



Science Based Targets Initiative
Review and Recommendations

July 2020

FINAL REPORT

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Abbreviations

ACT: Assessing low Carbon Transition
ADEME: Agence de l'environnement et de la maîtrise de l'énergie
B2DS: Beyond 2°C Scenario
CAMDA: Climate Action Methodology Data and Analysis
CDM: Clean Development Mechanism
CDP: Carbon Disclosure Project
CEO: Chief Executive Officer
COO: Chief Operating Officer
COP: Conference of the Parties
CTA: Commit to Action
DJSI: Dow Jones Sustainability Index
ETP: Energy Technology Perspectives
FAQ: Frequently Asked Questions
FY: Fiscal Year
GDP: Gross Domestic Product
GHG: Greenhouse Gas
GRI: Global Reporting Initiative
ICT: Information and Communications Technology
IDDRI: Institute for Sustainable Development and International Relations
IEA: International Energy Agency
IPCC: Intergovernmental Panel on Climate Change
KG: Key Geographies
KPI: Key Performance Indicators
NDC: Nationally Determined Contribution
NGO: Non-Governmental Organisation
PRI: Principles for Responsible Investment
SBT/SBTs: Science Based Target(s)
SBTi: Science Based Targets Initiative
SDA: Sectoral Decarbonization Approach
SDG: Sustainable Development Goals (United Nations)
SR15: Special Report on Global Warming of 1.5°C
TCFD: Task Force for Climate Related Financial Disclosures
UNEP FI: United Nations Environment Programme Finance Initiative
UNFCCC: United Nations Framework Convention on Climate Change
UNGC: United Nations Global Compact
USD: United States Dollar
WBCSD: World Business Council for Sustainable Development
WEF: World Economic Forum
WMB: We Mean Business Coalition
WRI: World Resources Institute
WWF: World Wildlife Fund

Executive summary

Context

The Science-Based Target initiative (SBTi) is a collaborative effort launched in 2015. Its aim is to mainstream the adoption by companies of GHG emissions reduction targets aligned with the Paris Agreement targets, according to the latest available scientific evidence. The initiative is a collaboration between the CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). It is one of the We Mean Business (WMB) Coalition commitments.

SBTi's strategy is based on three pillars: (1) develop methodologies to remove technical barriers hindering the adoption of SBTs; (2) build a critical mass of companies by engaging them and providing them with an independent and objective assessment of their climate targets; (3) institutionalise the adoption of SBTs, by embedding SBTs across the network of climate actions, and amplifying SBTs through value chains, financial markets, and reporting frameworks.

The initiative has already achieved significant success with a steady growth in the number of participating companies, uptake and visibility. Since its creation 5 years ago, SBTi has become a widely recognised form of certification for corporate climate targets, creating positive peer pressure and reinforcing the ambition for change. The large number of multinationals committed to SBTi has bestowed strong visibility and credibility to the initiative. As of the end of May 2020, 879 companies had submitted targets to the initiative and 377 companies had approved targets.

The IKEA Foundation is SBTi's largest funder. These funds were issued through a We Mean Business (WMB) grant funneled through CDP for which the funding period will conclude in April 2021. In preparation of the next funding round and continued financial support for SBTi, the IKEA Foundation has commissioned a comprehensive review of the initiative and recommendations to steer future development of the initiative.

Objectives of the review

This strategic review provides a holistic view of SBTi's current situation and analyses the opportunities and gaps that can help further drive SBTi's impact. The review includes an assessment of SBTi and of its immediate environment, covering the following topics:

- Current vision, strategy, theory of change and goals of the initiative;
- Governance model, organisational structure, and operational processes;
- Communication and target-setting resources;
- Current and future budget needs, financial situation and funding gaps;
- Awareness, perceptions, expectations and recommendations from key stakeholders;
- Experience from companies that have gone through the science-based target setting and validation; and
- Barriers and interventions to scale-up the adoption of SBTs in key sectors and geographies.

The ultimate objective of the study is to outline recommendations to help SBTi scale up and achieve exponential growth, building on the success it has achieved so far.

Methodology

For this study, Deloitte undertook both an internal and external assessment of the initiative using a wide range of tools and activities including:

- A review of internal documents including strategic planning and resources, internal presentations, SBTi's progress report;
- A literature/web review covering SBTi web resources, corporate sustainability reports, academic publications, news articles...;
- 33 interviews with internal stakeholders: members of the executive board, the steering committee and the core team as well as We Mean Business and the IKEA Foundation;
- 29 interviews with external stakeholders including 8 companies (with different statuses with regards to SBTi), 5 investors, 5 consultants, 4 researchers, 4 NGOs, 2 policy makers and 1 funder. In addition, external interviews were performed by Deloitte's local offices in a selection of 6 countries with high development potential for SBTi: China, India, South Korea, South Africa, Mexico, Brazil - identified as 'key geographies';
- A benchmark of a selection of organisations similar to SBTi in their purpose and governance structure to compare their governance and operational models and identify best practices for SBTi.
- A Web survey which was distributed to 5000+ organisations including companies, specialized consultancies, NGOs and other stakeholders.

The conclusions and recommendations presented in this report are based on these analyses. The recommendations were refined by Deloitte in collaboration with the SBTi Project Steering Committee, the Ikea Foundation and We Mean Business.

Main findings and recommendations

A successful initiative that has become the most recognised standard for company climate target setting

Within 5 years, SBTi has experienced rapid growth and led to a paradigm shift in how companies think about setting climate targets. In a context where State action has been wanting, SBTi has been instrumental in driving private sector commitment and raising the bar toward a level of ambition sufficient to avoid climate change's dramatic impacts. Indeed, in March 2020, only 8 countries had mid-term targets aligned with the Paris Agreement goals, representing 3.2 trillion USD (roughly 3.6% of global GDP). In comparison, companies representing over 10 trillion USD of market capitalization (equivalent to 12% of global GDP) had set SBTs (1.5°C, well-below 2°C and 2°C) or were in the process of setting such targets.

Collaboration is at the root of the SBTi's model and success

SBTi has initially been designed as a collaborative project between the CDP, the WWF, the UNGC and the WRI. All four have a strong reputation for and a long track record of addressing sustainability and climate change issues. The initiative has also benefited from extensive support from WMB which aims to accelerate low-carbon transition among businesses and to drive policy ambition. There is wide consensus amongst interviewed stakeholders that this alliance of key players and the initiative's collaborative nature have been crucial to building its credibility, visibility and uptake. This has also made the development of a common framework possible and avoided a multiplication of methodologies which would have added to the confusion felt by companies in the face of an already crowded landscape of corporate climate initiatives.

Scale up of the initiative is increasingly hampered by the lack of financial resources

The initiative's impact is all the more considerable considering its limited budget. As an illustration, the provisional budget for 2020 (considering new intended capacity) was estimated

to be around 2.2 million USD for SBTi core team. While the four partners and WMB's support contributed to the initiative's rapid success and is not accounted for, the evaluation supports the conclusion that the initiative has lacked financial resources to manage exponential growth, which has resulted in the following impacts:

- **Corporate engagement:** SBTi has historically had very limited resources to conduct corporate engagement activities in-house. To date, this function has been carried out, to a large extent, by the Commit to Action (CTA) team, within CDP, funded by WMB. While CTA has been instrumental in driving SBTs adoption, it is not dedicated to SBTi (as it covers other WMB commitments) and its strategic priorities are determined by WMB without SBTi's involvement.
- **Methodological development:** designing methodologies are the initiative's backbone. With insufficient resources, the initiative has experienced delays in methodological development and has had to reallocate staff to operational tasks and pipeline management to cope with its exponential growth. One consequence is that the initiative cannot currently accept targets submitted by companies in certain sectors for which further methodological work is required (including financial institutions and oil & gas companies).
- **Fundraising:** The lack of dedicated fundraising staff to develop fundraising resources and strategically approach funders has limited SBTi's ability to leverage its success for fundraising.
- **Institutionalisation:** Strategic activities to promote SBT institutionalisation have happened but mostly on an ad hoc basis and without a formalised strategic approach.
- **Operational management:** The current team suffers from a lack of back-office operational support. A specific team tasked with supporting the other teams and taking on a multifunctional role is needed.

Generally speaking, the distribution of funds is questionable, with the total budget allocated by WMB to the CTA team being twice that of SBTi. Corporate engagement appears therefore to have been the main focus in the past years to the detriment of developing, consolidating and structuring the initiative.

Rethink governance and strengthen the operating model

Strengthen strategic planning and the operating model

The review highlighted that the mid-term and long-term strategic planning process needed to be reinforced together with the development of corresponding implementation plans. Annual work cycles and objectives have been set in the past but SBTi was still at an early stage of development and managed as a collaborative project that was due to end in 2020. Now that the initiative has developed into a successful programme and started scaling up, a long-term strategic planning approach is called for.

In parallel, a more robust operational model needs to be devised. Despite significant progress in the past 2 years, organisational challenges remain: establishing functional reporting lines, clarifying roles within the organisation, optimising operational management, improving information flows, etc. The SBTi Steering Committee shares this evaluation finding. As a result, it is looking to set up an Operations Unit to improve the efficiency of SBTi's operations with a Head of Operations and relevant support staff. In the longer term, SBTi should explore the possible benefits of becoming a separate legal entity with a Board consisting of representatives of the four founding organisations to retain the initiatives' foundations, origin and networks. Such an option is today considered inadequate by many internal stakeholders.

Rethink the governance and collaboration with WMB

Coordination with WMB also needs to be recast. Respective roles and functions should be appraised with a view to maximise synergies and ensure efficient collaboration. Beyond its role

as a financier, WMB has been a key strategic partner for the initiative: providing access to a wide network of organisations, funding the CTA team, providing support on communication activities, etc. Nevertheless, there is a lack of coordination and strategic alignment between WMB and SBTi. In particular, SBTi's Steering Committee appears absent from important strategic, operational and funding discussions held within WMB.

Two complementary actions should be considered: building capacity internally and improving governance and cooperation with WMB and other partners. First of all, SBTi should start building capacity and progressively internalising key functions (communication, fundraising, corporate engagement, analysis of markets and high impact companies ...), at least for coordination purposes. This should be accompanied by additional funding. Full internalisation seems however challenging in the short term as it will require recruiting and training new employees, bringing in and integrating new types of expertise and structuring potentially large teams. In addition, focus must remain on strengthening SBTi's core activities, at least in the short term. As such, SBTi will likely need to rely on support from WMB or other partners to take up specific areas (including advocacy, media coverage). A revised governance with clearly defined roles and dedicated funding needs to be implemented to streamline cooperation and leverage complementarity between WMB and SBTi. In particular, this implies closer involvement of the four SBTi partner organisations in WMB's strategic and operational decision-making process.

Streamline processes

As the initiative scales up and the number of companies committing grows exponentially, SBTi needs to consider options to streamline its different activities and processes. This includes:

- Develop a standard and consider outsourcing some or all of the target validation stage to external auditors and / or look into opportunities to automate the target validation process, through specific software and applications.
- Create a smoother customer journey and more user-friendly information by:
 - Implementing an improved query management system to enable companies to independently find the most commonly requested information
 - Adopting a more strategic approach to knowledge management with knowledge sharing and capacity building on SBTs
 - Developing a user-friendly platform so companies understand the key steps to develop SBTs, the resources that are available and an online submission form to help them build their target submission.

Most of these solutions are under consideration by SBTi and enjoy wide internal support. Outsourcing the target validation process is an exception with diverging views among internal stakeholders.

Build capacity for fundraising

Finally, SBTi's ability to raise funds in the coming years will condition its ability to strengthen its operating model and achieve the required growth. In recent years, SBTi has faced various challenges: no capacity to strategically approach funders, reliance on partner organisations which do not prioritise SBTi for funding and act as gatekeepers to funders, etc. Given the success and visibility of the initiative, there is significant potential, with dedicated fundraising coordination capacity within SBTi, to secure additional funding.

In addition, the different options for SBTi to receive and allocate funding between the partner organisations should be investigated. Since SBTi is not a legal entity but a programme shared between the four partner organisations, the initiative cannot be the direct funding beneficiary. This might represent a barrier for some funders. Different options should be investigated including funding funneled through any of the 4 partners which re-grants the funds to the others

(this is currently the case for the Ikea Foundation's grant which is provided through CDP), or funding provided to the 4 partners separately, which might induce administrative burden.

Methodological and strategic challenges lie ahead

SBTi is now at a tipping point. While, in 5 years, it has established a strong market presence, it will face a number of challenges in the years to come. These include: expanding in key geographies and sectors, accelerating methodological development, being more involved in advocacy and putting in place a mechanism to monitor company commitments.

Reinforce advocacy and institutionalisation activities

That SBTi should play a larger role in policy advocacy and in promoting policy development is a subject of consensus - whether in-house or through partnerships (with WMB for instance). SBTi can leverage its momentum, methodological base and corporate network to raise awareness with policy makers, influence policy development and provide tools to help policy makers engage with businesses. At the very least, SBTi should recruit a Policy Engagement Manager to coordinate advocacy activities with SBTi partners and strategic collaborators.

In the short term, given the current Covid-19 crisis, SBTi can position itself as one approach to allocate stimulus funding toward a Paris-aligned economy. Simply put, governments could ask large companies to commit to an initiative like SBTi in exchange for financial support.

In addition, SBTi should aim to embed more strongly in existing market and reporting frameworks to accelerate institutionalisation and contribute to developing an integrated scheme (CDP reporting, RE 100...). This has already been identified as a key issue by the SBTi Steering Committee. It plans to add dedicated staff for different aspects of the institutionalisation strategy, namely strategic investor, policy, and supply chain engagement (pending additional funding).

Increase adoption in key sectors and geographies

The uptake of SBTs has been uneven across sectors. Heavy industry's take-up, in particular, lags behind when compared to other sectors. The delay in releasing some SBT sector specific guidance is understood to be a factor explaining this trend (e.g. the oil & gas sector). In addition, highly carbon intensive industries face very practical technological, political, and financial barriers for decarbonisation and therefore to setting SBTs. SBTi's steering committee shares the view that more indirect engagement tactics are needed in those sectors where commitment has been limited, such as amplification of SBTi through financial markets and supply chains.

Similarly, SBT adoption in emerging markets has been slow and challenging. In response, SBTi is looking to develop 'SBTi incubators' in key locations through partner organisations local offices. SBTi should also consider linking more closely with local NGOs that are particularly well positioned in the market to strengthen local presence and visibility.

Beyond sectoral and geographical considerations, SBTi needs to convince and embark less mature players on a transition journey. SBTi's model is designed based on the principle that every company needs to adopt an SBT to limit climate change to 1.5°C or well-below 2°C. Wide adoption is therefore crucial. Several options exist to this end:

- Stabilise the current target-setting model to allow companies to commit to different levels of ambition (1.5°C and well-below 2°C targets). This would provide long term visibility to companies and allow less mature players to set ambition at a level they view as achievable.

- Communicate more clearly about SBTi's model and improve the transparency regarding methods and pathways to avoid the perception of a "black box";
- Work with companies and other partners to demonstrate that the pathways are feasible;
- Strengthen the arguments and tools to support the business case for companies (investment needed, abatement potential, payback time).

Accelerate methodological development

Methodological development is a key added value and the initiative's differentiator. There is a need to accelerate methodological development on various topics, including on:

- Scope 3: The evaluation highlighted the need to strengthen the Scope 3 methodological base which is, for some companies, a barrier to commit to an SBT. This is due to the implications and uncertainty around Scope 3 and the limited leverage companies feel they have over their suppliers and their emissions reduction.
- Methodologies around net zero and negative emission actions (currently under development), key concepts for which standardized approaches are urgently needed. This could also be an opportunity for SBTi to incentivize business transformation and to recognize products and services that contribute to reducing / avoiding / capturing emissions.
- Specific sectoral developments: since 2018, SBTi is working on a methodology and tools for the financial sector. This sector is crucial to attract investors and institutionalize SBTs. Other sectoral developments are under way, for instance for the oil & gas, the chemical & petrochemical, the forest, land and agriculture sectors.
- Research and development of suitable scenarios to achieve the 1.5°C pathways.

Design a framework to monitor company progress against their targets

A mechanism to monitor company progress towards their target and hold companies accountable ranks high in interviewee expectations. SBTi has identified this issue as a key strategic area moving forward. But there is currently no consensus within SBTi on the exact role SBTi should play nor on the type of solution to develop. SBTi is nevertheless currently considering developing a model that will allow to track company progress against their targets and to monitor SBTi's impact. A variety of complementary actions can be considered: raise requirements at the target validation stage to demonstrate how the target will be met, exclude companies from the initiative if they fail to meet their targets, link with other initiatives such as the Assessing low Carbon Transition (ACT) initiative or the Climate Action Methodology Data and Analysis (CAMDA) working group more strongly, consider a carrot & stick mechanism to incentivize action and disclosure, etc.

There is also a question on the role SBTi could play to help companies implement their targets. Whether SBTi should offer companies more support to implement and achieve their targets or whether it should stay focused on its core activities is an open question. However, in the long term, the credibility of the SBTi brand will be strongly correlated with whether and to what extent companies committed under the initiative meet their targets. Greater in-depth strategic consideration should be given to the role SBTi could play in this area.

Introduction

Context

The Science-Based Target initiative (SBTi) is a collaborative effort launched in 2015. Its aim is to mainstream the adoption by companies of GHG emissions reduction targets aligned with the Paris Agreement targets, according to the latest available scientific evidence. The initiative is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) and one of the We Mean Business Coalition commitments.

To join the initiative, a company completes the following four steps:

- **Step 1. Commit.** The company signs the Commitment Letter which indicates that it will work to set a science-based emission reduction target.
- **Step 2. Develop a target.** The company then has up to 24 months to develop a science-based target and submit it for official validation.
- **Step 3. Submit the target for validation.** Once a target has been developed, the company must submit it to the initiative. SBTi assesses the target against its criteria and informs the company if additional work is required or if the target is officially approved.
- **Step 4. Announce the target.** After the target is validated, the company and its target are showcased on the SBTi website as well as on SBTi's partner websites.

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- Awareness, perceptions, expectations and recommendations from key stakeholders
- Experience from companies that have gone through the SBT setting and validation
- Barriers and interventions to scale-up the adoption of SBTs in key sectors and geographies

The ultimate objective of the study was to outline recommendations to help SBTi scale up and achieve exponential growth, building on the success it has achieved so far.

Assessment framework

Deloitte undertook this study through an internal and external assessment of the initiative using a wide range of tools and activities. Deloitte based its methodology on 3 main steps: 1) Definition of the evaluation framework 2) Deployment of the assessment framework 3) Drafting of findings and recommendations. Below is a summary of these 3 steps.

Definition of the evaluation framework

The first step was to build the evaluation framework and to clearly identify the evaluation areas and questions that needed to be answered through the analysis. The table below shows the questions that were addressed through the study:

Evaluation area	Evaluation questions and activities
Scoping and description of current status	Review of vision, strategy, theory of change and goals of the initiative
	Assessment of the universe of target companies, sectors and regions
	What is the level of development of sector-specific resources for science-based target setting? What are the current plans? What is the status of resources developed by 3rd parties?
Effectiveness / transformational effect	Assessment of progress against the change that the initiative aims to drive
	What can we learn from implementation against targets thus far? Do stakeholders witness change actually happening; are companies taking appropriate measures in line with the needed strategy; are the necessary investments being made to that end; are emissions indeed going down as desired? What are the implications and opportunities around this?
	Barriers and interventions to scale-up the adoption of SBTs in key sectors and geographies
Consistency / internal processes and organisation	Review of governance model, organisational structure, and operational processes
	Assessment of current capacity and gap analysis to deliver the impact envisioned
	Assessment of internal systems and protocols (e.g. database, CRM, etc.)
	What is the plan within the SBTi to update technical resources? How is it ensured that online tools such as manuals and procedures to make SBTi calculations are all up to date?
	How are the learnings from the target validation process incorporated into the update and development of new criteria?
	Review of current budget and future budget needs and assessment of financial security and funding gaps
Relevance / user-experience	Assessment of current and potential revenue streams
	Knowledge base and technical resources: methodologies, tools, criteria, manuals etc. How clear are the guidelines? How user-friendly are the tools? Where are the gaps and limitations?
	How easy is it to navigate through the target setting resources? What is the function of each of them?
	What is the perceived level of clarity of SBTi criteria? What is the validity of SBTi criteria for companies in different stages of the target setting process?
	Assessment of motivations for setting science-based targets
	What does an analysis of financial costs incurred by companies signing up to SBTs tell us? Is this a barrier to entry for other companies?
	Understanding of value perceived by the company in having their targets independently validated by the SBTi
	Assessment of experience in going through the SBTi target validation process
Communication / perception / visibility	Branding and marketing resources: SBTi branding, assessment of brand recognition
	Mapping of awareness, perceptions, expectations and recommendations from key stakeholders to the initiative
	How are SBTs integrated into policy advocacy at the national and sub-national levels? Are corporate SBTs seen as a net positive by policymakers?

