SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THE CORPORATE NET-ZERO STANDARD

Version 2.0

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SBTi Corporate Net-Zero Standard



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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

WHO WE ARE

The SBTi is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance that allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050.

OUR FOUNDING PARTNERS

CDP

United Nations Global Compact

WE MEAN BUSINESS COALITION

WORLD RESOURCES INSTITUTE

WWF



A **DECADE** OF SETTING THE GLOBAL STANDARD

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The SBTi has grown exponentially, proving the value of science-based targets for businesses worldwide

TOTAL SCALE

12K+

companies worldwide have set science-based targets



RECENT GROWTH

~3K

companies set targets in 2025, with strongest growth in Asia



CONTINUED SUPPORT

270

U.S. companies validated in 2025 despite Paris withdrawal



GLOBAL MARKET CAP

40%

of global market capitalization covered by science-based targets



CLIMATE AMBITION IS GOING **GLOBAL**

Emerging-market target-setting is rising, with Asia, Africa and Latin America leading growth

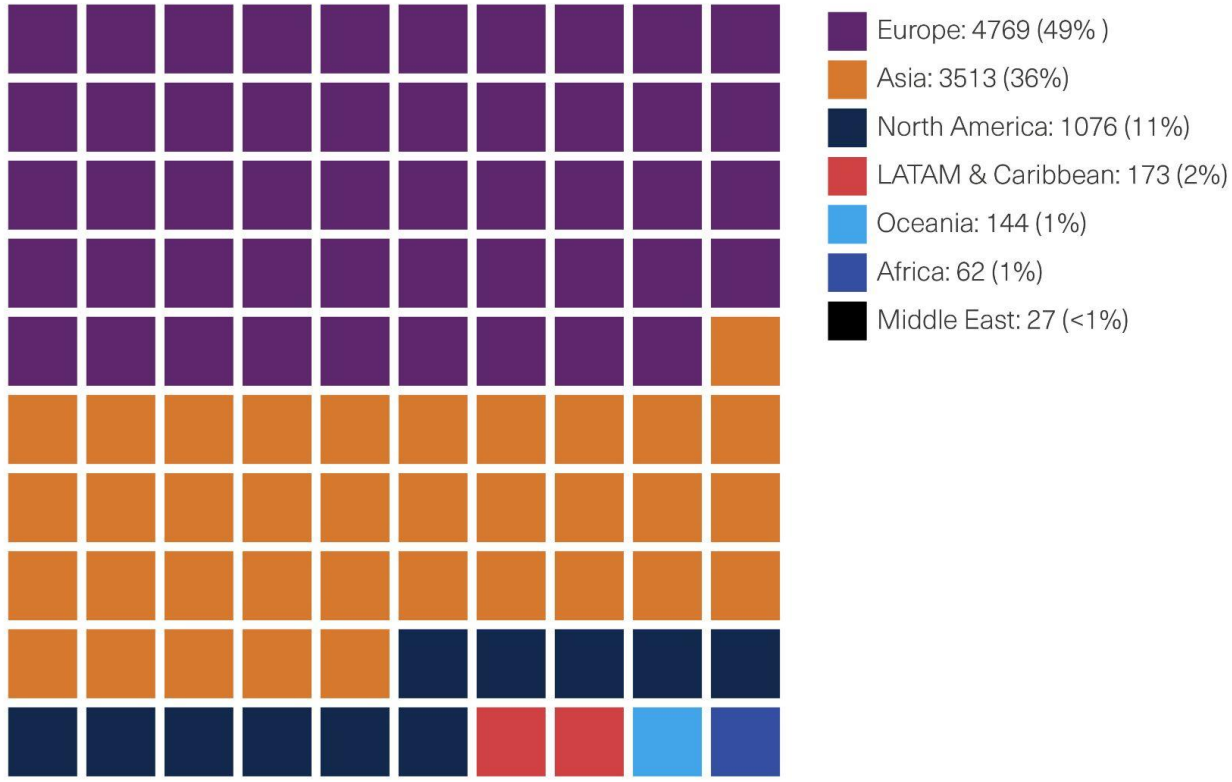
Europe still leads in total adoption

4,769 companies with validated targets

Asia is the fastest growing region

3,513 companies with validated targets

Distribution of companies with SBTi targets, end of 2025, by region, %



Source: SBTi (data correct up to end of 2025)

SECTOR **ACCELERATION**

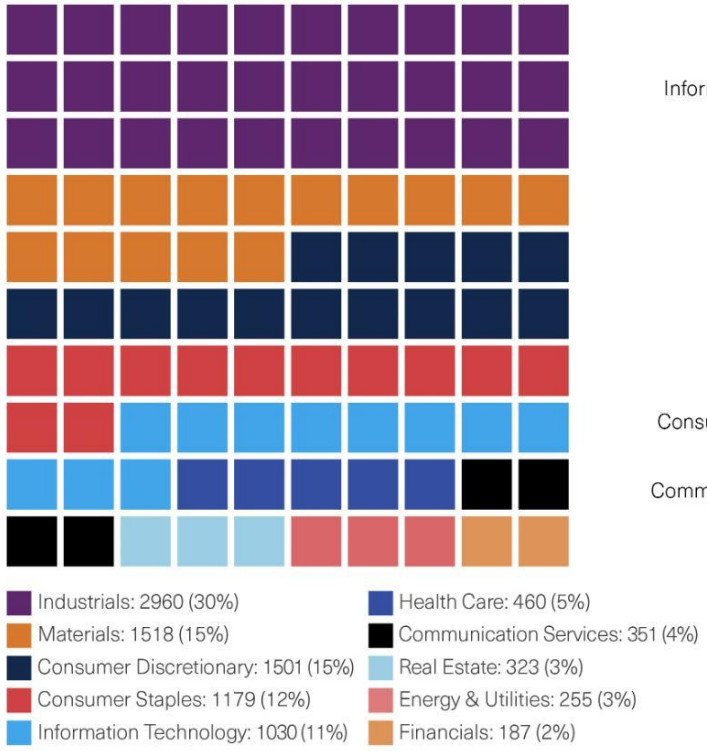
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76% growth in Healthcare

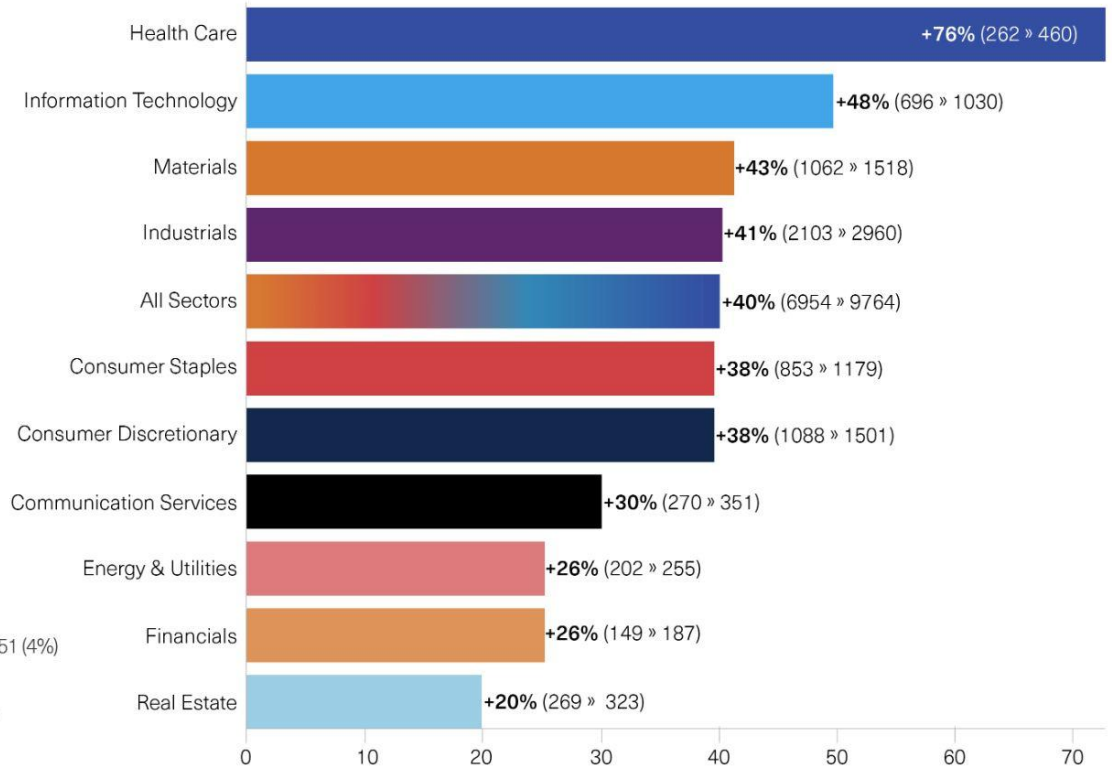
48% growth in IT

43% growth in Materials

Distribution of companies with SBTi targets by GICS sector, end of 2025, %



Growth in companies with SBTi targets by GICS sector, between 2024 and 2025, %



Note: Sectors based on the Global Industry Classification Standard (GICS), which includes Professional Services under Industrials. Absolute change in companies with targets shown in brackets.

Source: SBTi (data correct up to end of 2025)

WHY COMPANIES **JOIN**

Science-based targets deliver business value well beyond emissions reductions

91%

of companies with validated targets report a positive overall impact on their business

STRATEGY

80%

improved strategic cohesion and long-term vision

INVESTOR CONFIDENCE

80%

strengthened investor relations

REPUTATION & TRUST

95%

improved overall reputation

SUPPLY CHAIN

74%

better aligned with customer and supply chain requirements

RESILIENCE

71%

more resilient to future regulatory change

CLIMATE ACTION

86%

accelerated their pace of decarbonisation

Source: SBTi (2025), The Impact of Setting Science-Based Targets on Businesses. Survey of 171 companies with validated targets.

ACCELERATING THE NEXT DECADE OF ACTION

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The SBTi's new **2026-2030 Strategy** will drive the next phase of the corporate net-zero transition, anchored by two guiding principles

1 AMBITION TO ACTION

The SBTi is moving from not only verifying ambition, but ensuring companies take **meaningful action** through:

- Evolving the suite of SBTi's standards
- Supporting implementation and innovation

2 MAXIMIZING IMPACT

While the SBTi has grown exponentially, our next phase will prioritize **targeted growth and expansion** through:

- Strengthening partnerships across the ecosystem
- Engagement with high-impact sectors and regions

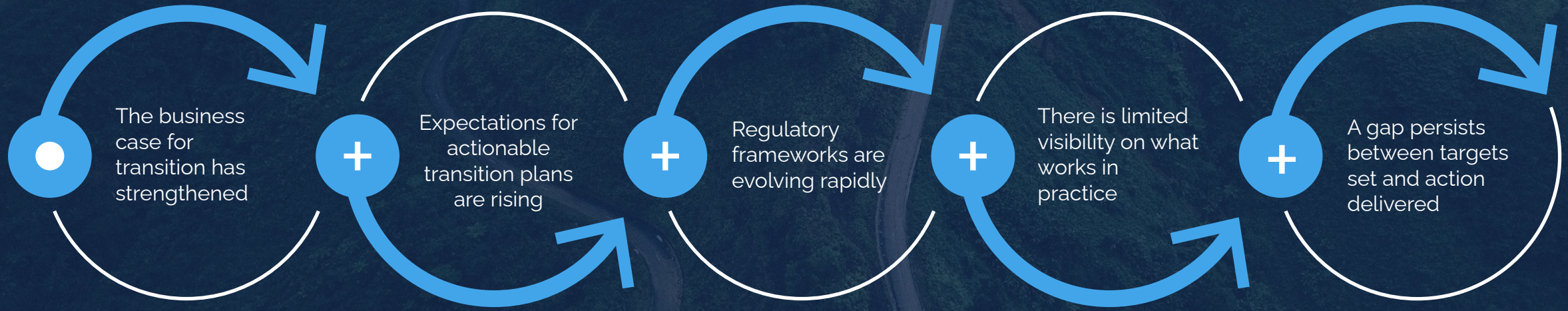


TARGET-SETTING TO **REAL-WORLD DELIVERY**

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Companies are under increasing pressure to move from ambition to implementation—driven by shifting market expectations and a stronger business case for action.

