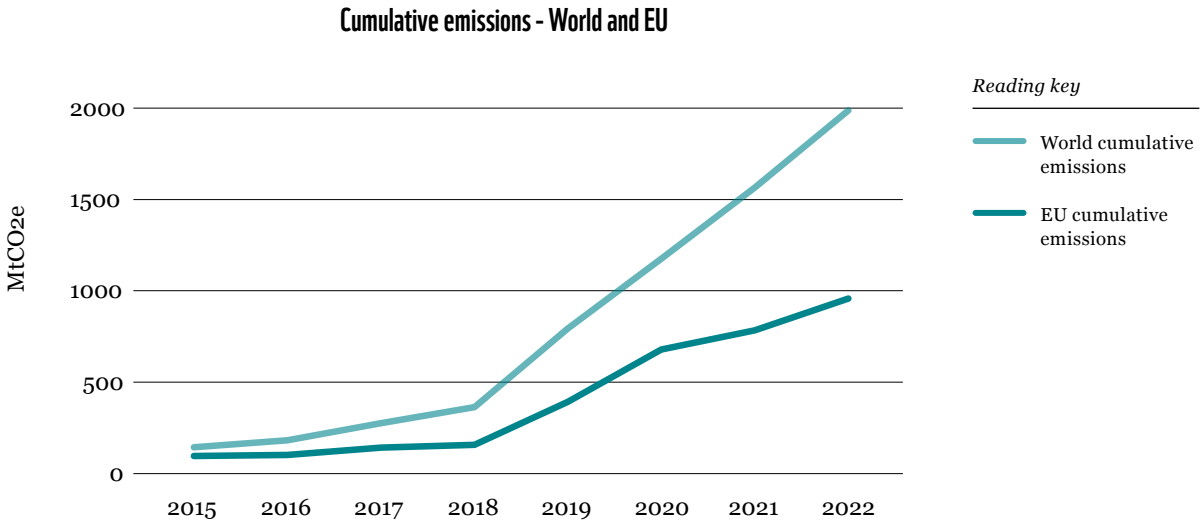


Fig. 4: Emissions covered by committed and validated SBTs - World and EU.

This large coverage of emissions in the EU also reflects a wide uptake of the initiative across the different economic sectors present in Europe. Indeed, while services lead the way in terms of committed and set targets, manufacturing, food & beverages, retail, materials and infrastructure companies have also joined the SBTi, at increasing rates. This reflects a trend existing at the global level where companies in the materials and transportation sectors were committing and submitting targets at rapid rates between the years 2021 and 2022. Worryingly, one sector where the uptake of SBTs is still low is the power sector; given the high volume of emissions associated with this sector, it is critical that power companies accelerate target commitments and target setting compatible with the 1.5°C objective and implement transition efforts to reach their objectives.

