

The CDP Science-Based Targets Campaign

Investors jointly driving the net-zero transformation

May 18th, 2021

WELCOME!

You have been muted on entry.

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

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



SPEAKERS & AGENDA

1. Introduction to the Science Based Targets initiative and the Business Ambition for 1.5°C Commitment (20min)



JEROME TARASKA

Account Manager
Capital markets

CDP



LEA FINK

Global Manager,
Commit to Action

CDP

2. The CDP SBT Campaign (10min)

3. Q&A (15min)

An Introduction to the Science Based Targets initiative (SBTi)

THE SCIENCE BASED TARGETS INITIATIVE (SBTi)

Overview



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Partner Organizations:



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



In collaboration with

**WE MEAN
BUSINESS**

708

with science-
based targets

1421

companies taking action

545

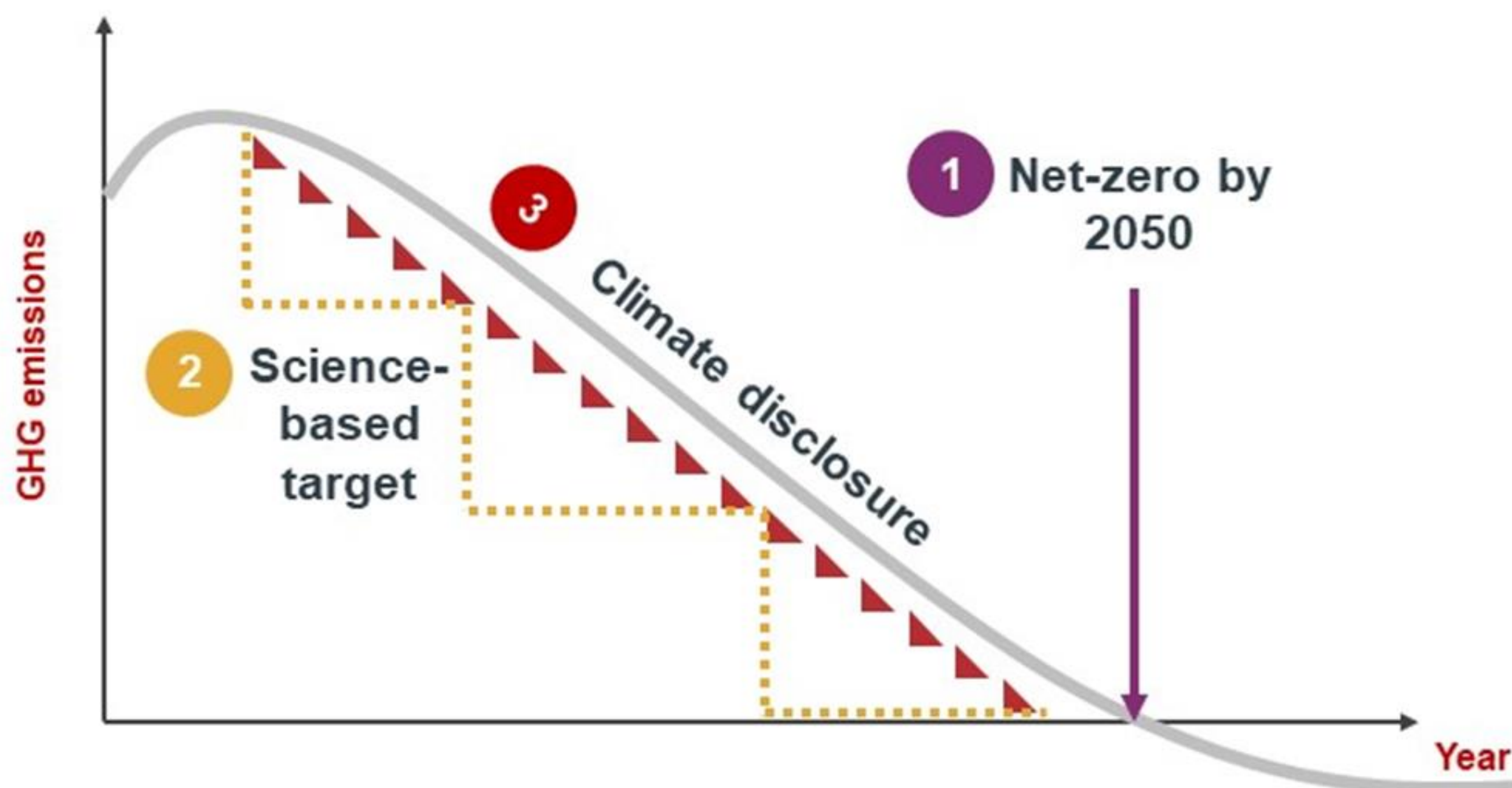
commitments to
1.5°C

SBTs ON THE PATH TO NET ZERO

SBTs are a key tool for the zero-carbon transition



“SBTs = GHG emissions reduction targets that are consistent with the level of decarbonization that, according to climate science, is required to keep global temperature increase within 1.5 to 2°C compared to pre-industrial temperature levels”



- 1 Long-term net-zero commitment:** A net-zero commitment provides clarity about the direction that the company will follow and serves as a north-star for long-term strategic and investment decisions;
- 2 Science-based target:** Science-based targets ensures that the company is taking shorter-term action to reduce emissions at a pace that is consistent with keeping warming below 1.5°C;
- 3 Annual disclosure:** Climate disclosure gives visibility on how the climate strategy is being implemented within the company and provides transparency on progress against targets