The operating context for corporate climate action has evolved:



This is why the SBTi is evolving its approach: providing clearer pathways, better data and stronger alignment to enable delivery at pace.

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TURNING CLIMATE AMBITION INTO **BUSINESS ADVANTAGE**

Working with the SBTi helps companies strengthen resilience, competitiveness and access to capital in a carbon constrained world

STRONGER BUSINESS PERFORMANCE AND COMPETITIVENESS

- Strengthened resilience and competitiveness
- Transition risk embedded in core business decisions
- More effective navigation of an increasingly demanding regulatory environment

ENHANCED CREDIBILITY AND ACCESS TO CAPITAL

- Trusted by financial institutions, customers and regulators
- Improved access to capital and market opportunities
- Measurable, science-based progress against net zero commitments

PRACTICAL SUPPORT TO DELIVER AT PACE

- Actionable data and insights on what works in practice
- Peer learning and pre-competitive collaboration
- Engagement with governments to address systemic barriers

The goal is simple: SBTi membership should be something your board sees as a strategic asset.



Introduction to Version 2.0

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HOLDING OURSELVES TO THE **HIGHEST STANDARD**

The Corporate Net-Zero Standard V2.0 was developed through a robust stakeholder-driven process, maintaining scientific rigor and ambition while addressing business feedback to improve usability.

- Following a rigorous governance framework guided by ISEAL principles
- Robust and collaborative stakeholder engagement, targeting diverse viewpoints
- Strong technical contributions from research, academia, and subject matter experts
- Thoughtful and transparent deliberation on key topics with expert working groups
- Independent oversight and approval from the SBTi's Technical Council

SETTING THE GLOBAL STANDARD **TOGETHER**

The SBTi did not develop the V2.0 Standard alone, but with contributions from thousands of stakeholders across the globe, representing unique voices across business, academia, and civil society:

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RECORD ENGAGEMENT

1,770+

survey responses submitted to the SBTi during two public consultations



RIGOROUS TESTING

320

companies participated in at least one phase of pilot testing



GLOBAL REACH

60+

countries represented by survey respondents



TRUSTED EXPERTISE

100+

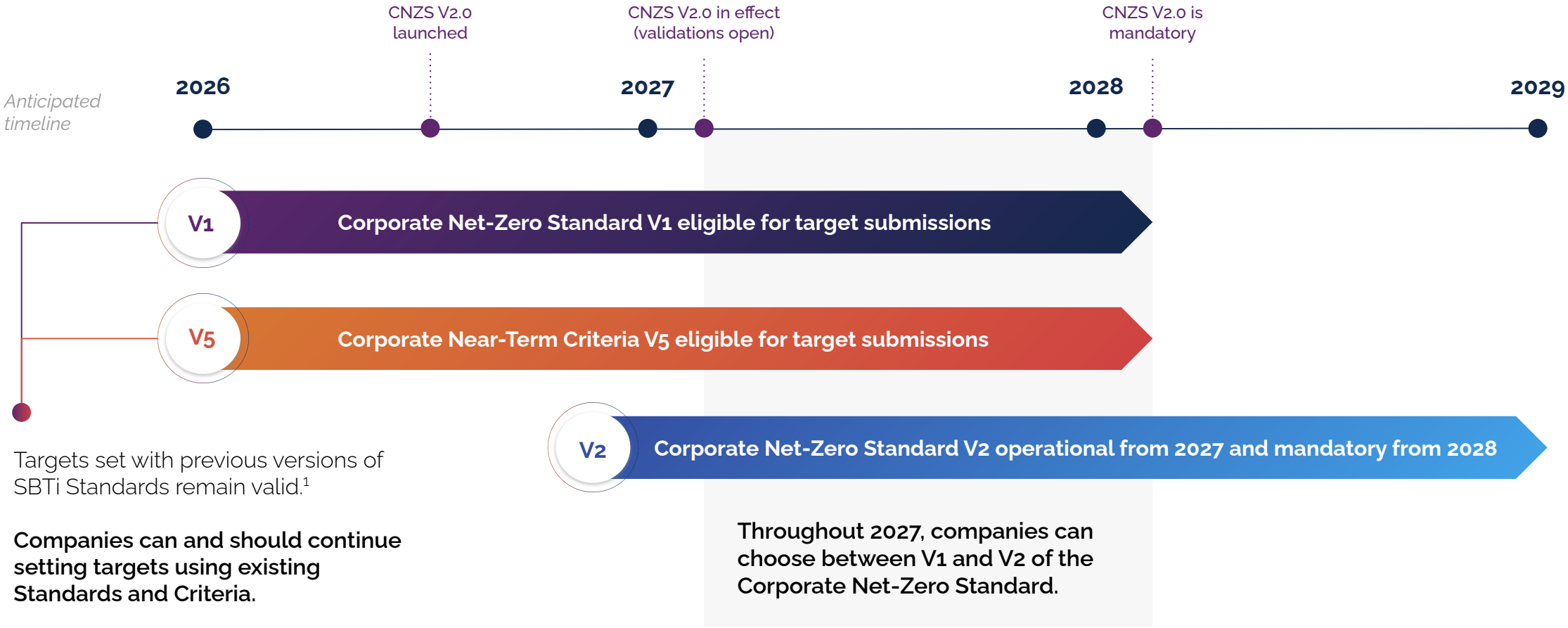
individuals serving on five expert working groups



THE TRANSITION TO VERSION 2.0 WILL BE GRADUAL

The SBTi will continue to issue supplementary guidance and resources to guide companies through comprehension, adoption and implementation of the new Standard.

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Targets set with previous versions of SBTi Standards remain valid.[1]

Companies can and should continue setting targets using existing Standards and Criteria.

Throughout 2027, companies can choose between V1 and V2 of the Corporate Net-Zero Standard.

[1] Companies validated against current and historic SBTi standards are required to review and if necessary update targets formally through a validation process every five years. Companies may also voluntarily update their targets. Targets submitted for validation must always be aligned with the SBTi criteria in effect at the time of submission.

STRENGTHENING ACCOUNTABILITY

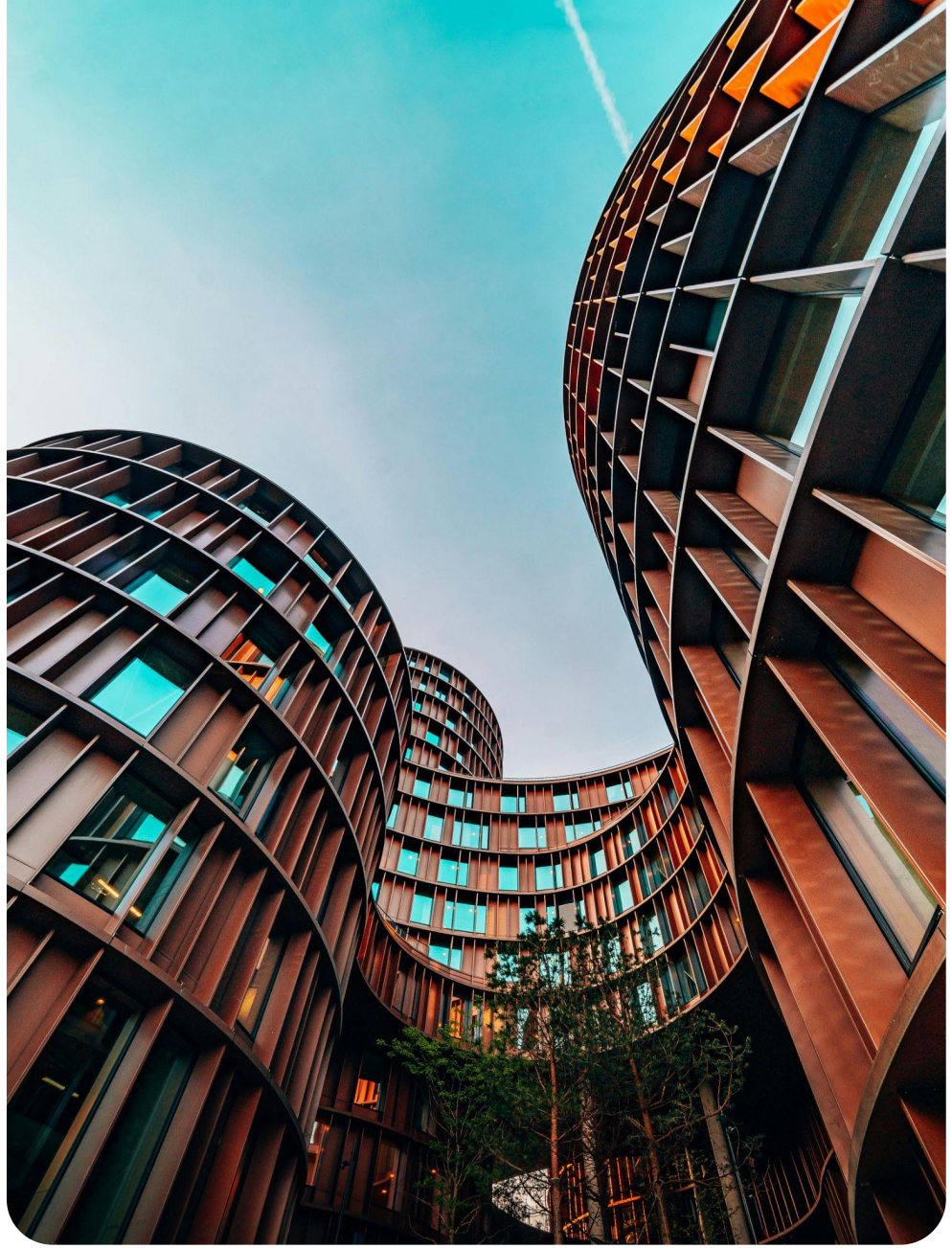
Validated targets are supported by appropriate governance and credible implementation planning.

The company's highest level of governance must agree to overall accountability for targets.

Submit and report a description of the governance structures responsible for overseeing and implementing targets.

Establish documented processes for reporting progress and conducting periodic review and adjustment to targets.

Develop and maintain a transition plan focusing on actions and timelines required to deliver the company's validated targets.



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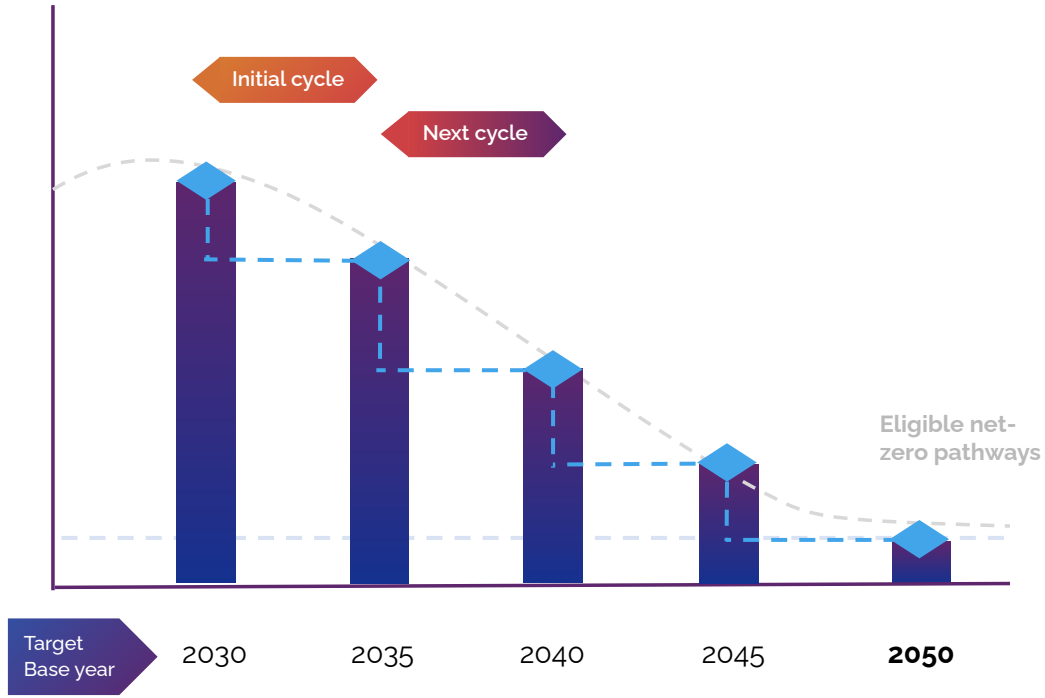
SETTING THE RIGHT **FOUNDATION**

A comprehensive and accurate assessment of base year emissions is foundational to determining ambition and eligible target setting methods for each cycle of targets in the net-zero framework.