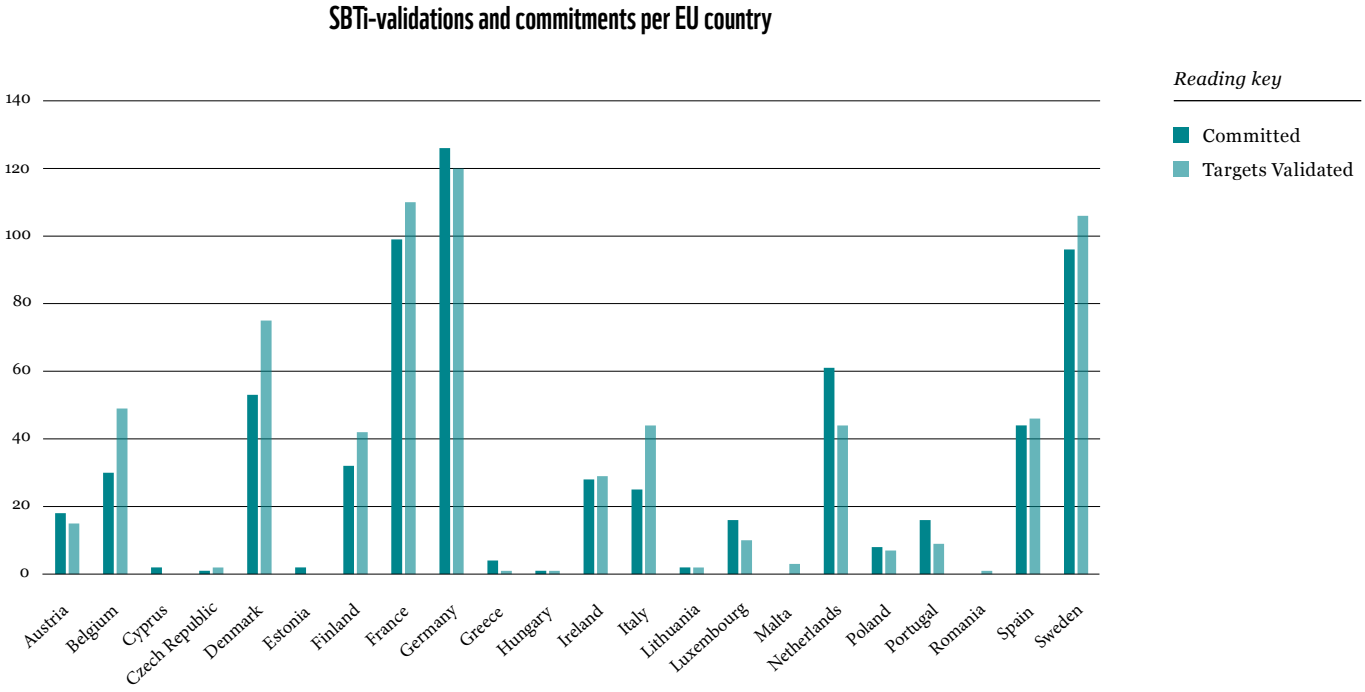


Fig. 5: Committed and validated targets per EU country

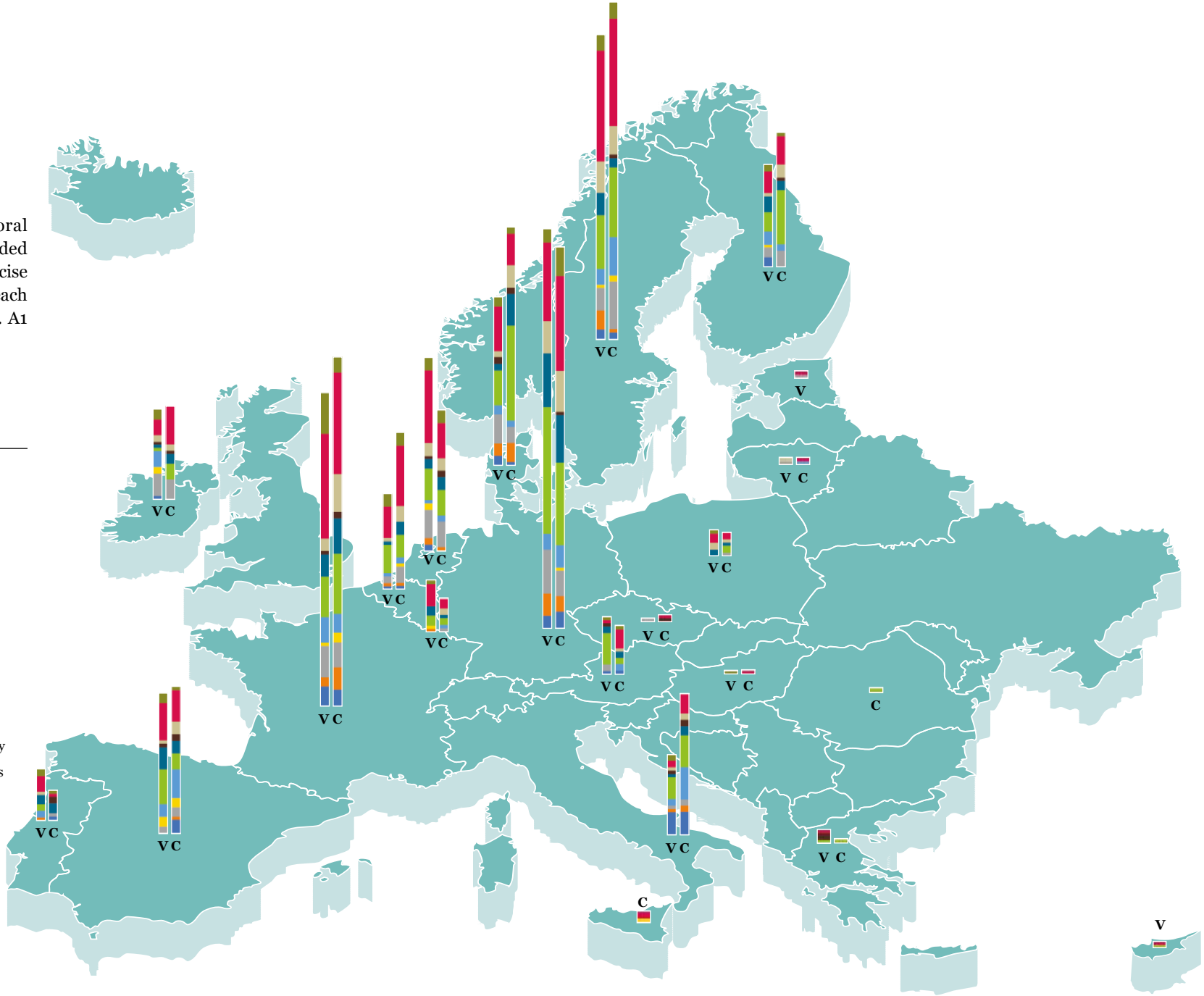
A further breakdown of sectoral targets per EU country is provided in the infographic below. The precise number of targets per sector in each EU country is also given in Fig. A1 and A2 of the appendices.

Reading key

- Transportation services
- Services
- Retail
- Power generation
- Materials
- Manufacturing
- Infrastructure
- Hospitality
- Food, beverage & agriculture
- Biotech, health care & pharma
- Apparel

V Validated climate targets per industry

C Number of committed climate targets per industry



Diag. 2: Committed and validated per sector in different EU countries

It is also important to note that the SBTi coverage of companies is consequent both for large actors and, increasingly, for small and medium-sized enterprises (SMEs). In the 2022 SBTi Monitoring Report, it highlighted that close to **90% of French CAC 40, 70% of German DAX 30, and above 40% of Italian FTSE MIB 40 companies have either set or committed to setting science-based targets**. However, it also finds that the greatest growth for new commitments and validated targets comes from SMEs, as highlighted in the graph below. The report also communicates that this large uptake from companies has resulted in a total **market capitalization-based coverage of 34% of the global economy on a global scale for companies within SBTi**.

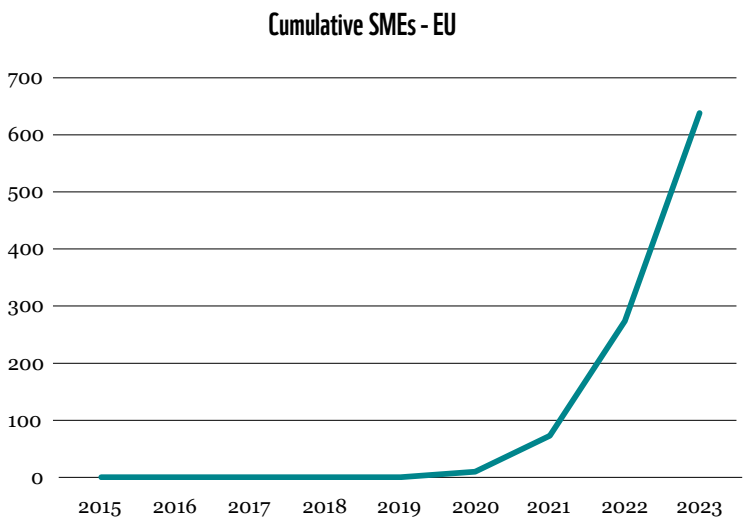


Fig. 6: Number of SMEs with validated SBTs (cumulative) - EU

As a matter of comparison, the number of SMEs within SBTi in 2023 represented around 30% of the listed SMEs in the scope of CSRD (around 2,000 according to the Commission).

This analysis demonstrates that while there are still significant efforts to be made in science-based climate target setting by companies, the global penetration of SBTi, particularly on the EU market, is important and accelerating. This allows for wide coverage of European GHG emissions by corporate climate targets, and demonstrates **growing corporate interest in science-based methodological frameworks that enable the standardization of corporate target-setting efforts**. It is important to add that this is true in a large variety of economic sectors, and for undertakings of all sizes including SMEs - notably as the SBTi gains in recognition and traction with more economic actors in recent years.

Given the CSDDD and CSRD requirements (presented in section 1), it is necessary to implement such a framework to ensure that all the relevant actors in the economic sphere follow a standardized, science-based methodology for target-setting, thereby raising the credibility of their engagements, providing transparency on the compatibility of their targets with the 1.5°C limit of temperature increase, and increasing the comparability of corporate targets and the relevance of their aggregation. Such a methodological framework will both **facilitate the implementation of CSRD (and eventually CSDDD) target setting and reporting requirements,** and significantly improve the relevance of CSRD (and eventually CSDDD) in their contribution to the EU 2030 climate objectives and the European Green Deal.

It should be reminded that in its Strategy for financing the transition to a sustainable economy from July 2021, **the Commission committed to examine to what extent more guidance could ensure that science-based climate targets are credible (Action 4 a).**

Therefore, it seems both reasonable and necessary to rapidly develop the following three steps:

- **EU institutions and Member States, relevant regulators and supervisors, and CSRD assurance providers should immediately recommend companies and financial institutions to set SBTi-validated climate targets to ensure compliance with CSRD (and eventually CSDDD)** on corporate climate target setting and reporting, and provide greater transparency on their forecasted emission reductions.
- **Building on SBTi notably, the EU should develop a methodological framework of reference for corporate climate target setting aligned with the 1.5°C limit of temperature increase, the use of which should become mandatory over time.** It is necessary to ensure credibility and comparability of corporate climate targets, and in turn better contribute to the EU 2030 climate objective and the European Green Deal.

The relevance of such a standard has been demonstrated by the wide adoption of SBTi by economic actors of all sectors and sizes globally.

- **These climate targets must be monitored by regulators (national competent authorities - NCAs) and supervisors: these authorities should rapidly develop a robust Measurement, Reporting and Verification (MRV) process for corporate climate targets[28].**

3 - SBTI USE CASES: EXAMPLES OF GOOD PRACTICE IN TARGET SETTING

The companies that have set science-based targets have often already implemented practices that enable them to already comply with specific ESRS requirements linked to climate target-setting. WWF has selected companies from different economic sectors as examples of best practices in target setting. We believe that these actors' practices represent the highest standard for this exercise in their respective sectors.