SBTS ON THE RISE

Ambitious targets are becoming standard business practice

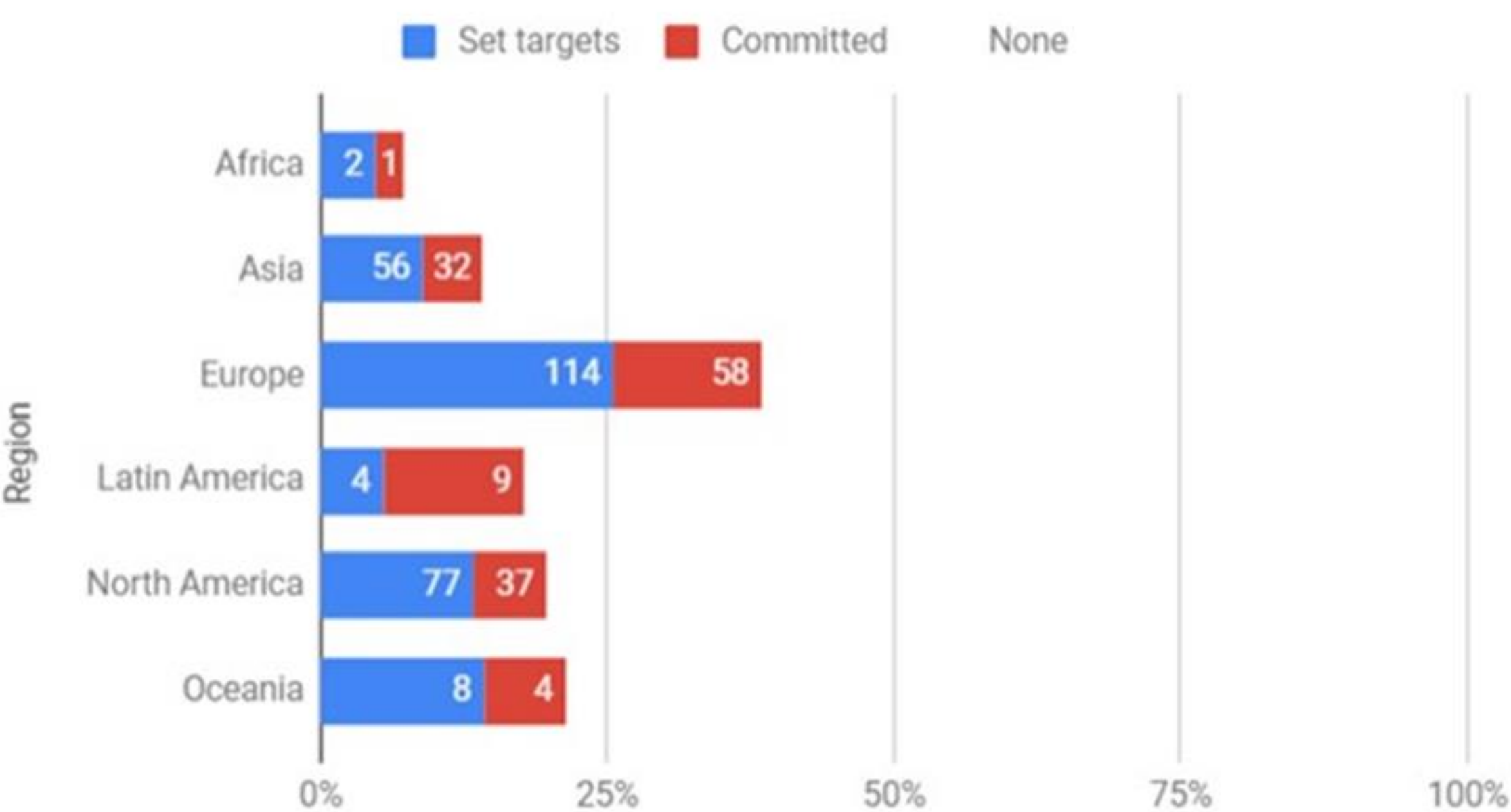
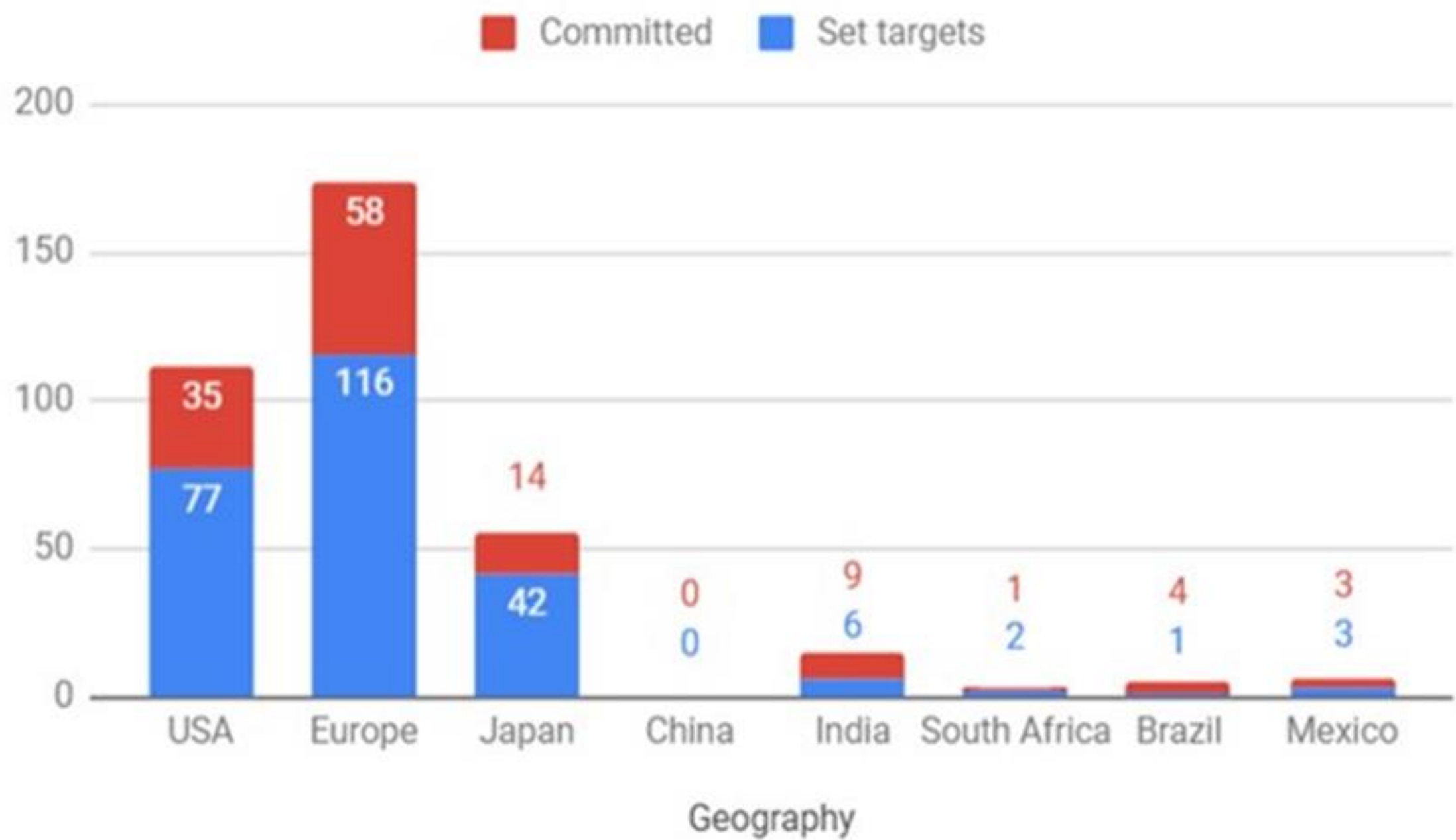


Company Activity in the SBTi since June 2015



GLOBAL PROGRESS & GAPS

SBTi high-impact companies per geography



STEPPING UP TO 1.5°C

Origin of the SBTi and the Business Ambition for 1.5°C



*Standard SBTi
Commitment Letter*

Launch of the
**Science Based
Targets initiative**

2015
May



Publication
**IPCC Special
Report on Global
Warming of
1.5°C (SR 1.5)**

2018
October



SBTi publishes
**new suite of
resources for
1.5°C aligned
SBTs**

2019
March

*Business Ambition for
1.5°C Commitment Letter*

Launch of the
**Business
Ambition for
1.5°C Campaign**

2019
June



SBTi publishes **Net
Zero Discussion
Paper** and gathers
stakeholders
feedback

2019
November

SBTi launches
**“Foundations of
Net-Zero Target-
setting in the
Corporate Sector”**
and NZ Standard
Development