During the target validation phase, all companies submit:

TARGET BASE YEAR	Based on the most recent year with comprehensive GHG emissions and other applicable data
GHG INVENTORY	Physical inventory aligned to GHG Protocol Standards[1]
ACTIONS & MARKET INSTRUMENTS	A separate account of actions and market instruments not reflected in the physical GHG inventory[2]
ELECTRICITY CONSUMPTION	Total consumption of electricity, including from generation within and outside of company control
	Percentage of low-carbon electricity (LCE) consumption

Illustrative example of target setting cycle to the net-zero year



[1] Companies account for FLAG emissions, bioenergy emissions, and both biogenic and technological removals in line with the GHG Protocol Land Sector and Removals Standard.
[2] In accordance with relevant GHG accounting standards, where available. Actions and market instruments must meet integrity criteria set out in Chapter 4, Target Implementation.

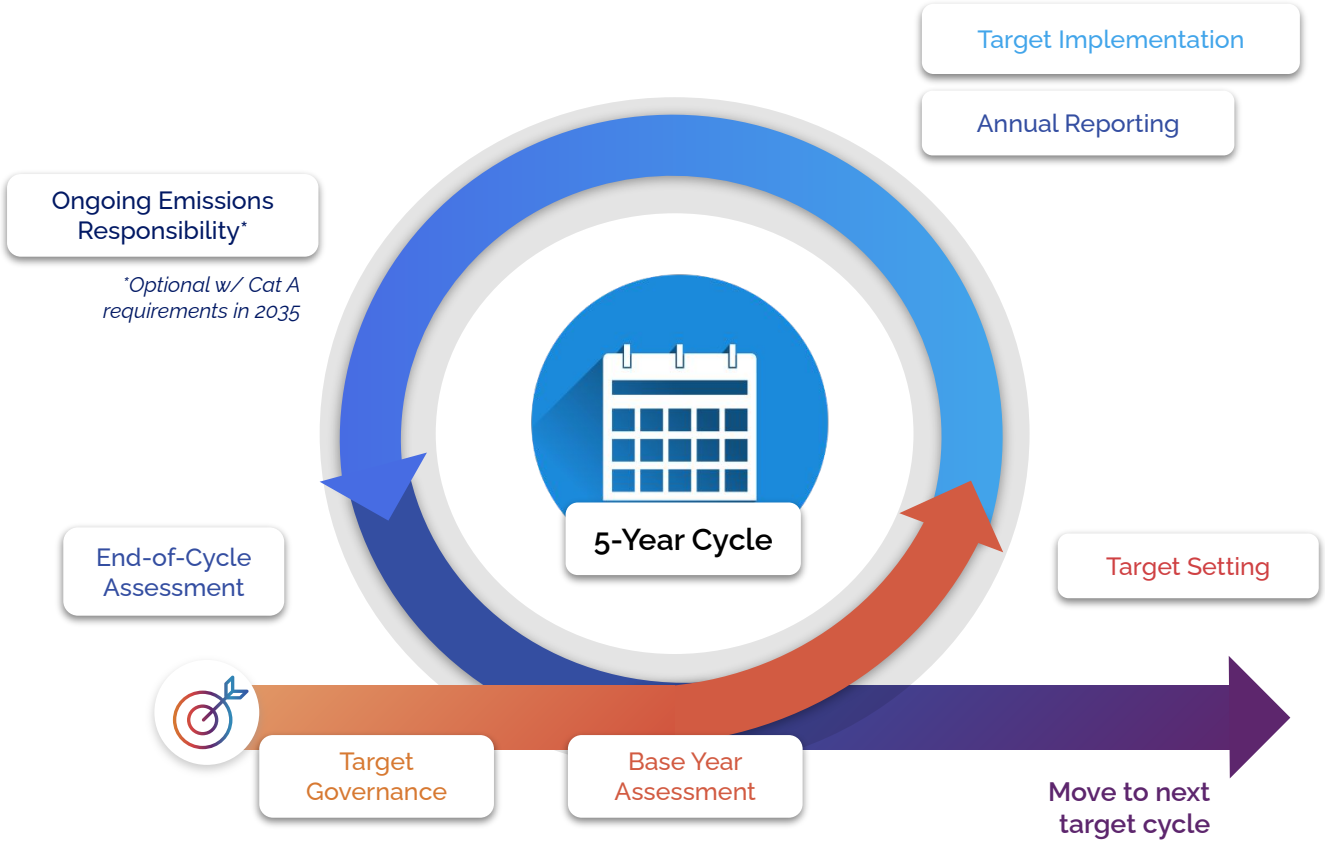
INTRODUCING A **NEW** STRUCTURE & TARGET CYCLE

Version 2.0 builds upon the strong foundation established by the first Corporate Net-Zero Standard, but focuses on driving greater action and accountability through a new, standardized target cycle

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CHAPTERS IN THE STANDARD

- Chapter 1 — NET-ZERO GOVERNANCE
- Chapter 2 — TARGET BASE YEAR ASSESSMENT
- Chapter 3 — TARGET SETTING
- Chapter 4 — TARGET IMPLEMENTATION
- Chapter 5 — REPORTING & ASSESSING TARGET PROGRESS
- Chapter 6 — ONGOING EMISSIONS RESPONSIBILITY



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TARGET SETTING METHODS FOR **SCOPE 1**

One new target type has been included for scope 1, focused on decarbonizing high-emitting assets.

ABSOLUTE EMISSIONS

Decrease absolute emissions linearly at a rate consistent with reaching residual levels by 2050 at the latest

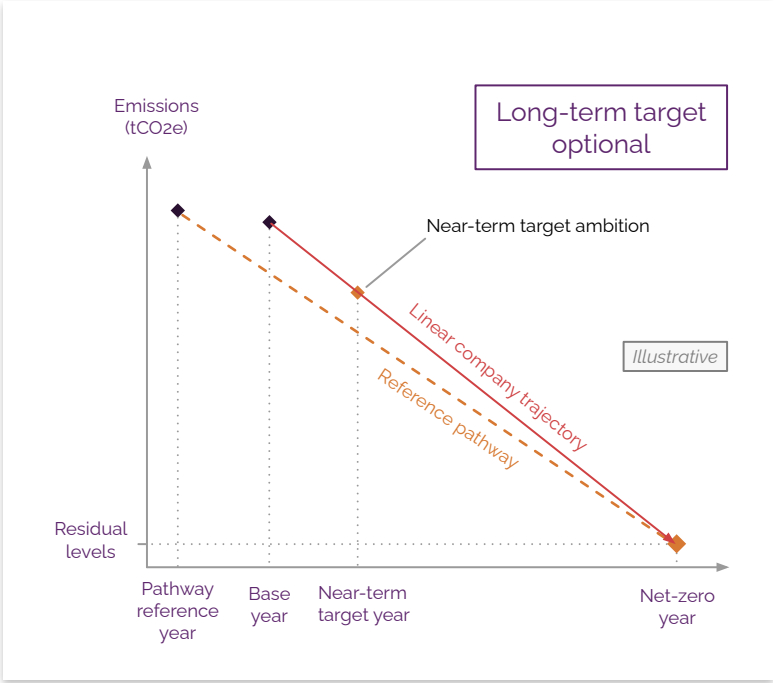
EMISSIONS INTENSITY[2]

Reduce emissions intensity at a rate consistent with an underlying net-zero aligned sectoral pathway, where available[1]

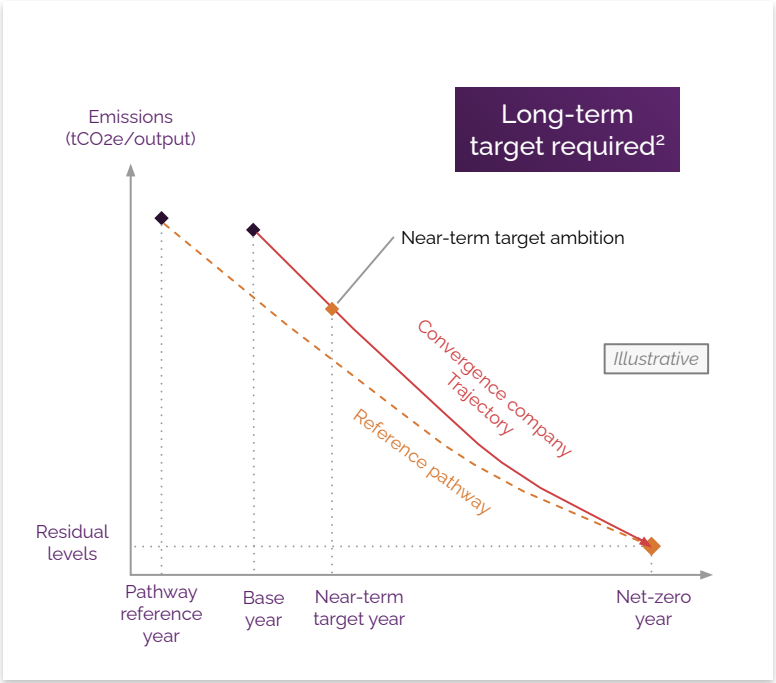
NEW ASSET TRANSITION[2]

Reduce absolute emissions in line with an Asset Decarbonization Plan (ADP) based on a Carbon Budget or a Milestone Approach, both derived from reference pathways[1]

Visual: Absolute Emissions Target



Visual: Emissions Intensity Target



1. Subject to final Methods, Metrics, and Pathways (MMPs) publication following consultations
2. Long-term scope 1 targets are required when using these near-term methods. Long-term targets must cover all emissions, use emission reductions methods (absolute or intensity), and align with net-zero residual levels by 2050;

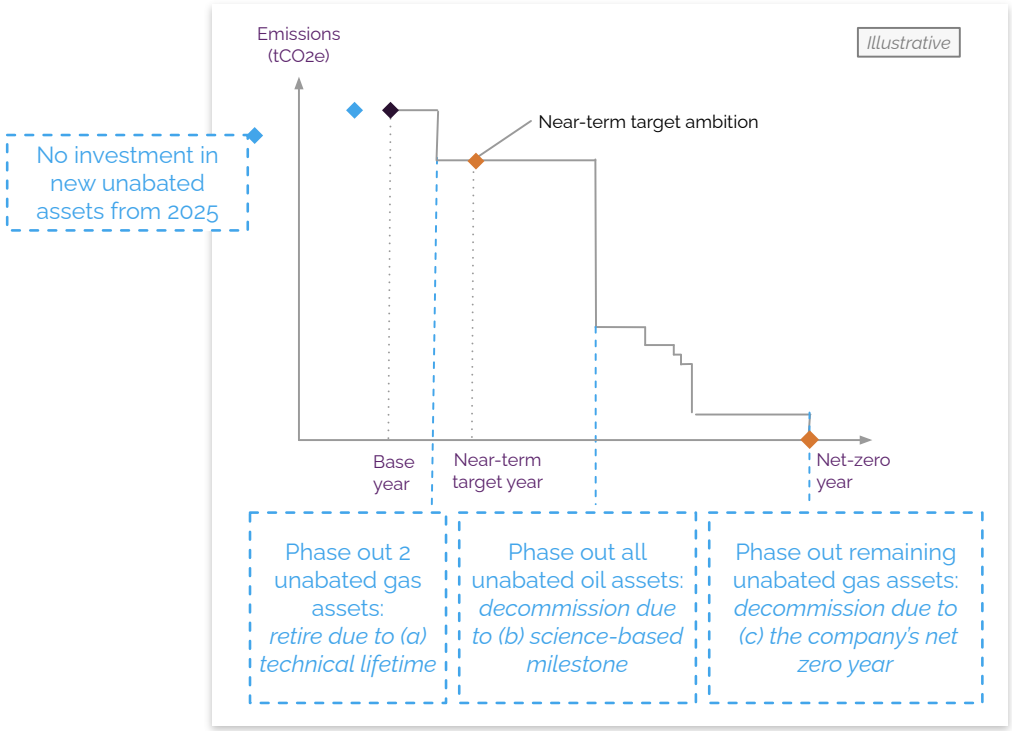
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DEEP DIVE | SCOPE 1 ASSET TRANSITION TARGETS

Illustrative example of developing an asset decarbonization plan (ADP)[1] for power generation assets.