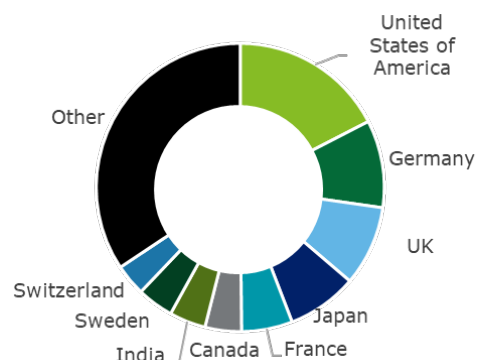
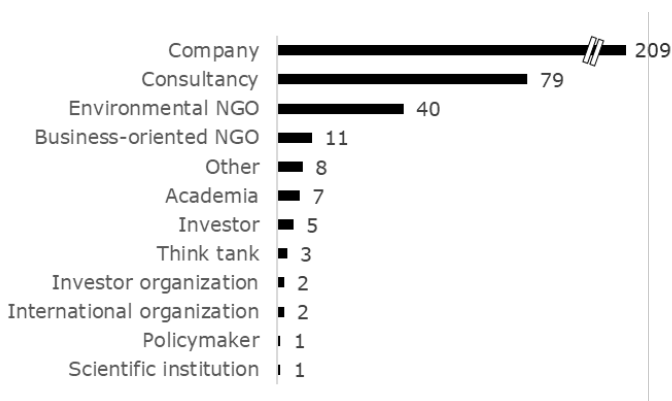
Deployment of the Assessment Framework

A wide range of tools and activities were used to carry out the analysis and respond to the evaluation questions.

- **Review of internal documents:** Internal documents including strategic planning and resources, internal presentations and SBTi's progress report were collected and analysed by Deloitte's subject-matter experts to inform the evaluation process.
- **Literature/web review:** A review of publicly available information (SBTi web resources, corporate sustainability reports, academic publications, news articles...) was conducted.
- **Interviews - internal stakeholders: 33 internal interviews** were conducted with the members of the executive board, the steering committee and the core team as well as We Mean Business and the IKEA Foundation, which were particularly important in establishing an idea of the organisational improvements that could be implemented by the initiative
- **Interviews - external stakeholders: 29 external interviews** were carried out with a selection of actors identified from a range of sectors to provide a complete overview of the industry perception of the SBTi and uncover the barriers and opportunities for SBTi uptake. These interviews covered 8 Companies (with different statuses with regards to SBTi, 5 Investors, 5 Consultants, 4 Researchers, 4 NGOs, 2 Policy makers and 1 Funder.

In addition, external interviews were performed by Deloitte's local offices in a selection of 6 countries where SBTi may have significant potential for development, identified as '**key geographies**' (China, India, South Korea, South Africa, Mexico, Brazil).

- **Benchmarking of other structures:** A benchmark of different organisations that resemble SBTi in their purpose and governance structure was conducted with the aim of comparing their governance and operational models, and to identify best practices that could help SBTi.
- **Web survey:** A web survey was distributed to a wide range of organisations to collect additional insights. Around **400 responses** were received from companies, specialized consultancies, NGOs and other stakeholders (out of approximately 5000 contacts, i.e. an 8% response rate). Stakeholders in the North-America and Europe represent an important part of our sample followed by Japan and India:



Drafting of findings and recommendations

All the information and insights gathered via the Assessment Framework were analyzed to draw the findings of the assessment and design recommendations with the aim to address the following areas:

Recommendations	Recommendations for adjustments to the strategy and theory of change.
	Recommendation for any changes in process/structure for any potential efficiencies
	How can sector-development be accelerated?
	For which sectors / types of companies is it possible to set 1.5°C aligned targets? What would it take to raise the bar to 1.5°C for all SBT companies?
	Recommendation for how to fill budget gaps, what the budget might not currently have but needs, potential revenue streams/models to explore
	How can the SBTi's incredibly positive progress be harnessed? What might it mean/look like for SBTi to reach its full potential?
	What opportunities might SBTi have for further partnerships, amplification strategies or otherwise to scale the ultimate goal/most ambitious aim of the Paris Agreement – limiting global temperature rise by 1.5°C by the end of the century?
	Are voluntary commitments sufficient? What opportunities might SBTi consider?

These recommendations were refined by Deloitte in collaboration with the SBTi Project Steering Committee, the Ikea Foundation and We Mean Business.

Current state of play

Ambition & theory of change

Vision and purpose

Driving ambitious climate action in the corporate sector

The Science Based Targets initiative (SBTi) was formally launched with a call to action in 2015 (following preparatory stakeholder dialogue for methodological development and advocacy work engaged in 2014) with the aim of driving ambitious climate action in the private sector. This vision stems from the fact that the private sector is responsible for a significant share of current greenhouse gas emissions and that companies' climate engagement is critical particularly where climate change mitigation policies may be limited or insufficient. The overarching goal of the initiative is to make science-based target setting standard business practice. By encouraging companies to set Science Based Targets (SBTs), ultimately, the initiative aims to drive emission reductions to avoid dangerous effects of climate change. SBTi allows any type of company to engage but has a specific focus on heavy emitters to maximise its impact.

Building the bridge between climate science and corporate climate action

SBTi uses the latest available climate science to define best practices in target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses companies' targets against its validation criteria. The initiative provides a unique set of tools to evaluate private sector commitment and validate their level of ambition.

The initiative aims to follow the latest scientific recommendations. In October 2018, the Intergovernmental Panel on Climate Change (IPCC) published its Special Report on Global Warming of 1.5 °C (SR15) which makes a very strong case for limiting warming to 1.5°C and provides new emissions pathways for limiting warming to 1.5°C and well-below 2°C. As a result, SBTi released updated target validation criteria and associated resources to enable companies to set targets in line with these new pathways. SBTi reviews and updates its target validation criteria annually to ensure that it is in line with the best available climate science.

Until October 2019, companies were still allowed to set targets in line with a 2°C pathway. After this date, new targets submitted are only accepted if they are consistent with limiting global warming to 1.5°C or well-below 2°C¹.

Three approaches to set science-based targets

Companies can use three target setting approaches to meet SBTi's requirements:

- Sector-based approach: The global carbon budget is divided by sector and then emission reductions are allocated to individual companies based on its sector's budget. The Sectoral Decarbonization Approach (SDA) is based on the Beyond 2°C scenario (B2DS) developed

¹ <https://sciencebasedtargets.org/faq/>

by the International Energy Agency (IEA) as part of its publication, Energy Technology Perspectives (ETP) 2017 (IEA, 2017).

- Absolute-based approach: This method requires all companies to reduce their own emissions by the same percentage of absolute emission reductions. SBTi is currently using the IPCC Special Report on Global Warming of 1.5°C (SR15) for the well-below 2°C and a 1.5°C pathways. This equates to at least a 2.5% absolute reduction per year for well-below 2°C alignment, or a 4.2% absolute reduction per year for 1.5°C alignment.
- Economic-based approach: A carbon budget is equated to global GDP and a company's share of emissions is determined by its gross profit, since the sum of all companies' gross profits worldwide equate to global GDP. Targets under this approach must be in line with the absolute-based approach and/or with the Sectoral Decarbonization Approach, i.e. intensity targets need to lead to absolute reductions aligned with well below 2°C or 1.5°C objectives.

A range of requirements that forms the DNA and scientific rigour of the initiative

SBTi has developed a wide range of methods and resources to help companies set targets aligned with the latest science. The table below summarizes some of the key methodological principles that must be met by companies submitting targets to SBTi.

Scope 1 & 2	Renewables and offsetting
<ul style="list-style-type: none"> • Scope 1 and 2 targets should be aligned with well-below 2°C or 1.5°C decarbonization pathways (annual reductions -2,5% < 2°C; -4,2% for 1,5°C) • SBTs should cover at least 95% of company-wide scope 1 and 2 emissions • Intensity targets may be set for scope 1 & 2 but only if they lead to absolute reductions in line with science 	<ul style="list-style-type: none"> • Companies may set targets on the procurement of renewable energy if they are in line with 80% of electricity from renewables by 2025 and 100% by 2030 • Offsets and avoided emissions should not count toward SBTs
Scope 3	Timeframe
<ul style="list-style-type: none"> • If scope 3 emissions are over 40% of total emissions, the company should set a scope 3 target • Scope 3 targets generally need not be science-based, but should be ambitious and measurable • Scope 3 target boundary should include the top 3 emissions sources or 2/3rd of total scope 3 emissions 	<ul style="list-style-type: none"> • An SBT should cover a minimum of 5 years and a maximum of 15 years from the date the target is publicly announced • Companies are also encouraged to develop long-term targets (e.g., up to 2050)

Table 1: Summary of SBTi key requirements

SBTi, a necessary initiative in a context of climate emergency

SBTi appears as a necessary initiative for several reasons. First of all, engaging the private sector and raising the bar to an adequate level of ambition is key to achieving the scale of decarbonization that is needed particularly in a context of insufficient action from state actors. The level of ambition of the Nationally Determined Contributions (NDCs), which embody efforts by each country to reduce national emissions and adapt to the impacts of climate change, is largely inadequate at this point in time. As of March 2020, only 8 countries had mid-term targets that had the ambition required to meet the Paris Agreement’s goals. These countries represent 3.2 trillion USD (roughly 3.6% of global GDP). In comparison, companies representing over 10 trillion USD of market capitalization (equivalent to 12% of global GDP) had set SBTs (1.5°C, well-below 2°C and 2°C) or were in the process of setting such targets. Considering the level of fragmentation of ambition at the country level, interventions at the company level create different points of pressure in the economy that help implement the Paris Agreement across global value chains. In addition, SBTi plays a key role in translating up to date relevant scientific research and evidence into something intelligible and actionable for businesses.

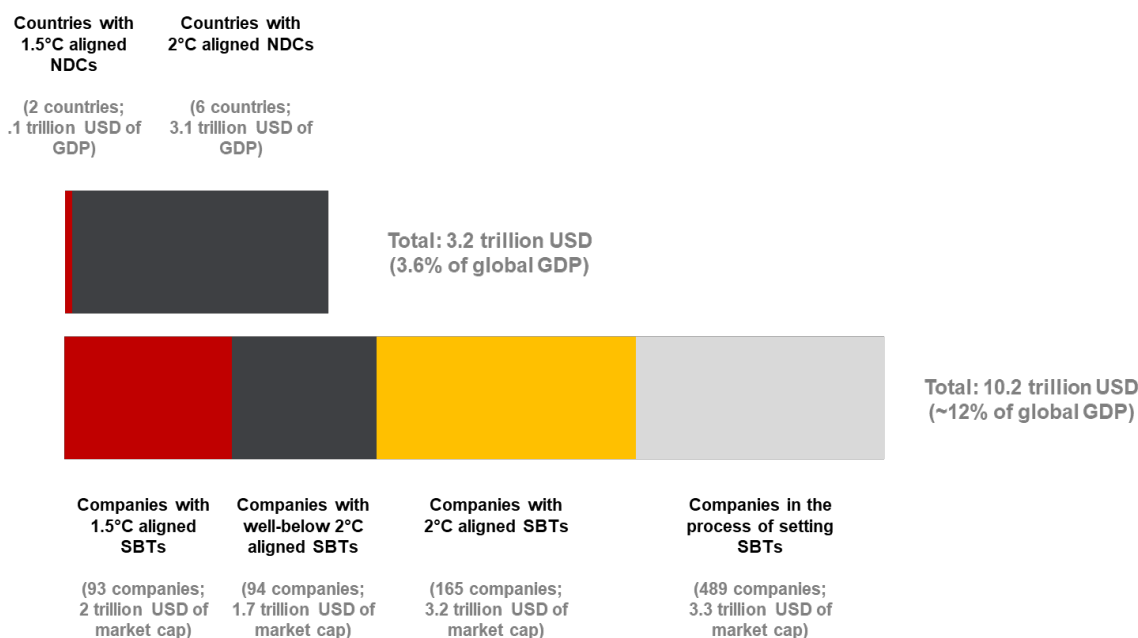


Figure 1: graphs showing companies and countries aligned with different levels of ambition and the associated market cap (as of March 2020), Source: SBTi analysis

Strategy and theory of change

A three-pillar strategy: reduce barriers, create a critical mass, and institutionalize the practice

To support its grand vision, SBTi has developed a strategy in three pillars.

- The first pillar focuses on methodological developments to remove technical barriers for the adoption of SBTs. There are two levels of methodological developments: cross-cutting (target-setting tool, criteria, protocol, etc.) and sector based (apparel & footwear, transport, etc.).
- The second pillar aims at building a critical mass of companies by engaging with businesses, providing them with an independent and objective assessment of their targets and giving them external recognition and visibility.

- The third pillar intends to institutionalize the adoption of SBTs, by embedding SBTs in the network of climate action, and amplifying SBTs through value chains, financial markets, and reporting frameworks.

Creating a critical mass of companies with SBT

To implement its vision, SBTi emphasizes the importance of building critical mass (pillar 2)– drawing on the Diffusion of Innovation theory². The idea is that by securing commitments and validating targets for a sufficiently large number of companies with significant impacts, a ‘critical mass’ will be achieved in key sectors and geographies and at this point, the adoption of SBT will reach a tipping point, followed by accelerated adoption. It will have ultimately become recognised as standard business practice worldwide. Empirical analysis shows that the adoption of an innovation by 10-25% of members of a given system or community is indeed followed by rapid adoption by the remaining members³. SBTi assumes the threshold for reaching critical mass within a given sector or geography is 20% of companies. This indicator is calculated by analyzing the share of companies that has set target from a sample of ~1,800 high impact companies identified by SBTi.

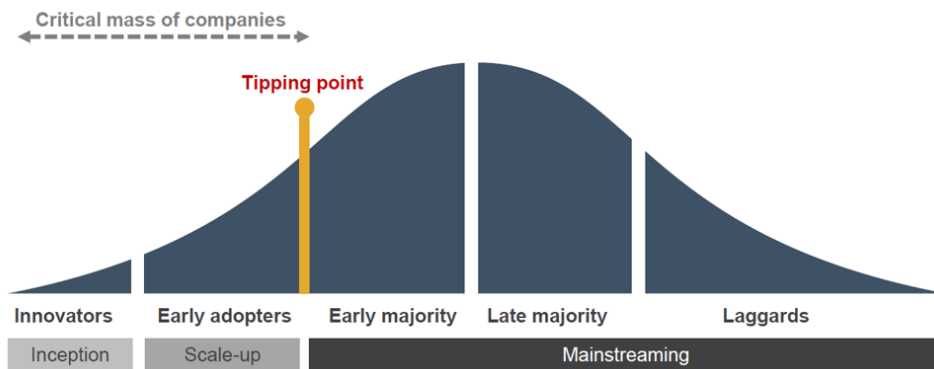


Figure 2: Critical mass theory of change visual representation, Source: SBTi (2019) Raising the bar, Progress Report

The survey results confirm the critical mass component of the theory of change and that building momentum is crucial in convincing an even greater number of companies to commit. In fact, almost 75% of companies agree that committing to SBTi is driven by “a significant share of competitors committing through SBTi”. However, SBTi is convinced that reaching the expected tipping point is not enough alone to achieve mainstreaming and that the other two pillars are critical.

² Rogers, E. M. (2003): *Diffusion of innovations*. New York, Free Press

³ SBTi (2019) *Raising the bar, Progress Report*

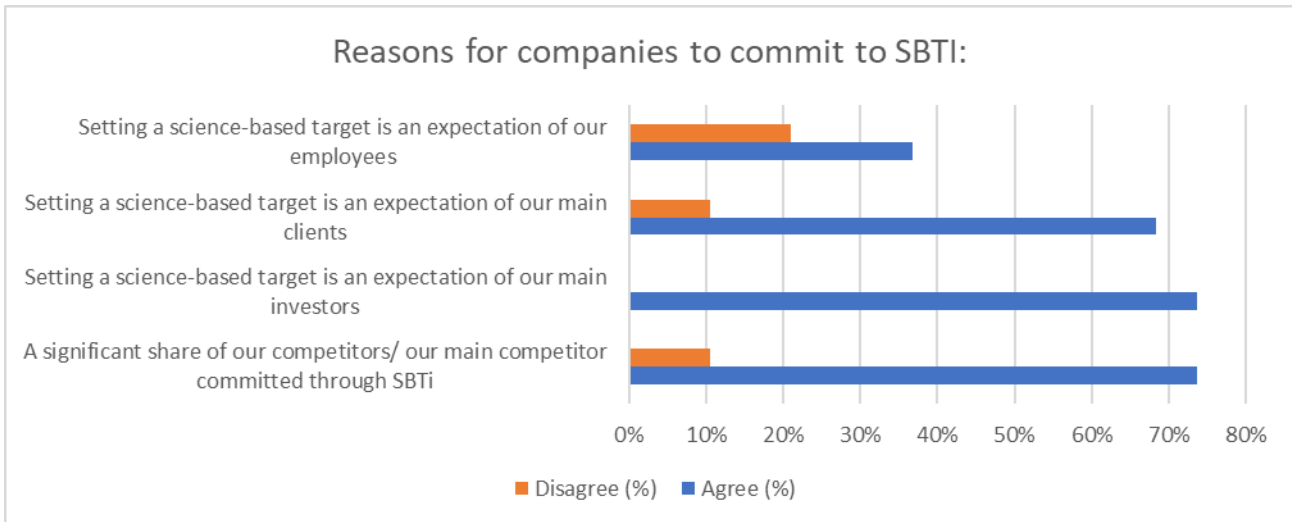


Figure 3- Survey results on reasons for companies committing to SBTi (19 respondents in the category of "Companies that have not committed")

Capacity and resource constraints limit SBTi's ability to translate its vision operationally

SBTi's theory of change underpins most activities that have been carried out by the initiative. However, capacity has generally been lacking to allow the full transposition of SBTi's vision into concrete implementation and operational streams of actions.

To support corporate engagement activities, SBTi has built an outreach and engagement team and established a list of 1,800 high impact companies (as analysis showed that a significant portion of corporate GHG emissions is concentrated amongst these actors) to prioritise action and help assess progress against the initiative's targets. A route for SMEs was also rolled out between March and April 2020 by SBTi including op-in targets (lighter on requirements and a focus on scopes 1 & 2).

However, due to a lack of corporate engagement resources within SBTi, a large share of the recruitment/outreach has actually been delivered by the Commit to Action (CTA) team financed by WMB within CDP. The CTA team has been created to drive the adoption of priority commitments such as SBT but also of other initiatives like RE100 (with a strong focus on heavy emitters/sectors). As such, while CTA has been instrumental in driving adoption of SBTs, it is not dedicated to SBTi and its strategic priorities are determined by WMB without involvement of SBTi.

Establishing a more structured outreach plan with dedicated internal staff and resources would help address this issue in a more systematic way given the multitude of challenges faced for certain sectors over which SBTi may not have significant leverage alone.

This issue also materializes in the development of methodologies and resources and in institutionalization activities which have been lagging behind. For instance, SBTi has not been able to date to develop SDAs aligned with the 1.5°C target. In addition, the elaboration of specific sectoral methodologies has experienced delays. As a result, SBTi cannot currently accept targets submitted by companies in certain sectors for which further methodological work is required (including financial institutions and oil & gas companies). These issues are described in more details in the following sections.

"The critical mass theory of change is a good idea but we haven't developed it enough" (SBTi Steering Committee)

"There's a need for proper delegation, but it also comes back to resources. Sometimes we can't delegate because there's no one to delegate it to." (SBTi Steering Committee)

"The communication team can be perceived as a bottleneck due to limited resources." (SBTi Core team)

"Capacity, staff members and resources, is a key issue. We added some staff but strategic long term funding is needed so we don't need to worry about fundraising" (SBTi Core team)

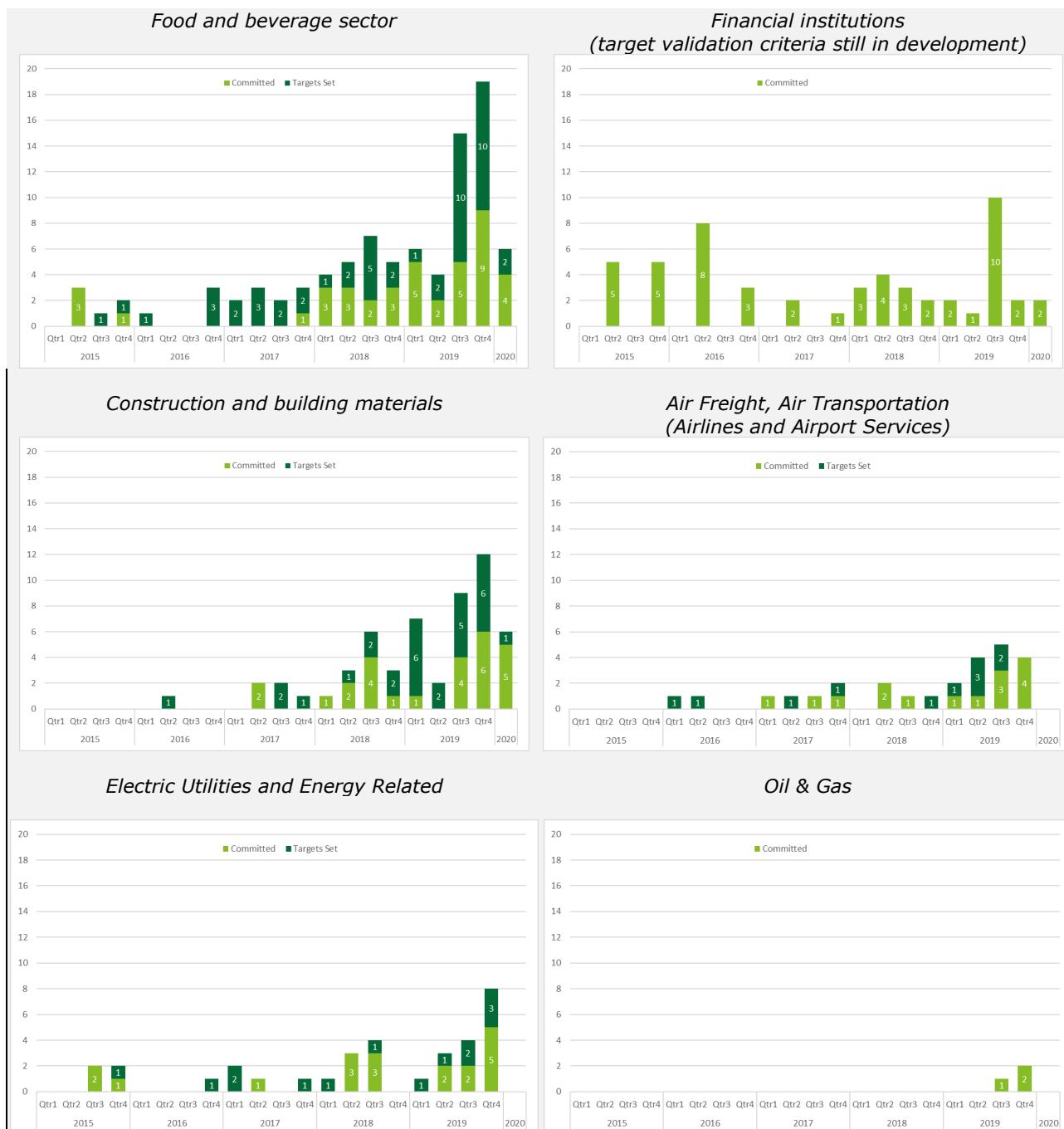
"We need a more strategic outreach plan and additional clarity around it. One of our key goals is going after energy intensive companies and figuring out how to get them on board, but I don't know what We Mean Business' strategy is in this area and how that aligns with our strategy." (SBTi Steering Committee).