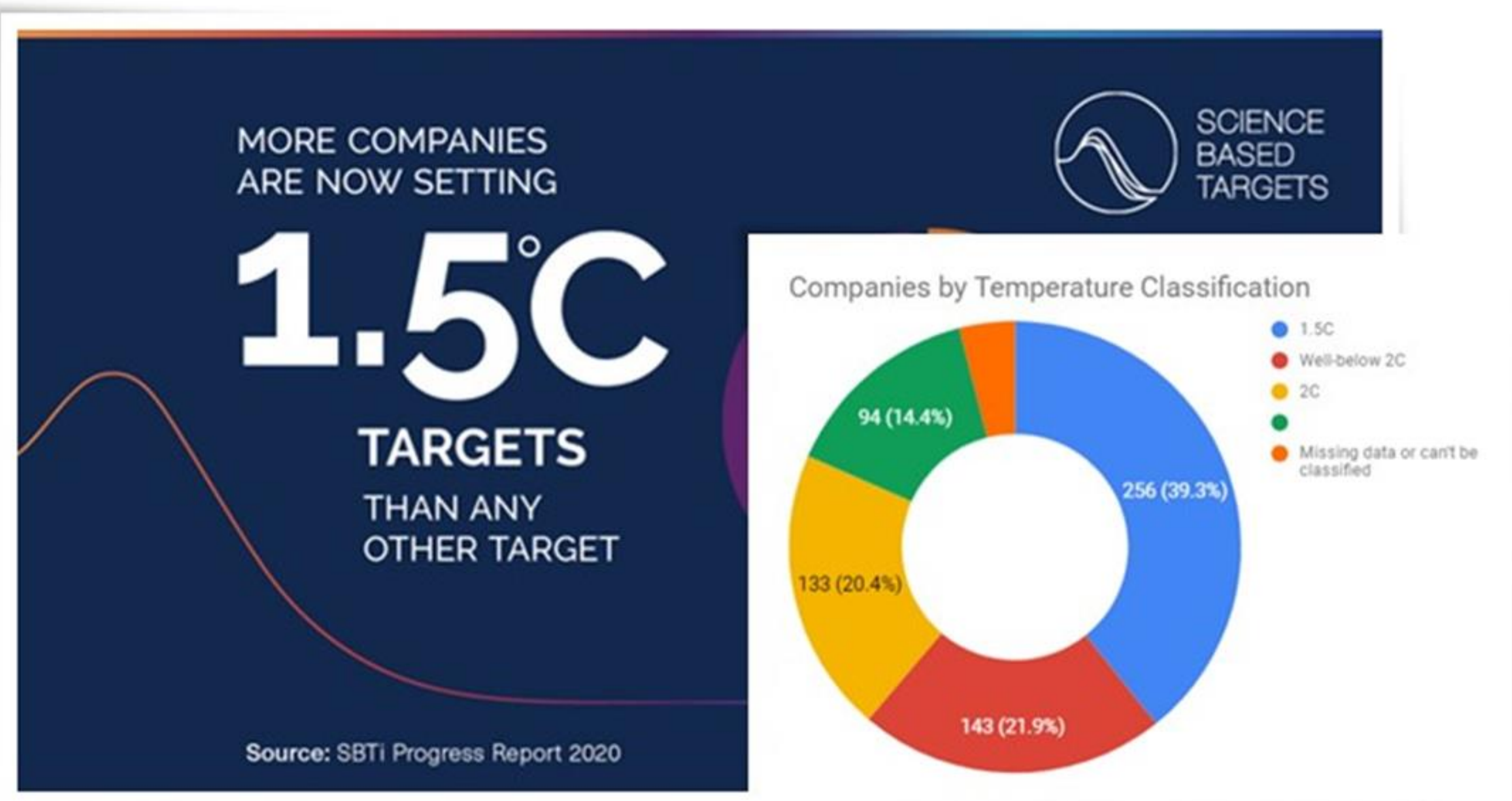
2020
September



STEPPING UP TO 1.5°C

1.5°C targets are now the norm

- ▶ 40% of SBT companies have 1.5°C-aligned scope 1 and 2 targets - now the most popular temperature classification.
- ▶ The typical company with SBTs reduced direct (scope 1 and 2) emissions at a linear annual rate (6.4%/ year) that exceeds the rate required for 1.5°C alignment (4.2%/ year).



THE SBTi JOURNEY

Step by Step



Companies are expected to announce their targets within 24 months upon commitment

THE SBTi CRITERIA (V.4)

Overview



Latest SBTi Criteria



Level of ambition: At a minimum – consistent with the level of decarbonization required to keep temperature increase to well-below 2°C while we encourage efforts towards 1.5°C.



Boundary: All company-wide Scope 1 and 2 GHG emissions must be covered (at least 95%).



Timeframe: 5-15 years into the future; from date target is submitted to SBTi for official validation (long-term targets recommended).



Progress to date: Forward-looking ambition is measured from the year with the most recent completed GHG inventory.



Reporting: Disclose GHG emissions inventory on an annual basis.



Scope 3: A Scope 3 screening is required and an ambitious, measurable Scope 3 target is required when Scope 3 emissions cover more than 40% of total emissions

This slide represents a summary and not a comprehensive overview. Please refer to the SBTi website for the full criteria and recommendations

THE SBTi METHODS

Target ambition must be aligned with either the absolute or sector-based approach (SDA)