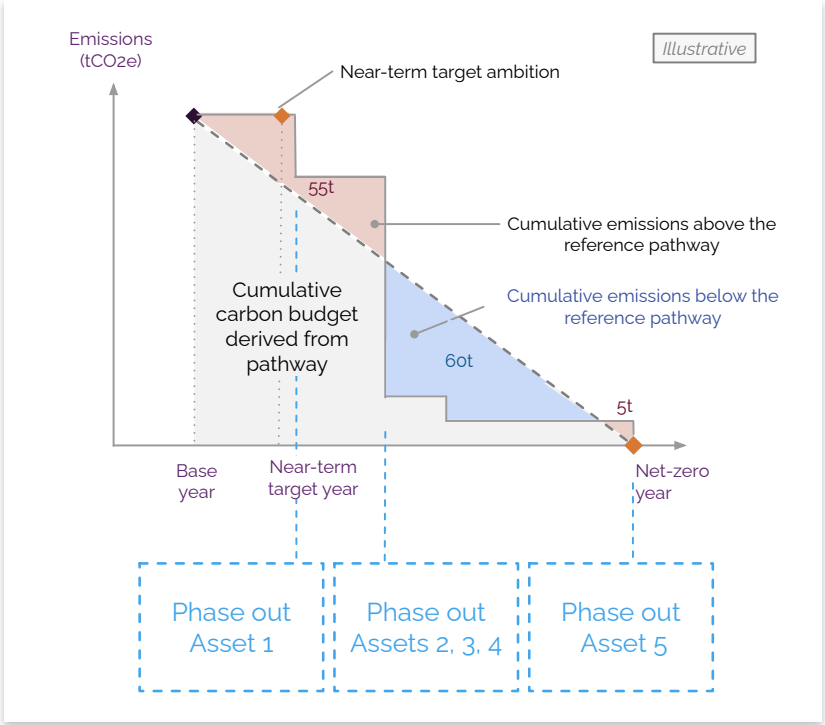
MILESTONE

For each asset or asset group, the transition timeline is determined by: (a) the remaining technical lifetime of asset, (b), the science-based transition milestone (derived from reference pathway), or (c) the company's net-zero year.



CARBON BUDGET

1. Calculate total carbon budget of assets, derived from reference pathway
2. Determine decommissioning timeline for each asset, such that total emissions remain within budget



1. Subject to final Methods, Metrics, and Pathways (MMPs) publication following consultations

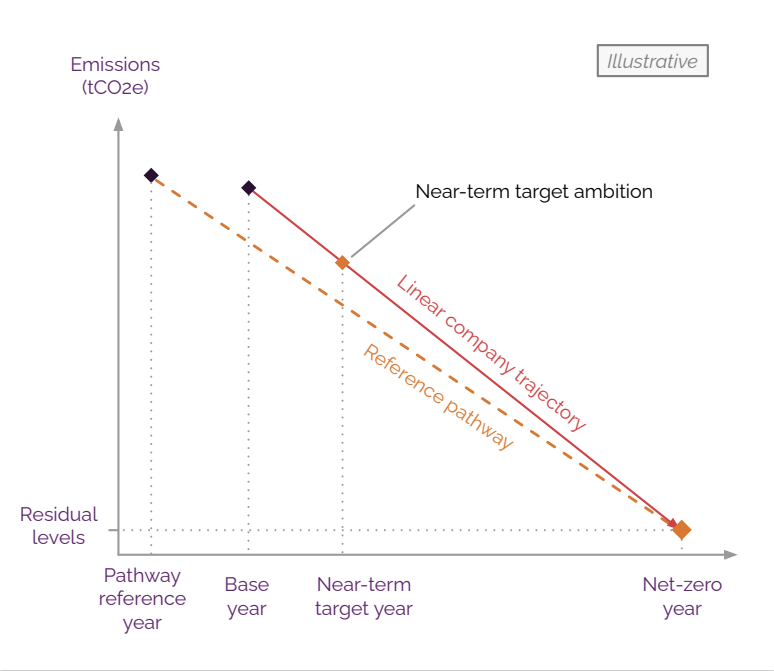
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TARGET SETTING METHODS FOR **SCOPE 2**

V2.0 introduces two approaches to set mandatory near-term and optional long-term targets[1].

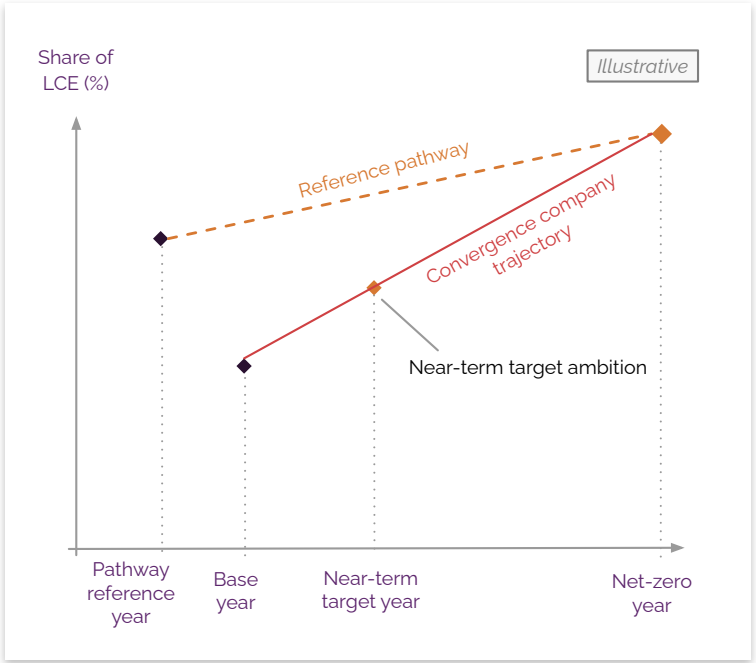
ABSOLUTE EMISSIONS REDUCTION

Reduce scope 2 absolute emissions on a linear trajectory to a defined residual level that is consistent with an eligible net-zero pathway



NEW LOW-CARBON ELECTRICITY (LCE) ALIGNMENT

Increase the percentage of LCE used, contracted or matched on a linear trajectory in line with an eligible net-zero pathway



LCE is defined by an individual generator that has direct GHG emissions ≤ 0.048kg CO_2/kWh.[2]

A

Companies are required to:

1. **Estimate expected growth in electricity consumption** over the target timeframe
2. **Set absolute emissions reduction target** if growth exceeds 20% per year

[1]Long-term target setting for scope 2 is optional for both Category A and Category B companies

[2]From 2035, LCE will be defined as ≤ 0.024kg CO_2/kWh.

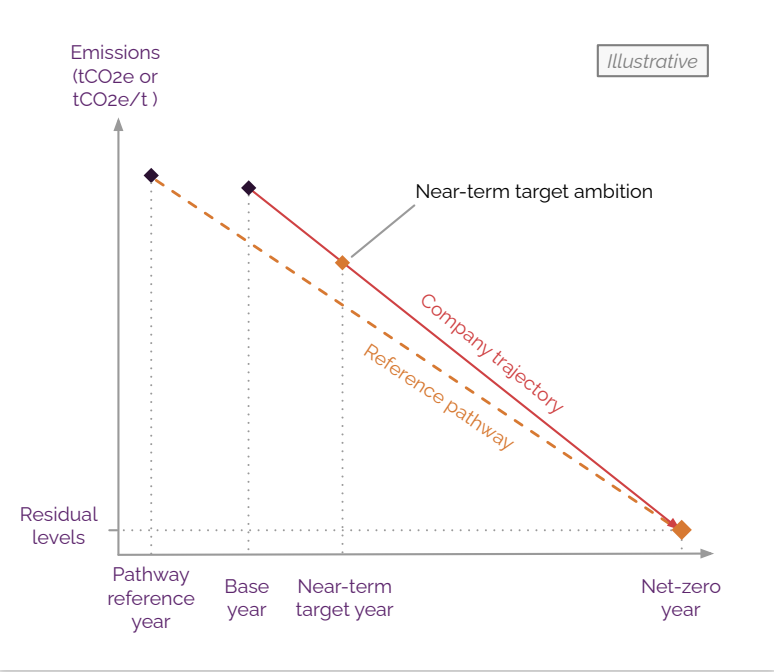
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TARGET-SETTING IN **SCOPE 3**

V2.0 presents two broad target setting methods for addressing scope 3 emissions.

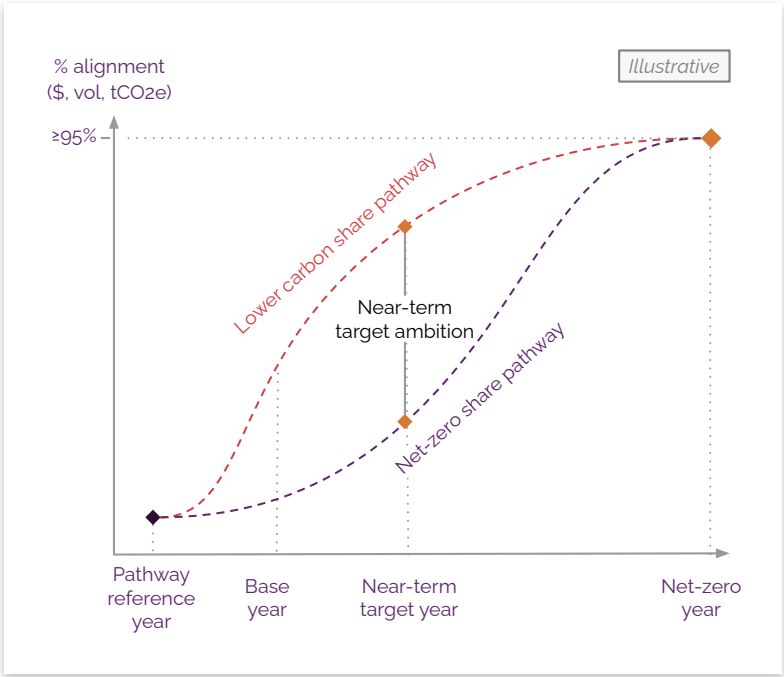
EMISSIONS REDUCTION TARGETS

Reduce scope 3 emissions on an absolute or intensity basis to a defined residual level following cross-sector or sector-specific pathways



ALIGNMENT TARGETS

Increase the share of lower carbon and net-zero aligned upstream and downstream activities or counterparties, measured as a percentage of spend, revenue, volume or emissions



UPDATED Supplier/customer alignment

Grow share of T1 suppliers/customers that are in transition or net-zero aligned

NEW Volume alignment

Grow share of purchased commodities (e.g. steel, cement) or transport that are lower carbon or net-zero aligned

NEW Product use alignment

Grow share of sold products with lower carbon or net-zero aligned use phases

NEW Product end-of-life alignment

Grow share of products designed with circular end-of-life solutions

EXAMPLE | TWO TARGET-SETTING JOURNEYS

Each company chooses the target-setting methods most suitable for their operations and value chain.