It is still too early to conclude on the validity of the critical mass principle

The exponential trend of SBTi adoption is visible in some sectors but not all (as illustrated in Figure 4 below). Most importantly, the increase that can be seen in the second half of 2019 is understood not only to be driven by the spillover effect but also by initiatives such as Business Ambition for 1.5°C campaign. This campaign was initiated by UNGC in June 2019 as a broad coalition of UN and business organisations with a common call to action in the lead up to the UN Climate Action Summit of September 2019 and subsequently embedded within SBTi. More time would be necessary in order to conclude on the validity of the theory of change as the 20% threshold (SBTi's tipping point assumption, see section 1.1.2.) has only recently been reached in a limited number of sectors including Food, beverage and agriculture, Materials and buildings ('other' materials), Apparel, Biotech, healthcare & pharma, Hospitality, IT and telecom, and 'Other' manufacturing (see Figure 8, Sectoral analysis of critical mass of high-impact companies). It is therefore too early to evaluate the tipping point.

Figure 4: Historical company commitments and set targets in a selection of sectors (as of May 2020), Source: SBTi online database)

Note: the charts below show the number of companies that had committed (in light green) and that had a target set (in dark green) over time. Figures are not cumulative.



A lack of strategic planning stemming from the initial design of the initiative, insufficient capacity and resources as well as a lack of clearly defined processes

Overall, discussions with SBTi Steering Committee reveal the need to strengthen strategic planning. An overall SBTi strategy and goals were set for the period 2015 to 2020; however, a longer-term strategy has not been developed because it was unclear if the initiative would continue beyond 2020. In addition, the lack of resources, capacity and clearly defined processes and accountability has limited SBTi's ability to carry out such exercises. A formalized mid-term and long-term strategy and implementation plan are therefore currently lacking.

Furthermore, although annual work cycles and objectives have been set in the past they may be revised during the year depending on priorities and the need to re-allocate resources. This has sometimes created a lack of anticipation and an opportunistic way of working, with no consensus on certain choices. This in turn has created misunderstandings between working teams (see governance section).

“There is a lack of anticipation: things pop out from off the radar” (SBTi Steering Committee)

“We don't do strategic planning well, so we need someone who can drive our planning cycles” (SBTi Steering Committee)”

“Interestingly, we actually never really talk about the 5-year plan” (SBTi Board)

Concrete illustrations of this include external factors (e.g., the question around net-zero in the corporate sector) as well as internal ones (e.g., the need to draft a progress report). Although issues and trends are identified by SBTi the limitations mentioned above impede the responsiveness and adaptability of SBTi.

A lack of resources which has required frequent shifts in resource allocation and has impacted SBTi's ability to address the three pillars of its strategy in parallel

At the outset of SBTi, most of the resources went into the development of methodologies and technical resources. As the pipeline grew, most of the team shifted then focus to validation of targets as there was no dedicated team to fulfil this function. Since this resources re-allocation was detrimental to technical development, SBTi introduced a target validation fee in order to be able to support a dedicated validation team, which started work in early 2019. Since then, only the target validation team has been focused on target validation, while other teams are able to carry out other functions. Although a lack of strategic planning may have played a role in skewing resources for some time towards validation to the detriment of development and promotion a solution and degree of balance is deemed to have been found. During the period focused on validation, critical mass would have been the main strategic driver, and the number of companies with a validated SBT the main key performance indicator (KPI). Methodological development has been delayed, and institutionalization of SBTi still has a lot of untapped potential.

“Methodology for all sectors should be a priority as well as embedding SBT in market mechanism” (SBTi Executive Board)

“As the pipeline continues to grow, more resources need to be allocated to cover operational activities [...]. An example of this is the reallocation of technical resources from research to target validation, shift of engagement resources from recruitment to account and pipeline management, etc. This shift in priorities affects the ability to deliver activities originally included in the SBTi work plan” (Steering Committee internal review)

Advocacy, a strategic development area for SBTi

SBTi firmly believes in the role of advocacy to create an “ambition loop,” a cycle in which government policy and private sector leadership reinforce each other and help take global climate action to the next level. This was reflected in the interviews: just under two thirds of internal interviewees that directly discussed advocacy argued that SBTi should become more involved in advocacy activities, albeit carefully, to maximize its expansion and adoption, particularly in developing economies. Two external stakeholders also mentioned advocacy as being an area for

development. However, this is understood to be an area that has not been prioritized in relation to other tasks due to capacity constraints. Recently, through the Business Ambition for 1.5°C campaign a policy advocacy member has been designated within CDP.

At the moment, there is little evidence of SBTi integration in national or regional policies and, overall, the level of knowledge and understanding of the initiative amongst policy makers is low. For instance, in France, the national low carbon strategy does not take into account the initiative and the civil servants working in the energy and climate division of the ministry are not very familiar with the initiative. In Canada, a Senior Policy Advisor with a focus on environment & climate change that was interviewed was not aware of the initiative. In the key geographies, overall, public sector awareness of SBTi and alignment of policy with the initiative is also understood to be limited. The closest example to policy integration may be in Japan, where the government provided subsidies to help companies set SBTs and set a goal of 100 Japanese companies with approved SBTs by 2020, supporting the high rate of commitments and validations in the country. Policy integration is crucial to go beyond voluntary business commitments and reach the scale that is necessary to meet the global climate targets over the next three decades.

“To ensure companies meet their target, one means is to work with governments to accelerate action. SBTi not yet set up to work on advocacy, the initiative needs to evolve to be able to take that on” (SBTi Core team)

“I believe SBTi has to work closer with policy maker. e.g. SBTi may align with local government's ambition/targets on carbon reduction. If they are aware of the initiatives, they might play a stronger role in promoting SBTi. Also, in some regions, energy/electricity source is limited and very often utilities are nation-owned.” (Survey quote from an environmental NGO).

“SBTi should advocate to become a key mechanism state governments can (should) use to verify corporate climate action.” (Survey quote from an environmental NGO).

Effectiveness & transformational effect

The concept of effectiveness aims to respond to the question of whether the initiative is achieving its objectives. This section, focuses on validation, most closely associated with the first two pillars of the SBTi strategy, reducing technical barriers for companies to adopt SBTs and achieving critical mass of companies with SBTs. In particular, is SBTi meeting its targets in terms of number of companies committing? Which are the companies committing and in which geographies? Is SBTi actually driving changes within companies and leading to concrete actions? Is SBTi driving emission reductions? Further analysis of the first pillar focused on development is provided in section 1.4: Technical assessment while the analysis focused on the third pillar institutionalization is provided in section 1.5: Relevance and communication.

Progress towards building a critical mass of companies

Unprecedented growth and rapid uptake

There is a wide consensus on the success of the initiative in terms of growth, uptake and visibility, supported by both internal and external stakeholder feedback. In 5 years of existence, SBTi has been successful in becoming a widely recognised certification mechanism for corporate climate action and in creating positive peer pressure and reinforcing ambition and action. The fact that a large number of multinationals is already committed gives the initiative strong visibility and credibility. As of end of May 2020, 879 companies had engaged with the initiative and 377 companies had approved targets.

The collaboration between four internationally recognised non-governmental organisations (NGO) as well as We Mean Business is widely considered as a success factor of the initiative. This has allowed strong market confidence and recognition, links with wide existing networks and access to valuable expertise. It has also led to the emergence of one single initiative instead of several isolated ones which would have been detrimental to corporate engagement.

"Companies can no longer ignore SBT, nor can they set targets less ambitious than their peers" (SBTi Steering Committee)

"I attribute that success to bringing four reputable organizations together and saying with one voice: Anyone who wants to be a leader has to be setting SBTs." (SBTi Steering committee)

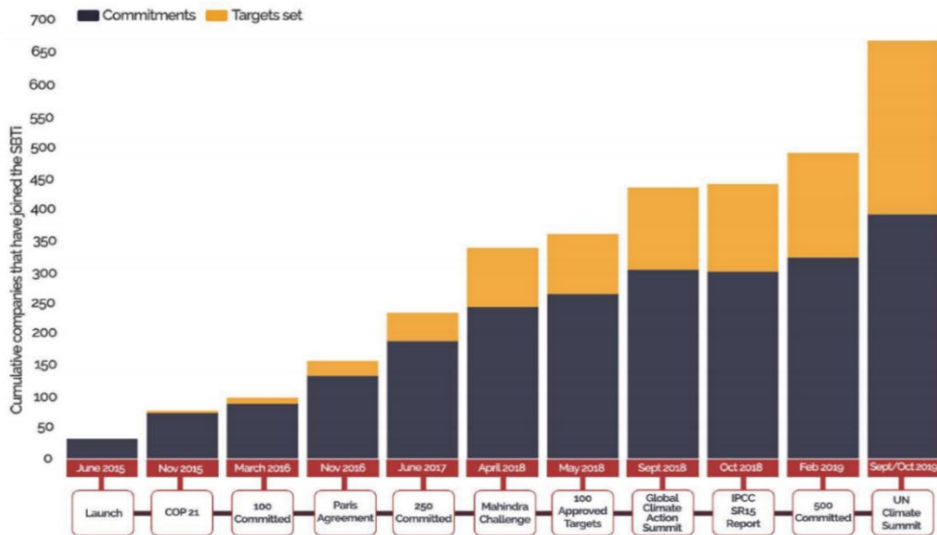


Figure 5: Growth in number of companies setting SBTs, Source: SBTi (2019) Raising the bar, Progress Report

A strong momentum in developed economies but a slow pick-up in developing economies

SBTi has been effective in driving adoption in Europe and North America but less so in other regions. At the end of 2019, 131 US companies had committed to the SBTi, 56 of which had had their targets approved. Japan had 85 companies committed and 52 with approved targets. In Europe, 318 companies had joined the SBTi, and 145 had had their targets approved. In total, this represents 534 companies in those countries out of 686 companies that publicly joined the SBTi.



Figure 6: Geographical analysis of SBTi commitments and validations at end of November 2019, Source: SBTi (2019) Raising the bar, Progress Report

V: Target Validated, C: Commitment yet to be validated

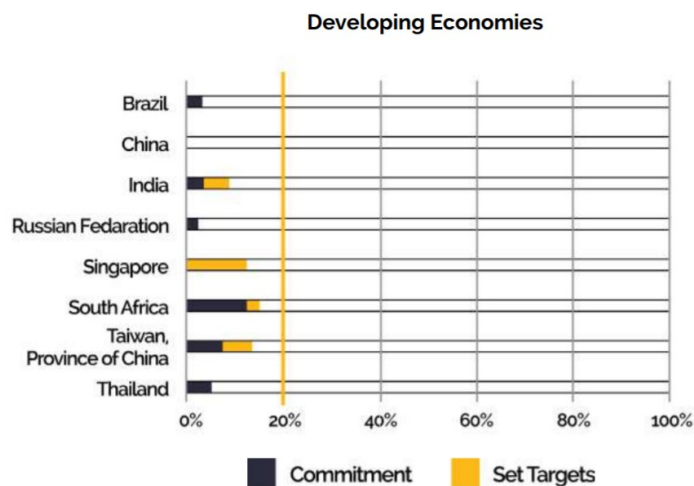


Figure 7: Geographic analysis of critical mass of high-impact companies, Source: SBTi (2019) Raising the bar, Progress Report

As part of this strategic review, 6 Key Geographies (KG) were analyzed specifically to understand barriers and levers for SBTi’s development in these regions: Brazil, South Korea, South Africa, India, China and Mexico. They were selected due to their significant contribution to global emissions and relatively limited SBTi activity to better understand the potential for development and challenges faced. These 6 countries represent only 10% of global company activity (commitments or target sets) whilst they represent 25% of the World GDP and 40% of World GHG emissions (UNFCCC data), as detailed in the table below:

	China	India	Brazil	Mexico	South Korea	South Africa
SBTi Current situation						
No. Companies committed	16	40	11	5	4	10
Share of World GDP	15,1%	3,3%	2,5%	1,4%	1,9%	0,4%
Share of World GHG	27,5%	6,4%	2,3%	1,6%	1,5%	1,1%

Table 2: Data regarding key geographies

KG are therefore underrepresented at the global level and data shows that the initiative developed later in KG compared with the rest of the World, in terms of commitment and target setting activity. In Q3 2018, KG represented **19%** of the activity. From Q4 2018 to Q2 2019 KG show a low level of activity – they represent **6%** of global action. Starting Q3 2019, KG are showing more activity and represents approximately **12%** of global action over the last 3 quarters.

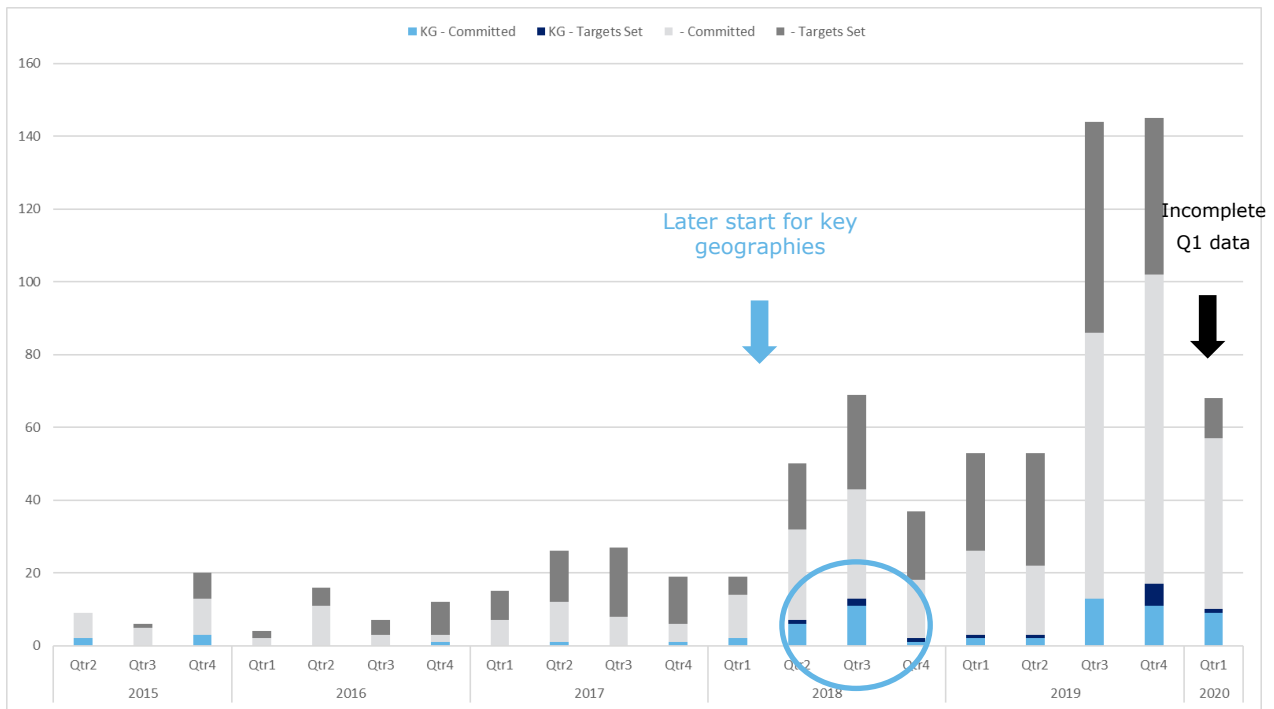


Figure 8: Key Geographies compared to the rest of World (commitments and targets set), Source: SBTi online database

These 6 countries do represent much different situations. Some learnings can however be drawn from a cross-cutting analysis:

- A lack of awareness and understanding of the initiative as well as resources in the local language

Unsurprisingly, all key geographies studied signal a lack of awareness and understanding of SBTi and its comparative advantage in comparison to similar initiatives. In particular, the branding of SBTi in most of these countries does not reach a sufficient level of prominence for companies to recognize the value to commit.

On the positive side, most countries are reporting that having several known partners managing the initiative helps to build awareness. Events, and especially physical promotion events (forums, workshop) help to drive adoption. South Africa also reports that consultants marketing SBTi as a service allows the initiative to reach a far wider audience than normally possible.

Brazil, South Korea and Mexico are reporting that the fact that resources are not translated into local language is a significant barrier. This is problematic when it comes to familiarizing with the initiative and understanding details included in SBTi resources for target-setting. This is particularly true as a lack of resources and skills related to target setting within companies has more generally been identified as a barrier. Approved knowledge partner consultants could also provide support to the companies with limited resources.

- Limited adaptation to local circumstances

In most of the key geographies an important barrier identified was related to the perceived incompatibilities between SBTi methodology/expectations and local circumstances particularly in developing countries. An associated barrier identified in China in particular are discrepancies between existing local carbon accounting standards and those of SBTi. Despite this concern, the fact that SBTi methodology is endorsed by experts has been praised. Some fine-tuning and

alignment at local level and with major existing standards, through discussions with the relevant bodies for instance, could eliminate this concern and enhance uptake.

- Limited maturity regarding climate change policy

Another significant barrier is that none of the 6 countries currently has a strong decarbonization agenda in line with Paris and that such engagement is not in line with plans for GDP growth. Overall, the policy that exists albeit limited is deemed to overshadow SBTi as a voluntary initiative. Overall, it is understood that public sector awareness of SBTi and alignment of policy with the initiative is understood to be limited. There is therefore a general lack of regulations and incentives for carbon emissions reduction. The local carbon market policies in Mexico and Brazil are nevertheless considered to be useful levers to supporting SBTi. Engaging in discussions with government actors at municipal or state level is a recurring recommendation covering most key geographies studied.

- Overcoming hierarchical structures

Internal hierarchical resistance within companies has been identified as a major barrier particularly in South Africa and South Korea. Setting a target requires executive approval at which level, awareness of SBTi is deemed to be limited. Although, in South Africa, the government is in the process of introducing carbon pricing and mitigation instruments and the position of SBTi in relation to these frameworks is uncertain, SBTi could be potentially considered to be a method for companies to “future proof” themselves against coming government policies, especially related to carbon pricing. As SBTi targets tends to be more aggressive than government targets, companies that act early to adopt such targets will avoid unexpected and high carbon prices and penalties being imposed on them.

- Changing stakeholder expectations and cultural aspects

Stakeholders’ expectations and cultural aspects play a key role in shaping SBTi’s prospects. In South Africa, India and Brazil it has been observed that climate change is considered to be a less tangible topic than other issues/priorities such as health, wellbeing and employment. Nevertheless, in most key geographies, investors are placing more and more pressure on companies to address climate change, as well as climate related risk exposure and there is a general perception that SBTi provides companies with an effective approach to addressing investor concerns. The key exception would be China where such pressure and influence is limited as many large organisations are still state-owned and the stock exchanges do give attention to SBTi.

- A need for more local collaboration between the partners

The four SBTi partners have local teams and activities worldwide. Both UNGC and WWF have offices in the six countries selected. WRI also has large offices in Brazil, China, Mexico & India. UNGC is seeking funding for ‘Global Impact Initiative Ambition 1.5°C to support mainstreaming in local networks and is hiring corporate engagement personnel specifically for SBTi in Brazil.

Some coordination exists between SBTi partner local teams in key geographies. An example of collaboration was supported by a grant from IKEA Foundation to Shakti, which regranted to CDP and WWF India. However, the evaluation revealed that greater coordination between SBTi partner local teams could be made to accelerate development in these markets, ensuring information is shared between these offices, establishing a more integrated network.

Similarly to the geographical coverage, strong disparities between sectors can be observed

SBTi also shows heterogenous progress between economic sectors. Fast moving sectors include the food and beverage, the hospitality, the automotive sectors. First-movers from high-polluting

sectors like cement, steel, chemicals, and automotive are also joining the SBTi. However, adoption in these sectors is still lagging. Figure 9 below shows progress in each sector in terms of companies committed or with a set target compared to the sample of ~1800 high impact companies.