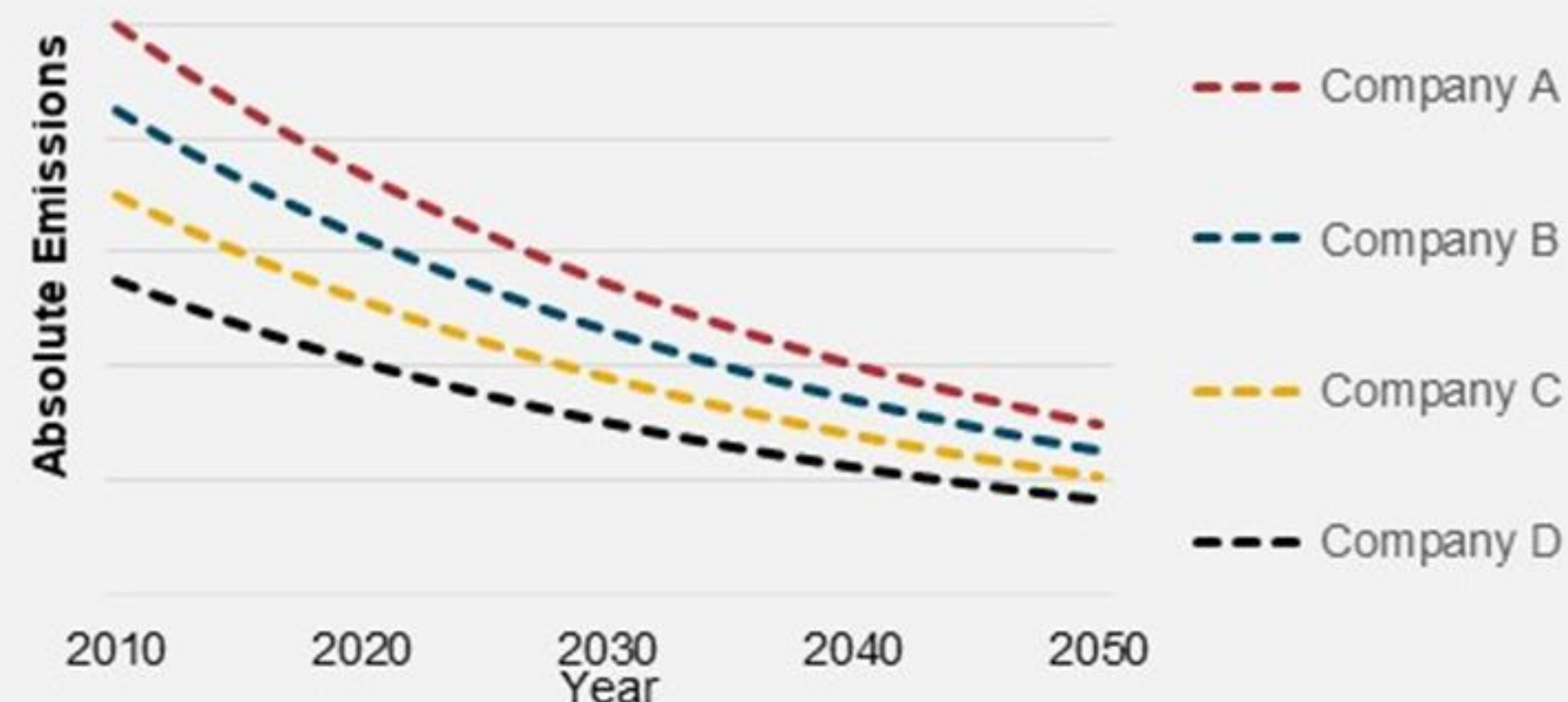


Absolute-based approach

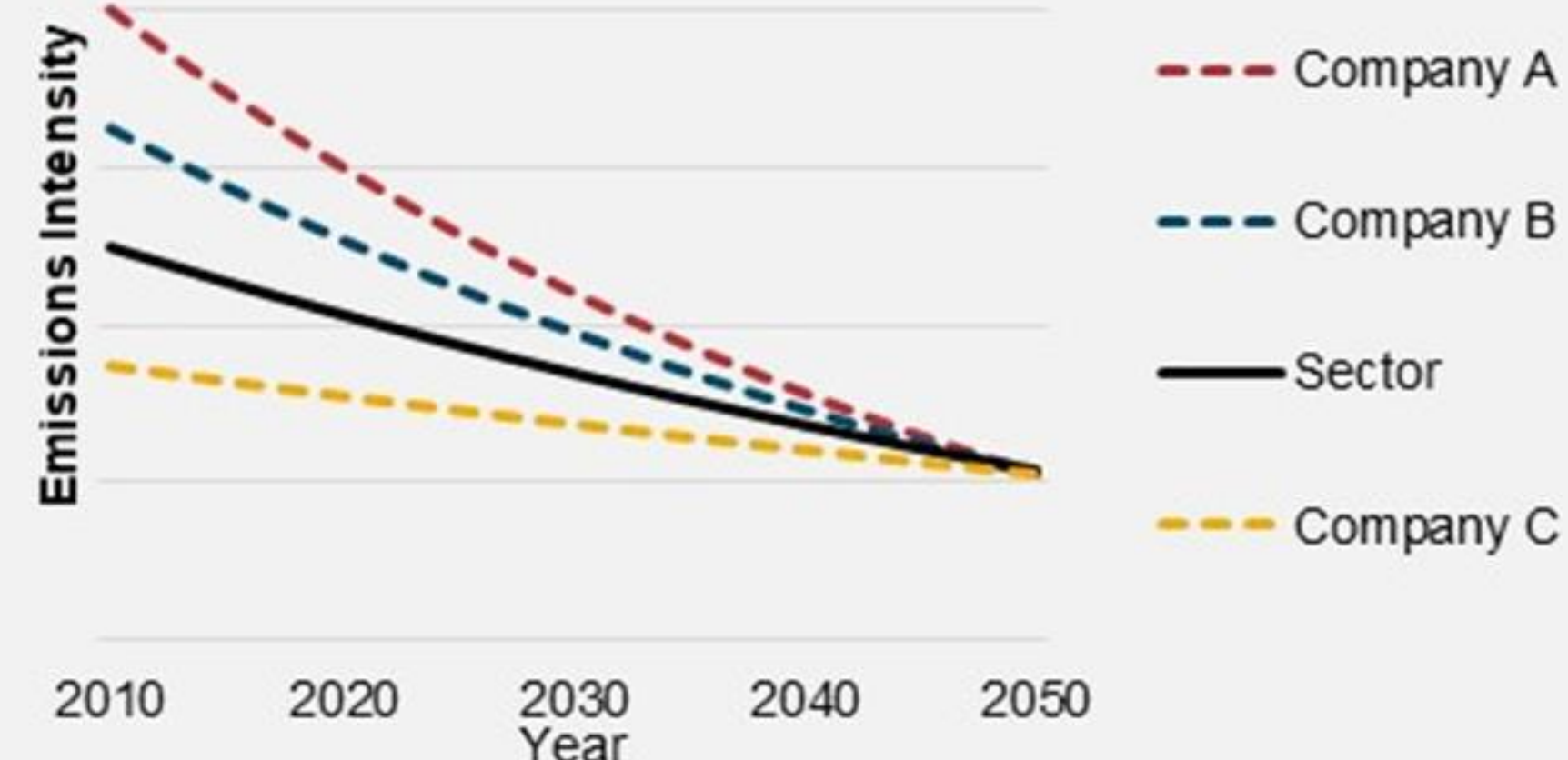
- Sector-agnostic
- Equal % reduction based on IPCC carbon budget scenarios

Sector-based approach

- Homogeneous sectors
- Sectoral IEA carbon budgets



Contraction



Convergence

MAKE A PUBLIC COMMITMENT

Step 1: The Public Commitment



Commit to set targets within 24 months



Business Ambition for 1.5°C
Commitment Letter



Standard SBTi
Commitment Letter



SMEs Target
Setting Letter

RACE TO ZERO

BUSINESS AMBITION FOR 1.5°C



SCIENCE
BASED
TARGETS

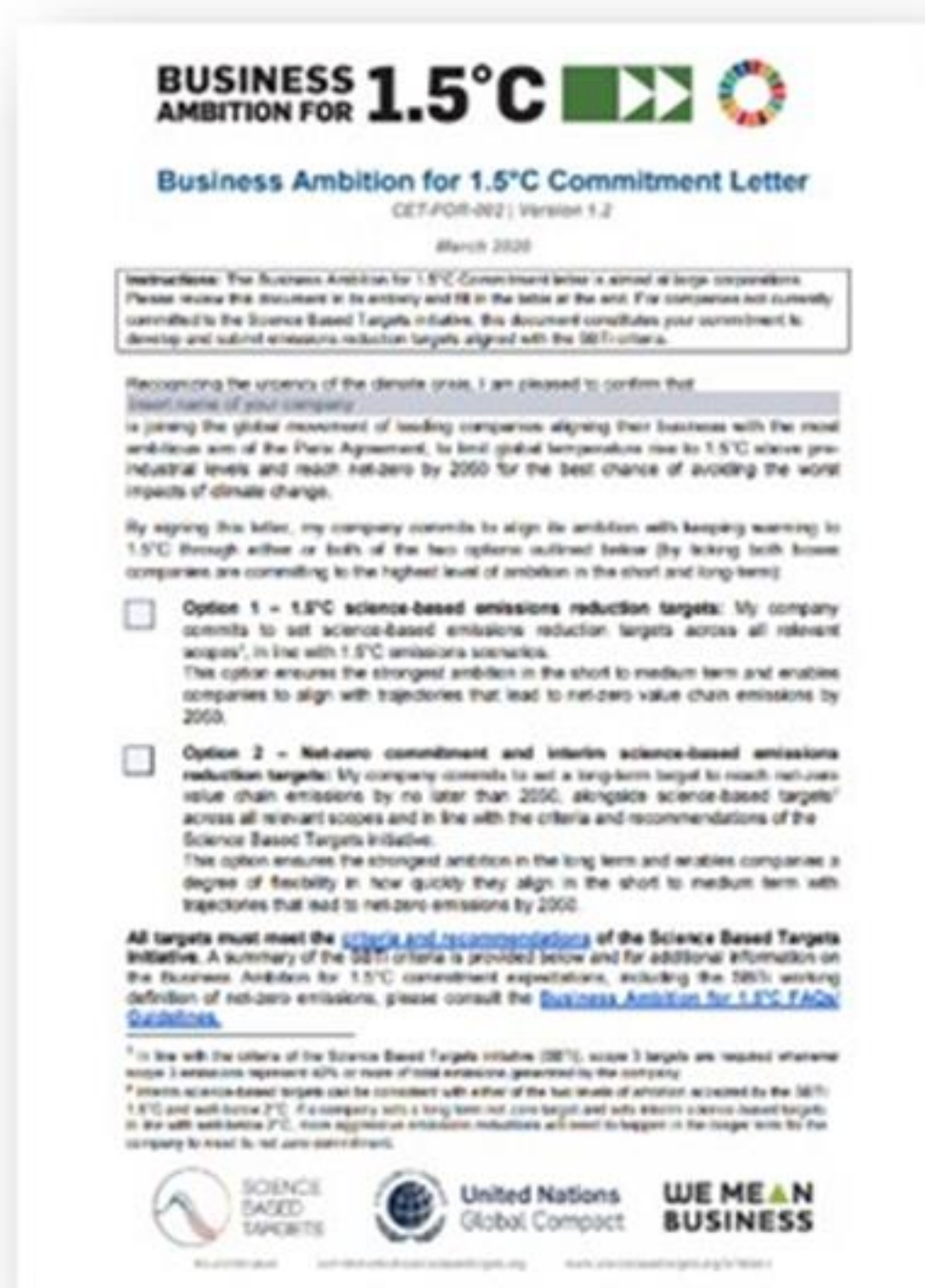


United Nations
Global Compact

**WE MEAN
BUSINESS**

STEP 1: MAKE A PUBLIC COMMITMENT

The Business Ambition for 1.5°C Commitment Letter



1. Sign the Business Ambition for 1.5°C commitment letter and submit it to commitments@sciencebasedtargets.org.
2. By joining, organizations are also joining the [UNFCCC Race to Zero](#). 
3. By joining, companies commit to follow the [SBTi step-by-step process](#) to set GHG emissions reduction targets in line with [SBTi Criteria and Recommendations](#).
4. Companies commit to policy advocacy positions consistent with a 1.5°C future.

WHAT DO COMPANIES COMMIT TO?