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	Scope 1	Scope 2	Scope 3
 A Freshmix Co.	Sets **Asset transition targets** for owned and operated manufacturing facilities and light and heavy fleet	Sets a **low-carbon electricity (LCE) alignment** target: • To complement electrification initiatives used to transition scope 1 assets. • To simplify communication about its use of market instruments.	Chooses a mix of target setting approaches to cover significant categories (e.g. cat. 1, 4, 9 and 12): • **Volume alignment target** for cat. 1 purchased commodities (e.g. aluminium for packaging) • **Absolute emissions reduction target** to cover remainder of cat. 1 and transport-related emissions (cat. 4 and 9) combined • **Product end-of-life alignment** target for cat. 12
 B MedLabs, Inc.	Chooses an absolute emissions reduction target, while focusing on process efficiency and electrification.	Anticipates significant electricity consumption growth and is required to choose an emissions reduction target to reflect efficiency improvements.[1]	Opts out of voluntarily setting a Scope 3 target while pursuing higher quality scope 3 data.

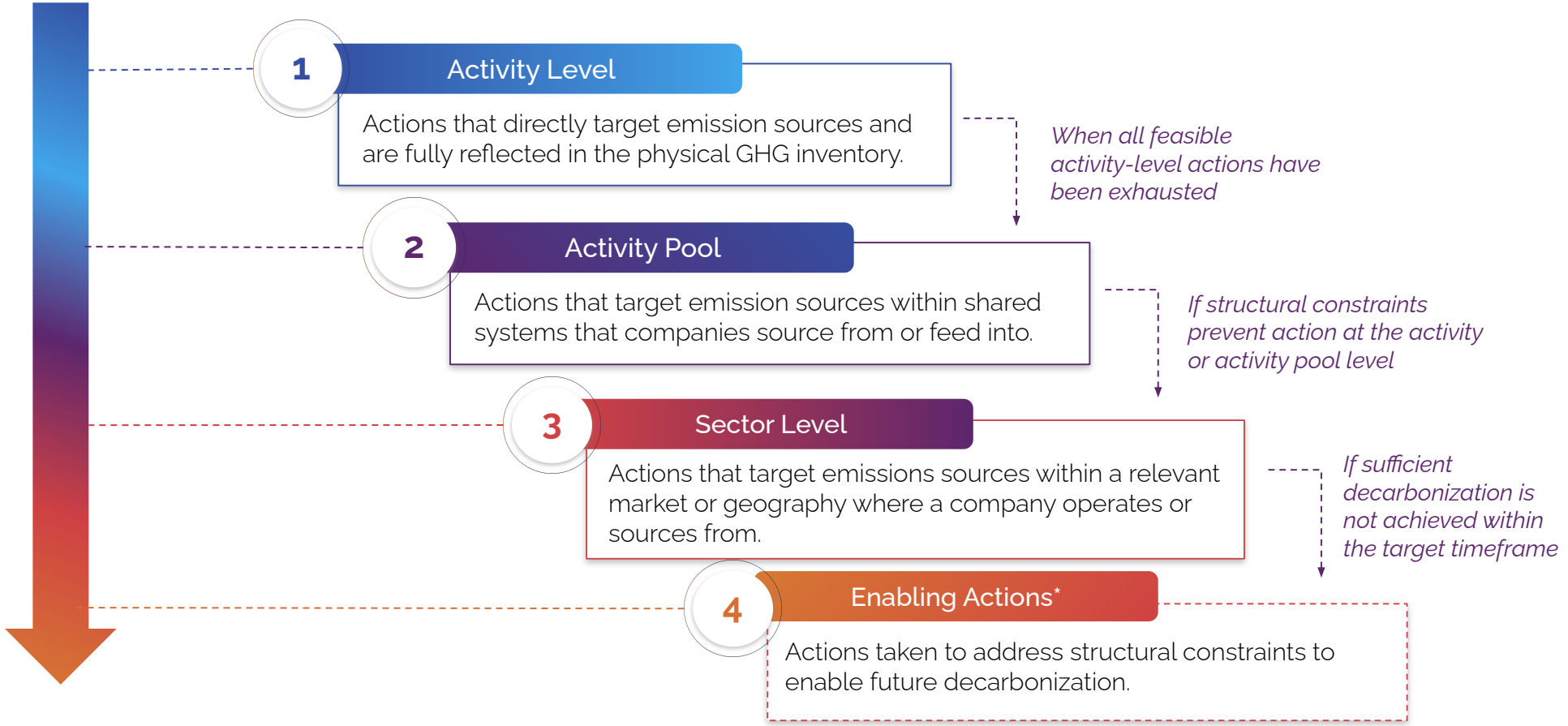
[1]Market instruments remain valid for implementation.

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INTRODUCING THE **IMPLEMENTATION HIERARCHY**

The Standard defines four levels of action that a company may take to support decarbonization, requiring companies to prioritize actions closest to the emissions source first before pursuing less direct actions.

Companies assess and implement feasible activity-level actions before proceeding to less direct action



*Enabling actions do not contribute towards target progress, but are **recommended** as best practice when sufficient decarbonization is not achieved within the target timeframe.*

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THE **ONGOING EMISSIONS RESPONSIBILITY** FRAMEWORK

The framework consists of three phases with distinct, but complementary goals.



PHASE 1 — **Optional Recognition Program**

Companies that opt to cover a share of ongoing emissions with eligible approaches and actions can earn recognition on the SBTi Target Dashboard.[1]

Recognition is awarded at three levels:

- ENGAGED
- ADVANCED
- LEADERSHIP

PHASE 2 — **Post-2035: Responsibility Requirement**

A — **Category A** companies are **required** to support an increasing volume of eligible carbon removals, increasing the share of removals with greater durability over time.

PHASE 3 — **Neutralization**

A — At the net-zero target year and thereafter, **all companies are required to neutralize** 100% of residual emissions across all scopes.

B

[1] *Provided demonstration of substantial progress against targets for targets set under V2.0.*



Version 2.0

What's Next?

SCIENCE BASED TARGETS

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THE LAUNCH IS ONLY THE BEGINNING

The SBTi will continue to develop guidance and supplemental resources to support V2.0

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Forthcoming Resource	Description	Anticipated Timing*
Methods, Metrics, and Pathways	Details the methods and pathways used to develop the target setting options underpinning Version 2.0.	*Public comment open until July 31, 2026*
Interim Accounting & Reporting Guidance	Interim guidance on reporting and assessing progress using market instruments and projects in line with the Standard's implementation hierarchy, including actions at the activity pool and sector levels.	Q4 2026
Renewal Policy (V1)	More detailed information and guidance on exactly how elements of the V2.0 Standard can be applied to targets set using Version 1.	Q4 2026
SBTi Assurance Framework	Policies, processes, and requirements to ensure criteria for validation and assessment are consistently applied,	From early 2027
SBTi Claims Policy	Rules, conditions and processes for companies to make claims related to their targets against the SBTi Standards.	From early 2027
Interoperability & Third-Party Recognition	Defines technical criteria and principles for formal eligibility and recognition of third-party tools and certification frameworks.	From Q4 2026

*Project timelines are subject to change.

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Thank you.

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Science Based Targets

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info@sciencebasedtargets.org

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FIVE **KEY CHANGES** IN VERSION 2.0

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The changes that matter most, and what each one allows companies to do

	What's new in V2.0	What it allows
TARGET CYCLE	One Standard, with targets reset every five years from the most recent base year	Focuses finance on near-term action, with routine accountability all the way to net zero
SCOPE 1 METHODS	New asset transition targets, set using a carbon budget or science-based milestones	Lets capital-intensive companies decarbonise asset by asset, on a realistic non-linear path
SCOPE 3 METHODS	New alignment targets for suppliers, customers, commodities and products	Lets companies target what they can actually influence in their value chain
ACTION HIERARCHY	Act at the emissions source first, then in activity pools, then at sector level	Lets markets play their role: instruments that meet integrity criteria count towards progress
ONGOING EMISSIONS	Optional recognition now; removals for Category A from 2035; neutralise residuals at net zero	Rewards early action and sends a clear long-term demand signal for carbon removals

PROGRESS OVER PERFECTION

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Companies assess progress over distinct target cycles, pursuing targets on a **best-efforts** basis in the context of uncertainty and external dependencies



2

BARRIER RESOLUTION

State how the company will contribute to addressing these barriers, leveraging SBTi facilitation and policy-level escalation.

3

TARGET REALIGNMENT

Towards the end of the target cycle, set new targets to ensure ongoing alignment with net-zero pathways.

1

TRANSPARENT DISCLOSURE

Clearly articulate where progress was made and where exact implementation barriers exist.

TRIGGER Target unmet despite using all available levers and making strong progress.

Companies remain in the SBTi network, maintain credible progress claims, and mitigate greenwashing risk.

SHIFTING FROM AMBITION TO **ACTION**

Version 2.0 is more than just an update, it's a major milestone for the global net-zero transition.

The Standard makes credible, science-based climate action more practical, accessible, and relevant for companies at every stage of the net-zero transition by:

EXPANDING THE TOOLKIT

Moving beyond a one-size fits all approach, introducing an **expanded toolkit** for target setting and implementation

MOBILIZING MORE ACTION

Companies prioritize **direct decarbonization** first, then are enabled to take credible action at the system and/or sector level

PRIORITIZING IMPLEMENTATION

Focusing on **implementation and progress** throughout the net-zero journey, strengthening transparency and continuous improvement





CHAPTER 1

Net-Zero Governance

SCIENCE BASED TARGETS

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STRENGTHENING ACCOUNTABILITY

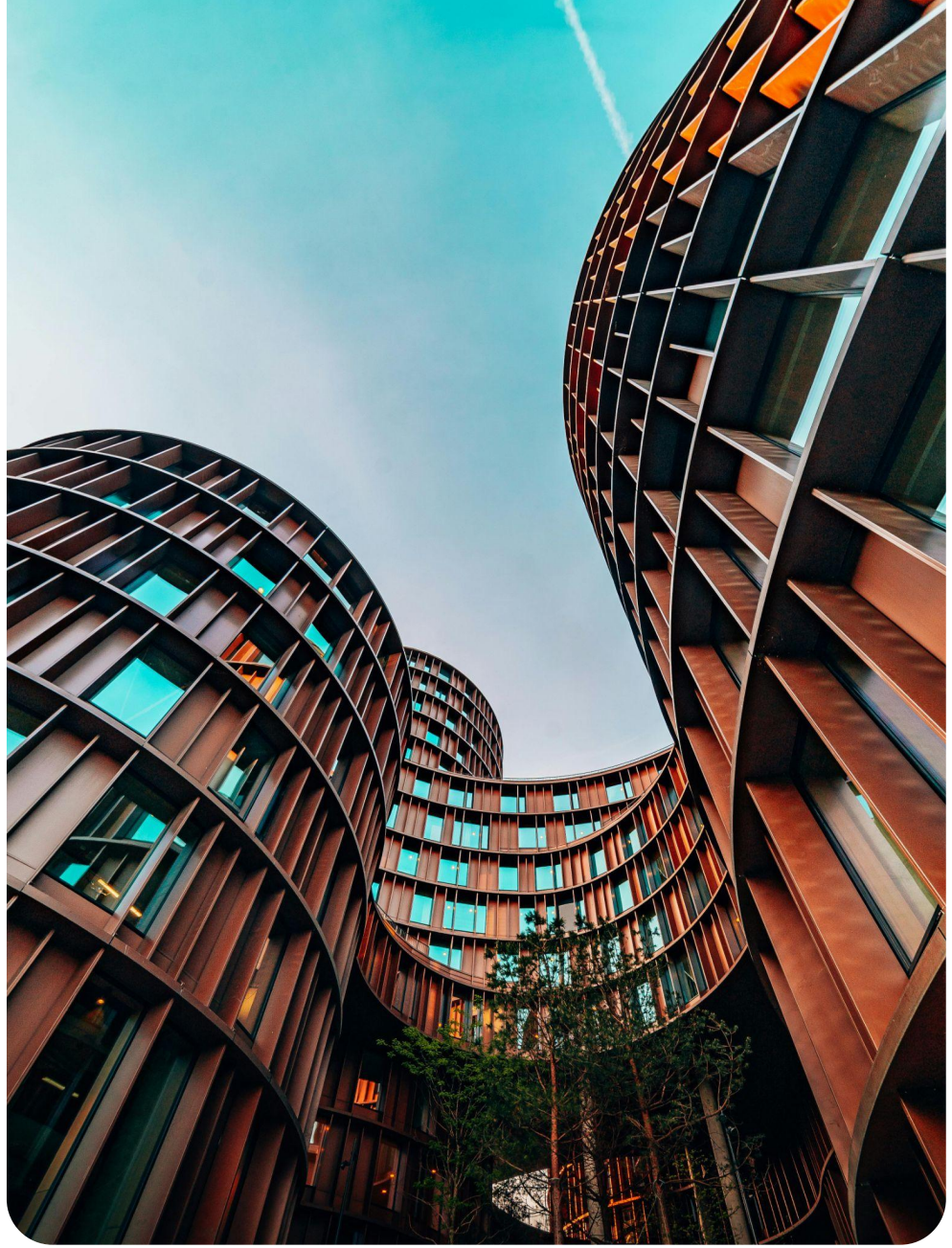
Validated targets are supported by appropriate governance and credible implementation planning.