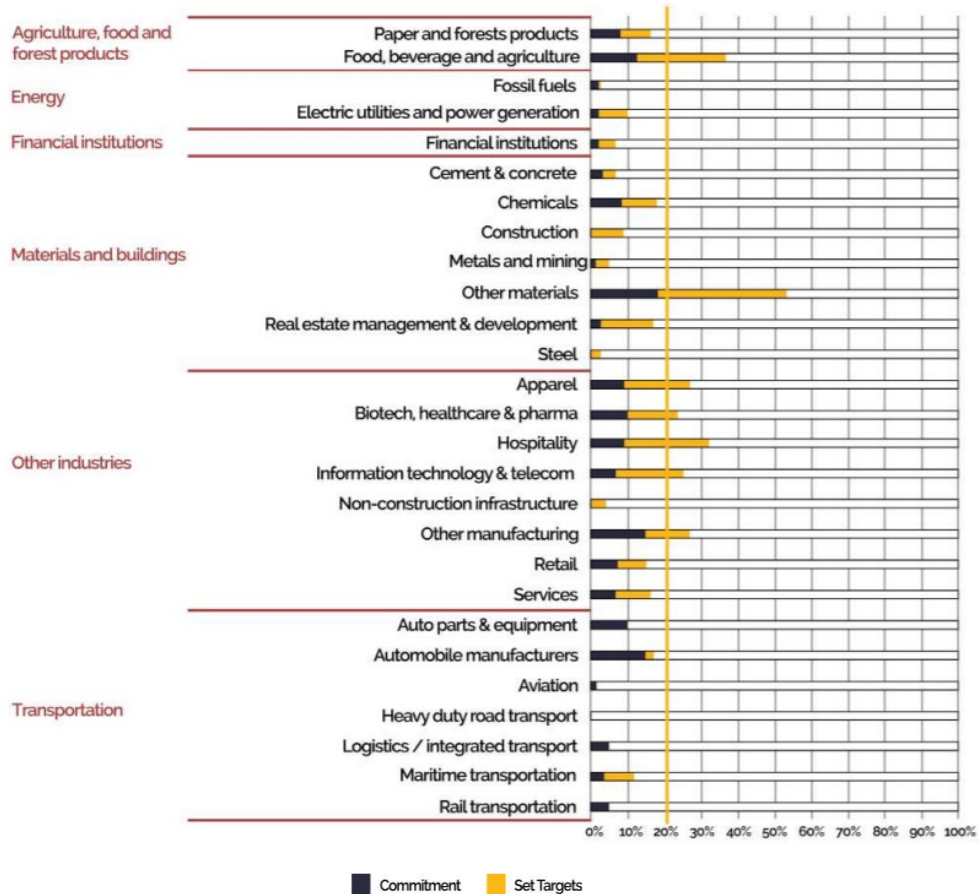


Figure 9: Sectoral analysis of critical mass of high-impact companies, Source: SBTi (2019) Raising the bar, Progress Report

The delay in releasing some SBT sector specific guidance is understood to be a factor explaining this trend (e.g. the oil & gas sector). But other factors can explain this trend: heavy emitting industries face very practical technological, political, and financial barriers for decarbonisation and therefore for setting SBTs. Such industries can also be already strongly regulated such as in Europe with the EU Emissions Trading Scheme. As such, in those sectors, many companies may not go through the process of target setting voluntarily and may wait for policy.

In addition, although there are already corporate consultative groups for SBTi in several sectors, more proactive outreach could be made to sectoral associations. The Technical Working Group spend part of their time on sectoral development. However, it is understood that SBTi does not have enough capacity to engage with other organisations e.g. WBCSD on oil and gas or the Energy Transitions Commission. There is a need to make sure investments in the ecosystem match those internally in turn building support to contribute to the ecosystem.

Some successful embedding and collective ownership but the need to accelerate market integration

Complementary links are made between SBTi and existing initiatives and standards. This includes:

- GHG accounting: SBTi is naturally linked with the GHG Protocol (through the WRI).
- Corporate reporting: SBTi is included in the CDP questionnaire and scoring and the Dow Jones Sustainability Indices (DJSI) scoring.
- Corporate engagement initiatives: SBTi is supporting the integration of science-based target setting into existing climate leadership platforms including UN Caring for Climate, WWF Climate Savers and others.
- Data providers: SBTs are included in CAIT climate data / Climate Watch, an online platform designed to provide climate data, visualizations and resources to stakeholders on national and global progress on climate change.
- Investors: SBTi works with specific players such as ShareAction, a charity that promotes Responsible Investment, to gain traction among companies and investors. SBTi has also collaborated closely with the UN Asset-owner Alliance (UNEP-Fi and PRI) to embed Business Ambition for 1.5°C. It is understood that most banks that have committed to 1.5°C came through this channel.
- Intergovernmental organisations: SBTi has established a long-standing relationship with the UNFCCC Fashion Charter and the sustainable development goal (SDG) Action Manager that was recently released by UNGC and B Lab included a reference to SBTi to allow companies to better understand, follow and manage their sustainability performance.

However, significant progress can still be made in key areas including methodological development, monitoring and reporting as well as advocacy. First of all, companies complain about the multiplication of initiatives and standards (reporting frameworks, corporate engagement initiatives, etc.) which creates confusion and leads to additional burden. Moving towards a more integrated and harmonious ecosystem will be crucial to developing and triggering more widespread company commitments, ensuring mutual gain as opposed to conflict or unnecessary overlap.

In addition, SBTi needs to explore closer interaction with key global initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) or Climate action 100+ as well as with local and regional schemes and programmes. TCFD appears as a key initiative to link with as it builds momentum and has recently reached 1,000 supporters. TCFD intends to help companies understand what information financial markets need to effectively measure and respond to climate-related risks. The TCFD structured its recommendations around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. In particular, with regards to risk management, organisations are requested to assess climate-related risks and opportunities in the light of climate scenarios. There are therefore strong potential synergies between the two initiatives.

With respects to local and regional schemes, a significant part of current market accelerating mechanisms (explicit support from the Japanese government for companies to set Science Based Targets as part of the country's long term strategy to reduce emissions⁴, or the French Fashion Pact's requirement for every signatory to set an SBT⁵) has happened to date without a lot of specific involvement from SBTi. If SBTi was to dedicate more capacity to institutionalization activities, impact could be exponential here. In addition, advocacy networks from the public sector and civil society can also play a role.

⁴ WRI blog post, "Japan Is Leading on Business Climate Engagement. Will Ambitious Policies Follow?", available at: <https://www.wri.org/blog/2019/06/japan-leading-business-climate-engagement-will-ambitious-policies-follow>

⁵ The Fashion Pact, available at: <https://thefashionpact.org/?lang=en>

"The SBTi would benefit from driving as much alignment as possible with other initiatives such as CDP, RE100, Net Zero etc." (Survey quote from a company with target set in 2016).

"A key action the initiative should undertake is ensuring SBTs are adopted by rating agencies and investors" (Survey quote from a company with target set).

"Companies don't seem to understand what is required of them once they've set a target, and how the targets fit into other commitments they've made or reporting they undertake (zero emissions, CDP reporting, RE100)." (Survey quote from a specialized consultancy)

"Potential collaboration with CDP would help lessen the administrative burden for companies." (Very Common survey quote).

Finding the right balance between scientific rigour and business realities

One of the most critical challenges for SBTi is to find an adequate convergence and balance between scientific recommendations on climate action and economic and market challenges facing companies in order to ensure feasibility and thus actual change. On the one hand, the climate competencies of the four combined organisations and the participation of a broader network of experts has ensured that SBTi had scientific credibility. On the other hand however, some external stakeholders, including some companies, still perceive SBTi as being too rigid and insensitive to concrete business realities, such as disinvestment capacities, the lack of a supportive regulatory environment, or even the absence of technical solutions in some markets.

"There is currently no understanding of the realities of the utilities sector [...] and the sometimes-inexistent business case to align to a 2°C scenario" (Private company removed from the validated list for not respecting pathway)

Transformational effect

A paradigm shift in private sector climate action thinking

SBTi has also brought about significant changes in how companies think about climate action. It gives a framework to help companies start the climate journey and put the climate issue at the heart of their business strategy. For companies already engaged in climate action, it provides a valuable benchmark against which they can compare or around which they can build their climate strategy. The strict requirements behind target setting has also levelled up general ambition. Finally, it has helped companies understand the importance of scope 3 ambition and action and has driven changes in entire value chains.

"Committing to SBTi has led us to thinking differently on two topics: absolute reductions and engaging with value chain" (Company in the retail sector with targets set in 2018)

"The absolute reduction goals and the holistic approach is a true differentiator which provides impact in changing a company's mindset." (Company in the retail sector with targets set in 2018)

Framing the journey for climate action 'beginners'

For companies who are starting their climate action journey, SBTi can sometimes represent an ultimate goal to strive for. For example, some interviewed companies have not submitted targets yet because they are still working on feasibility internally – doing GHG scope 3 accounting, understanding impacts and levers for action; however, those companies already have SBT in mind as an ultimate goal, giving them a framework to work with and towards.

“We have not yet begun to set SBT because we haven’t done the first thing (measure emissions), but it is clearly a goal for us” (American company that has not yet committed)

However, based on the survey results, the main barrier preventing company commitments is still the difficulty in securing executive buy-in, with almost 60% of respondents agreeing with this statement (see figure below). This demonstrates that without an explicit and concrete push from executive boards towards embracing climate actions, SBTs are not likely to be set.

In addition, the lack of sector-specific methodology is identified by respondents as another major barrier for companies.

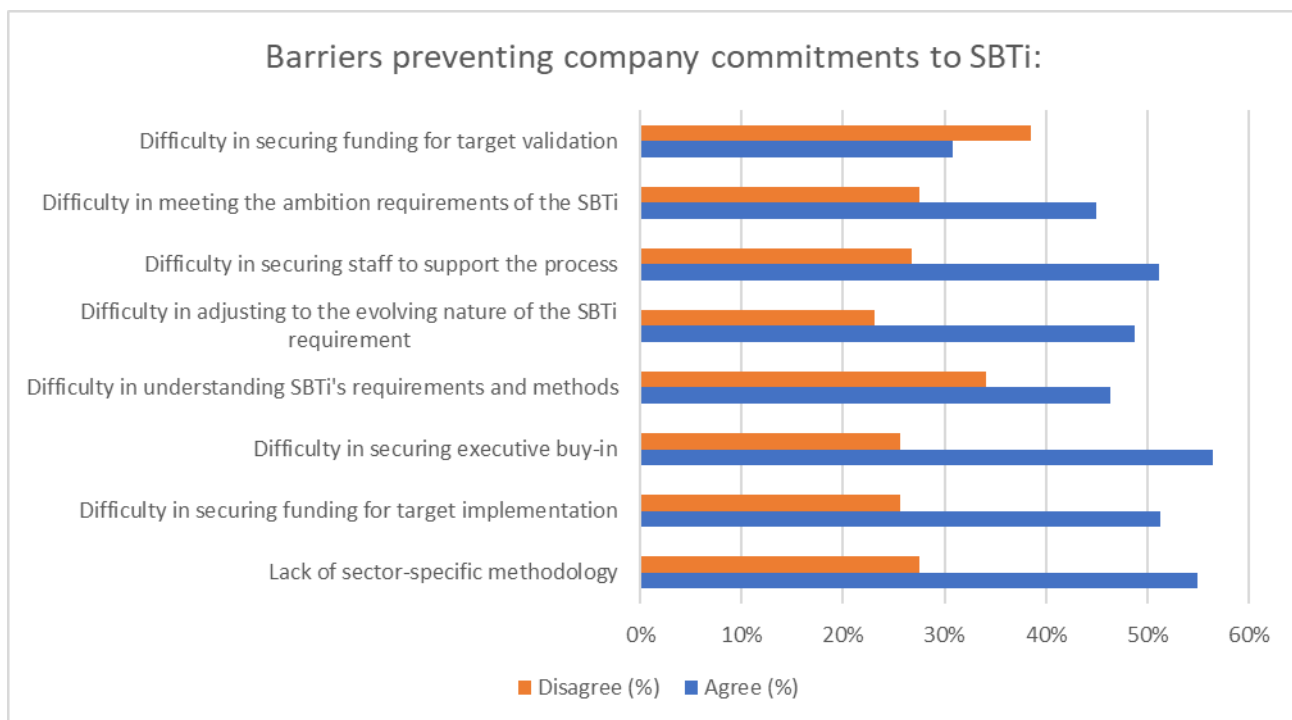


Figure 10: Survey results showing barriers preventing company commitments to SBTi (41 respondents from the category “Companies that have not set targets already”)

However, the vast majority of companies with approved targets under SBTi have not used sector-specific methods. SBTi has observed that sectors that have sector-specific methods, i.e. heavy industry, are actually lagging in adoption. From the perspective of SBTi, the statistics for commitments and validation do not support the notion that significantly broadening the suite of sector-specific methods will unlock broader adoption of SBTs.

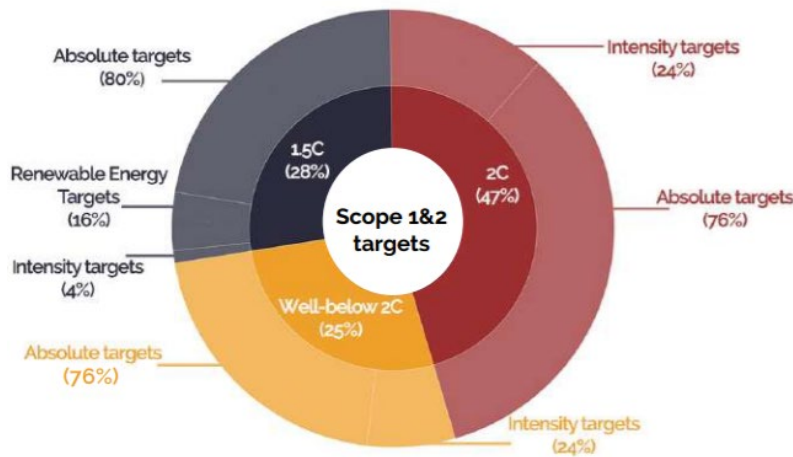


Figure 11: Overview of approved targets, Source: SBTi (2019) Raising the bar, Progress Report

Still early days to evaluate the actual transformational effect of SBTi

Feedback from companies on the impact SBTi has had on their strategy and activities varies from one company to another and depends partly on their level of maturity.

One company in the consumer product industry, with a long track record on sustainability issues, claims that SBTi has not led to fundamental changes in climate action. In this case, SBTi works like a badge of honour. It rewards long-standing efforts, feeds team motivation internally, and gives credibility to climate policies (commitments and implementation path) externally.

Other early movers point out that engaging in SBTi has changed the way climate change is integrated into their company's operations and decisions and how projects are evaluated internally. In particular, adopting an SBT helps define benchmarks against which company projects are evaluated. Furthermore, setting SBTs can change the way companies account for their carbon footprint.

"SBTi helped in what we were trying to accomplish by creating smart emission trajectories that helped put things into perspective and see if we were doing enough" (Company in the energy sector with targets set in 2019)

"A project above the CO2 benchmark needs to have a really good reason as to why it cannot achieve it" (Company in the energy sector with targets set in 2019)

However, using SBTs as a tool to implement changes and influence the decision-making process is not straightforward for companies. It requires them to develop tools / processes internally to make them actionable. In this context, SBTi is felt to provide insufficient resources to help companies set the business case and use SBTs to influence investment decisions. Some players mentioned that SBTi could play a larger role in helping companies build capacity by, for instance, facilitating networking of companies and exchange of good practices and lessons learned. Some peer-to-peer learning initiatives have been carried out by SBTi, for instance, through UNGC Local Networks (e.g., in Germany and Denmark). But opportunities exist, with the support of dedicated resources, to be more strategic on local corporate engagement and support and to mainstream SBTi at local level via the partner organisations' respective local offices. UN Global Compact has developed Playbooks for SBTi peer-to-peer learning in order to help facilitate this.

Regarding the question of whether SBTi has led to actual emission reductions, it is difficult at this stage to provide a clear answer, for several reasons. First of all, most companies are just beginning the journey and it is too early to see the actual effects of the initiative. Secondly, there is a question around the additionality of the initiative and the share of emissions reductions that could be attributed to SBTi. This issue highlights the need for SBTi to closely monitor the progress of the engaged companies. In its recent progress report⁶, SBTi estimated that when all targets set are achieved (by 2035 for the latest targets), annual scope 1 & 2 emissions will be reduced by 265 MtCO₂ (>60% of France national emissions) representing a 35% reduction from all companies' base year emissions. CDP responses show for all 8 companies⁷ which had set targets in 2015 have already achieved their target or are line with them.

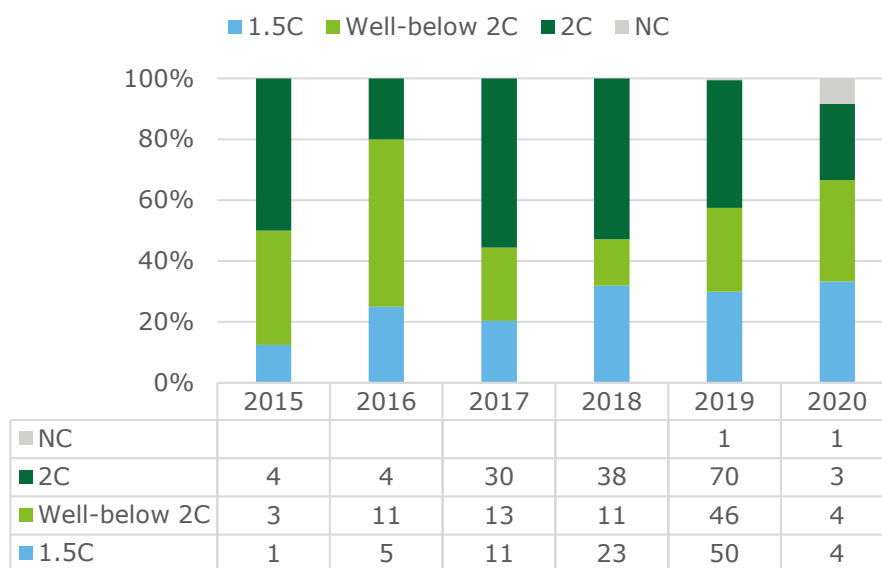


Figure 12: Total number and share of target validated per ambition (as of March 2020), Source: SBTi online database

Ensuring concrete action beyond target setting, the crucial challenge for SBTi

While most internal and external stakeholders understand the strategy of SBTi (to focus on target setting to create a critical mass of companies publicly engaged on emissions reduction), the question of ensuring concrete action beyond target setting is now prevalent. The fact that more and more heavyweights are signing up without publicly disclosing an implementation plan feeds the fear of greenwashing. In addition, with the first targets coming to an end, stakeholders expect SBTi to conduct a comprehensive impact study – going further than the progress report. So far, many stakeholders point out the lack of accountability, and feel that relying on the public disclosure of targets is not enough.

“In this context, science-based targets (SBT) are probably not going to cut it for much longer as a measure of leadership. Part of the problem, critics argue, is that SBT puts too much emphasis on creating the targets, and not enough on how companies will actually achieve them. Perhaps more importantly, the concept itself assumes that every business on the planet

⁶ SBTi Progress Report, Available at: <https://sciencebasedtargets.org/wp-content/uploads/2019/12/SBTi-Progress-Report-2019-FINAL-v1.2.pdf>

⁷ Thalys, Pfizer Inc. Dell Technologies, General Mills Inc., Sony Corporation, NRG Energy Inc., Kellogg Company, BillerudKorsnäs

will reduce their fair share of emissions in line with the Paris Agreement – an assumption that looks increasingly flawed as time goes on.” (SALTERBAXTER⁸)

This issue is even more pressing that the bulk of the targets is between 2025 and 2030 and that the first targets are expiring between 2020 and 2025.

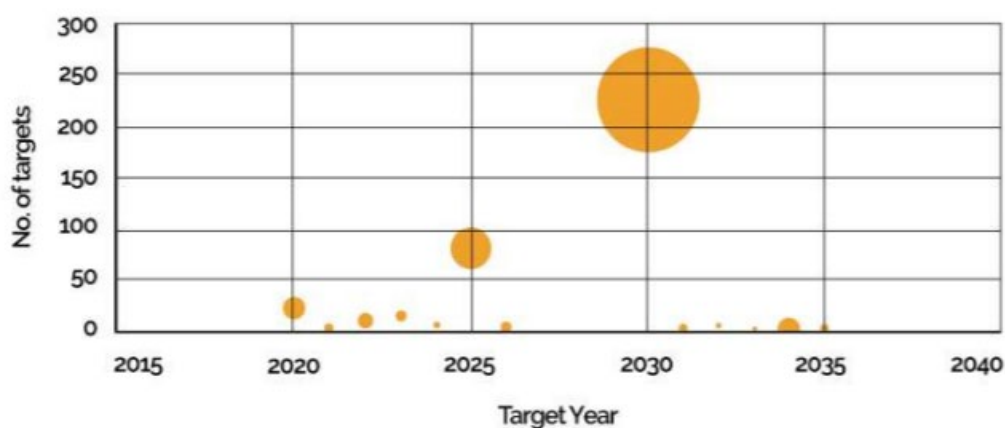


Figure 13: Target years and emissions covered of all approved targets, Source: SBTi (2019) Raising the bar, Progress Report

A recent publication from the French Think Tank “the Shift Project” summarizes this issue: “Scénarios énergie-climat – Évaluation et Mode d’emploi”: “The challenge for a company is to understand how to achieve this objective in an operational way and to what extent the decarbonisation of its activities and markets brings risks and opportunities. It seems a priority for a company to deepen its strategic thinking in this way, rather than mobilising resources that may seem excessive in some cases in order to calculate their objective too precisely, while many uncertainties will remain no matter what happens.”