The Business Ambition for 1.5°C Commitment Letter



Commitment Letter



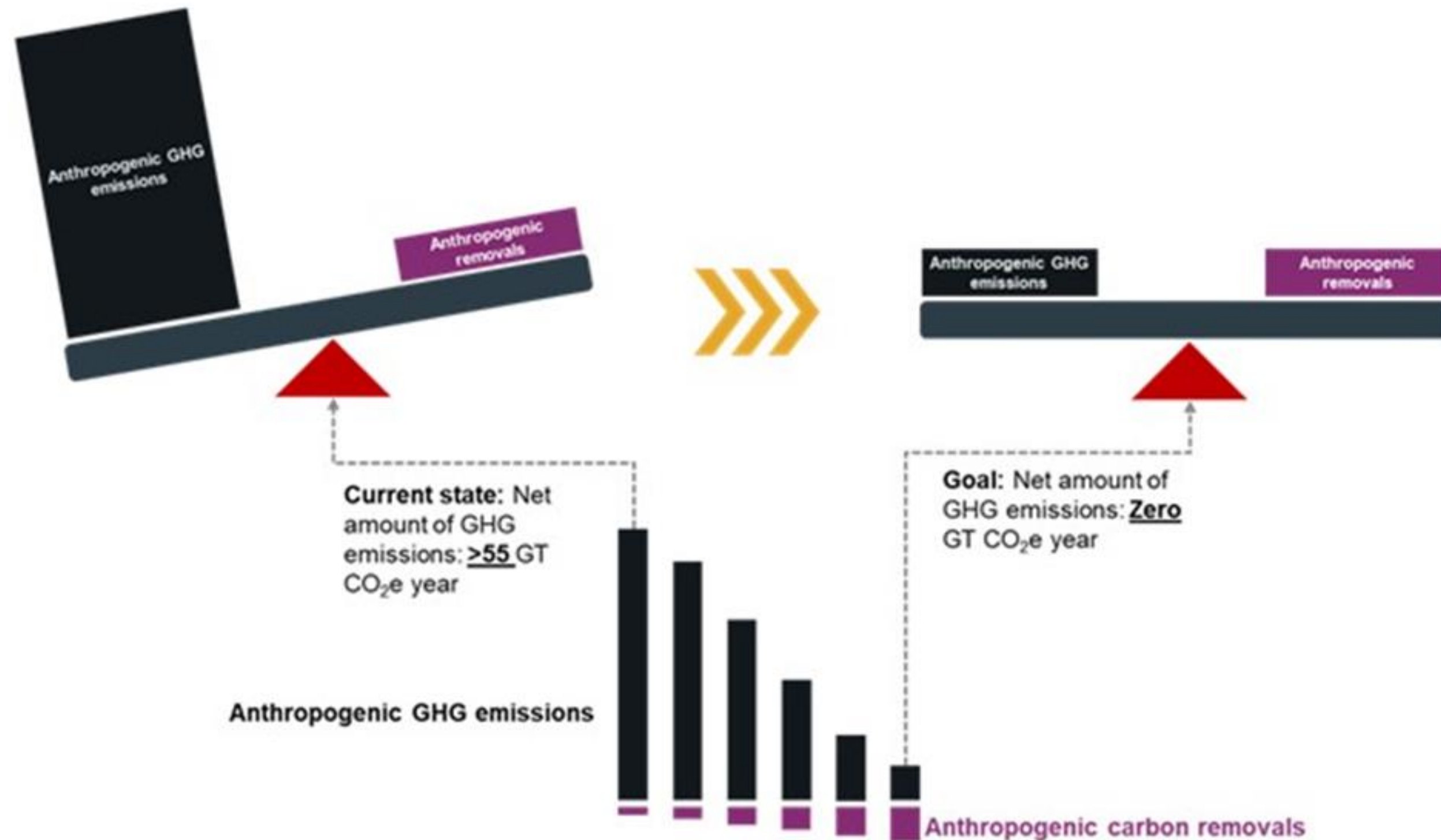
Option 1 – 1.5°C science-based emissions reduction targets:
My company commits to set science-based emissions reduction targets across all scopes, in line with 1.5°C emissions scenarios and the criteria and recommendations of the Science Based Targets initiative.



Option 2 – Net-zero science-based emissions reduction targets:
My company commits to
a) set a long-term science-based target to reach net-zero value chain GHGs emissions by no later than 2050 and to
b) set interim science-based targets across all relevant scopes and in line with the criteria and recommendations of the Science Based Targets initiative.

→ By ticking both options, companies are committing to the highest level of ambition in the short and long-term.

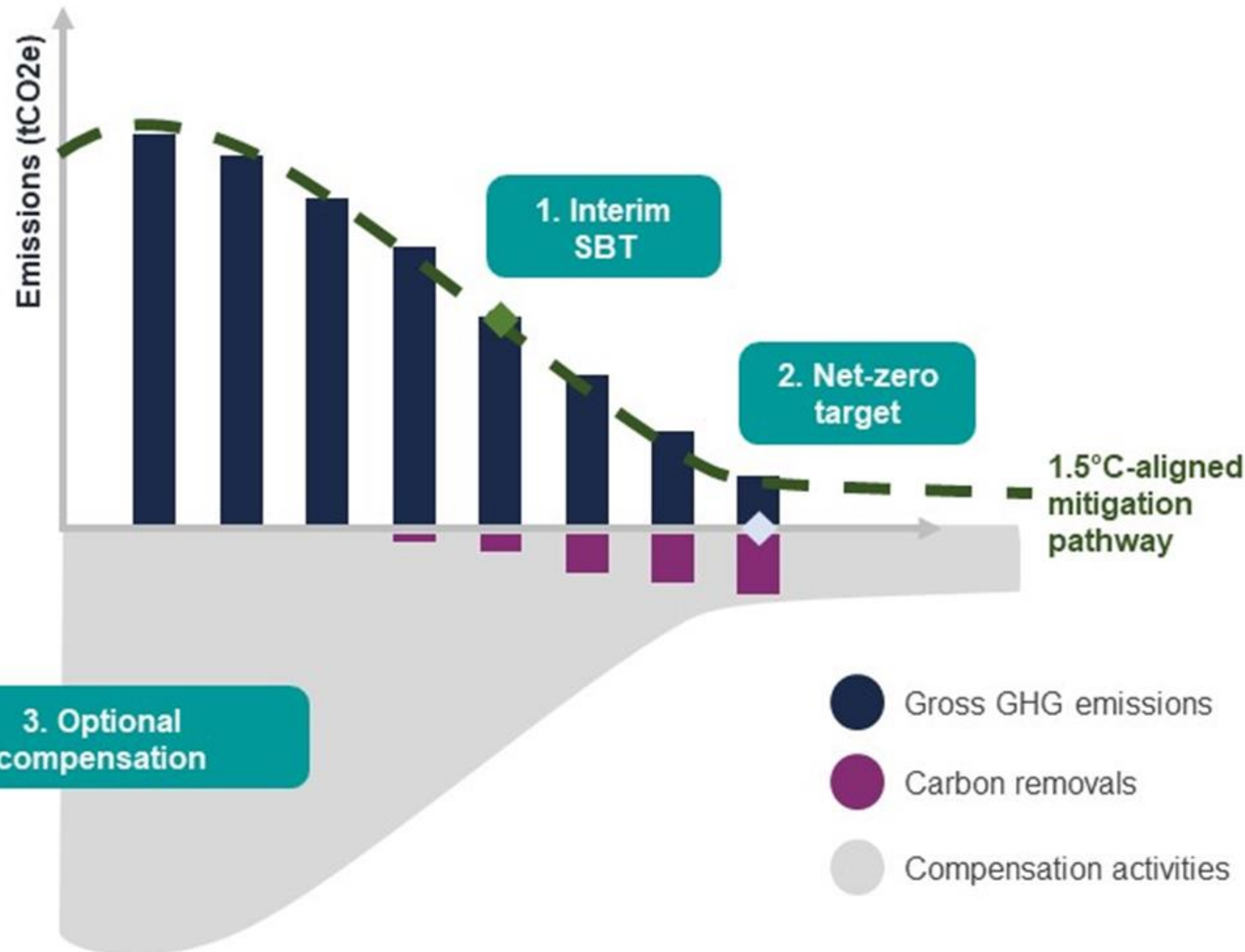
WHAT DOES IT MEAN FOR A COMPANY TO REACH NET-ZERO IN LINE WITH SCIENCE?



In order to halt global warming, we need to reach a balance between anthropogenic sources of emissions and anthropogenic carbon removals, a state known as **net-zero emissions**.

Reaching net-zero emissions globally, will prevent the continued accumulation of GHGs in the atmosphere and the associated increase in global mean temperatures.

WHAT DOES IT MEAN FOR A COMPANY TO REACH NET-ZERO IN LINE WITH SCIENCE?