The company's highest level of governance must agree to overall accountability for targets.

Submit and report a description of the governance structures responsible for overseeing and implementing targets.

Establish documented processes for reporting progress and conducting periodic review and adjustment to targets.

Develop and maintain a transition plan focusing on actions and timelines required to deliver the company's validated targets.



SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

ALL COMPANIES DEVELOP A **TRANSITION PLAN**

The Standard requires that all companies develop and maintain a transition plan, focusing on actions and timelines required to deliver the company's validated targets. Plans should be formally approved and adopted by the company's highest governing body and reviewed at least every 5 years.

At a minimum, transition plans include:

Target Details
All SBTi-validated targets

Scope
All emission sources and activities covered by targets

Actions
Actions expected to meet near-term targets and indicative actions for the next target cycle

Assumptions & Dependencies
Key assumptions and external dependencies that may materially affect target implementation

Where relevant:

Unabated Fossil Fuels
Commitment to phase out in line with net-zero pathways

Emissions-Intensive Activities
Plan to decarbonize significant emissions-intensive activities (EIAs)

Disclosure requirements:

A

Category A companies are required to publish their transition plans within 15 months of target validation

Certain Scope 1 target methods require companies to publish a transition plan at the time of target validation

The Standard recommends that companies align with international standards such as Transition Planning Taskforce (TPT) Disclosure Framework.



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CHAPTER 2

Target Base Year Assessment

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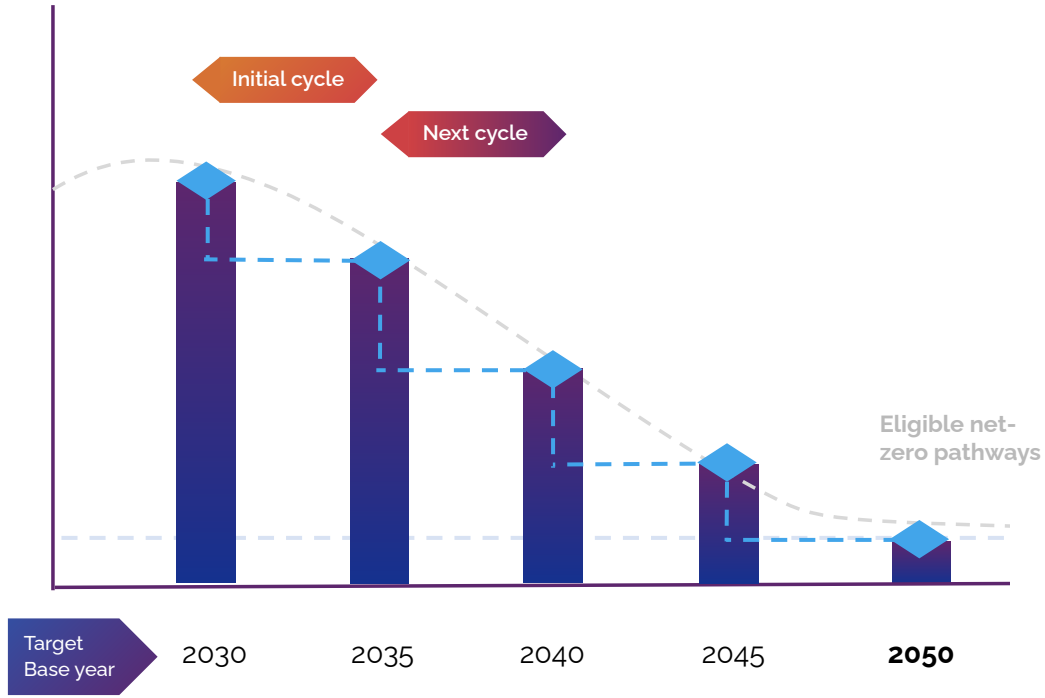
SETTING THE RIGHT **FOUNDATION**

A comprehensive and accurate assessment of base year emissions is foundational to determining ambition and eligible target setting methods for each cycle of targets in the net-zero framework.

During the target validation phase, all companies submit:

TARGET BASE YEAR	Based on the most recent year with comprehensive GHG emissions and other applicable data
GHG INVENTORY	Physical inventory aligned to GHG Protocol Standards[1]
ACTIONS & MARKET INSTRUMENTS	A separate account of actions and market instruments not reflected in the physical GHG inventory[2]
ELECTRICITY CONSUMPTION	Total consumption of electricity, including from generation within and outside of company control
	Percentage of low-carbon electricity (LCE) consumption

Illustrative example of target setting cycle to the net-zero year



[1] Companies account for FLAG emissions, bioenergy emissions, and both biogenic and technological removals in line with the GHG Protocol Land Sector and Removals Standard.
[2] In accordance with relevant GHG accounting standards, where available. Actions and market instruments must meet integrity criteria set out in Chapter 4, Target Implementation.

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ADDITIONAL REQUIREMENTS FOR **CATEGORY A**

Prioritizing significant scope 3 emissions and emissions-intensive activities (EIAs) ensures that resources are directed towards the most material drivers of global emissions.

SIGNIFICANT SCOPE 3 CATEGORIES	Determine and report significant scope 3 categories that account for 5% or more of total scope 3 emissions (categories 1-14)[1].
EMISSIONS-INTENSIVE ACTIVITIES (EIAs)	Identify and quantify emissions from EIAs in the value chain as defined in Annex A. ↳ For each significant EIA (≥ 5%), report absolute emissions and the percent of total scope 3 they represent.
ASSURANCE	Obtain third-party assurance of emissions inventory and other required metrics.

List of EIAs *(non-exhaustive, adapted from Annex A)*

Commodities

Cradle-to-gate boundary, for:

- Cement
- Steel
- Aluminum
- Ammonia
- Methanol
- FLAG
- Ethylene
- Propylene
- Benzene
- Toluene
- Xylene
- Plastics

Transport

Well-to-wheel boundary, for:

- Road (LDV and HGV)
- Rail freight
- Shipping
- Aviation (freight & passenger)

Sold products

Use phase boundary, for:

- Combustion of sold fossil fuels
- Energy-consuming products (fossil fuels and electricity)
- GHG-emitting products
- Fossil fuel support services

[1]Companies with significant emissions in category 15 should consult the SBTi's Financial Institutions Net-Zero Standard (FINZ)



SCIENCE BASED TARGETS

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CHAPTER 3

Target Setting

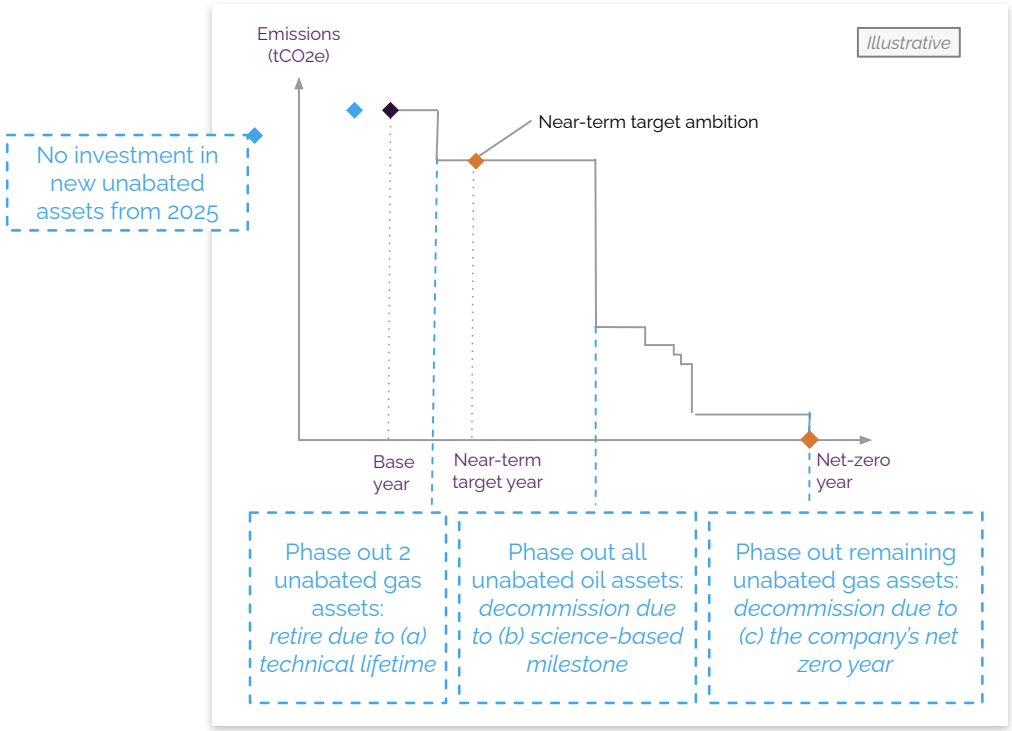
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DEEP DIVE | SCOPE 1 ASSET TRANSITION TARGETS

Illustrative example of developing an asset decarbonization plan (ADP)[1] for power generation assets.

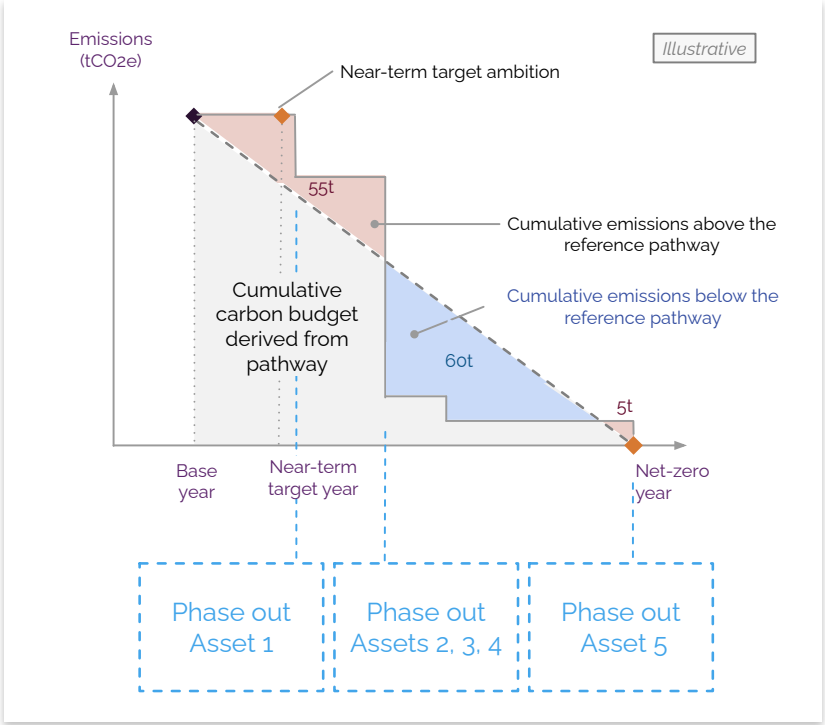
MILESTONE

For each asset or asset group, the transition timeline is determined by: (a) the remaining technical lifetime of asset, (b), the science-based transition milestone (derived from reference pathway), or (c) the company's net-zero year.