In that context, the lack of coordination with the Assessing Low-Carbon Transition (ACT) initiative (co-developed by CDP and ADEME) raises questions. ACT is a joint voluntary initiative of the UNFCCC secretariat Global Climate Agenda initiated by CDP and the French Environment and Energy Management Agency. The ACT methodology questions the company’s past, present and projected future through both quantitative and qualitative indicators in order to reveal its alignment with the low-carbon transition. ACT constitutes not only an evaluation framework but also a tool to help companies define objectives and a climate action plan. At this stage, 172 organisations are engaged in the initiative. The programme has been implemented in France but also in other regions such as Brazil and Mexico. An interesting aspect of ACT is that the initiative develops methodologies and then conducts a road-test with volunteer companies. Currently, different methodologies are under development (Iron & Steel, Agriculture & Agro-food and multi-sectoral companies), methodologies have completed the consultation process and are being road-tested (cement, transport and oil & gas). For oil & gas, developments occurred simultaneously to the SBTi methodological work and several meetings were held together between the SBT and ACT Technical Working Groups.

There seem to be interesting synergies between the two initiative. In particular, a closer link with ACT would help SBTi move towards a more integrated model with a stronger monitoring

⁸ 2020: A landmark year for the corporate environmental agenda

and implementation component. It would also help reduce confusion around the synergies / overlap between the 2 initiatives.

Despite the fact that ACT is co-developed by CDP, the links between the two initiatives appear to be weak: ACT could be referenced by SBTi as a tool for companies to assess their level of readiness and develop their action plan, joint working groups could be created, ACT could be one of the frameworks used by SBTi to monitor progress and alignment of companies with their decarbonization pathways, etc.

"The SBTi provides too much space for free riders and risk green washing problems in the future." (Scientific institution)

"SBTi must have a list of consultants (or an ecosystem) who can help to reach the set goals of a company. In my opinion this will be biggest challenge for many companies: How to reach the goals. For this journey they will need help." (Survey quote from an environmental NGO)

"Results should be monitored, and organisations should have to report periodically, say every 1-2 years to show their progress." (Survey quote from a company that has not committed yet)

"Most companies disclose information on targets annually, either in their Annual Report or Sustainability Report or response to CDP Climate Change questionnaire. SBTi can use these sources of information to monitor progress of targets approved." (Survey quote from a company with targets set in 2019)

"Deploying AI to scan companies' GRI reports could be an idea for SBTi to think about." (Survey quote from a company that has not committed yet)

Governance model

Governance and processes

Complementary partner organisations enrich discussions about the initiative

Generally, interviewees were satisfied with the complementarity between the partner organisations. Although this reality adds complexity in the management and reporting of SBTi, the coalition was found to function well together, and to be able to identify solutions through well-received compromises. There was quite a strong internal consensus from members on not wanting to put in place a CEO, and to continue working with four leader organisations. Furthermore, the staff who has historically worked on SBTi has not changed radically, and motivation to work on this initiative is quite high which limits the loss of knowledge and need for training and recruitment. Staff turnover is also a risk that needs to be anticipated through appropriate measures such as transitional handover procedures, additional training, etc.

“The collaborative model has built unprecedented legitimacy since the organisations challenge and complete each other.” (SBTi Steering Committee)

A high level of trust within SBTi

The high level of trust within SBTi and the 4 partner organisations is widely recognised by people working for the initiative. The spirit of collaboration is considered to be very strong and to have been a major success factor for the initiative, especially among internal stakeholders.

“Most of the team has been working together since the beginning. The level of trust is good within the team and it makes it easier to delegate.” (SBTi Steering Committee)

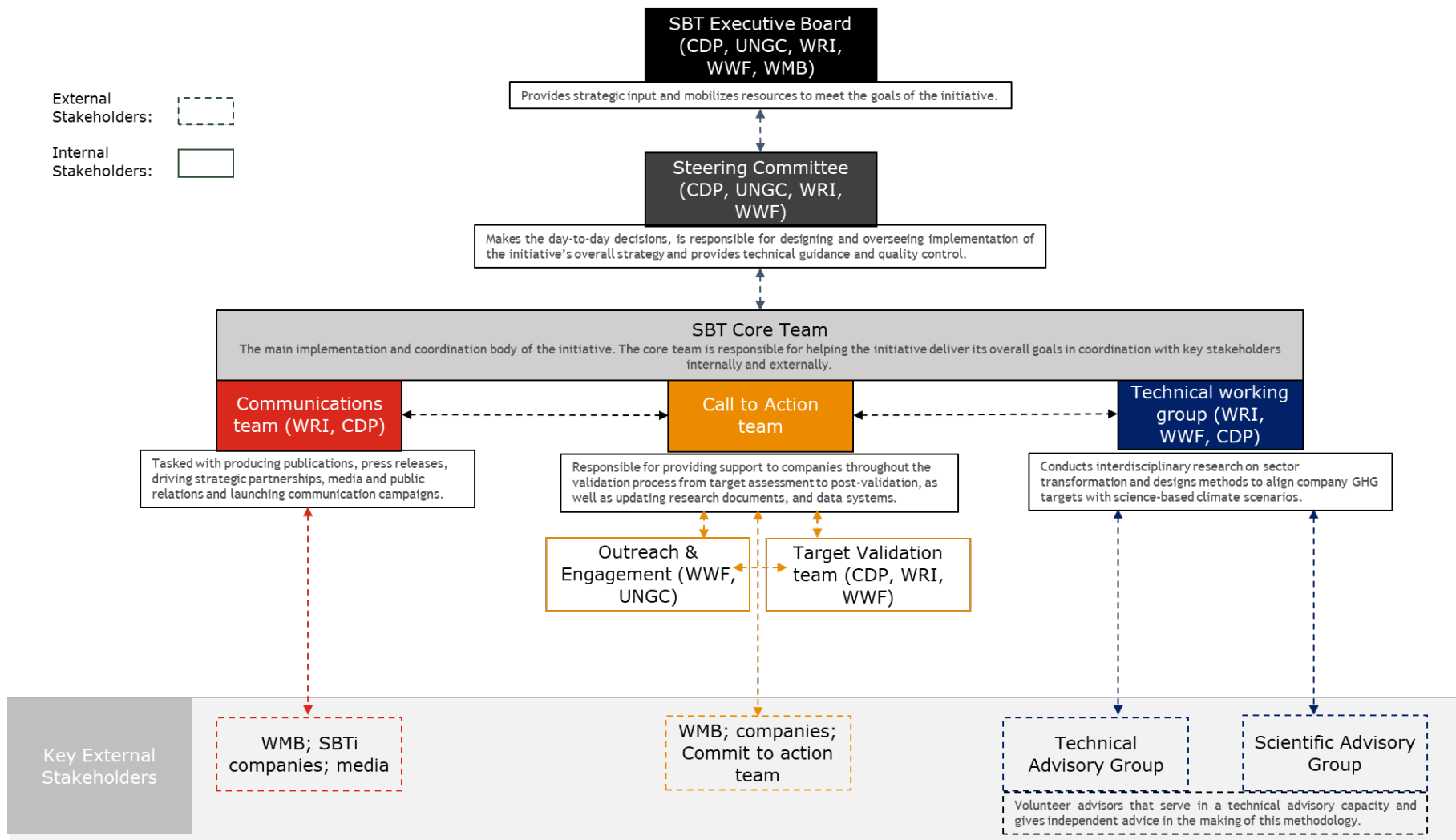


Figure 14 Governance diagram for SBTi

A governance and operational structure in development at SBTi

In the past 2 years, SBTi has put a lot of efforts into structuring its governance and operating model. SBTi is now composed of the following main entities:

- **The SBT Executive Board** includes one high-level representative from each partner and donor organisation who provides strategic input and mobilizes resources to meet the goals of the initiative.
- **The Steering Committee** includes a designated staff member from each of the four partner organisations. The Steering Committee members make the day-to-day decisions and are responsible for designing and overseeing implementation the initiative's overall strategy and providing technical guidance and quality control.
- **The Project Core Team** is the main implementation and coordination body of the initiative and is comprised of staff from across the partner organisations. The core team is made of different units:
 - **The Call to Action team which includes:**
 - **The Target Validation Team** composed of technical experts in charge of target validations. This includes processing submissions, conducting the initial screenings of all target submissions and assigning a validation team. The validation team is made up of a lead reviewer and an appointed approver with distinct roles employed by two different partner organisations.
 - **The Outreach & Engagement team** which aims to bolster company engagement and support them throughout their SBTi journey
 - **The Technical Working Group** made of technical experts tasked with the development of sector-specific methodologies, tools and guidance.
 - **Communications Team** whose main function in the validation process is to contact approved companies to coordinate the public announcement of targets. The team also manages the public target database.
- **The Technical Advisory Group** includes volunteer advisors from business, academia, government, non-profit and multilateral organisations. All members have in-depth knowledge about science-based target setting or expertise in voluntary emission reduction target setting in a corporate context. The group serves in a technical advisory capacity and speaks on behalf of the Science Based Targets initiative when opportunities arise.
- **The Scientific Advisory Group** consists of leading climate scientists from around the world that are consulted by SBTi on an ad hoc basis to gather their viewpoints on specific matters including new scenarios to model emissions reduction pathways that can be applied by companies to align their strategies with the latest science.

Operational teams made of staff from the various partner organisations

Teams within the Core Team are all composed of staff members from 2 or more partner organisations. They are spread across 4 continents and 7 countries. The teams function as operational units with day-to-day work structured around them. They have established

management and communication procedures in place including weekly update calls, common slack channels, shared folders... Team leads have regular update calls between themselves and all SBTi staff gather on a bi-weekly basis through update calls. For specific projects, staff from different teams can be pulled in.

Overall positive feedback on day-to-day management but some inefficiencies are reported in the flow of internal communication and in the decision-making processes

Generally speaking, internal stakeholders are satisfied with the day-to-day management of the work although a more efficient flow of top-down information internally, clarified roles and responsibilities as well as improved decision-making processes could make internal organisation and processes more efficient.

Although there is wide consensus that the four partners have been crucial to building the success of the initiative, some frustrations arise from the lack of dynamic decision-making, fluid interactions when problem solving and functional reporting lines. Having teams spread across different organisations with their own internal accountability processes means it is impossible for the staff of one organisation to report to someone from another organisation. In addition, there is a need to clarify roles internally, to define joint planning and set milestones and to put in place coherent review processes across groups.

"The governance structure of SBTi is very unique; it's actually the strength of the initiative" (SBTi Steering Committee)

"For the teams, at the working level, it's easy in the sense that communications are quick and we use different channels to communicate internally, but it might help if it's better clarified who needs to do what and which organisation will provide the resources and staffing to support with a specific task" (SBTi Core team)

"It would be a bit easier if the team leader had a bit more of a 'final say' approach vs. take all inputs approach. Decisions are sometimes late because there are too many view points and everyone seems to consider all of them in detail. Probably a better balance but we don't want to become the fastest and sacrifice this quality." (SBTi Core team)

"Brainstorming meetings are usually done with up to 20 people which is not efficient, and frustrating for everyone involved." (SBTi Core team)

The need to strengthen the operating model

Implementing a more integrated operational management is felt to be crucial in order to improve the efficiency of SBTi, with a potential COO managing day-to-day operations directed by the Steering Committee. In fact, some interviewees pointed out the role overly operational of the Steering Committee, the tendency to escalate most decisions to the Steering Committee and its strong focus on technical discussions. Some processes have already been put in place to streamline the decision-making process and reduce the involvement of the Steering Committee. However, hiring a COO in charge of managing the budgets and bridging the core teams with the Steering Committee would free up time for Steering Committee members and help teams feel a sense of ownership and accountability for the work provided.

Improvements could also be made at Board level. For instance, the current rotating board chair practice was found to be a source of inefficiencies and it was felt that discussions with the Board

were not sufficiently followed with action and operational measures. A system whereby the chair would be in place for a longer period of time (e.g., one year) would be more efficient.

“The SBTi needs to strengthen the efficiency of its processes through better operational support, and with dedicated team coordinators.” (SBTi Core Team)

“The SBTi has a rotating board chair at every meeting but it's problematic as there is no continuity of thoughts over time. Chair could be allocated for a longer time period (e.g. 1 year)” (SBTi Executive Board)

Some interviewees also highlighted key strengths of the Steering Committee and the current set up.

“The Steering Committee functions very well, it is very productive, good at identifying solutions, and good at compromising.” (SBTi Core team)

A lack of coordination and integration with We Mean Business which has impacted collaboration between the two entities

WMB is a key strategic partner for SBTi. Beyond providing access to a wide network of organisations, WMB has played a significant role for various types of activities, including funding the Commit to Action (CTA) team which is responsible for WMB corporate engagement (including for the benefit of SBTi), providing support on communication activities, etc.

Nevertheless, it appears that there is a disconnect between the activities carried out by We Mean Business and the day-to-day operations and needs of SBTi. In particular, the SBTi steering committee seems absent from important strategic, operational and funding discussions held within WMB. For instance, SBTi is not involved in the strategic planning exercises of WMB nor does it take part in defining the strategic priorities of the Commit to Action Team, SBTi does not have a clear vision of the corporate engagement activities carried out by WMB, etc. Some members therefore highlighted the need for more clarity on roles and responsibilities and for greater coordination between SBTi and WMB, particularly on outreach and communication.

In addition, a greater balance in leadership amongst the four partner organisations was often cited as an area of improvement for SBTi. Particularly, the fact that CDP is a member of WMB but that WRI, UNGC and WWF are not has been a barrier for communication and effective collaboration.

“There are asymmetries of information between the SBTi board and the WMB board.” (SBTi Executive Board)

“WRI, UNGC and WWF aren't members of We Mean Business, which does a lot of outreach, so we don't have visibility over what they do. The roles are confused and there's a lack of clarity” (SBTi Steering Committee)

A stronger decision-making board would help guide the vision and strategy for SBTi

It was expressed that greater transparency on the decision-making at the board level would be appreciated. Greater consensual agreement on strategic goals and vision for the SBTi, driven by a strong senior board that explicitly articulates their opinions would be useful to generate a collective movement. In fact, members seek a more harmonised strategic planning for the next five years with planning cycles and better anticipation of required deliverables.

The need for SBTi to move towards a single independent entity?

Some interviewees mentioned the relevance of having SBTi become a single independent entity, with less direct implication from the funders such as WMB. In fact, with a single entity, SBTi could transition from having four (or five with WMB) less coordinated voices to a sole, stronger voice. However, the current set up with 4 partner organisations also guarantees methodological integrity and strong corporate outreach and communication power.

Some disappointment on the under-use of senior advisors, and untapped potential of the Technical Advisory Group

Interviewees mentioned difficulty in using precious knowledge from the technical advisory group due to irregular and unstructured meetings. The fact that the technical advisory group has been under-used is understood to be partly linked to capacity constraints. Some complaints were also heard, about consultants and advisors advancing and lobbying their own in-house methodologies and associated services and not taking enough of an independent stance. A desire for more spaces to discuss and integrate different viewpoints, and particularly with greater attention to sectorial and operational realities was mentioned.

“Greater follow-up and reviews from the Technical Advisory Group and Scientific Advisory Group are needed and efforts should be focused on tapping into this dormant potential.” (SBTi Steering Committee)

Targeted efforts have already delivered improvements in the Core Team

Following inefficiencies identified in the target validation team, specific efforts were dedicated to enhancing the functioning of the team. The introduction of the target validation service (with a fee charged to companies and the guarantee of a 30-day turnaround) has been instrumental in improving the level of service, creating an efficient system supported financially by each company. The elaboration of the target validation protocol supported this increased efficiency with a decrease in the number of low-quality submissions.

“A lot of the criticisms have come from before we had the target validation service. We provide a much better service now, given that we can charge a fee. We still have a bad reputation due to company experiences from before the change to a for-fee service. Most of the criticism came from a host of things: team members being inexperienced and not communicating well, giving bad advice, and a general lack of knowledge. A lot of the people on the team now are experienced and well versed” (SBTi Steering Committee)

Also, a greater focused effort on the corporate engagement team, whose role is to help companies along their SBTi journey, is expected in order to enlarge the scope of SBTi across less popular regions and sectors.

Finally, communication actions could be strengthened and harmonised especially between SBTi and WMB. Some interviewees highlighted the need for more coordination between SBTi and WMB. The support of UNGC in deploying a 1.5°C campaign was also mentioned as a good example of complementarity between SBTi and its four partner organisations (CDP, WRI, WWF, UNGC). Finally, one member proposed providing communication assistance as a free service for companies announcing their targets.

Finance and budget

Current state of budget: sources & spending

Funding is received by each of the four partner organisations. The source of the funding varies across the partner organisations. For FY21, Philanthropic financing is expected to make up the majority for all partners (except UNGC) and for SBTi overall (63%). Other financing includes corporate sourced income, the service fee, and core funding from an SBTi partner for WWF. The service fee contributes 22% of total funding, corporate-sourced income, 10% and funding from SBTi partner 4%.

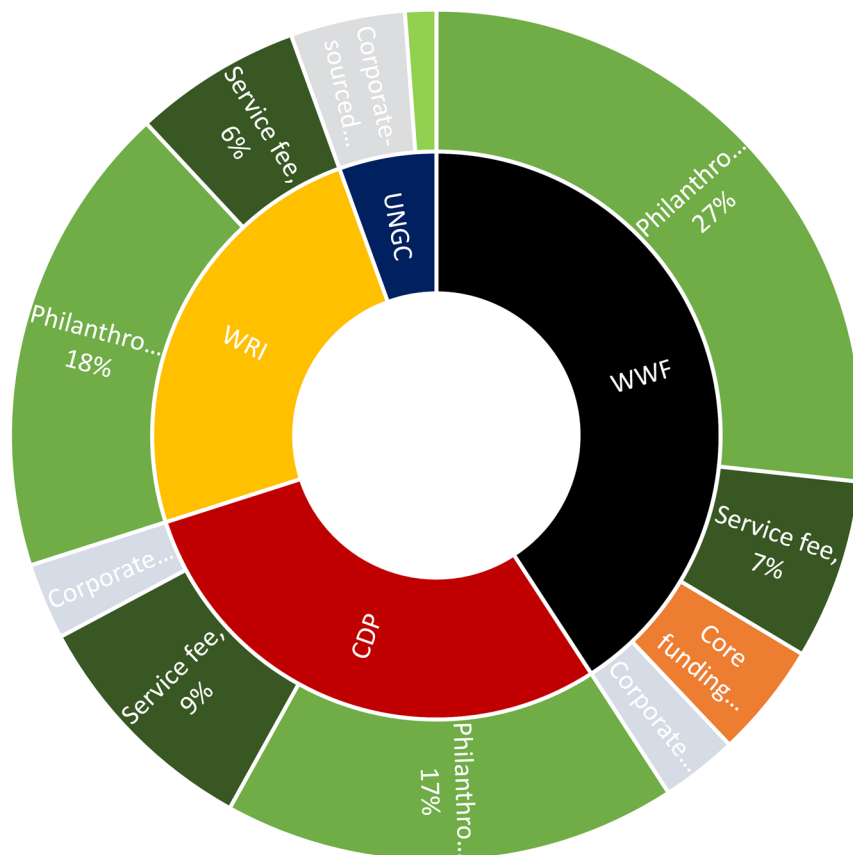


Figure 15: chart showing contribution of differing financing types per SBTi partner organisation (Expected funding during the period May 2020 – Apr 2021), Source: SBTi

Within the philanthropic financing type, there are 8 individual sources (largely foundations). IKEA Foundation through We Mean Business provides the most significant contribution for the period May 2020 - April 2021; however, other funding sources including in particular the Moore Foundation and also the Hewlett Foundation are becoming significant contributors.

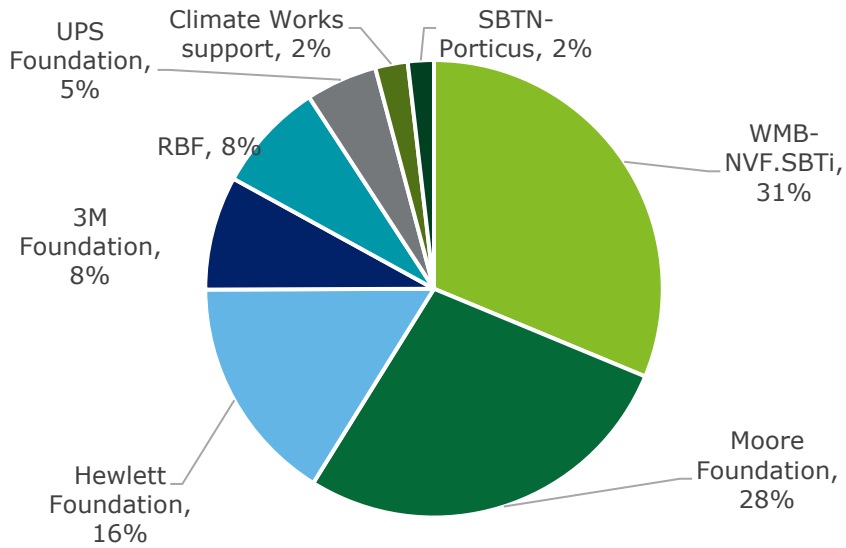


Figure 16: Proportions of financial contributions from philanthropic sources (May 2020 - Apr 2021), Source: SBTi

Two-thirds of SBTi spending is allocated to core team staff costs. Taking into account additional project specific staff costs, this rises to 87% of total spending. 10% of spending also goes towards external resources in the form of consultants. The remaining share is divided between communications and visibility, publications, events and travel costs.