Simplified net-zero target trajectory

- 1. Interim science-based targets:** Companies shall have interim SBTs that meet specific leadership criteria (e.g., target ambition and boundary)
- 2. Net-zero target:** Targets shall include deep decarbonisation of value chain emissions paired and carbon removals that neutralise all unabated emissions
- 3. Optional compensation:** Companies are encouraged to compensate for unabated emissions by providing annual support to projects, programs, and solutions that provide quantifiable benefits to climate, people, and nature

CDP'S ACCREDITED SCIENCE-BASED TARGETS PARTNERS



▼ Have experience and expertise in helping companies set a science-based target

CEMA**sys**.com AS
sustainability management

ecoact
an atos company

 **Carbon
Intelligence**

TOITŪ
E N V I R O C A R E

WSP

firstclimate
Green Energy, Climate Neutral, Water

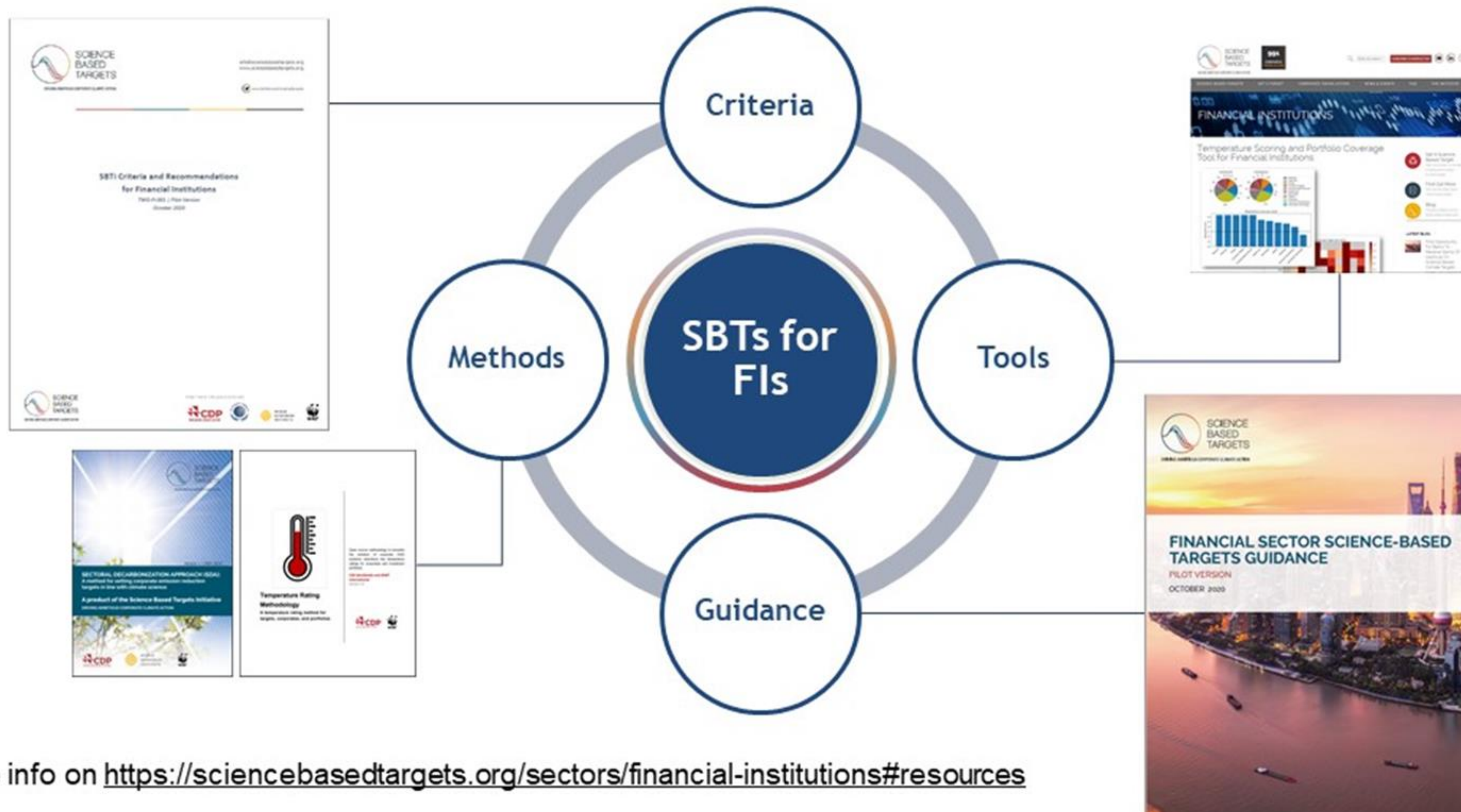
DFGE 

 **CO₂logic**

▼ Contact partnerships@cdp.net for more information or a direct introduction

SBT FRAMEWORK FOR FINANCIAL INSTITUTIONS

The Components of the Framework launched in Oct 2020



More info on <https://sciencebasedtargets.org/sectors/financial-institutions#resources>

SBT FRAMEWORK FOR FINANCIAL INSTITUTIONS

The Methods



For the first phase of this project, the SBTi supports three methods for financial institutions. The SBTi developed criteria specific to these three methods.

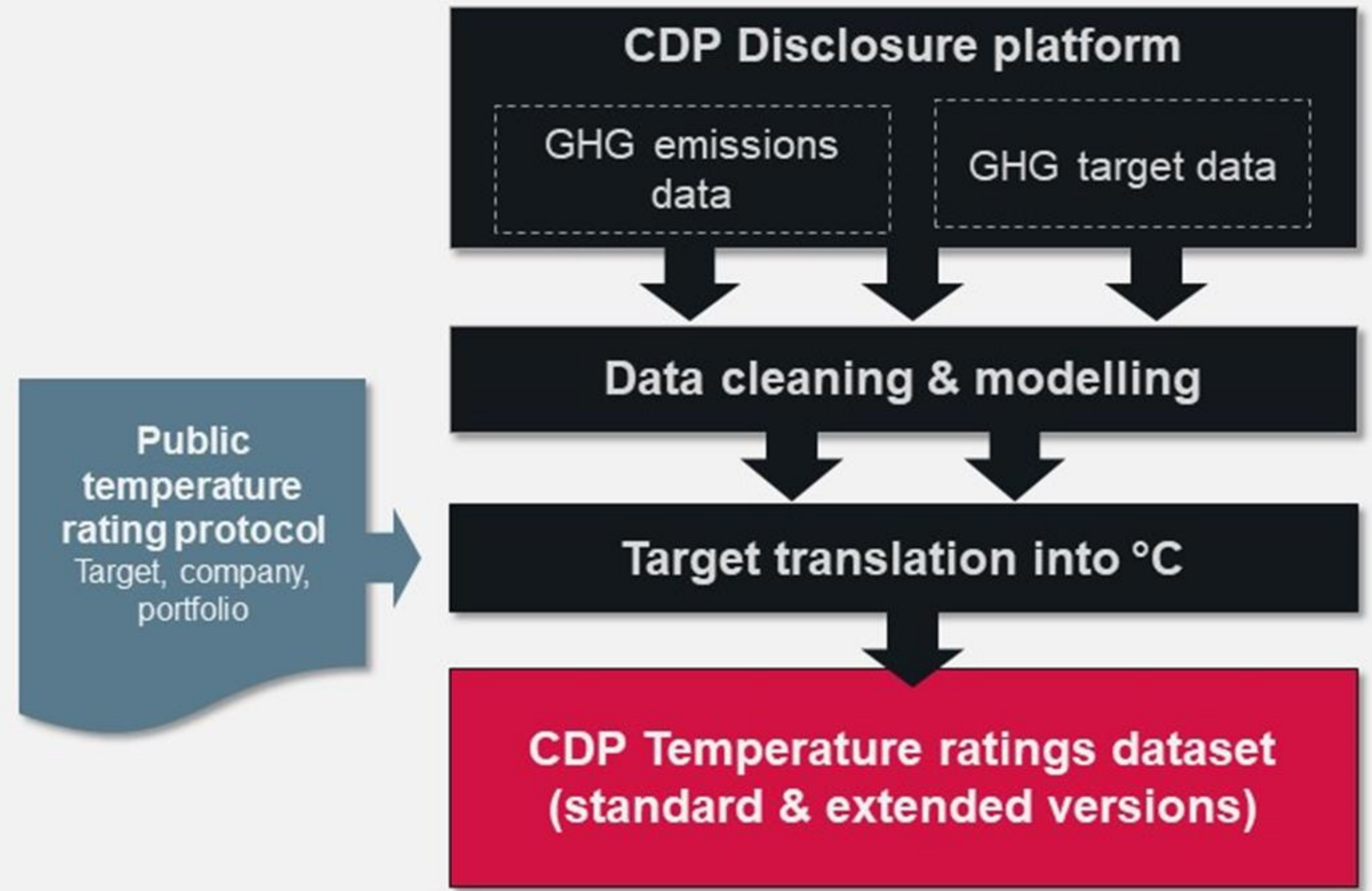


CDP temperature ratings : Converting targets in temperatures

DISCLOSURE

- Temperature ratings in °C based on emission reduction targets* for **3300 companies** (incl. SBTi targets)
- Coverage** : 69% of the MSCI World by market cap weighting, and 72% by Scope 1+2
- Public methodology** developed by CDP and WWF
- Breakdown of temperature ratings by **scope** (scope 1+2 or 1+2+3) and **timeframe** (short, medium, long term)

The process for calculating CDP temperature ratings



Targets* publicly disclosed to CDP's annual climate change request (includes non-listed companies); app. 60% of temperature ratings are default ratings of 3.2°C as no valid target data have been published by companies via CDP.