It is important to reiterate that target-setting alone is not a guarantee that companies will implement the proper strategies and actions to reach their objectives, but rather that the methodology implemented to define and set their decarbonization targets are in line with ESRS requirements, and with a large majority of WWF target setting recommendations.

		FORVIA	IBERDROLA	LA BANQUE POSTALE	SAINT-GOBAIN	SODEXO
1.5°C upper boundary compatibility	Reference to a 1.5°C target	🟢	🟢	🟠	🟢	🟢
	Reference to ambitious, science-based and well-established scenarios	🟢	🟢	🟢	🟢	🟢
Coverage of activities and value chain	Presence of a Scope 1 target	🟢	🟢	🟢	🟢	🟢
	Coverage of activity	🟢	🟢	🟢	🟢	🟢
	Presence of a Scope 2 target	🟢	🟢	🟢	🟢	🟢
	Coverage of activity	🟢	🟢	🟢	🟢	🟢
	Presence of a Scope 3 target	🟢	🟢	🟢	🟢	🟢
	Coverage of value chain	🟢	🟢	🟢	🟢	🟢
	Source of emissions factors	⚪	⚪	⚪	⚪	⚪
	Reporting perimeter	🟢	🟢	🟢	🟢	🟢
Near- and long-term target setting	Presence of near term-target	🟢	🟢	🟢	🟢	🟢
	Presence of sequential targets	⚪	⚪	⚪	⚪	⚪
	Quality of established near-term targets	🟢	🟢	🟢	🟢	🟢
	Reporting on established near-term targets	🟢	🟢	🟢	🟢	🟢
	Presence of a long-term net-zero target	🟢	🟢	🟠	🟢	🟢
	Quality of established long-term target	🟢	🟢	🟠	🟢	🟢
	Reporting on established long-term target	🟢	🟢	🟠	🟢	🟢
Absolute and intensity-based targets	Presence of both absolute and intensity-based decarbonization targets	🟡	🟢	🟡	🟡	🟡
	Alignment of absolute targets with a 1.5°C-compatible scenario	🟢	🟢	🟡	🟢	🟢
	Alignment of intensity targets with a sectoral trajectory compatible with a 1.5°C scenario	⚪	🟢	🟡	⚪	⚪
Granularity of targets for highly emissive assets	Desired level of disaggregation	⚪	⚪	⚪	⚪	⚪

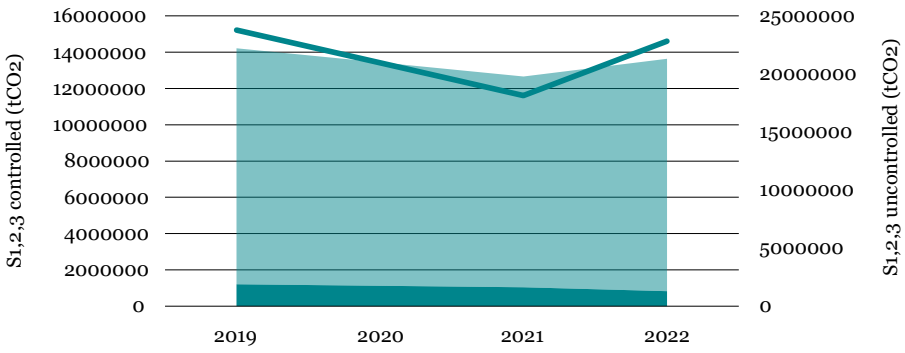
Reading key:

🟢 Criteria fulfilled 🟡 Criteria nearly fulfilled 🟡 Criteria partly fulfilled 🟠 Criteria not fulfilled ⚪ No elements communicated

Diag. 2: Committed and validated per sector in different EU countries

[28] The same will be relevant as well for corporate climate transition plans - which are not the focus of this report.

Forvia emissions over time



Reading key

- Scopes 1 + 2 (tCO2)
- Scope 3 controlled (tCO2)
- Scope 3 uncontrolled (tCO2)

2025

S1*+S2: -80%

2030

S3: -45%

2045

S1+S2: -90%

S3: -90%

Forvia published its SBTi-validated targets in 2022, becoming the first company to do this in the automotive sector. The group is composed of the fusion of Faurecia and Hella, and has been working to refine its carbon accounting methodology for the past years. This has led to the recent inclusion of Hella's emissions, and a subsequent re-baselining of its starting point for decarbonization objectives.

The company has established different time horizons for the targets set on Scopes 1 and 2 and Scope 3 objectives, reflecting their perception of operational control on decarbonization levers that exist on each of these perimeters. They have also decided to separate their Scope 3 emissions between elements on which they have more or less operational control.

The efforts engaged by Forvia to decarbonate its direct operations have shown promise. In the four years since it has set its baseline, Scope 1 and 2 emissions were reduced by 31% on an absolute basis. This was facilitated notably by the implementation of energy sobriety measures, installation of renewable energy capacity on certain production sites, and contractualization for green energy purchases.

Scope 3 emissions have only gone down by 3% in total, with greater diminution of downstream carbon emissions than upstream counterparts. Multiple tools have been implemented in-house to incentivize the continued amelioration of Forvia's carbon footprint, such as internal carbon prices and top management remuneration dependencies on carbon objectives.

NEAR AND LONG TERM TARGETS

Forvia published Scope 1, 3 and 3 targets with differentiated time horizons. The fulfillment of these commitments would allow the company to decarbonate at a rate compatible with an upper limit of 1.5°C climate heating.

SCOPES 1-3 COVERAGE

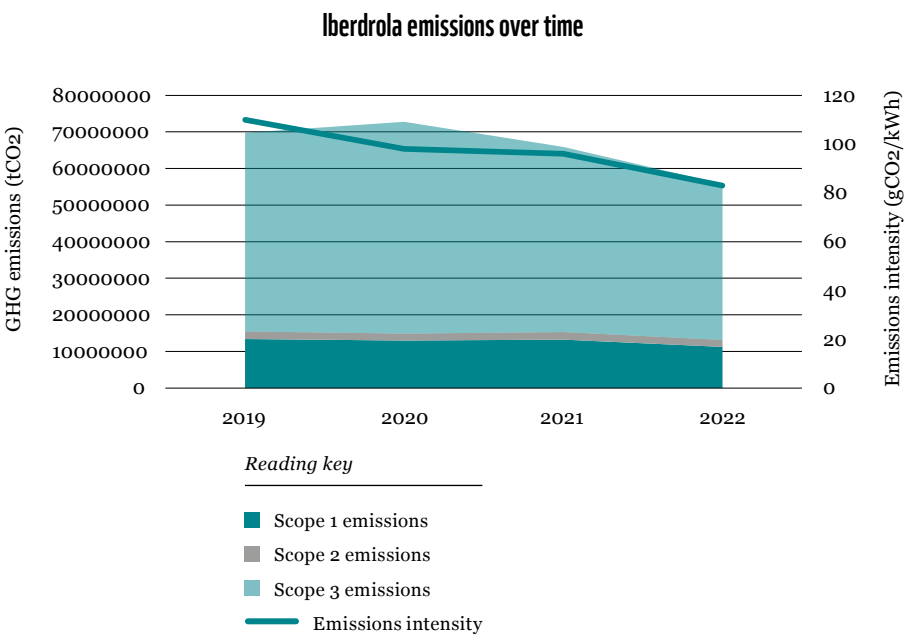
The near-term targets published for Scope 1 and 2 emissions and for Scope 3 emissions have different time horizons, reflecting the amount of perceived agency Forvia has on the various levers.