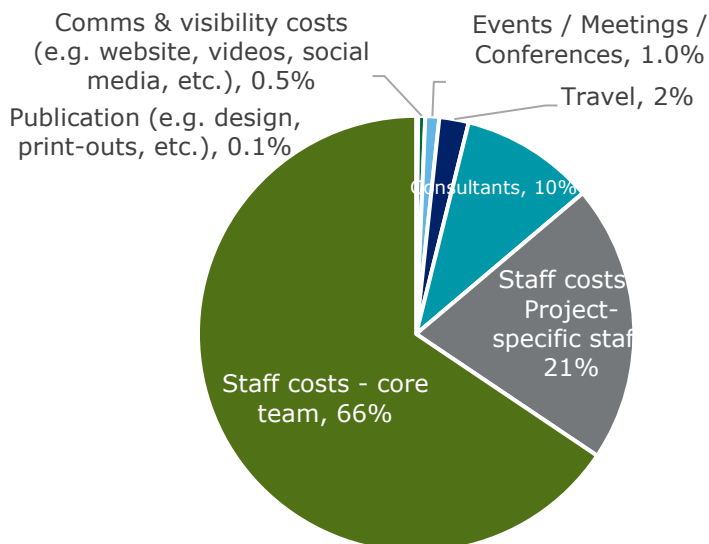


Figure 17: Spending by SBTi per category, Source: SBTi

Enhanced transparency in the budget would improve collaboration

The interviews of internal stakeholders highlighted the overall limited level of knowledge on budgetary issues across interviewees. While there is a good level of trust on this issue, some members would appreciate greater clarity on how budgets are allocated, and more implication in deciding where the funds should be allocated. In addition, members can feel pressured by WMB since they are the main indirect funders and a sense of asymmetry of power has been reported.

“We believe funds should go directly to the partner organisations and that SBTi should have a say on what the financial resources are allocated.” (SBTi Steering Committee)

Improving the scope and uptake of SBTi must be supported by more capacity

There is strong evidence that the SBTi team is currently understaffed and there is consensus among stakeholders on the fact that overall funding needs to be bolstered: it hardly covers required capacity today and does not cover future development now essential for SBTi to pursue its development. This situation prevents SBTi from carrying out key activities: corporate engagement and outreach, communication, methodological development, participation in external working group (e.g. WBCSD), et.

In terms of staff, many needs and ideas were mentioned in internal and external interviews:

- A Chief Operating Officer;
- a head of embedding in market structures (or corporate development manager), responsible for leveraging market mechanisms – this could be someone with deep financial sector ties for example;
- a head of campaign: a more senior role is needed in the communication team, someone with marketing background;
- a head of advocacy, to cover a lobbying activity towards governments and public structure to improve policy support on emission reductions;
- a head of fundraising to diversify budget sources and bolster capacities;
- a head of partnerships to manage the ecosystem, especially if SBTi is to delegate critical parts of its work to other organisations (i.e. validation, or monitoring);
- someone to develop the standard – if SBTi is to become a standard;
- a knowledge manager;
- a sector development manager;
- a scope 3 specialist with strong technical background.

In addition to these key positions, there is need for additional support and technical staff such as analysts, researchers, communications and outreach staff.

Some of these positions have already been identified by the SBTi Steering Committee and some recruitments might already be under way. Nevertheless, a strategic planning exercise to decide on short-term, medium-term and long-term priorities for SBTi is necessary to prioritize in turn recruitments accordingly.

As observed in the 3-year budget summary below (2019-2021), significant levels of funding are planned to be allocated to the development of guidance and methodologies for key sectors, a

critical area for SBTi as highlighted in section 1.4 Technical assessment. Some categories receive less funding, such as the development of standards and outreach which are also important impact categories for SBTi. However, since some of the communications & outreach activities are undertaken by We Mean Business and the partner organisations, the amount of funding does not necessarily reflect the actual level of action in this area.

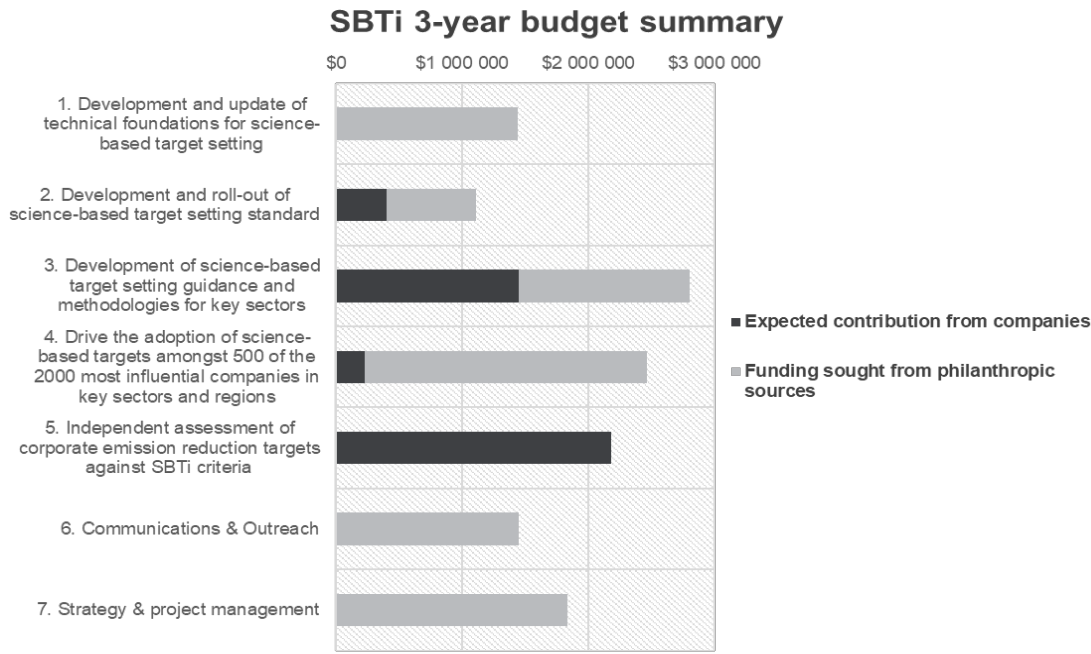


Figure 18: Share of funds for SBTi according to impact category and source

Strengthening access to financial resources and multiplying the variety of funders

As mentioned above, as of today, SBTi funding comes from three main sources: Philanthropic funding, the service fees charged to companies for target validation, and project specific funding for specific tasks such as targeted research for methodological development (e.g. financial support provided by 3M for the methodological development of the chemicals and petrochemicals sector). The chart below illustrates the importance that the target validation fee has taken in SBTi's overall budget and shows that SBTi has been successful in diversifying, to some extent, its sources of financing.



Figure 19: Financial outlook for 2020 considering new intended capacity

Overall, the ability of SBTi to raise funding has been limited, in part due to a lack of capacity. For instance, there have been some attempts to provide funding to SBTi, to which the initiative did not manage to respond. Another major challenge faced by SBTi, is the lack of direct access to funding sources. Fundraising through any of the SBTi partners for SBTi usually competes with other priorities within the partner organisations. The incentive to fundraise for SBTi is limited without having specific objective to prioritise in relation to fundraising directly for the partner organisation. In addition, some potential funders may not differentiate between SBTi and coalitions such as WMB or the Science Based Targets network which have been able to successfully fundraise partly thanks to the success of the initiative, without it translating necessarily as direct additional funding for SBTi.

“It was impossible to react to a potential funder since the team is understaffed” (SBTi Founding organisation)

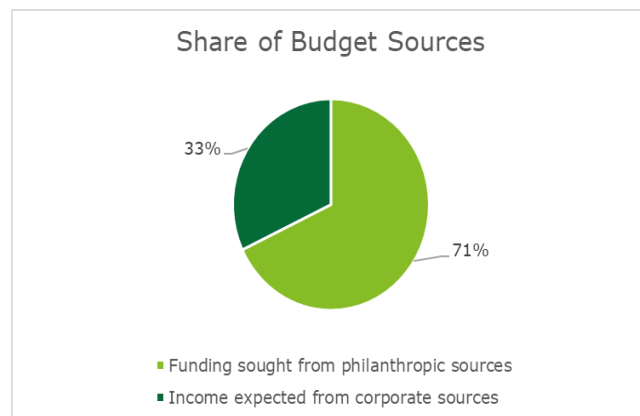


Figure 20: -Projection of budget contributions for the period 2019 - 2021, Source: SBTi

Technical assessment

Methodological vision and framework

The need to prioritize methodological development to strengthen the value proposition and increase adoption

With insufficient resources, the initiative has not been able to undertake all the methodological developments it wanted and has experienced delays in some projects. Some important methodological developments are needed:

- Strengthening the Scope 3 methodological base (see more details below).
- Finalising methodologies around net zero strategies and negative emission actions
- Accelerating specific sectoral developments in particular for the financial and the oil & gas sectors for which, as a result, SBTi cannot currently accept targets. For other sectors under development (incl. apparel chemical & petrochemical, forest, land and agriculture, transport, aluminum), sector-specific guidance does not seem crucial as companies can use the absolute approach in the meantime.
- Conducting research and development of suitable scenarios to achieve the 1.5°C pathways.

There is no consensus on raising minimum ambition to 1.5°C: some external stakeholders welcome the transition while others question feasibility of such targets

Most internal stakeholders support the fact that SBTi has raised its level of ambition to well-below 2°C and 1.5°C targets, arguing that SBTi must stay true to science to remain credible. Some internal stakeholders were surprised by the rapid uptake of 1.5°C targets by companies and some voices support a progressive transition to 1.5°C only targets. However, some external stakeholders, in particular amongst companies, are worried about a rapid shift to 1.5°C targets which might detrimentally affect the initiative, arguing that no one knows if such targets can be met today: the business case does not exist in most sectors, and co-dependency and other external factors might be widely underestimated. If companies fail to meet their targets, it will harm the credibility of the initiative. As such, creating an “ambition loop” through greater advocacy work and the development of public policy (including incentive mechanisms) is crucial to support the business case for investment.

“As a bank today, we push for it but we know we can never reach 1.5°C, simply because there are not enough green actors on the market. The promise is so huge that it can be deceptive” (Financial company that has committed in April 2016)

“Companies should be allowed to choose level of ambition when setting targets and not forced to highest ambition level.” (Very common survey response)

“Need to stick to the Paris Agreement narrative, which is below 2°C. Need to have one unified ambition on the longer term vision. But regulatory environment is not built for 1.5°C” (SBTi Steering Committee)

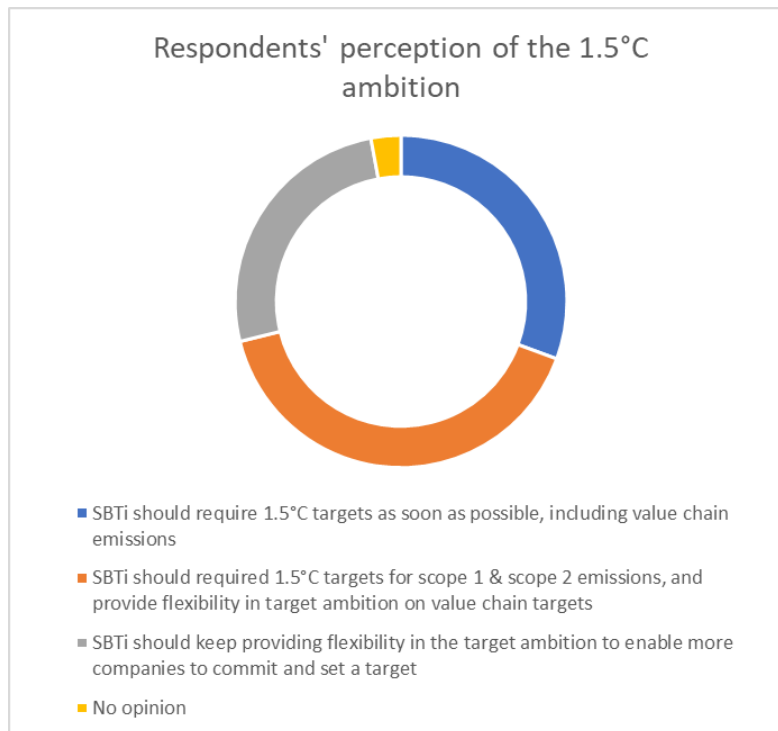


Figure 21 - Survey results on the perception of the 1.5°C ambition (343 responses, including 208 from companies and 78 from specialized consultancies)

The perceived lack of clarity and stability of the framework is a barrier

A critical element pointed out by interviewees is the lack of clarity of the framework: some formulas like “Paris compliant” or “below 2°C” are not clear to all. External stakeholders also regret the instability of the framework over time – from 2°C to well below 2°C & 1.5°C – which fundamentally change the implementation plan and investments. In reality, SBTi transitioned progressively to the new ambition levels and the initiative still allows various levels of commitments from companies (well-below 2°C and 1.5°C), but this doesn’t seem to be well understood by companies and comments also reflect fears that requirements will be stricter in the future. In addition, for a limited number of players, this means that SBTs are not all comparable; and some companies do not understand why their target should be more ambitious than their peers (who already have a validated SBT).

“We noticed that the method changed right before we submitted but we didn’t get a notification. It seems the companies that submitted before the change have a more reasonable target. Many of our competitors fall into this bucket so it put us at a huge disadvantage.” (Company with targets set in 2019).

“Lots of negative feedback about the transition to 1.5C... one of our member companies said “why did our competitor get to meet the less ambitious target, when we have to meet the higher bar?” (NGO)

“The SBTi does not understand business and the need for certainty.” (NGO)

“Companies make big financial decisions based on the commitments made; they want stability and comparable targets.” (Consultancy)

An inclusive, multi-stakeholder methodological development process but to be strengthened

SBTi aims to carry out an inclusive methodological development process and to involve relevant stakeholders. For instance, for the oil & gas sector, a technical working group composed of approximately 20 members representing civil society organisations, oil & gas companies, investors, policymakers, academics, and other experts was convened. A public consultation is then due to take place between July and the end of September 2020 before a final methodology is delivered to the SBTi for final approval. For the financial sector, methodological development includes consultation with an Expert Advisory Group representing financial institutions, consultants, NGOs, and academic institutions, road-testing with financial institutions, and a broader Stakeholder Advisory Group which provides input at key milestones in the framework development process.

However, some external stakeholders express concerns about the closed nature of the initiative and the difficulty to be included in a truly collaborative approach. These players point out a lack of transparency in the consultation and decision-making processes, difficulties in making their voice heard and in integrating SBTi's ecosystem, and insufficient feedback. This perception seems to be partly due to a lack of capacity within SBTi to conduct the necessary interactions and follow-ups with partners and stakeholders. Rallying more broadly around SBTi's activities and methodological development would contribute to increasing the endorsement and the impact of the initiative. Greater structure or at least, clearer follow-up in relation to specific tasks or workstreams could be provided to valuable advisory groups consulted by the SBTi to enhance involvement.

Scope 3 understanding and implementation is still a challenge

Some companies still struggle to understand SBTi's current scope 3 requirements and proposed methodology and they point out the lack of support from SBTi. Also, some players mention that it seems flawed to apply the same scope 1, 2 & 3 rules for all companies within a sector: for example, scope 1 is predominant for fossil-fuel based electric utilities while scope 3 is key for renewables. Finally, companies feel that supplier engagement targets are not effective or useful. Some argue it allows companies to pass on the responsibility to reduce emissions to suppliers, others that companies have not much influence or control over their suppliers.

"How can we possibly affect 96% of our scope 3 emissions that are outside our scope of influence?" (Company in the transportation sector that committed in November 2017)

"Initial scope 3 emissions supplier engagement criteria was vague... and the challenge is the limited control [over our suppliers]." (Company in the services sector that has not committed)

"It is not realistic for many companies' supply chains [to set science-based targets], [let alone] even measure their carbon emissions." (Company in the services sector that has not committed)

"It is pointless to require the supplier engagement target to say "suppliers must set SBTs" when the SBTi does not require the suppliers to validate their targets." (Company in the services sector that has not committed)

"I have two clients who were considering SBTi-approved targets. They are both already at 100% renewable electricity so could easily meet the S1+2 SBTi requirements. However, the S3 supplier engagement piece is what prevented them from pursuing SBTi approval. Thus, they chose to shift to the 'carbon neutral' path to maintain/show leadership." (Survey quote from a specialized consultancy)

"Flexibility in setting scope 1, 2 and/ or 3 would be good (scope 3 data collection and calculation are very difficult and time consuming in global decentralized companies)." (Very common survey quote)

Diversifying sources of knowledge to capitalize on other organisations' work

Some stakeholders shared the view that SBTi should consider using a larger information base to develop its pathways and methods, beyond scenarios from the International Energy Agency (IEA) and the IPCC. Many other organisations have indeed worked on alternative scenarios (such as IDDRI in France) which could be leveraged. Enlarging the sources of knowledge and allowing players to submit local scenarios, for instance, could help strengthen SBTi's credibility and help expand the set of frameworks, as some organisations have been working on complementary sectors and local scenarios.

Resources

The need for simplified resources

The complexity of SBTi resources (e.g., tools, guidance) is identified by some stakeholders as a barrier to commitment. SBTi resources are indeed considered by some to be robust but also very complex. The right balance between simplicity and complexity has yet to be found. Although, specialised consultants do manage to digest SBTi tools and methodologies and make them more straightforward for companies, not all companies are able or willing to afford this support.

Overall, survey respondents disagree that the tools and guidance provided by SBTi to raise ambition of targets are sufficient.

"SBTi should provide complete guidance and methodologies (SDA) to set reduction targets aligned with 1.5°C." (Survey quote from a company with targets set in 2017).

"SBTi should be clearer in the exact needs and step by step instructions so we don't have to go to consultants we cannot afford" (Survey quote from a company that has not committed)

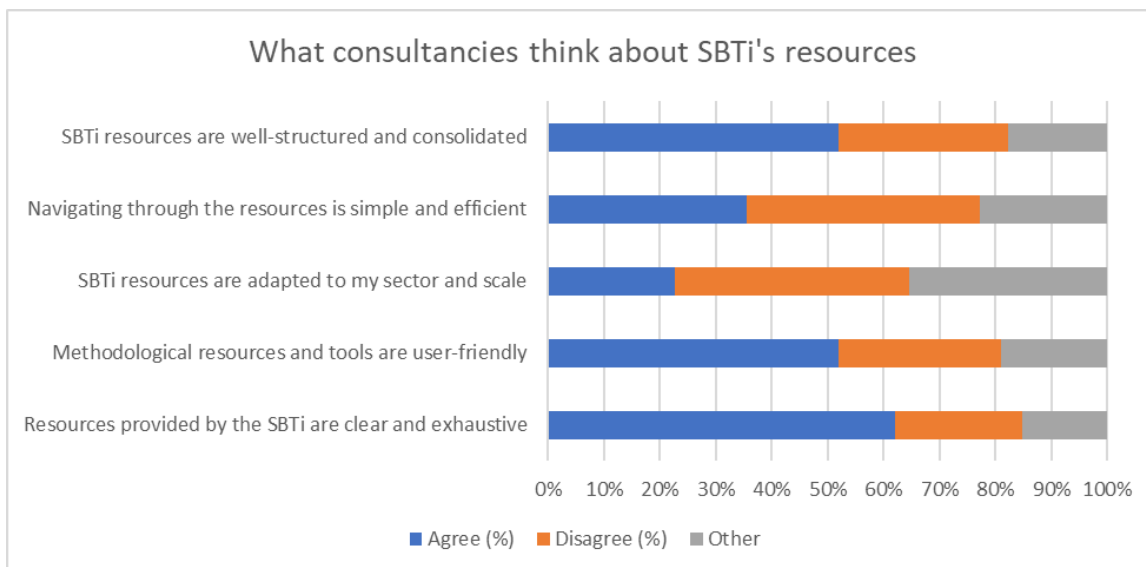


Figure 22: Survey results on the perception of SBTi resources (79 respondents from the category Specialized consultancies)

Some priority areas for methodological developments: sector specific guidance

The majority of interviewees and survey respondents are asking for more methodological guidance, and more precisely sector-specific guidance. There is a widespread impression that SBTi sometimes apply the same criteria to very diverse business situations – different sectors and geographies. Two sectors specifically pointed out a need for additional guidance: finance (methods criteria and guidance expected to launch summer 2020) and oil & gas (methodology expected to be delivered to SBTi in October 2020 following consultation in summer 2020). They are priority sectors both in terms of potential leverage (big emitters, directly or indirectly) and of specificities. Working groups have been set up and are working on these two sectors but the timeline and progress remains opaque for external stakeholders.

Other sectors are also concerned by the need for methodological development. However, some interviewees within SBTi argue that the net zero framework provides a satisfactory basis and, as such, further development might be less of a priority. In addition, external stakeholders mention the need for additional guidance on acceptable pace and milestones to reach carbon neutrality by 2050.

Interviewees argue that it would preferable for SBTi to initiate a movement in those sectors with volunteer industry actors instead of waiting another couple of years to have something more robust, since it will then be too late. Members from the finance sector also mentioned the importance of the TCFD in promoting change and were hoping SBT could garner the same level of exposure and literacy.

"The SBTi needs to be more open to discussions with other heavy emitter sectors (e.g., construction, chemical, oil and gas)." (Consultancy)

"More Sector Specific Guidance is required." (Very common survey quote)

“Guidance for companies that operate in multiple sectors would be helpful.” (Survey quote from a company with targets set).