The CDP Science-Based Targets Campaign



A unique campaign per its breadth and scale:

A global network of investors engaging companies around the world to set SBTs

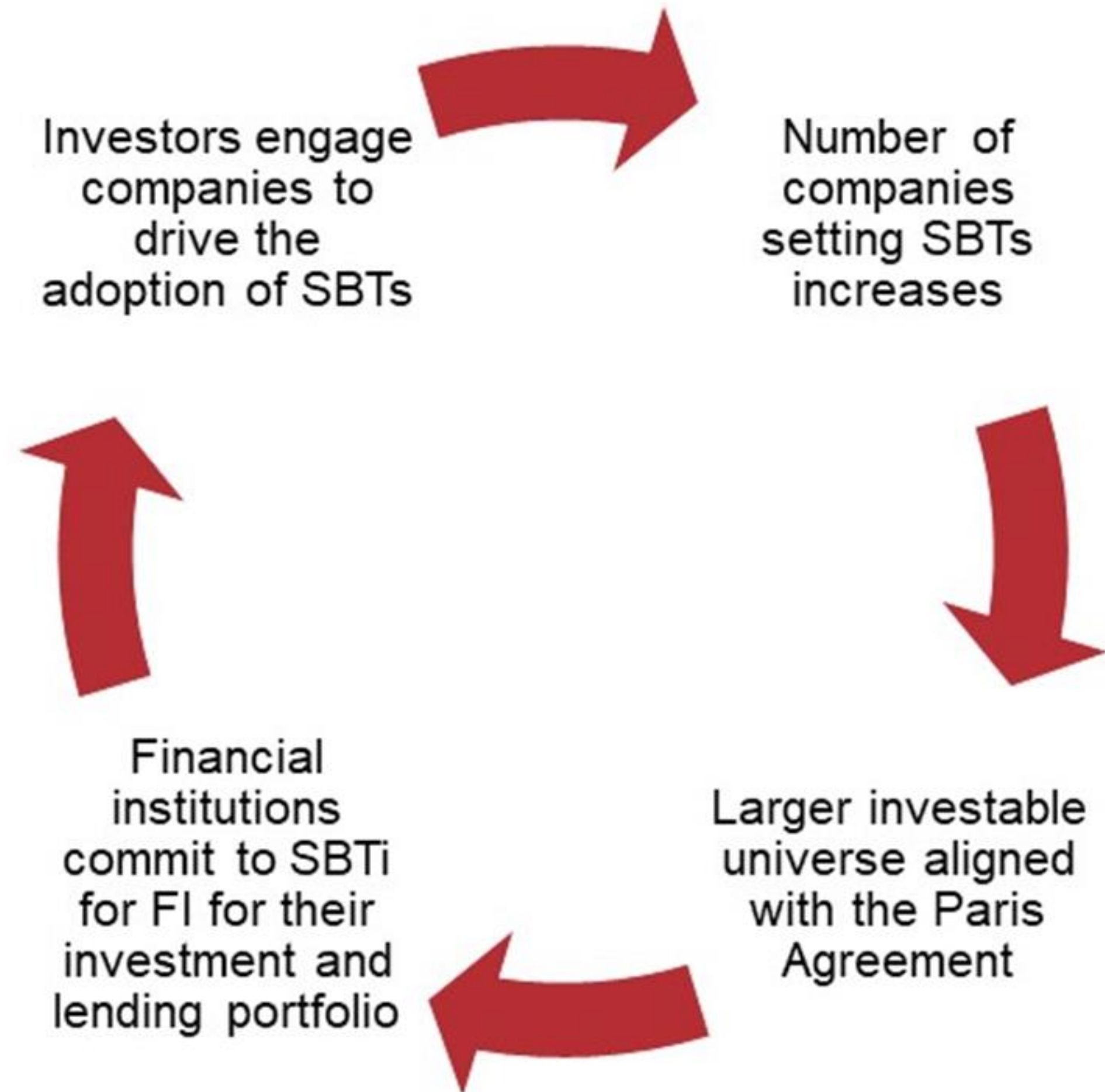
CONTEXT

in 2021

- To **limit global warming to 1.5°C** or well-below 2°C (Paris Agreement), global carbon emissions need to reach net-zero by 2050 and 2070 respectively.
- 6 months to go to **COP26** in Glasgow (Nov 2021), we need an acceleration of corporate ambition
- The **responsibilities of the financial sector** :
 - help accelerating the adoption of science-based climate targets
 - decarbonize their portfolios (700x times higher than Scope 1&2)
 - mitigate climate-related risks to which they may be exposed.
- **Portfolio temperature assessment** :
 - CDP launched in July 2020 the CDP Temperature Ratings
 - The campaign helps engage companies and to support portfolios' alignment to 1.5°C and well-below 2°C.
- **Net Zero initiatives on the rise for investors** :
 - Net Zero Asset Owner Alliance [NZAM]
 - Net Zero Asset Manager Initiative [NZAOA]
 - Net Zero Banking Alliance [NZBA]
 - Net Zero Insurance Alliance (soon?) [NZIA]
- **CDP reach and nexus of stakeholders** makes it possible:
 - Founding partner of the Science-Based Targets initiative
 - 600+ investors with +\$110 trillion in assets to drive annual disclosure
 - 9,600+ companies disclosing environmental impact to CDP
 - 200+ major purchasers with +\$5.5tln of purchasing power

Theory of change

Create a positive ambition loop between investors and companies that incentivizes high-impact companies to set science-based targets (SBTs) and accelerates the decarbonization of investment and lending portfolios



2021 CDP SBT Campaign

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

Sign up

- Free for CDP Signatories
- Simply sign up to the campaign backing the letters to companies.
- Before 30th of June

Campaign

- CDP will contact the selected +companies through letters signed by the coalition of investors
- Investors can engage directly the companies thanks to a tracker

Ask

Sign the SBTi Business Ambition for 1.5°C Commitment letter :
2 years to have a 1.5°C SBT approved allowing to reach net-zero emissions by 2050

Progress

- Tracking progress regularly (available on CDP Dashboard)
- Publication of progress report

BUSINESS AMBITION FOR 1.5°C

Business Ambition for 1.5°C Commitment Letter

SBTi (2018-2021) Version 1.2

March 2020

Instructions: The Business Ambition for 1.5°C Commitment Letter is aimed at large corporations. Please note this document is to be signed and filed in the table at the end. The companies are already contributing to the Science Based Targets initiative. This document constitutes your commitment to setting and submitting emissions reduction targets aligned with the SBTi criteria.

Recognizing the urgency of the climate crisis, I am pleased to confirm that

SBTi (2018-2021) Version 1.2

is joining the global movement of leading companies aligning their business with the most ambitious aim of the Paris Agreement, to limit global temperature rise to 1.5°C above pre-industrial levels and reach net-zero by 2050 for the best chance of avoiding the worst impacts of climate change.

By signing this letter, my company commits to align its ambition with keeping warming to 1.5°C through action on both of the two options outlined below. By taking both these companies are contributing to the highest level of ambition in the short and long term.

☐ **Option 1 - 1.5°C science-based emissions reduction targets:** My company commits to set science-based emissions reduction targets across all relevant scopes¹, in line with 1.5°C emissions scenarios.

This option ensures the strongest ambition in the short to medium term and enables companies to align with trajectories that lead to net-zero value chain emissions by 2050.

☐ **Option 2 - Net-zero commitment and interim science-based emissions reduction targets:** My company commits to set a long-term target to reach net-zero value chain emissions by no later than 2050, alongside science-based targets across all relevant scopes and in the short to medium term with trajectories that lead to net-zero emissions by 2050.