ABSOLUTE GHG REDUCTIONS

Forvia published its decarbonization targets on an absolute basis for all three scopes. Scope 1 and 2 emissions show very ambitious 2025 targets, with significant targets on Scope 3 emissions on the 2030 horizon. For long-term objectives, all three scopes converge on a 90% reduction by 2045.

- Forvia had their SBTi targets validated and published in 2022, becoming the first company in the automotive sector to obtain certification from the platform.
- At this stage, Forvia has reduced its direct emissions (Scopes 1 & 2) by 31%, while Scope 3 emissions have only been diminished marginally (by 3%).
- Forvia also provides useful information about the degree of uncertainty that exists in its calculation of carbon emissions.
- Use of sold products in cars is treated as a specific Scope 3 category due to low levels of agency and certainty on associated carbon emissions.

*S1 stands for Scope 1, S2 for Scope 2, and S3 for Scope 3



1.5°C

NET ZERO BY 2039

2030

S1+S2+S3: -80%

2039

S1+S2+S3: -90%

Iberdrola has published near and long term targets on all 3 Scopes for its decarbonization efforts. In particular, for both 2030 and 2039, Iberdrola provides some detail for the way in which it diseggregates its targets. The company also publishes both intensity targets and higher-level aggregate absolute targets for the group as a whole.

In particular, Iberdrola expects that in 2030, it will reduce Scope 1 and 2 emissions from power generation 83% per kWh by 2030 and Scope 1 and 3 emissions from fuel and energy-related activities covering all sold electricity 85% per kWh in the same time horizon. Scope 3 use of sold products emissions will also be reduced by 42% by 2030, with other Scope 3 emissions being reduced by 46% simultaneously. This would allow the company to reduce Scope 1, 2 and 3 emissions by 65% in 2030.

The same breakdown is provided for the company's 2039 targets, amounting to 90% emissions reduction.

Iberdrola has already begun to implement multiple actions to reach its objectives. On the power generation side, the company is dedicated to financing 100% renewable technology generation and increasing its storage capacity. For its electricity sales activities, the group is investing in the digitalization and resilience of transmission and distribution grids to adapt them to the electrification of the energy mix. Moreover, it is developing new sustainable solutions for customers that facilitate the decarbonisation of energy demand, notably through electrification. On the upstream side, Iberdrola is also engaging with its suppliers to lower its overall Scope 3 carbon footprint.

The ambitious targets set by Iberdrola have thus contributed to sparking large-scale investments and direct action in transitioning its power provision business model.

NEAR AND LONG TERM TARGETS

Iberdrola has published targets for the near and long term with an objective to reach net zero emissions by 2039, with a 2020 baseline.

SCOPES 1-3 COVERAGE

Iberdrola covers all 3 scopes in its decarbonization targets. It also provides a level of dissagregation on its objectives relevant to its different activities as an energy provider.

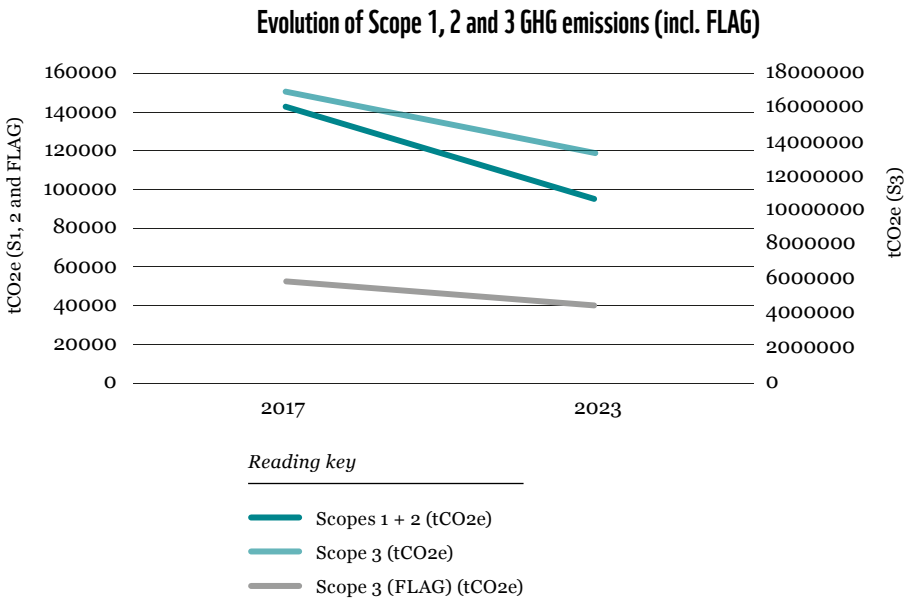
ABSOLUTE GHG REDUCTIONS

Iberdrola publishes its group-level GHG emissions reduction targets in absolute terms, while the disaggregated targets per scope and activities are published in intensity. This ensures coherence between forecasted business evolutions and necessary levels of decarbonization expressed on a absolute basis.

- Iberdrola is one of two energy providers to have its decarbonization targets certified for a 1.5°C ambition by SBTi.
- So far, Iberdrola has achieved an overall reduction in its emissions of 20%. This figure concerns absolute emissions reduction on all 3 scopes.
- The targets published by Iberdrola are separated per key activities exercised by the company and then aggregated at the level of the group, providing more granularity to information users.
- Iberdrola has also phased out its most emissive assets in order to answer to fossil fuel phase-out requirements consistent with a 1.5°C upper limit on climate change.

sodexo

It all starts with the everyday



1.5°C

NET ZERO BY 2040

2030

- S1+S2: -55%
- S3: -55%
- FLAG: -40%

2040

- S1+2: -90%
- S3: -90%
- FLAG: -72%

Sodexo first published its validated science-based targets in 2019 when the company signed on to the Business Ambition for 1.5°C commitment with a near term goal for 2025. Subsequently, in 2023, Sodexo set and validated science-based Net Zero targets within a 2040 timeframe. These targets include Scopes 1, 2 and 3 with ambitious decarbonation goals for 2030.

Included in these targets are specific Scope 3 FLAG emissions (related to land-use changes and agriculture), a priority topic for food services. Stopping deforestation is one of the key levers for decarbonization as production of certain key commodities (palm oil, beef, etc.) is highly linked to this practice.

As methodologies became more refined for GHG accounting over the years, the company updated its 2017 baseline to reflect updates in the GHG protocol, ameliorations in data collection at the local level, and scope changes in accounting for GHG in the business.

Sodexo has already gone a significant share of the way in reaching its climate objectives. Indeed, Scope 1 and 2 emissions were reduced by 33% since 2017 (and 41% on an intensity basis, reflecting strong decarbonation efforts in direct operations in parallel of economic growth in the company). Moreover, Scope 3 emissions were reduced by 20.6%. Since value chain related emissions represent 99% of emissions for Sodexo, this has translated into an overall progress of 20.7% in emissions reduction on all scopes of carbon emissions.

Priority levers for decarbonization in the company include actions to decarbonize the supply chain, shift to lower carbon meals, use of renewable energy directly at client sites, and reducing waste with a particular focus on food waste.