CARBON BUDGET

1. Calculate total carbon budget of assets, derived from reference pathway
2. Determine decommissioning timeline for each asset, such that total emissions remain within budget



1. Subject to final Methods, Metrics, and Pathways (MMPs) publication following consultations

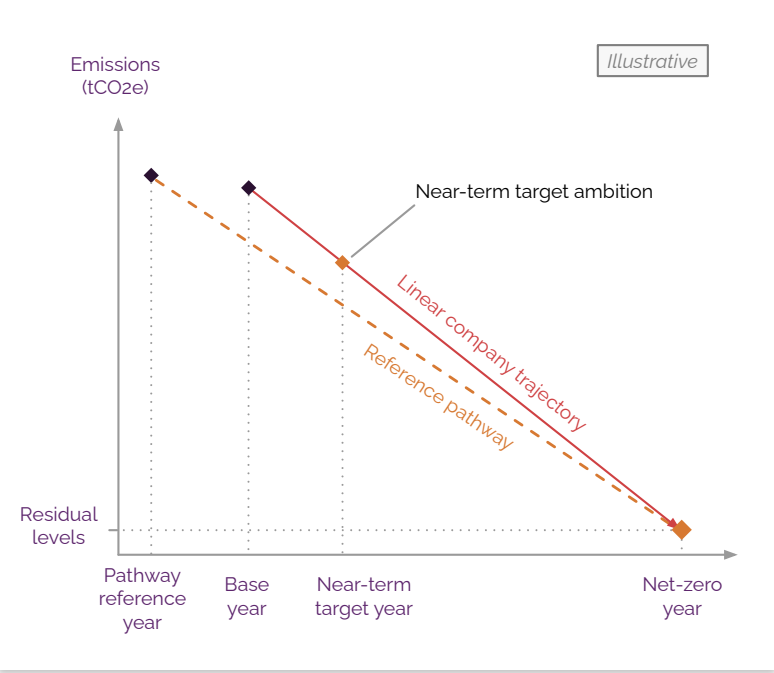
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TARGET SETTING METHODS FOR **SCOPE 2**

V2.0 introduces two approaches to set mandatory near-term and optional long-term targets[1].

ABSOLUTE EMISSIONS REDUCTION

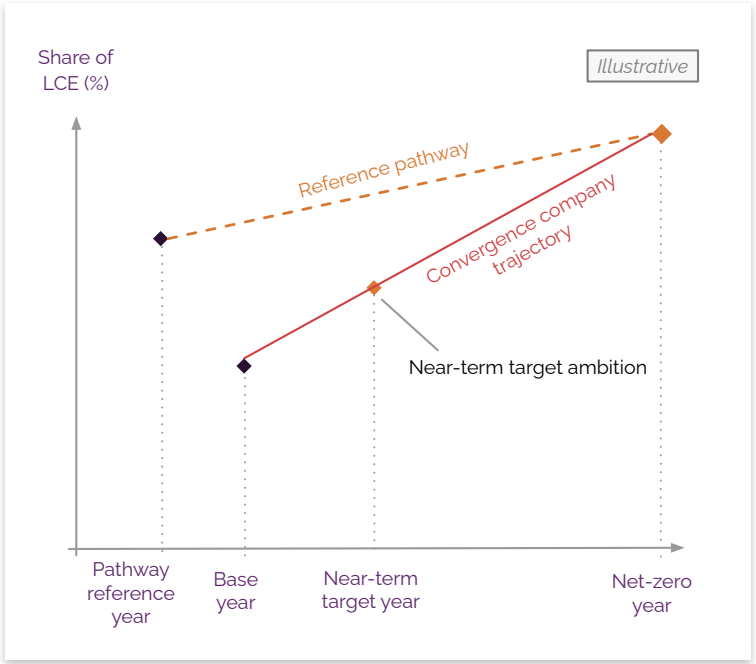
Reduce scope 2 absolute emissions on a linear trajectory to a defined residual level that is consistent with an eligible net-zero pathway



NEW LOW-CARBON ELECTRICITY (LCE) ALIGNMENT

Increase the percentage of LCE used, contracted or matched on a linear trajectory in line with an eligible net-zero pathway

LCE is defined by an individual generator that has direct GHG emissions ≤ 0.048kg CO_2/kWh.[2]



A

Companies are required to:

1. **Estimate expected growth in electricity consumption** over the target timeframe
2. **Set absolute emissions reduction target** if growth exceeds 20% per year

[1]Long-term target setting for scope 2 is optional for both Category A and Category B companies

[2]From 2035, LCE will be defined as ≤ 0.024kg CO_2/kWh.

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TARGET-SETTING IN **SCOPE 3**

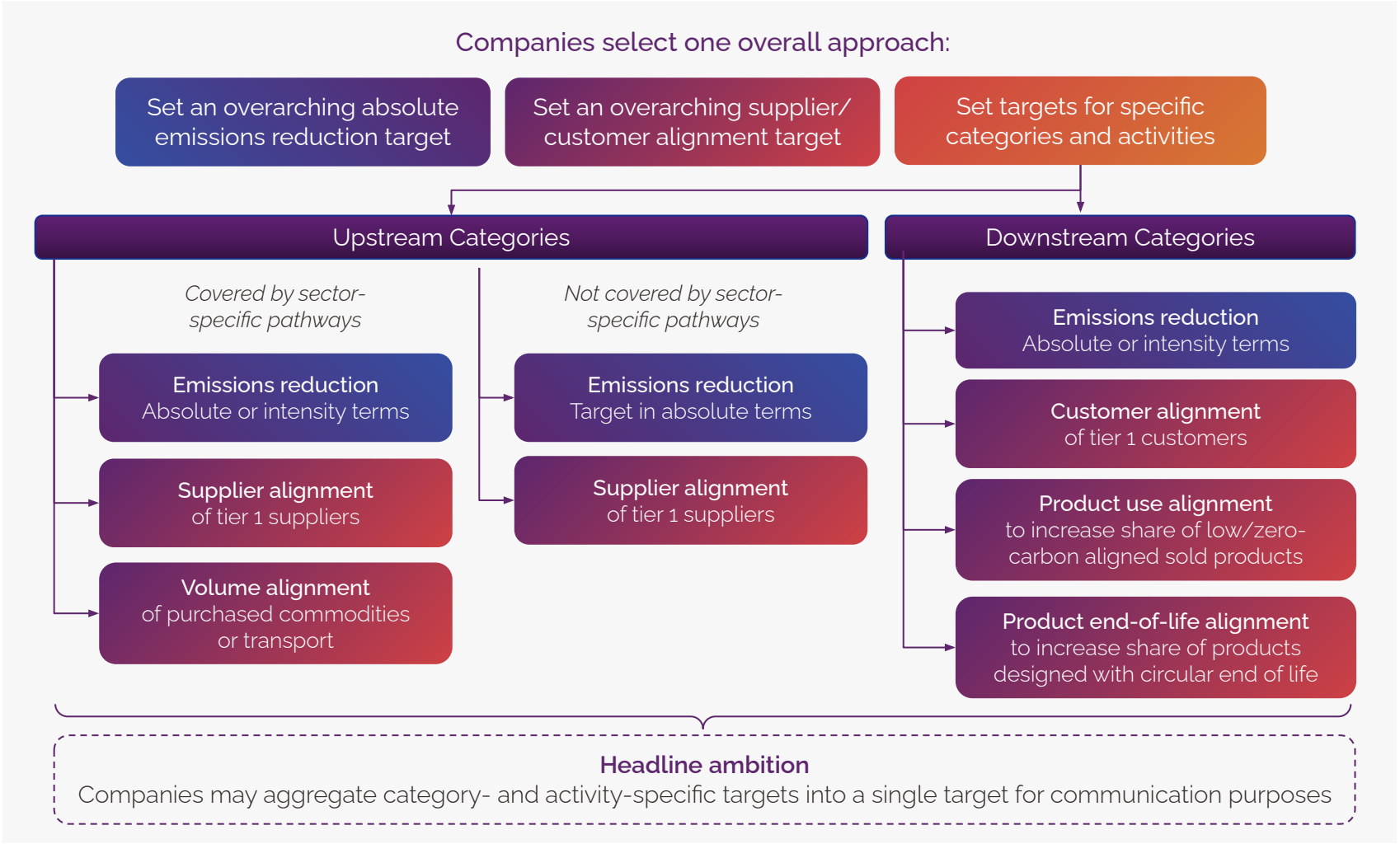
Setting targets for scope 3 emissions is required for Category A companies and optional for Category B.

1. **Include significant categories**
   Targets must cover all significant categories (1-14) that represent ≥5% of total scope 3 physical inventory

2. **Identify optional exclusions**
   Certain emission sources may be excluded, but should be reported

3. **Optionally set targets on emissions-intensive activities (EIAs)**
   Companies are encouraged to set targets on significant EIAs.

4. **Select a target-setting approach**
   best suited to emission sources, available levers for decarbonization, and feasibility of implementation





SCIENCE BASED TARGETS

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CHAPTER 4

Target Implementation

SUPPORTING PRACTICAL IMPLEMENTATION

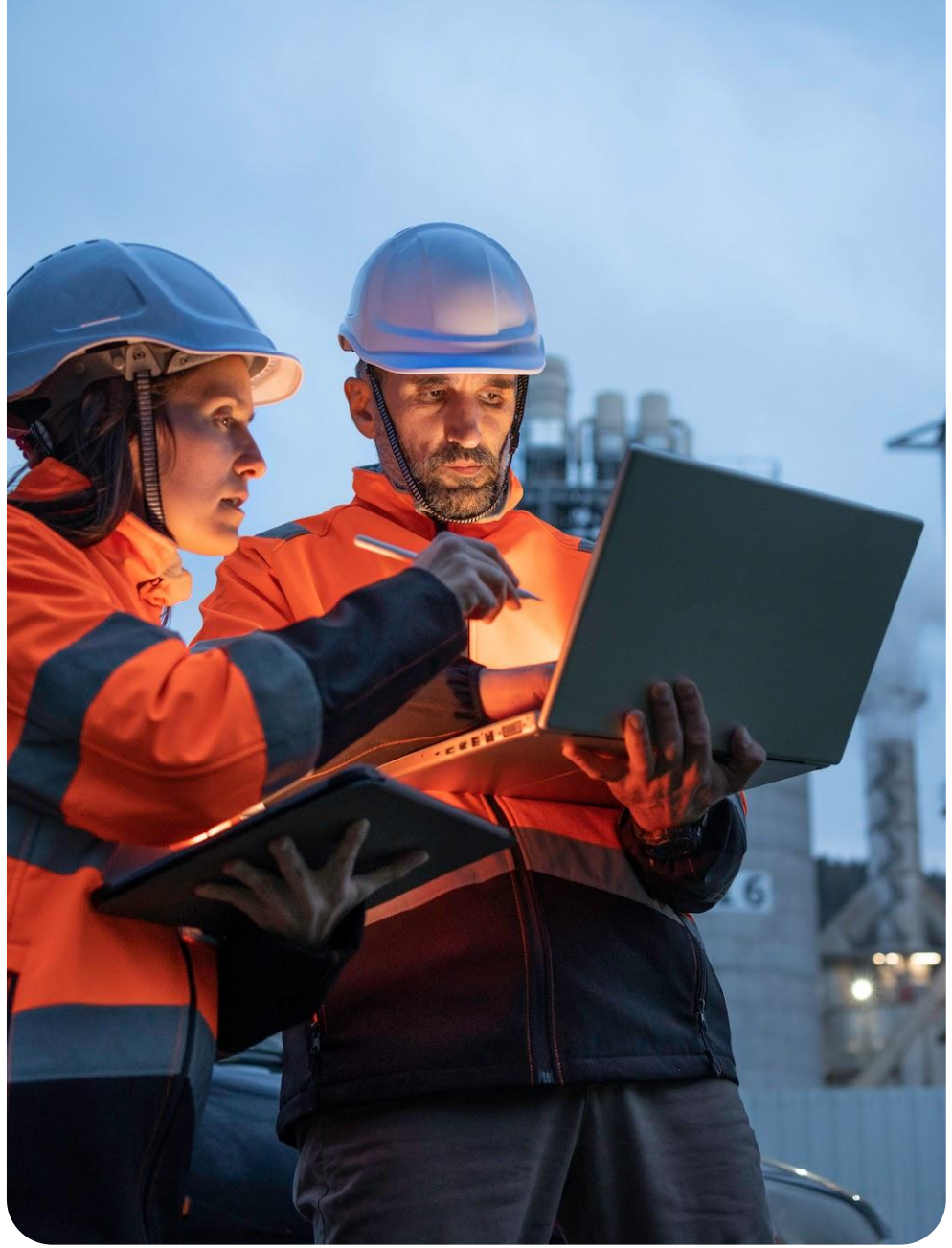
The Standard enables companies to move from ambition to action with practical implementation steps across different contexts, while maintaining scientific integrity.