This option ensures the strongest ambition in the long term and enables companies a degree of flexibility to pace quickly they align in the short to medium term with trajectories that lead to net-zero emissions by 2050.

All targets must meet the [check and recommendations](#) of the Science Based Targets initiative. A summary of the SBTi criteria is provided below and for additional information on the Business Ambition for 1.5°C commitment expectations, including the SBTi working definition of net-zero emissions, please consult the [Business Ambition for 1.5°C 7-Step Guidebook](#).

¹ In line with the criteria of the Science Based Targets initiative (SBTi), scope 1 targets are required wherever scope 1 emissions represent 65% or more of total emissions (excluding land use change and forestry).

² Net-zero emissions target will be consistent with other of the net-zero of science. According to the SBTi 1.5°C and net-zero 2°C, a company sets a long-term net-zero target and sets interim science-based targets in the short to medium term (ST). These interim targets are required to align with the trajectory that leads to net-zero emissions by 2050.

³ The Science Based Targets initiative (SBTi) is a global standard for setting science-based targets. It is the only standard that is aligned with the Paris Agreement and the 1.5°C emissions scenario.

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THE CAMPAIGN IN KEY GLOBAL MEDIA

REUTERS

Investors urge heavy carbon emitters to set science-based reduction targets

I&PE

Alecta, Strathclyde and others back science-based targets ask

NIKKEI Asia
The voice of the Asian century

Companies slashing carbon emissions see 15% rise in market cap

elEconomista.es

A group of investors with 20 trillion dollars in assets is allied to pressure the most polluting companies

FINANS

Investors are pushing companies to set climate goals

Dagens industri

Swedish stock market giants are singled out in global appeal. "Must change"

L'AGEFI

Investors challenge companies responsible for 25% of global emissions

Handelsblatt

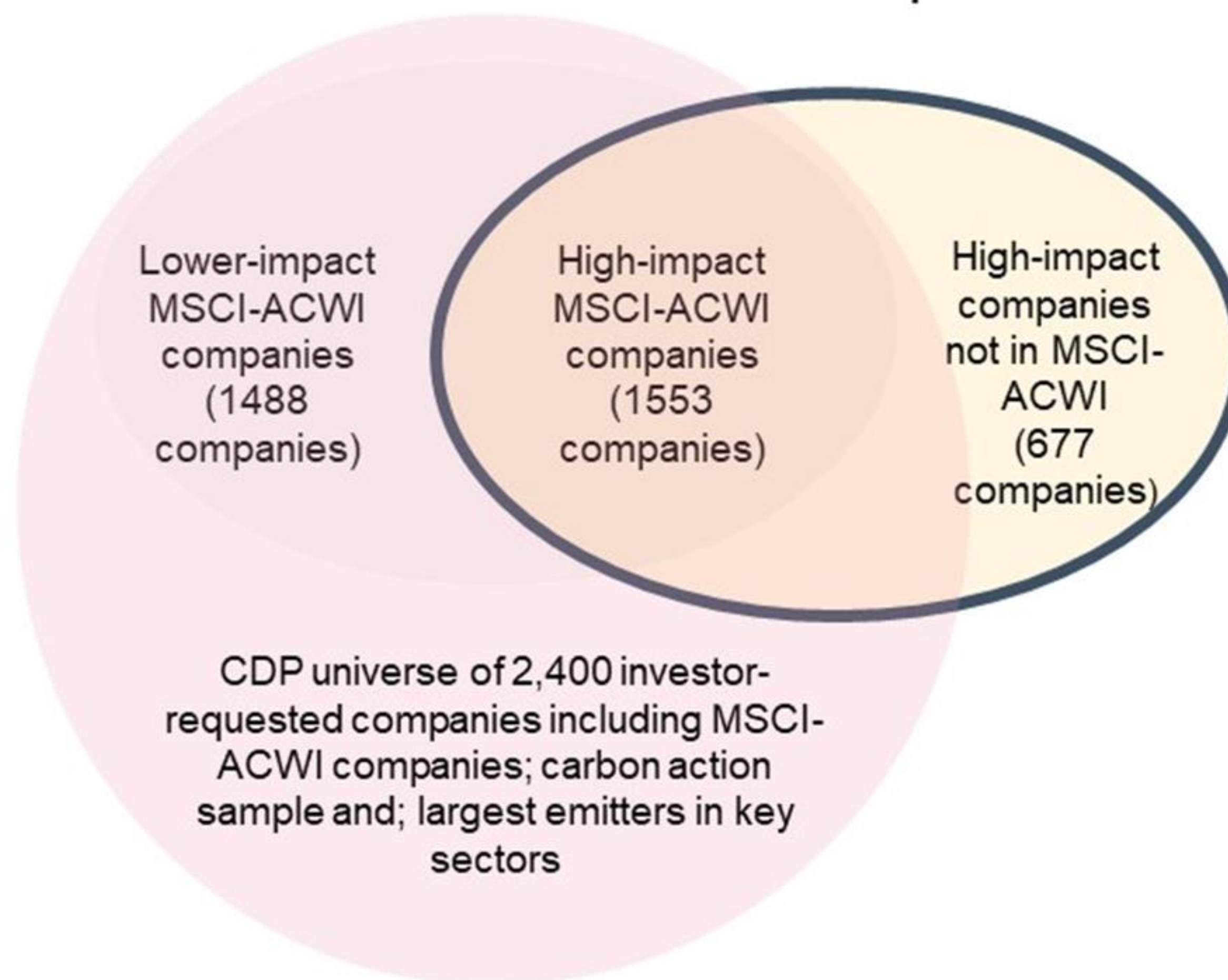
Large investors challenge 1,800 companies

THE CDP HIGH IMPACT SAMPLE METHODOLOGY

High-impact universe = 2,230 high-impact companies

MSCI-ACWI Index

The MSCI-ACWI Index captures large and mid cap representation across 23 Developed Markets (DM) and 26 Emerging Markets (EM) countries. With 3,041 constituents, the index covers approximately 85% of the global investable equity opportunity set.



High-impact sample

A sub-set of companies developed by CDP capturing the 2,400+ universe of companies part of the CDP CC 2019 project plus the largest private companies (by revenue) in Europe and the US. The list is filtered by impact according to emissions and market capitalization.

FINAL SAMPLE OF COMPANIES

Some companies have been excluded from the CDP high-impact sample (total:2237 companies):

- Companies which have already joined the SBTi (464)
- Companies outside the investable universe
- Companies which are not requested by CDP investor signatories to disclose to CDP.
- Companies with expired SBT commitments

This has resulted in a sample of 1700 companies

	Total number of companies	Total market cap (\$)	Total GHG emissions (Scope 1,2,3)	% of MSCI ACWI coverage
CDP High Impact SBTs Campaign sample	1,700	41.863.773.125.341	51.7 GT	36% (1044) of MSCI ACWI
Of which				
Companies disclosing to CDP in 2020	915	28.908.587.115.474	29.4 GT	23% (652) of MSCI ACWI
Of which				
Companies disclosing they anticipate setting SBTs in the next 2 years	325	9.558.018.965.704	9.3 GT	8% (239) of MSCI ACWI

2020 PROGRESS OF THE CDP SBT CAMPAIGN



IMPACT OCTOBER 20 - MAY 21

**CDP CORPORATE
ENGAGEMENT**

1830

Companies
targeted



700

Follow ups from CDP
corporate engagement
team



150

CDP conversations with
companies



80%

Interest in setting
an SBT

41

**companies
signed 1.5°C and net
zero commitment**

And **65** companies
joining SBTi through
standard commitment letter

OCTOBER 2020

CDP CORPORATE ENGAGEMENT

MAY 2021

THE CAMPAIGN TIMELINE

May to June
2021

July to
August
2021

Sept 2021
to Sept 2022

- Collect investor Sign ups
- Deliver campaign webinar for investors
- Strike partnerships with other organizations (French SIF, etc)
- Engage large purchasers to strengthen the campaign

- Final update of target list
- Prepare corporate letters
- Prepare press release
- Write final progress report for 2020 Campaign (to be published on 14.09.2021)

- Send corporate letters
- Continuous proactive engagement & follow ups (1o1 calls, webinars, ...)
- Direct engagement from investors?
- Collect SBTs commitments
- Publish progress report

Thank you!
Questions?