NEAR AND LONG TERM TARGETS

Sodexo has published both short-term and long-term targets. To the extent that objectives are met, this ensures that the rate of GHG emissions reduction is compatible with a 1.5°C limit on climate change.

SCOPES 1-3 COVERAGE

Sodexo is committed to contributing to net-zero both at the level of its direct operations and its value chain, as reflected by their targets on all three scopes. They also consider emissions linked to agriculture in their targets.

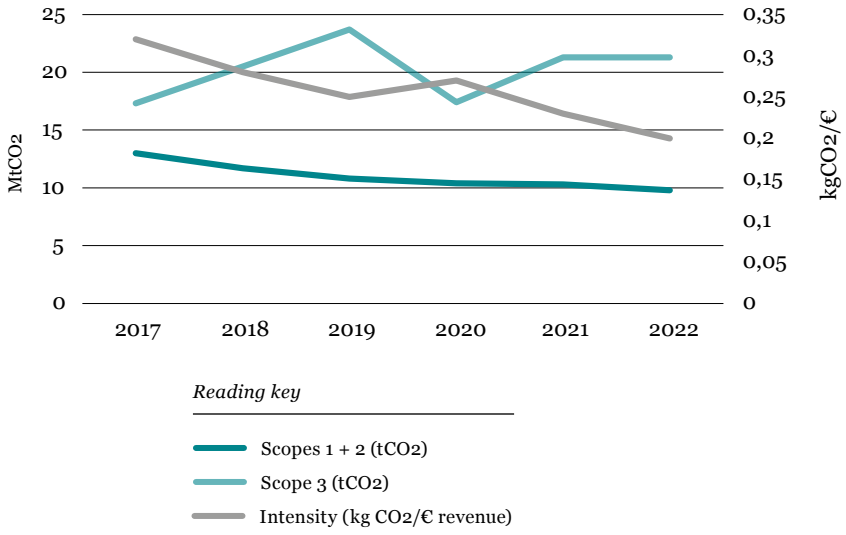
ABSOLUTE GHG REDUCTIONS

The targets published by Sodexo are disclosed in absolute terms, which means that the company is dedicated to abating emissions regardless of its level of economic activity.

- Sodexo set their targets in 2019 using a 2017 baseline and performs a re-baselining yearly, as necessary – adjusting the emission figures for increased accuracy.
- So far, Sodexo has achieved an overall reduction in its emissions of 20.7%. This figure concerns absolute emissions reduction on all 3 scopes.
- Sodexo has published separate Scope 3 targets for emissions linked to Forest Land and Agriculture (FLAG) and for other value-chain emissions.
- Much of the Scope 3 emissions reductions are linked to changes in the supply chain and use of sold product emissions.

SAINT-GOBAIN

Evolution of Scope 1, 2 and 3 GHG emissions



1.5°C

NET ZERO BY 2050

Saint-Gobain published its first approved science-based targets in 2019 after signing the Business Ambition for 1.5°C. These targets were disclosed across the 3 scopes of GHG accounting, and updated in 2022 to reflect Saint-Gobain's ambitions to adopt more ambitious intermediary objectives for its transition.

The company's pledge covers CO2 emissions as well as other GHG such as SOx, NOx and other fine particles. The baseline for emissions reduction is 2017, which is the first year for which Saint Gobain had a comprehensive inventory across all three scopes.

The Scope 3 calculations for GHG emissions have been progressively refined to include more of the emissions factors for the company. The company now considers that more than 66% of emissions across its value chain are covered.

Saint-Gobain's commitment to both ambitious near and long term absolute targets for GHG reductions has translated into real action from the company on this issue.

Scope 1 and 2 emissions have already reduced in absolute expression, providing a large reduction in the carbon intensity of Saint Gobain's operations. This places them as a leader in the construction sector, one of the most emissive in the world.

Different tools have been put in place to reach decarbonization objectives. The group has produced a roadmap to be declined at the level of its production sites. This approach is bolstered by the use of an international carbon price, investment plan and incentivization scheme to reach its objectives.

2030

S1+S2: -33%

S3: -16%

2050

S1+2: -90%*

S3: -90%*

NEAR AND LONG TERM TARGETS

Saint Gobain has published targets both for the near and long term. To the extent that objectives are met, this ensures that the rate of GHG emissions reduction is compatible with a 1.5°C limit on climate change.

SCOPES 1-3 COVERAGE

Saint Gobain is committed to contributing to net-zero both at the level of its direct operations and its value chain, as reflected by their targets on all three scopes.

ABSOLUTE GHG REDUCTIONS

The targets published by Saint Gobain are disclosed in absolute terms, which means that the company is dedicated to abating emissions regardless of its level of economic activity. Carbon emissions are also tracked on an intensity basis by comparing total emissions to revenue generated and EBITDA.

- Saint Gobain updated its targets in year 2022. They cover a period going from 2017 to 2050, with intermediary objectives.
- So far, Saint Gobain has achieved an overall reduction in its emissions linked to direct operations of 25% since 2017. Scope 3 emissions grew over this period.
- The company is dedicating significant resources (100M€ /year) to achieving its 2030 and 2050 targets.
- Multiple tools are in use within operations to incentivize the reduction of GHG emissions.

*Saint-Gobain is aiming to reduce its emissions by as close to 100% as possible. The 90% figure represents the minimum ambition set by the company for its decarbonization efforts.

COMMERCIAL REAL ESTATE

2030: -36%/m2

MORTGAGE

2030: -46%/m2

PROJECT FINANCE

2030: 100% renewables

EQUITY AND BONDS

S1+S2 2025: 2.2°C ITR

S1+S2+S3 2025: 1.9°C ITR

LONG-TERM LENDING

S1+S2 2025: 2.3°C ITR

S1+S2+S3 2025: 2.1°C ITR

85% financial activity coverage

La Banque Postale has committed to aligning with a 1.5°C trajectory in its direct operations and energy sourcing. Since scopes 1 and 2 emissions represent only a minute share of emissions at the bank's level, this is complemented with objectives on its financial activities. Thus, the bank has become of the first financial institutions of its scale to set and validate science-based climate targets covering a large majority of its financing and investment activities (85% coverage). While these targets are not explicitly aligned with a 1.5°C maximum of climate heating objective, they set ambitious goals for the decarbonization of different activity portfolios through 2025. This helps to drive immediate action in the bank's strategy now, while preparing it for its 2040 net zero engagement taken with the NZBA.

La Banque Postale has distinguished itself among its peers by adopting multiple constraining policies that will help it shift away from fossil fuels and other carbon-intensive sectors.

LBP has placed objectives both at portfolio and sector levels. This has resulted on strong exclusions in the fossil fuel sector, whereby the bank possesses no portfolio exposition to coal, has declared that it will finance no upstream and midstream oil & gas projects, and conditions any financial services to a commitment to end up- and midstream fossil fuel activities by 2030.

The use of ITR targets for investment activities further ensures that responsibility for transition planning is not only left to corporates in LBP's investment activities, but rather tracks the alignment of the bank's portfolios with a 1.5°C climate heating target.

NEAR TERM TARGETS

La Banque Postale has set near-term targets for both its direct operations and its lending and investing activities, seeking to align with a 2°C trajectory by 2025 and build to more ambitious objectives following this date.

PORTFOLIO COVERAGE

La Banque Postale has set decarbonization targets over 85% of its lending and investment portfolios, thereby covering the great majority of its financed emissions (Scope 3).