“It is better to develop criteria for the O&G sector even if it isn’t perfect than to have none at all.” (Company in the energy sector)

“There is an urgent need to develop SDAs for land use change, agriculture and other critical sectors currently missing.” (Survey quote from an environmental NGO)

“The single most important thing that SBT can do that others cannot is to have sectoral guidance for every sector, and the SBT has not done this quickly enough.” (Survey quote from a business-oriented organisation)

“Realistic Commitments (referring to 1.5°C) based on various sectors and geographic location” (Very common survey quote)

“SBTi should develop guidance and criteria that is manageable for Manufacturing companies in developing countries.” (Survey quote from a company with targets set in 2019)

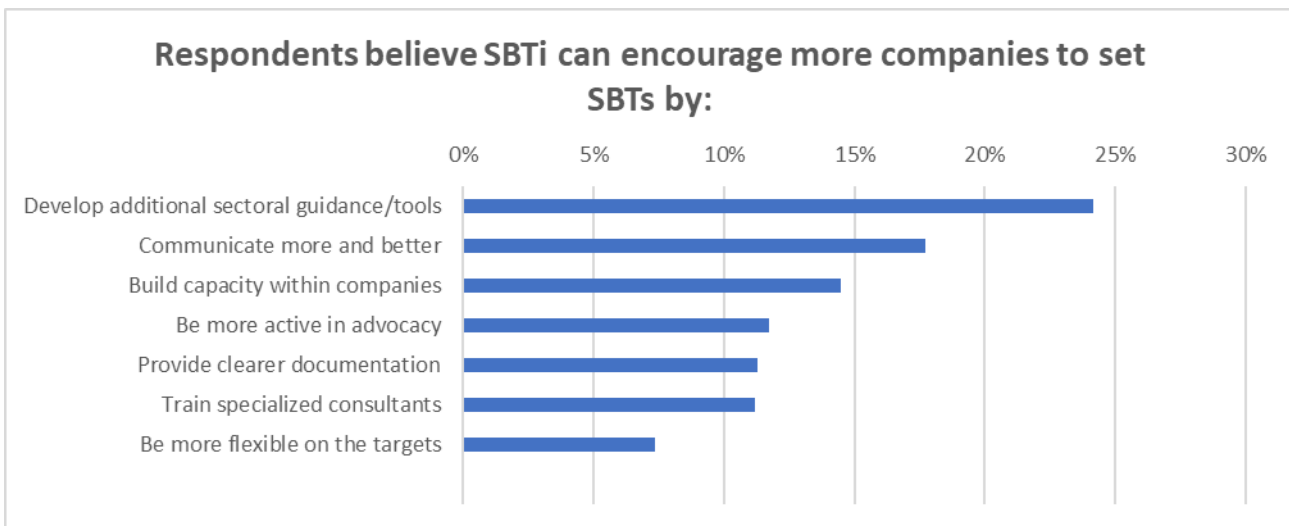


Figure 23: Survey results on the recommendations for SBTi (982 responses including 554 from companies and 202 from specialized consultancies)

Moreover, survey respondents identify sectoral guidance and tools development as the main lever to encourage more companies to set SBTs.

Additional guidance on scope 3 and implementation is crucial

Scope 3 still presents many technical barriers and, as mentioned above, creates confusion amongst companies particularly with respect to SBTi’s scope 3 criteria. Many survey respondents even stated that reduction in upstream scope 3 emissions should not be the responsibility of the target-setting company. Overall, survey respondents suggested that a concerted effort within industries would be of great help to apprehend scope 3 targets.

SBTi has planned to conduct specific resource development work on Scope 3 to address this issue. The initiative could amplify the work it started on sectoral roadmaps to reduce emissions,

to better equip companies on the implementation phase. A project has been initiated in the apparel industry and works well because companies are eager and proud to share about the mitigation measures they have invested in. Developing such studies on scope 3 roadmaps and achievements might help companies better understand scope 3 criteria. Particular emphasis could be put on engaging with value chains: many companies argue they have no or very little influence over suppliers or customers. SBTi could coordinate with WMB, which has aimed to mobilise 'action collaboratives' to pool influence as a sector with peers. The collaboratives, composed of critical mass companies, work together to overcome challenges and find solutions to achieve emission reduction pathways in the value chain.

"The GHG protocol does not provide sufficient guidance for scope 3 emissions (in general). This opens up for several assumptions in the calculations of the emissions, which might risk misleading focus in reducing climate change." (Survey quote from a company with targets set in 2018)

"Scope 3 criteria for different levels of ambition is still completely unclear, yet scope 3 represent 98% of our carbon footprint" – (Survey quote from a company with targets set in 2019)

SBTi could improve transparency and process in terms of methodological development

Consulted stakeholders alert about the lack of consistency between certain online documents, which sometimes overlap. Moreover, some have pointed the lack of fluidity between the teams who are writing methods and the ones validating targets: they sometimes have diverging views or information.

In general, the methodological development process lacks clarity and transparency: actors regret the lack of information about timeline, progress, methods, and difficulties; and the lack of or irregular consultation. Companies in particular feel that SBTi would benefit from co-constructing criteria with industry players and are willing to contribute to the process if needed.

"SBTi lacks capacity to manage a network of actors, there was no consultation and the guidelines do not fit with the data banks can actually get" (Financial company which committed in April 2016)

SBTi could work more closely with sector specialists to ensure guidelines are indeed adapted to a sector's realities. SBTi could also move from a method developer role to a method validator role by delegating sectoral development to external players (including industry groups) as conducted for the ICT sector for which method and pathways were published in February 2020. In that context, the example of the CDM Executive Board could provide a useful model and interesting lessons learned. The CDM Executive Board (CDM EB) supervises the Kyoto Protocol's clean development mechanism. This mechanism allows emission-reduction projects in developing countries to earn emission reduction credits that can be traded and used by industrialized countries to meet part of their emission reduction targets under the Kyoto Protocol. Any player can submit methodologies and projects to the CDM EB which reviews and validates them but the CDM EB does not develop the methodologies in-house, it relies on market players to develop them and submit them.

The need for resources and capacity building on the implementation side

SBTi is seen as a key player to provide technical assistance to companies. Expectations and needs from companies now go beyond just target setting to cover also the implementation aspect.

“SBTi should provide companies with practical tools and information to support scenario modeling, especially in international value chains in different sectors, through different trainings and webinars etc, in different countries and sectors.” (Survey quote from a company with targets set in 2019)

Relevance & communication

Relevance

The fear of losing a competitive edge drives uptake of SBTi

Most private members which had engaged with SBTi felt pushed to accelerate their climate engagement in order to stay ahead of competition, satisfy their investors and clients and attract and motivate their employees and potential recruits. For top management, SBTi is mainly a way to enhance communication for companies with regards to all of their stakeholders on sensitive issues, to aid their PR actions and limit greenwashing attacks, and to give visibility to their commitments. Some respondents also mentioned the economic benefits of SBTi for companies through energy efficiency, reducing operational costs, and the attractiveness of carbon free products on the markets, although this is not the primary reason for submitting targets. Finally, it was even mentioned that certain companies used SBTi as a mitigation tool in order to anticipate and limit the potential loss of license to operate.

"I think the general tendency of commitments to Carbon Neutrality by CEOs has encouraged companies to follow such initiatives." (Company)



Figure 24: Survey results on the motivations of organisations in setting SBTs (146 respondents from the category "Companies that have committed")

Survey results show that the top three motivation factors for considering setting an SBT are (1) to demonstrate leadership on climate change issues; (2) to be better evaluated by stakeholders/shareholders (e.g. CDP or other questionnaires); (3) to respond to clients' expectations.

Some companies worry committing to SBTs will make them vulnerable to NGO targeting, and cannot invest in costly measures

Amongst the interviewees who were reticent at the idea of committing to the SBTi, arguments for this reserve stems for the perceived uncertainty of these commitments after internal analysis. For instance, some companies felt the need to wait for more advancements in technology and innovation (for example: Carbon Capture and Storage) before setting targets, since if they did so today, it seemed impossible for them to achieve their goals. For instance, the WBCSD thought of endorsing the initiative for its members; however, they decided against it since they realised their members were not yet ready to embark on a 1.5°C pathway, and it would expose them to too much risk. Recently, the WBCSD launched the SOS 1.5 project, a cross-sectorial framework to help companies transform their operations and align with 1.5°C. SOS 1.5 provides sector-specific deep dives and a tailored roadmap for any company to achieve climate action.

The cost of implementing such actions is also a key argument for not committing, since companies feel they lack the technical expertise and would need to dramatically increase their spending to align. It is also interesting to point out that the cost of target validation is a barrier for 50%+ survey respondents.

“Much of the fear about setting targets is whether they're achievable - SBTi can help to grow confidence that they are.” (Survey quote from a consultancy).

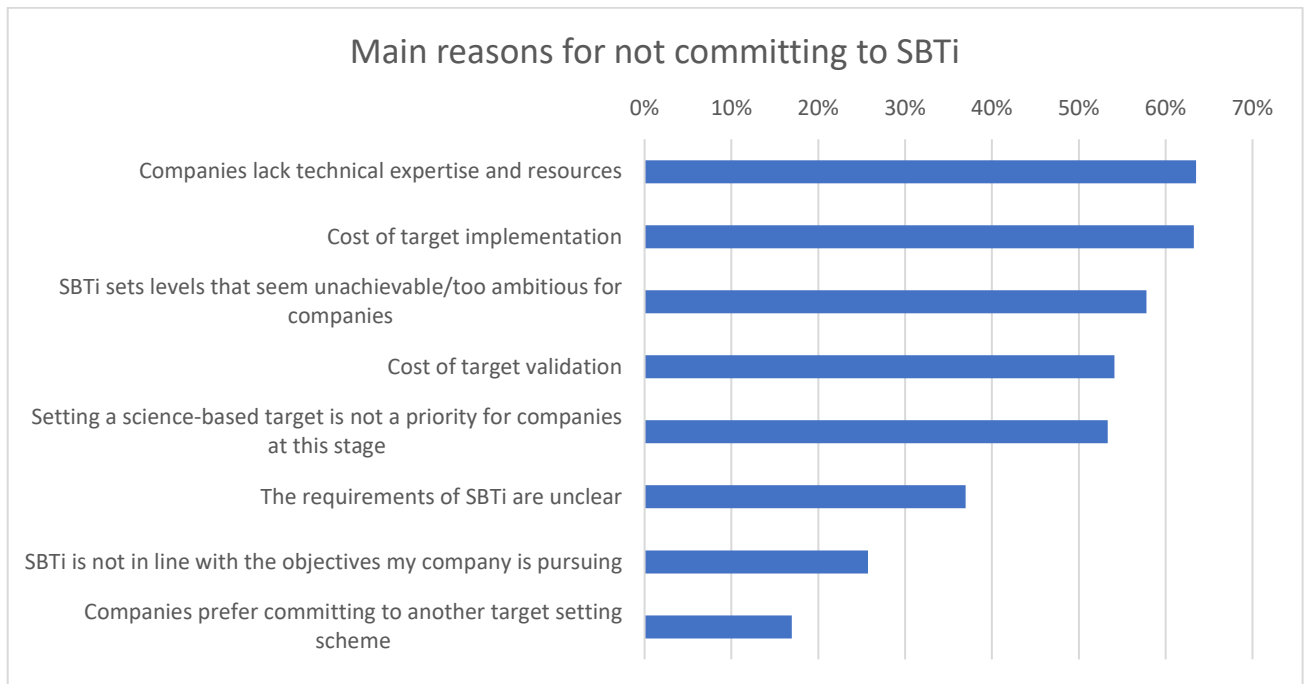


Figure 25: Survey results on main barriers for committing to SBTi (59 respondents from the category “Companies that have not committed”)

User experience

Frustrations with unreliable support from SBTi services

A number of interviewees mentioned problems with getting quick responses to their questions concerning target validation, particularly concerning methodological questions relating to below 2°C actions. Some frustrations were referred from members on the irregularity of touchpoint reactivity, especially for the first interactions with SBTi. Generally, there seems to be a lack of consistent, constructive and organised dialogue between companies and the SBTi teams. Feedback from companies included the perception that the target validation team was inexperienced (in particular in GHG accounting), that sometimes counterproductive advice was provided, and that the complexity and nuanced reality of industrial contexts were not sufficiently understood. All of these perceptions from external stakeholders have hurt the overall image and reputation of the SBTi.

To illustrate, the majority of survey respondents disagree that developing (calculating) a target for SBTi submission is a simple process.

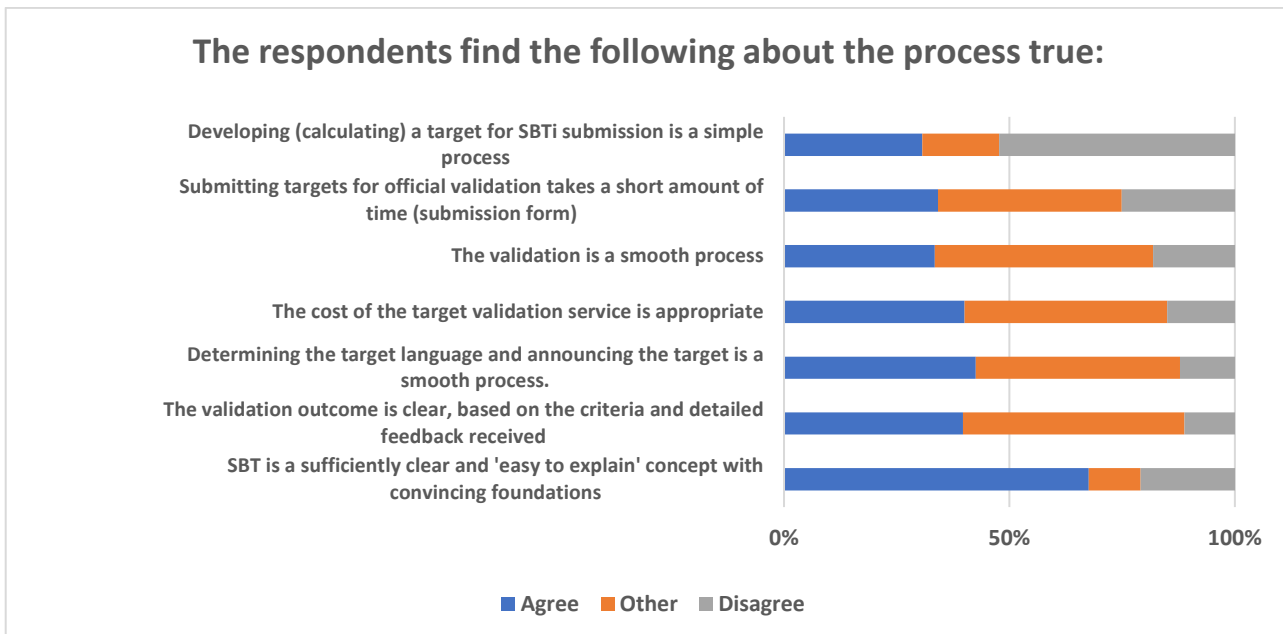


Figure 26: Survey results on the perception of the process (other refers to "no opinion" and "not applicable" responses) (208 respondents from the category "Companies")

"It takes months to hear back on inquiries, and even still our inquiries were only partially responded to. We asked very direct, very concise questions. The small number of validated targets should be a clear signal that this process and program are not working." (Survey quote from a company with targets set)

"Costs and high time-consuming processes are also barriers for submitting SBT targets, and to update them." (Survey quote from a company with targets set in 2018)

"Our biggest point of feedback for the SBTi is the responsiveness and transparency around the validation process. We had to constantly remind our review for progress updates on the validate process. It was unclear who was responsible for what part of the process." (Company committed in November 2017)

Unclear website makes it difficult for members to find relevant information

Resources on the website are difficult to find by interested parties, due to the lack of structure and non-user-friendly customer journey of the website. The search for information is time-consuming, and navigation analysis shows users abandon their searches without reaching their information. A good illustration of this is that most questions that contact teams get per email are answered in one or the other online available documents. Also, understanding which contact person is the right one to address specific enquiries could be made clearer on the website.

“We struggled in getting beginner type information and think it would be useful to provide more help for companies getting started with the benchmark.” (Company in the energy sector with a target set in October 2019)

“There are too many links to reach resources in different sections. There should be a single page with all resources, a step by step guide, and clear ways of getting assistance from SBTi. Videos on how to complete the Excel tool to set targets, or a recorded webinar, would also be very helpful.” (Survey quote from a specialized consultancy)

“We would like to have quarterly webinars where you can present updates and allow time for QA.” (Survey quote from a specialized consultancy)

A desire for platforms to help members share knowledge on SBTi

Interviewees would find it useful to have more knowledge sharing platforms for actors and important industry players to provide insight on their action plans, and guidance on finding ways to decarbonise. This is particularly the case in developing countries, such as India, that have few local examples of companies embarking or achieving decarbonisation goals. Greater sharing of business cases could increase the understanding on the realities of certain sectors.

“I think SBTi should organize workshops and get members to share operational advice, not simply inspirational information.” (Company with targets set)

“We would like to have quarterly webinars where you can present updates and allow time for QA.” (Survey quote from a specialized consultancy)

“We should make an effort to partner more strategically with companies which have validated targets, e.g., use them to incentivize other industry peers to set targets, bring them to trainings and webinars to explain the experience / process.” (SBTi Core team)

Perception and visibility

A robust and credible brand

SBTi’s strong-point is the credibility of its brand. As previously mentioned in the section on transformational effect, an overwhelming majority of interviewees agreed that validating SBTs represented a ‘gold standard’ in carbon emission targets that they could use to communicate on the robustness of their commitments while minimising the threat of potential greenwashing blames. The organisations interviewed felt that companies, in order to be taken seriously about climate change, were peer pressured to embark in this initiative. Furthermore, SBTi was perceived by almost all survey respondents as valuable in increasing climate action and commitment of management (see figure below).

“SBTs guarantees the credibility of company targets, and in some sectors, the initiative has the potential of creating pressure amongst the actors in the field to also validate these targets.” (Company with targets set in 2018)

“The SBTi is the only credible organisation that can validate the meaning of ‘ambitious’ targets in a quantitative way.” (Company in the energy sector with targets set in 2019)



Figure 27: Survey results on the value of SBTi (285 respondents: 206 companies out of which 146 have targets set, and 79 specialized consultancies)

A neutral initiative that helps companies communicate on sensitive topics

The brand’s credibility stems from the perceived neutrality of the organisation leading the initiative. Unlike many certifications, labels or awards, the coalition pushing SBTi is not politically-involved, and does not have any ties with activism nor private business corporations. This ensures a feeling of trust amongst signees, who aren’t afraid of communicating on this initiative. Companies are often afraid of greenwashing backlash, and having the scientific community backing up SBT reassures them.

Some semantic discrepancies could risk misconception

Some interviewees warn that the name of the initiative was seen to convey a serious standard of target due to its link with scientific research yet could be perceived as deceptive. Indeed, according to them, science can define how much of a ‘global carbon budget’ we have left but cannot determine how to split this budget amongst economic activities. This discrepancy between the name and the criteria was particularly mentioned for scope 3 with criteria seen sometimes as arbitrary. Furthermore, some interviewees were perplexed by the lack of technical details in the methodology. Encouraging more education and awareness on what ‘science-based’ means would ensure greater transparency and trust on what type of message the initiative is pushing.

“In my opinion, the name is more appropriate mainly for western, post-industrial transnational organisations, and might not be inclusive enough.” (SBTi funding organisation)

A need to communicate more about the value of the initiative for companies

Some stakeholders mentioned that SBTi is too focused on technical and methodological details and misses the opportunity to be more strategic on demonstrating the added value of SBTs for companies and to mainstream the initiative.

“We don't think the progress report showed 'progress' really. It focusses so much on internal functionings, efficiency of initiative, it misses the opportunity to demonstrate what the concept of SBT setting as a whole is, and what companies are thinking, what benefits they've derived from it, need to reach an audience beyond those in the sphere already”

Some desire for greater media coverage of the SBTi

Although the general perception is that SBTi was well known within industries as the way to go for carbon reduction, some interviewees would have liked a farther-reaching impact of SBTs. Certain companies interviewed, which have put in place SBTs, expected a larger media coverage, and more visibility beyond sectorial wall, and amongst political and executive spheres. There is a sense that SBTi is not focused on getting CEOs, policy-makers nor shareholders on board to actually drive strategic change. Overall, members observe that SBTi is in an advantageous position to help companies communicate around their commitments yet is still not achieving its potential when it comes to wide-spread communication. For instance, some interviewees feel that social media outreach still too limited. Further, survey respondents believe SBTi's overall market presence, exposure and perception can be improved.

“We were a bit disappointed in how much coverage we got, we expected it to be more on the media” (Energy company with target set in 2019)

Recommendations

Enhance the strategic planning approach and strengthen governance

1. Strengthen the strategic planning process to establish a vision and an implementation plan for the next 3-5 years

The review has highlighted the need to strengthen the mid-term and long-term strategic planning process, as well as the development of corresponding implementation plans. Annual work cycles and objectives have been set in the past but SBTi was still at an early stage of development and managed more as a collaborative project that was due to end in 2020. Now that the initiative has developed into a successful programme and started scaling up, it becomes necessary to adopt a long-term strategic planning approach. This is particularly important to address any risks / opportunities lying ahead, to anticipate and plan accordingly and to give clear directions to the operational teams. But this is also important from a fundraising perspective as this will allow SBTi to seek financing on the back of planned strategic developments. Finally, it becomes crucial, as SBTi faces important strategic decisions, to build consensus among the four partner organisations that may have different views on how the initiative should evolve.