NEW

New, dedicated chapter in the Standard
An entirely new chapter in V2.0 reflecting a fundamental shift from setting ambition to taking action

Introduces an implementation hierarchy
To guide companies to prioritize action closest to emission source before pursuing more indirect action

Recognizes market instruments and projects that meet integrity criteria as valid tools for target implementation and progress



SCIENCE BASED TARGETS
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RESPONDING TO **STAKEHOLDER FEEDBACK**

Respondents to the second public consultation continuously referenced a need for greater clarity related to target implementation.

WHAT WE HEARD



Applicability across scopes was unclear with implementation criteria distributed across sections and integrity principles in Annex E	Request for alignment with GHG Protocol and recognition for market instruments across scopes	Need for clarity on how to take different types of actions to implement targets with appropriate guardrails

WHAT HAS CHANGED IN RESPONSE



Created one dedicated chapter to describe a **standardized approach** applicable across all scopes	Designed definitions and terms for **continued alignment** with evolving GHG Protocol Standards	Developed a clear **implementation hierarchy** that prioritizes direct action while recognizing genuine barriers
		

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ACTIVITY POOLS | ILLUSTRATIVE EXAMPLES



SOURCING REGION

Group of suppliers providing functionally equivalent goods within a fixed and spatially defined area.

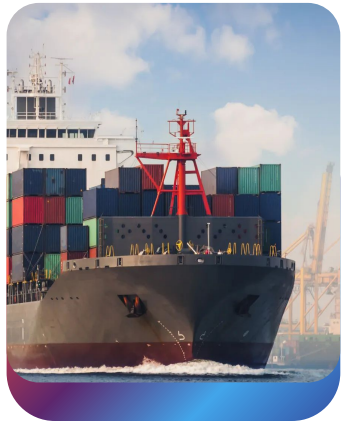
Example: Agricultural products (e.g., coffee suppliers from Minas Gerais, Brazil)



FACTORY SHED

A group of factories producing functionally equivalent goods within a fixed and spatially defined area.

Example: Textile manufacturing (e.g. ginners in Indore, India for cotton yarn)



TRANSPORT SHED

A group of transport operations that share similar characteristics (i.e. Transport Operation Categories as per ISO 14083).

Example: Logistics services (e.g. transport operation from Northern EU to South China Sea)



ENERGY SHED

A geographically or jurisdictionally defined electricity (sub)grid area in which renewable energy interventions can be credibly linked to the electricity consumed in value chain processes.

Example: Electricity deliverability region (e.g., U.S. Eastern Grid)

Illustrative examples informed by the Value Change Initiative Paper: *Activity pools exploration by VCI*.

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IMPLEMENTATION FOR **ELECTRICITY**

Version 2.0 introduces new requirements that apply to the use of market instruments for electricity.

DELIVERABILITY

Market instruments are limited to **deliverability regions**[1]

✓ Exceptions made for existing long-term contracts prior to the effective date of V2.0

✓ Deliverability between regions permitted in certain cases (e.g. physical transmission, PPAs)



AGE LIMIT

Limited to generators commissioned or re-powered within 15 years of application. Forthcoming guidance will stipulate exemptions for PPAs with new LCE projects and region-by-region options.

TEMPORAL MATCHING

Attributes must meet an **annual matching** (12-month) requirement; All companies may receive *optional recognition* for meeting specified hourly thresholds.

A **Category A** companies are required to calculate and report percent of scope 2 electricity consumption that is matched on an hourly basis in activity pools with significant electricity use (where annual consumption ≥ 10 GWh).

The SBTi intends to conduct further research on how hourly matching should be deployed in the context of target-setting.

[1]Defined as a geographical area throughout which all sources of electricity generation connected to a synchronous grid can be reasonably expected to serve sources of electricity consumption connected to that grid

SCIENCE BASED TARGETS
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ACTIONS AND MARKET INSTRUMENTS MUST MEET **MINIMUM INTEGRITY CRITERIA**

CRITERIA FOR **ALL ACTIONS**

Activity matching

Actions mitigate same activity type as underlying emissions

System association

Actions occur within the same or connected system

Quantification

Outcomes are conservatively & transparently measured

Verifiability

Outcomes are auditable for third-party assurance

Unique attribution

Outcomes are clearly attributable to the company

Double-counting prevention

Using systems with unique identification

Temporal alignment

Actions correspond to activities within 12-month window

CRITERIA FOR **MARKET INSTRUMENTS**

Representative: Instruments convey emissions or physical attributes of the underlying activity.

Attributional accounting principles are applied.

Attribute preservation: When certificate is created, the emissions reductions reflect the actual share of production it relates to.

Volume matched to an activity does not exceed volume of activity in the company's GHG inventory.

System level impact: For all instruments issued through programs, the program proves decarbonization of the relevant system.

CRITERIA FOR **PROJECTS**

Leakage: Reported outcomes reflect net outcomes after assessment and accounting for leakage

Accounting: Measured change reported and accounted for before and after the project with outcomes proportionate to their contribution

Emissions matching: Total volume reported does not exceed the actual physical emissions reduction achieved.

Additionality: Reductions meet additionality requirements based on established frameworks and standards

Causality: Reported reductions are a direct result of the project



CHAPTER 5

Reporting & Assessing Target Progress

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CONTINUING THE TARGET-SETTING JOURNEY

At the end of each target cycle, companies undertake a formal assessment of target progress, submitting substantiated progress information to the SBTi and transparently disclosing results.

End of the target cycle

Companies can set targets for the next cycle

To set new targets, companies are expected to use all available levers, disclose barriers, and demonstrate credible actions to address them.

Up to 24 months prior and 12 months after the target cycle ends

End-of-cycle assessment

All companies conduct and submit an assessment of target progress to the SBTi.

Within 12 months

Companies disclose progress against targets

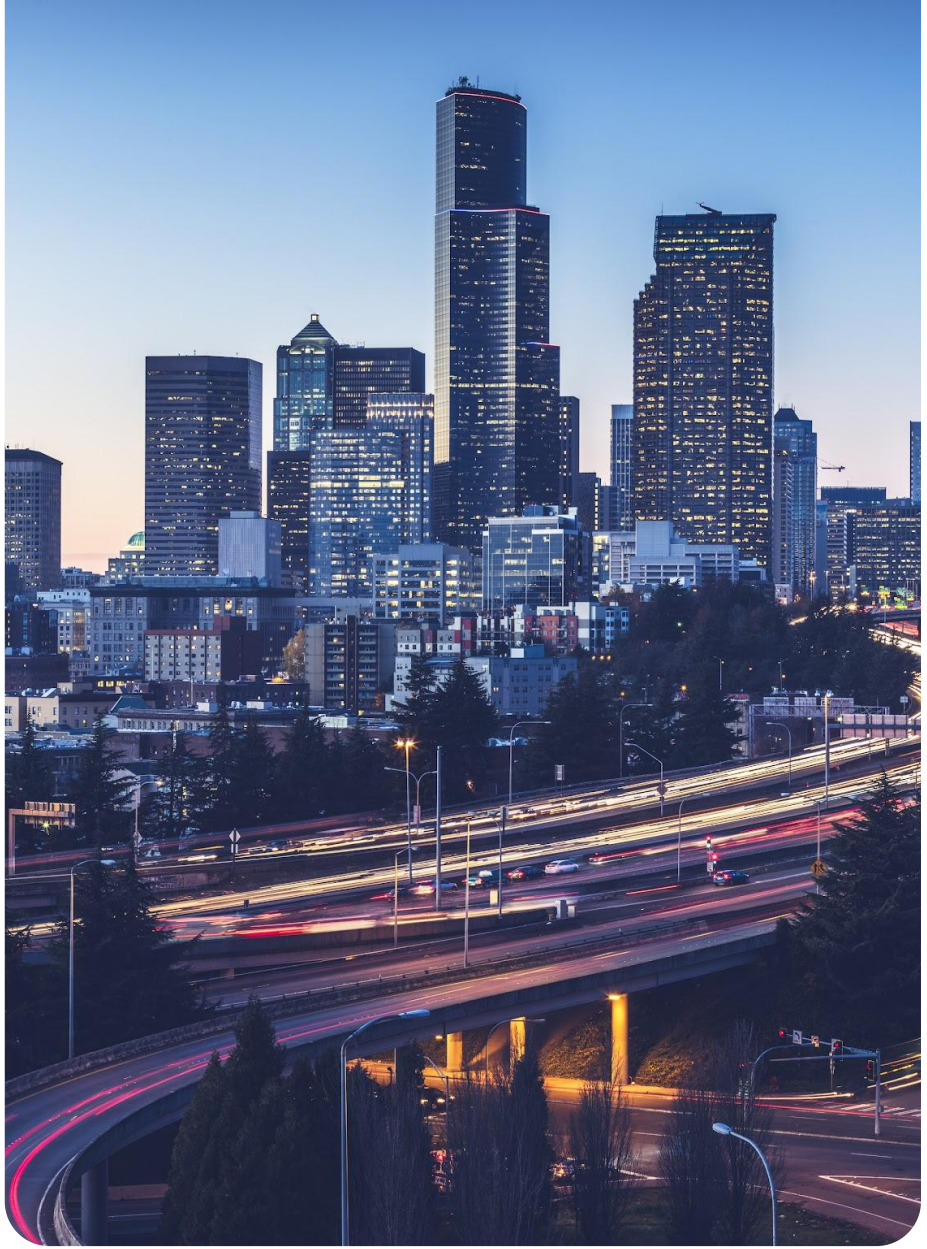
Companies consent to relevant progress information being displayed publicly on the SBTi Target Dashboard.

Within 6 months of assessment

Companies publicly disclose information required by end-of-cycle assessment.

At next reporting cycle following assessment

Minimum progress criteria for companies seeking to set new targets following their first cycle under 2.0 will be set out in the forthcoming **SBTi Assurance Manual.**



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LEARN MORE

Stay up to date with the latest developments by subscribing to our newsletter and exploring the dedicated resources on our website designed to help you navigate the next phase of net-zero.

Register to have tailored V2.0 resources delivered straight to your inbox

Explore the Standard and relevant resources on our dedicated V2.0 webpage

Questions? Please submit to **info@sciencebasedtargets.org**