ADAPTED TARGETS

La Banque Postale has set different types of targets for its varied lending and investment activities, which range from intensity targets with associated absolute reductions (SDA approach) to implied temperature rise (ITR) targets for its equity & bonds as well as long-term lending portfolios. Project finance porfolios will only invest in renewable energy at a 2030 horizon and beyond.

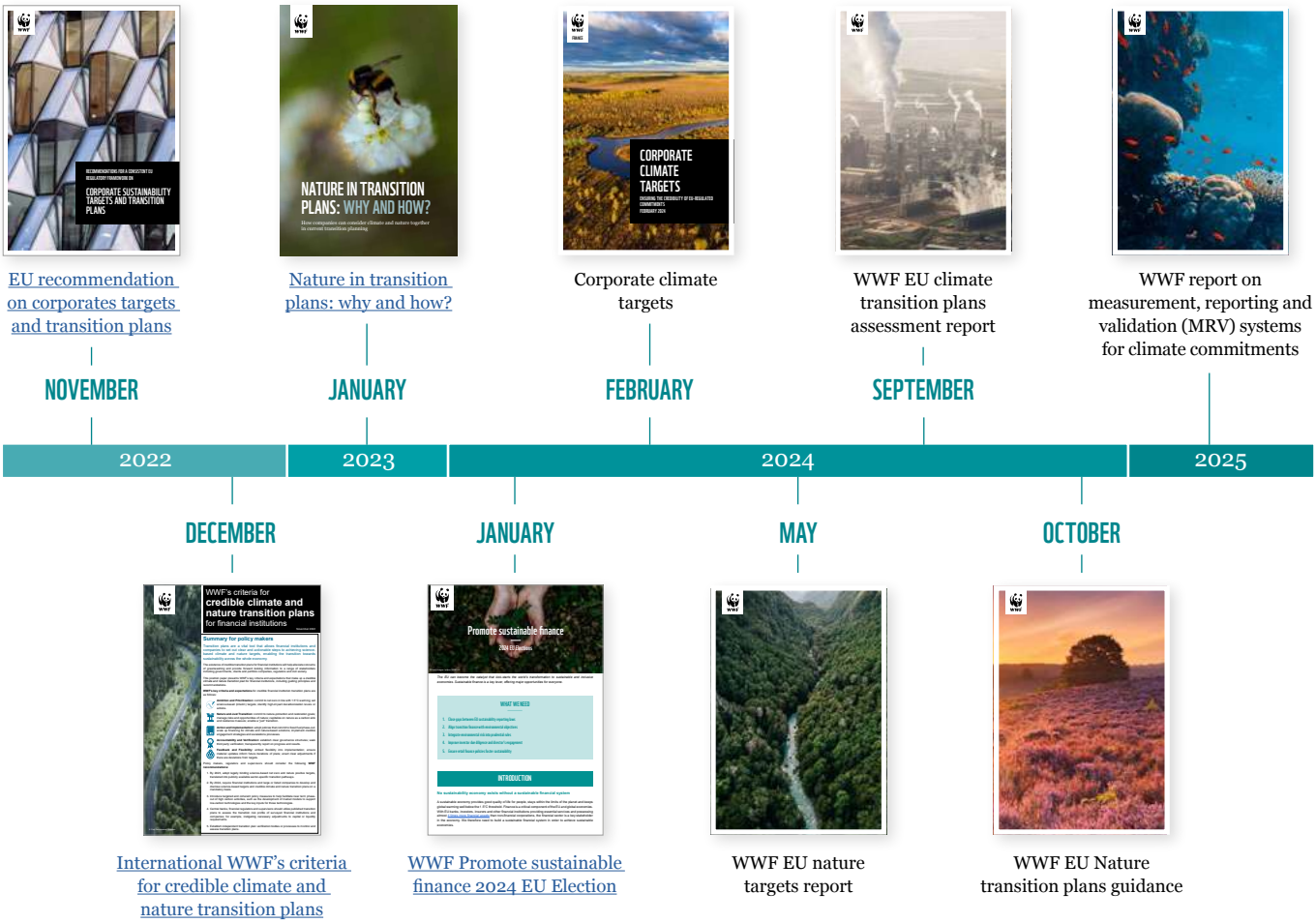
- La Banque Postale set its science-based targets in 2021 with a 2025 horizon for financial activities and 2030 goal for direct operations.
- The bank has committed to ambitious near-term targets that have sparked meaningful engagements and exclusion policies to phase out fossil fuels by 2040.
- Any activities or sectors not yet covered by SBTs are adressed in the scope of LBP's work with the Net Zero Banking Alliance, and are based on IEA net zero scenarios.
- The bank uses ITR rather than portfolio coverage methodology for its investment activities.

CONCLUSION AND NEXT STEPS

In conclusion, **WWF recommends that the European Union immediately recommends use of the SBTi by companies and, in parallel, develops a methodological framework of reference building on the SBTi for corporate climate target setting, which should become mandatory over time**. The CSRD has created new and important requirements for companies, notably on transition plans developed by economic actors to ensure their alignment with EU environmental and social objectives – which should eventually be complemented with CSDDD requirements. In the process of transition planning, target setting is a critical exercise as it determines the level of ambition that companies will dedicate to the transition of their business models to align with the Paris Agreement. ESRS E1-4, along with the associated application requirements and other elements of ESRS E1 and ESRS 1, establish guidelines for setting and reporting corporate climate targets.

However, it remains unclear whether relevant regulators and supervisors and/or CSRD assurance providers will go beyond mere compliance verification of disclosure requirements, towards an assessment or certification of the relevance and credibility of corporate climate targets. Demanding that companies standardize their climate target-setting efforts in line with the current highest standard for that purpose would ensure that targets are indeed science-based and aligned with a 1.5°C scenario. The SBTi currently represents this gold standard and provides a solid basis for complying with all CSRD and related ESRS requirements (as well as eventual CSDDD requirements) related to climate target setting and reporting, sometimes going beyond these regulatory expectations in alignment with WWF target setting recommendations provided in the report. The current market penetration of SBTi demonstrates that while this may represent a challenge for some companies, widespread adoption of such a standardized methodological framework is possible and beneficial for all sectors and all sizes of companies.

WWF is publishing a series of reports around transition plans for climate and nature, some of which were released prior to this report. Other publications are planned throughout 2024 and 2025. These are detailed in the timeline shown below:



APPENDICES

1 - EU REGULATORY CONTEXT ON CORPORATE SUSTAINABILITY REPORTING

The 2015 Paris Agreement set the stage for a coordinated global effort to contain climate change due to anthropogenic emissions to a maximum of 1.5°C. Since then, multiple countries and/or regions (the European Union, for example) have adopted pledges to contain their greenhouse gas (GHG) emissions to a level compatible with the 1.5°C objective. If this represents an encouraging starting point for a global transition toward a decarbonized economy, uncertainties remain regarding the operationalization of such engagements. Some of these concerns relate to the capacity of economic actors to decarbonize their activities. In order to reach its ambition of net-zero emissions by 2050, the European Union will have to spur private sector companies into action as these undertakings contribute the large majority of GHG emissions to the region's global budget in this domain.

The EU has already started to drive ecological transition efforts for economic actors through the development and implementation of multiple legislative vehicles published in the context of the EU Sustainable Finance Strategy - a core strategic pillar of the EU Green Deal.

The legislation passed under this umbrella targets multiple types of economic actors, from corporates to financial institutions. Different foci, from GHG accounting standardization to transition plan design and implementation, are also contained in this broad-spanning legislative package. Such texts as the EU Taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD) are creating a normative framework for transition planning at the corporate and portfolio levels. Within this framework, the CSRD specifically targets large companies and seeks to standardize sustainability disclosures for EU companies and foreign companies with significant activities in the region.

The related European Sustainability Reporting Standards (ESRS), as a Delegated Act of the CSRD, establish specifically the information to be disclosed by undertakings subject to the CSRD. Among the ESRS, ESRS 1 establishes the rationale and general principles for these disclosure requirements and ESRS 2 focuses on general strategy, governance and materiality issues for companies. On the basis of the double materiality analysis performed under ESRS 2, companies must report on thematic ESRS which are material for their activities. Of the ten thematic ESRS, ESRS E1, which focuses on climate change, is expected to be applicable to a large majority of companies in the context of global climate urgency.

Some of the key disclosure requirements in ESRS E1 concern GHG accounting and target-setting. These topics are covered specifically by disclosure requirements E1-4 - Targets related to climate change mitigation and adaptation and E1-4 - Gross Scopes 1, 2, 3 and Total GHG emissions. Complementary information regarding these thematics exist in other ESRS, other sections of ESRS E1, and in the Application Requirements appendix of the ESRS E1. These normative efforts are essential in the design of appropriate transition plans for companies, as they set the stage for any strategy design targeted to achieve the 1.5°C objective of the Paris Agreement. Indeed, a comprehensive and reliable assessment of GHG emissions provides undertakings with a view on their current situation in terms of their contribution to climate change, while the establishment of targets compatible with the EU's net-zero by 2050 strategy will determine the level of ambition necessary to align themselves with EU objectives.

While the current legislation provides a strong basis for the normalization of these elements, a legal framework dedicated to proper GHG measurement, accounting and target setting is still not developed at the EU level. Indeed, the ESRS indicate certain elements necessary to design GHG inventories and targets properly, and provides some guidelines and principles to produce these properly; however, little guidance is provided for the establishment of GHG accounting and target setting standards fully compatible with the EU's net-zero by 2050 objective, and more broadly with Paris Agreement ambitions.

In order to achieve these goals, it is necessary to move from an approach in which regulators verify the publication of GHG inventories and targets by companies to an approach where the content of disclosed information is analyzed with regard to real impacts on decarbonization of companies' activities.

2 - DEFINING PRINCIPLES FOR GHG TARGET-SETTING

A - GENERAL

The disclosure of GHG targets should be accompanied by elements allowing to contextualize and better understand the objectives established by companies through the establishment of such targets. The SBTi corporate manual, which provides general guidance to companies for target-setting, anchors its reporting principles in the GHG Protocol Corporate Standard. This broadly-recognized framework guides the development of GHG inventories for companies, and the SBTi recommends that the same deontological principles should apply to the establishment of GHG targets. These principles and their definitions are provided below, and completed with a last principle of verifiability, which seems essential for the subsequent assessment and monitoring of GHG targets by third parties (such as information users or assessors). Some of the GHG protocol definitions have also been amended to reflect best industry practices, and consideration of specific WWF target setting recommendations.

B - RELEVANCE

Ensure the GHG inventory and associated reduction targets appropriately reflects the GHG emissions and decarbonization ambitions of the company and serves the decision-making needs of users – both internal and external to the company.

C - COMPLETENESS

Account for and report on all GHG emission sources and activities on the undertaking's direct and significant indirect GHG emissions (meaning Scope 1, Scope 2 and significant Scope 3 emissions), and align GHG reduction targets with GHG inventory scopes. Disclose and justify any specific exclusions.

D - CONSISTENCY

Use consistent methodologies to enable 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. This also enables information users to measure progress on GHG reduction targets over time as compared to the selected baseline.

E - 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 and calculation methodologies and data sources used. Clearly identify the different scenarios used to establish GHG emissions targets aligned with the 1.5°C limit of temperature increase.

F - ACCURACY

Ensure that the quantification of GHG emissions is systematically neither over nor under actual emissions, as far as can be judged, 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.

G - VERIFIABILITY

Ensure the information required to assess the quality of a transition plan, including any quantitative or qualitative data pertaining to the plan itself and inputs used to obtain it, is either verified through third-party certification or verifiable by potential information users. Different levels of certification exist for extra-financial information - notably in the form of limited or reasonable assurance issued by auditors external to the undertaking. These assurances seek to attest to the conformity and sincerity of presented information, rather than on the correctness of a given approach to sustainability within a structure. It is important to understand that while third-party assurance diminishes the risk of material misstatement, it is generally not an indication of the quality of the actions implemented in the context of a company's transition plan or sustainability strategy.

H - AMBITION

GHG targets set by the company must be aligned with the 1.5°C limit of temperature increase. The targets should be constructed in such a way that provides both short-term incentive for real decarbonization of activities, and long-term transformational potential for its business model.

I - CONSERVATIVENESS

The scenarios, tools and methodologies used for target-setting should be science-based and their quality and relevance broadly recognized by institutions and policy makers. Conservative estimates should be used when considering the inputs to GHG target design by undertakings.

3 - DETAILED BREAKDOWN OF SBTI COMPANIES PER COUNTRY AND SECTOR

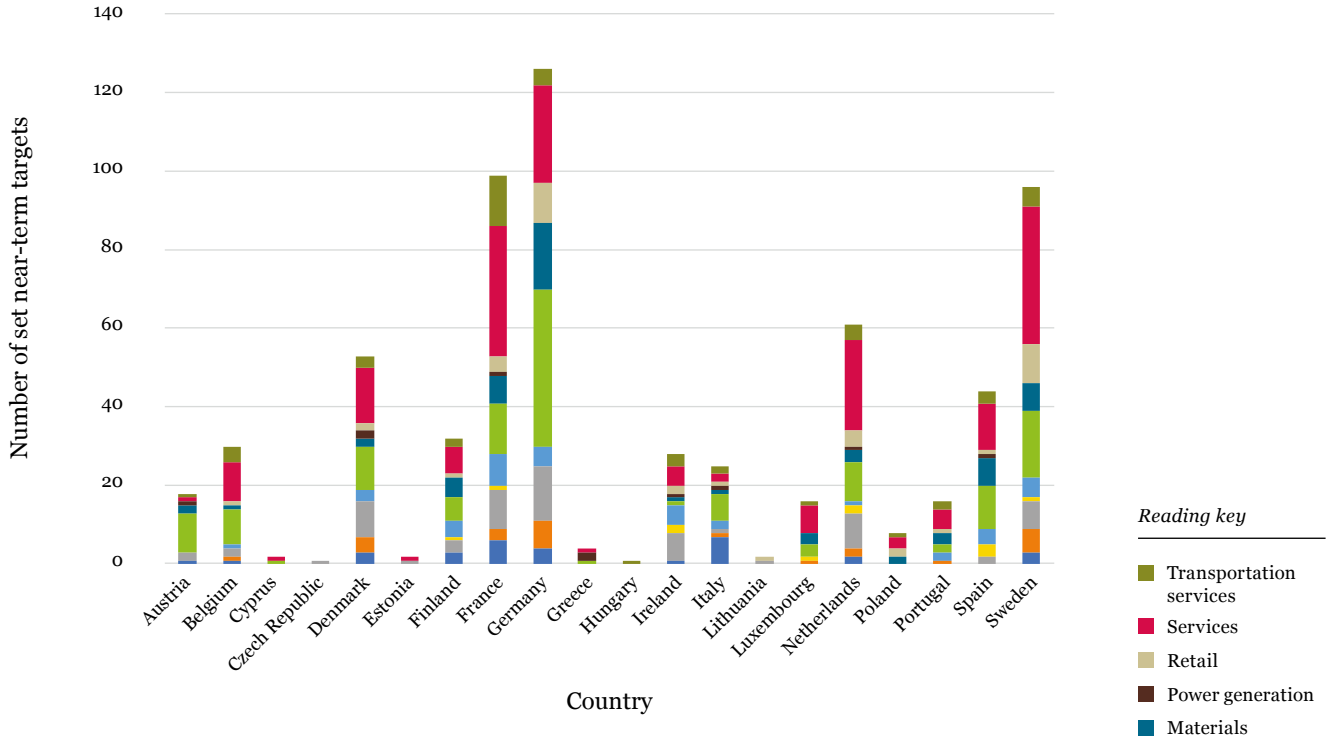


Fig. A1: Repartition of validated climate targets by EU country and by sector

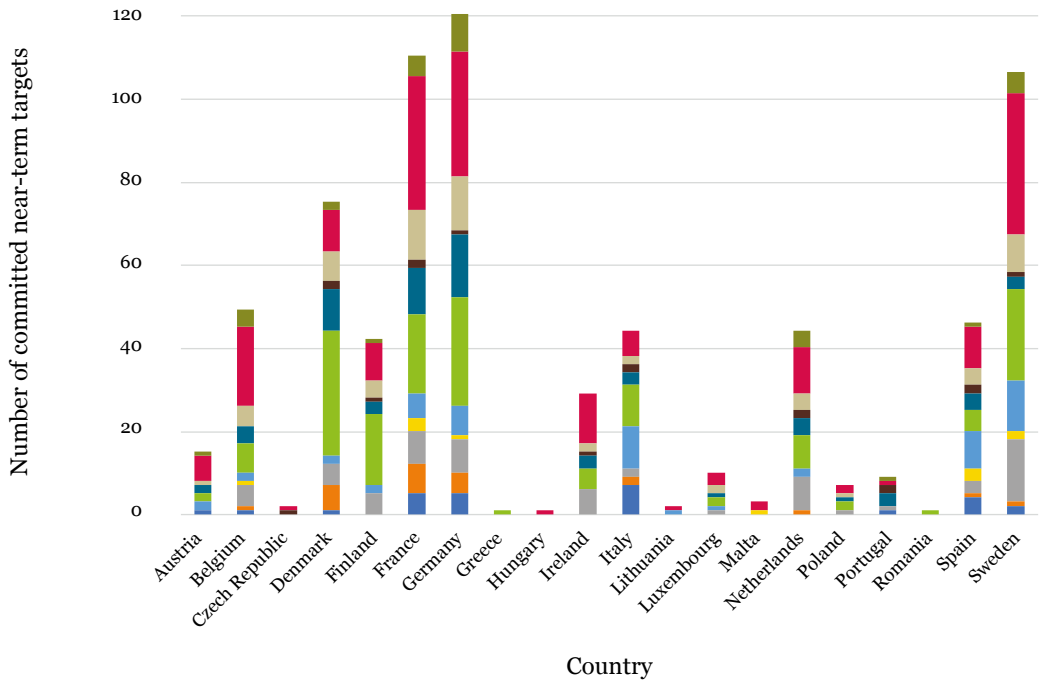


Fig. A2: Repartition of committed climate targets by EU country and by sector

GLOSSARY

Greenhouse gas (GHG): Gases that contribute to reinforcing the greenhouse effect that is the key driver of climate change. In the Kyoto protocol, the 6 identified greenhouse gases are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6), nitrogen trifluoride (NF_3).

GHG inventory: A greenhouse gas (GHG) inventory is a list of emission sources and the associated emissions quantified using standardized methods.

Science-based GHG or climate target: Science-based GHG or climate targets give companies a clearly-defined path to reduce greenhouse gas emissions, typically in line with a defined objective such as limiting temperature increase to 1.5°C in alignment with the Paris Agreement. They define how much and how quickly a company must reduce its emissions to be in line with their stated goal.

Scope 1 emissions: Scope 1 GHG emissions occur from sources directly owned or controlled by the company. For example, these may include emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc. ; emissions from chemical production in owned or controlled process equipment.

Scope 2 emissions: Scope 2 accounts for GHG emissions from the generation of purchased energy (electricity, steam, heat or cooling) consumed by the company. Purchased energy is defined as energy that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where energy is generated.

Scope 3 emissions: Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. These emissions can occur either upstream or downstream of the company's value chain, and cover the following categories described in the GHG Protocol Scope 3 Calculation Guidance.

Emissions factors: Emissions factors relate the amounts of greenhouse gases emitted by a business to a set amount of activity performed by that business.

Emission reduction factor: The emissions reduction factor is the average percentage of decarbonization that needs to be achieved year-to-year at the entity or sectoral level for a company or a sector to be in line with a given climate objective - typically a maximum rise of 1.5°C in global temperatures.

Corporate Sustainability Due Diligence Directive (CSDDD): A planned European Union directive that should create an obligation for companies to set up a human rights and environmental due diligence process. Specifically, its Article 15 would require companies to set a climate transition plan including a target compatible with the 1.5°C limit of temperature increase.

Corporate Sustainability Reporting Directive (CSRD): A European Union directive that creates an obligation for and standardizes sustainability reporting for companies. This directive notably includes obligations for the creation and publication of climate targets and transition plans.

European Sustainability Reporting Standards (ESRS): The Delegated Act published to specify the CSRD. The ESRS describe the different disclosure requirements imposed by CSRD and provide technical guidance for the development and communication around these sustainability information and data points.

Science Based Targets initiative (SBTi): The Science Based Targets initiative (SBTi) drives ambitious corporate climate action by enabling businesses and financial institutions globally to set science-based greenhouse gas emissions reduction targets. SBTi develops criteria and provides tools and guidance to enable businesses and financial institutions to set GHG emissions reduction targets in line with what science tells us is needed to maintain a 1.5°C limit of temperature rise.

1.5°C-aligned or 1.5°C-compatible: In this report, these terms are used interchangeably to signify that a given entity is planning to decarbonize its activities in a way that is compatible with limiting climate change at a level of 1.5°C with no or limited overshoot. This implies that companies must consider their own emissions trajectory based on absolute contraction to net zero rather than plan their emissions reductions based on what other actors or other sectors are planning in terms of reductions ('fair share' effort).

Sectoral decarbonization pathway: In this report, sectoral decarbonization pathways are the trajectories of emissions reductions that actors in a given sector must follow to be aligned with the 1.5°C upper limit on climate change. They outline the share of the global remaining carbon budget allocated to a given sector and calculate a GHG emissions reduction trajectory from this allocation.

Sectoral decarbonization approach (SDA): This SBTi-created methodology provides guidance for hard-to-abate sectors to set intensity-based targets for their emissions reductions. In this approach, companies in a given sector are meant to reach a given level of emissions per unit of production that is common to all actors regardless of their starting point, and compares this to projected growth in the sector to check whether intensity targets provided by a company are aligned with the necessary emissions reductions to stay below the 1.5°C limit of temperature increase. Companies must calculate the absolute emissions reductions implied by their intensity targets, but do not have to disclose this volume publicly.

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