As such, the SBTi Steering Committee should aim to formalize a dedicated process to establish a clear strategy and roadmap involving key stakeholders such as members of the SBTi Board, funders, strategic partners such as We Mean Business (WMB), external advisors, etc. The link between the SBTi Steering Committee and the SBTi Board seems particularly essential in this process and should be reinforced to address any inefficiencies. For instance, members of the Steering Committee are not always kept in the loop of strategic planning exercises and do not seem to be efficiently connected to other activities within partners organisations (e.g., Call to Action Team within CDP, ACT...). In addition, the interaction with the SBTi Board could be strengthened to ensure that the issues that are raised by the Steering Committee with the Board (such as the lack of resources or fundraising issues) are followed with action and trickle down to the operational level. This is an area that would need to be looked into in order to improve communication and strategic planning in the future.

2. Build a more robust operational model and structure processes

Over the past two years, SBTi has put a lot of effort into structuring its governance and operating model. However, organisational challenges remain: the lack of functional reporting lines, the need to further clarify roles within the organisation, the perception that operational management could be optimised, the need for improved information flows (in particular from the management to the operational teams), etc. The current team suffers from a lack of back-office operational support and a specific team tasked with supporting the other teams and taking on a multifunctional role is needed.

As such, based on the findings of the evaluation, the SBTi steering committee is now aiming to build a 'virtual' organisation that will replicate the process and accountability structures of an organisation while keeping SBTi formally rooted in the four partner organisations: CDP, UNGC, WRI, and WWF. This model aims to ensure effective and efficient operations of SBTi while maintaining the direct integration into the resources and networks of its partner organisations.

To this end, the SBTi Steering Committee is looking to set up an Operations Unit, comprised of a Head of Operations and relevant support staff. This team will be directly responsible for developing and implementing the detailed processes and accountability mechanisms to ensure the efficient operation of the SBTi. The evolution will also include a streamlining and clarification of roles & responsibilities as well as decision-making processes within the SBTi, including at the

Steering Committee level. The implementation of this model will have to be supported by additional funding to add staff capacity and to invest in new technology and back office solutions (e.g., CRM systems) to support the virtual organisation. In particular, additional financial resources should enable SBTi to recruit more senior staff members which is crucial to strengthening the operational and management structure

In terms of leadership of the initiative, if there does not appear to be a consensus on having a CEO, having a rotating leadership at steering committee level (6 months to a year) between the four partner organisations could be an interesting solution to investigate.

In the longer term, SBTi should explore the possible benefits of becoming a separate legal entity with a board consisting of representatives of the four founding organisations to retain the foundations, origin and networks for growth. This would have several advantages:

- Facilitate strategic planning and decision-making;
- Help address barriers to fundraising such as conflicting priorities (see point 4),
- Help SBTi set up clear reporting lines and optimise operational management, enhancing integration of dedicated experts within a single institution

On the other hand, SBTi would be restricted to some extent from reaching the valuable support and synergies from partner organisations (including local offices in key geographies), and lose somewhat the reputational strength that the 4 partner organisations bring.

3. Strengthen coordination with WMB and re-evaluate respective roles and functions

WMB is a key strategic partner for SBTi. Beyond providing access to a wide network of organisations, WMB has played a significant role for various types of activities, including funding the Commit to Action (CTA) team which is responsible for WMB corporate engagement (including for the benefit of SBTi), providing support on communication activities, etc. Nevertheless, it appears that there is a disconnect between the activities carried out by We Mean Business and the day-to-day operations and needs of SBTi. For instance, SBTi is not involved in the strategic planning exercises of WMB, SBTi does not take part in defining the strategic priorities of the CTA Team, SBTi does not have a clear vision of the corporate engagement activities carried out by WMB, etc. In addition, if CDP is a member of WMB, the 3 other partner organisations are not and this has created a significant barrier for collaboration. Generally speaking, SBTi's Steering Committee appears absent from important strategic, operational and funding discussions held within WMB.

There is a strong need to rethink how the two organisations work together as there are clearly synergies between them and the value of the collaboration and integration of these initiatives should not be underestimated. Two complementary actions should be considered:

- **Building capacity internally:** SBTi should start building capacity and progressively internalising key functions (communication, fundraising, corporate engagement, analysis of markets and high impact companies ...), at least for coordination purposes. This should allow the initiative to decide on strategic orientations and allocate resources where the it feels it is more needed. This should be accompanied by additional funding.
- **Improving governance and cooperation with WMB and other partners:** Full internalisation seems however challenging in the short term as it will require recruiting and training new employees, bringing in and integrating new types of expertise and structuring potentially large teams. In addition, focus must remain on strengthening SBTi's core activities, at least in the short term. As such, SBTi will likely need to rely on support from WMB or other partners to take up specific areas (including advocacy, media coverage). A revised governance with clearly defined roles and dedicated funding needs to be implemented to streamline cooperation and leverage complementarity between WMB and SBTi. In particular, this implies closer involvement of the four SBTi partner

organisations in WMB's strategic and operational decision-making process (including more regular interactions to ensure efficient communication, cooperation and collaborative decision-making).

Another question relates to the current funding set up: should WMB remain the granter of SBTi or should funds be directly provided to SBTi by the Ikea Foundation (via one of the SBTi's entities which regrants to the others)? On the one hand, having SBTi funded directly would ease the relationship between the two organisations and help establish a more balanced hierarchy and collaborative approach. On the other hand, this would require more capacity within the Ikea Foundation that currently outsources the management of the grant to WMB and would raise the question of which organisation within SBTi would be the recipient of the funds (since SBTi is not an independent entity). In addition, this might create a disconnect between SBTi and the WMB members. If, on the other hand, WMB were to remain the granter, the attention given to SBTi would need to be reconsidered to ensure an adequate level of support and coordination given the scale the initiative has reached (including a ringfenced budget and resources for SBTi over multiple years to provide visibility). Finally, the 4 partner organisations should be closely involved in any discussion or decision related to the allocation of the funds.

Fundraising

4. Strengthen the ability of SBTi to raise funding

SBTi has faced various challenges over the past few years to raise funding to scale-up the initiative and maximize its impact. Firstly, a lack of capacity and dedicated fundraising staff to develop fundraising resources and strategically approach funders has limited SBTi's ability to leverage its success for fundraising. Secondly, SBTi has relied on fundraising support from its partner organisations but they have struggled to prioritise SBTi in their fundraising processes and strategies, while acting as gatekeepers to funders. At the same time, coalitions such as WMB or the Science Based Targets Network are understood to have been able to leverage the reputation and success of SBTi in their fundraising. There is therefore significant potential, with the right infrastructure in place, for SBTi to access this available funding, interacting with the funders directly.

To allow SBTi to enhance its approach to fundraising, different options can be considered:

- Building dedicated fundraising capacity within the SBTi (through dedicated development managers within SBTi) to establish a direct relationship with funders interested in funding the SBTi but also to represent more strongly the interest of SBTi within the partner organisations.
- Leverage the strategic planning process to attract funders and make them part of the strategic development of SBTi. Financing should also be incorporated into the strategic planning.
- Open scope of potential funders to the public sector and develop specific approach for these actors. This could include EU funding (e.g., the Horizon 2020 programme and its successor, Climate KIC) and funding from national governments (e.g., energy and environment government agencies)

5. Develop new revenue streams while avoiding commercialisation

SBTi has started to develop alternative revenue streams through the establishment of the target validation service, in particular. SBTi should explore more options to diversify its sources of revenue and strengthen its financial situation. This could include:

- The training and accreditation of consultants (including regular renewal reviews) to support companies in the elaboration of science-based targets (see point 11 below)

- Royalties collected from companies using the SBTi brand on their products / services
- Development of a suite of services that companies could benefit from such as: technical assistance, peer-to-peer exchanges, seminars, audits to assess companies' progress towards achieving their targets.
- Development of data services for investors through the information collected by SBTi

Scale up adoption of the initiative in key sectors and geographies

6. Strengthen corporate engagement capacity within SBTi

SBTi has historically had very limited resources to conduct corporate engagement activities in-house. This function has to date been fulfilled, to a large extent, by the Commit to Action (CTA) team within CDP funded by WMB, completed by recruitment activities through other channels such as the WWF network of offices, UNGC local networks or even consultants. The CTA team has been created to drive the adoption of priority commitments such as SBT but also other initiatives like RE100. As such, while CTA has been instrumental in driving adoption of SBTs, it is not dedicated to SBTi and its strategic priorities are determined by WMB without involvement of SBTi. Even if CTA continues playing its role, it now appears necessary to build corporate engagement capacity within the SBTi for key strategic functions (e.g. supply chain engagement, investor engagement, etc.). Furthermore, there is a need to continue building capacity (e.g., through trainings, graduate programmes) within the SBTi partners to leverage their extensive assets (e.g. UN Global Compact Local Networks, WWF Offices, CDP Supply Chain members & Investor Signatories, etc.).

As such, more dedicated corporate engagement resources are required within SBTi to strengthen recruitment of companies and build capacity with strategic partners.

7. Embed in existing market and reporting frameworks to accelerate institutionalisation and contribute to developing an integrated scheme (CDP reporting, RE 100...)

Institutionalisation of SBTi refers to embedding science-based targets in and amplifying them through value chains, financial markets, reporting frameworks and regulatory frameworks. Strategic activities to promote institutionalisation of SBT do happen as it is a core pillar of the SBTi strategy, but mostly on an ad hoc basis currently and without a formalised strategic approach. Without dedicated staff capacity for this, these activities often fall to SBTi Steering Committee members who have limited bandwidth.

Institutionalisation has been identified as a key issue to be addressed by the SBTi Steering Committee. As such, SBTi has plans to add dedicated staff capacity for different aspects of the institutionalisation strategy, namely strategic investor, policy, and supply chain engagement.

An important area will be for SBTi to connect to and align with strategically aligned organisations and initiatives (starting with the other WMB initiatives). SBTi should aim to build bridges and strengthen cooperation with key initiatives and players in the market to ensure a more widespread adoption. In addition, SBTi should consider building capacity within market players and potential partners to facilitate endorsement and adoption and encourage them to promote the initiative. Finally, the large diversity of schemes and initiatives is a strong barrier for company action and commitment. SBTi should be proactive and contribute to consolidating an integrated scheme combining target setting, disclosure and reporting, etc. This would help institutionalise SBTi, make it more visible and embed it strongly in the market.

Strategic initiatives include reporting / disclosure organisations and standards (such as the Task Force on Climate-related Financial Disclosures - TCFD, WEF scorecard, World Benchmark Alliance, GRI, World Reporting Alliance), certification organisations (such as BCorp), rating agencies including ESG rating agencies with a climate focus (such as Moody credit risk rating, Trucost, Vigeo Eiris, or MSCI), investor engagement initiatives (such as Climate Action 100+) and business-led initiatives (such as the WBCSD SOS 1.5 project). For instance, TCFD, under the Metrics and Targets thematic area, recommends that companies describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. SBTi could feature in the TCFD recommendations as the goal standard for company target setting.

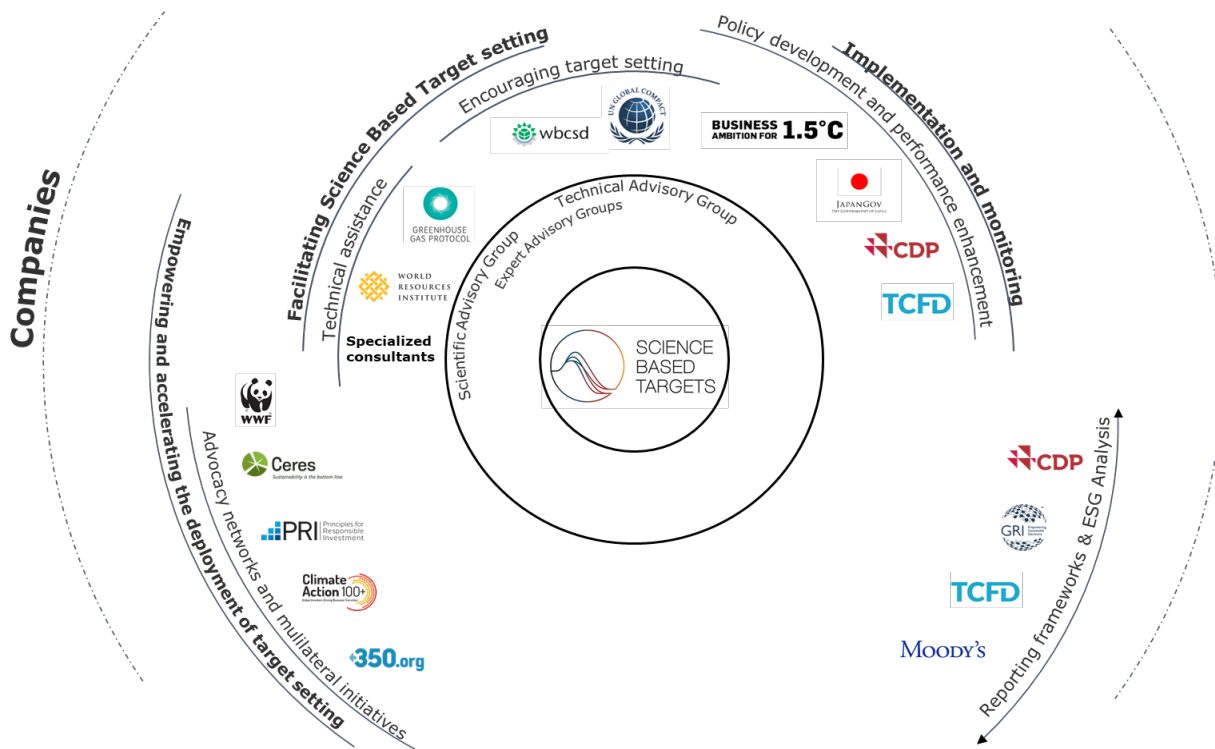


Figure 28: Visual representation of SBTi ecosystem

Initiatives are already underway. For instance, UNGC's Communication of Progress is being updated in 2020. All 10,000 companies are required to report on their progress and SBTi is likely to be an element. In addition, UNGC are developing "Sustainable Development Goal (SDG) Ambition targets" and outlining a set of asks across the SDGs, SBTi and the 1.5 campaign will be well featured.

Depending on the structure of the Engagement Team, this function could be fulfilled by the SBTi's Head of the Corporate Engagement Team or a dedicated Partnership Manager. In any case, strengthening the capacity of the SBTi in this area appears to be a prerequisite to accelerate institutionalisation and a necessary condition to mainstream SBTs.

8. Develop a strategy to increase adoption by heavy emitting sectors

The uptake of SBTs has been uneven across sectors, with particularly heavy industry sectors lagging behind in comparison with the momentum seen in other parts of the economy. The delay in releasing some SBT sector specific guidance is understood to be a factor explaining this trend

(e.g. the oil & gas sector). But, in addition, Heavy emitting industries face very practical technological, political, and financial barriers for decarbonisation and therefore for setting SBTs. Such industries can also be already strongly regulated such as in Europe with the EU Emissions Trading Scheme. As such, the incentives of engaging with an NGO-driven voluntary initiative like SBTi appear to be limited to outweigh these barriers.

Nevertheless, some key emitters have recently adopted bold climate targets, including in the oil & gas sector (e.g., Shell, BP...). Where first movers from these sectors have set SBTs, there is evidence that pressure from investors and/or customers has played a critical role in driving these targets.

Thus, there is a need for more indirect engagement tactics, like amplification of SBTi through financial markets and supply chains, to drive SBTi adoption in those sectors where commitment has been limited. One option would be for SBTi to either have, or attach itself to an organisation that has, investor backing/signatories.

Another facilitating factor would be to have an expert as a key contact person for each heavy emitting sector (whether in-house or through the technical advisory group) that "speaks their language" and understand in detail the technical complexity of their processes. Having an identified contact is felt to be missing by some industry players.

9. Address barriers for SBT adoption in emerging markets

SBT adoption in emerging markets has been slow and challenging. In addition, connection and coordination between the local offices of the four partner organisations seems to be insufficient and, in some cases, non-existent.

The model SBTi has developed to address this, and has been trying to fundraise for, are so-called 'SBTi incubators' in those markets. The incubators will be embedded in the SBTi partner organisations local offices to ensure there is both local expertise and a natural connection to the SBTi. Key activities of the incubators will be to localise the engagement of companies and regulators, as well as deliver outreach and technical support activities to allow targeted interventions for each market barriers. The analyses carried out in the key geographies, as part of the review, highlighted a great need for such local engagement.

Over the past year some regional offices have started delivering basic versions of incubators, notably in India, China, Mexico, and South Africa. However, a common challenge has been that these are significantly under-resourced and, therefore, limited in their impact.

SBTi should aim to rely more on the network of local offices of its four partner organisations and investigate how best to leverage local capacity, create synergies and enhance coordination between offices and assess the potential of each organisation to take the lead on specific strategic activities (e.g., corporate engagement). For instance, UNGC is seeking funding to a "Global Impact Initiative Ambition 1.5°C" to help mainstream SBTi in its Local Networks (70 across the world). Through the SBTi, UNGC is also currently hiring a staff to work from Global Compact Local Network Brazil with corporate engagement.

Another strategy that would need to be investigated by SBTi is to link more closely with local NGOs that are particularly well positioned in the market to strengthen local presence and visibility. Those organisations can be a simple relay of the initiative or even become part of a local subsidiary of SBTi (with dedicated governance) in the region. SBTi could use lessons learned from other structures such as Climate Action 100+ which has a more decentralised approach in the regional markets and clear geographic responsibilities between partner organisations. In addition, the development of adequate tools and resources, in the local language, is an absolute necessity

Developing local capacity and creating local task forces between the four partner organisations and possibly with other external partners are hence crucial to drive adoption in key emerging markets. Additional financial resources are necessary to engage these initiatives locally. Most of these functions have been with WMB historically and there is a need to re-evaluate the allocation of resources while keeping the strong leverage effect of WMB.

10. Raise awareness amongst policy makers of the initiative to accelerate adequate policy development and support

There is a significant lack of awareness of SBTi amongst policy makers and key civil servants. Informing policy makers and building capacity (e.g. through webinars or one on one meetings) on how SBTi works and could be relevant to them would be a strong lever to accelerate institutionalisation.

11. Streamline / outsource the target validation process

As the initiative scales up and the number of targets to validate grows exponentially, SBTi needs to consider options to ensure that the target validation process remains fit for purpose. This can include:

- Considering outsourcing some or all of the target validation stage to external auditors. The target validation team would continue playing a key role in providing advice throughout the process and granting final validation but the time-consuming part of the process would be outsourced, which would free up internal expert capacity. Drawbacks of this approach would include:
 - Revenues coming from the target validation service would likely reduce. However, SBTi could still charge a (reduced) fee for target validation and could generate additional revenues from training and accrediting consultants / auditors. This would in turn help build capacity in local markets and develop an ecosystem of players with knowledge of SBTi and a vested interest in promoting it.
 - There would be a need to fully standardize the target validation process and method to allow external parties to carry out this step, which would require significant work
 - This would reduce the interaction of SBTi with companies which represents a major source of learnings for the initiative. However, the nature of the interaction between SBTi staff and companies could evolve to become more of a long-term advisory role.
- Look into opportunities to automate the target validation process, through specific software and applications. This would however also require significant work to standardize and formalize this process into an IT solution and probably also limit the interaction between companies and the SBTi team.

Methodological development

12. Build consensus around methodological development and accelerate the ability of SBTi to develop new methods

Methodological development has historically been a bottleneck of the initiative and a limiting factor for company commitment and adoption in particular in some sectors (e.g. financial or oil & gas sectors) (see point 8 above). In addition, interactions with the broader ecosystem have been insufficient with, for instance, some external players mentioning the perceived closed nature of SBTi and the technical advisory group being underused. The lack of capacity has been a key factor explaining this issue.

There are two key issues at stake:

- Ensure timely update and development of methodologies to remove any barrier to entry (including 1.5 SDA)
- Ensure a more inclusive methodological development process to achieve consensus and recognition of the methodologies (including with research institutes, industries...). This would allow SBTi to rely more on external players for specific methodological developments and to diversify sources of knowledge, building on organisations that have translated global scenarios to local and sectoral ones (e.g. IDDRI). This would need to be supported by additional capacity for coordination and project management and possibly by the hiring of in-house sectoral experts.

13. Keep and consolidate a target-setting model allowing companies to commit to different levels of ambition and, for the least advanced, to embark on a “transition” journey

SBTi is faced with a dilemma. On the one hand, scientific evidence calls for drastic action and steep decarbonization pathways and SBTi has built its credibility by being true to science. On the other hand, companies highlight the current lack of business case and technologies to allow them to meet their targets. In addition, there is a material risk that companies do not manage to achieve their targets (because they are too ambitious) which would discredit the initiative. More importantly, if SBTi is to scale up and be adopted by a majority of companies, the initiative needs to establish a framework to embark less mature companies.

Currently, SBTi is promoting the 1.5°C pathway through campaigns and corporate engagement efforts but continues to accept well-below 2°C targets. However, the different target levels are not always clear to companies and uncertainty around possible evolutions of the SBTi requirements creates confusion and can be a barrier for companies to commit. SBTi should aim to formalise and communicate more clearly its model and ensure a stable framework in the long term with different levels of commitments and associated requirements. These levels of commitments could be based on the level of ambition of the pathways as it is today (well below 2°C, 1.5°C...) but could include additional requirements to achieve the highest level of certification (detailed action plan, information on governance structure, etc.). SBTi should also think about the “transition journey” that a company could follow, from the lowest to the highest ambition level.

Such framework would have different advantages:

- It would allow less mature companies to start the journey (particularly in developing economies) while providing them with the opportunity to increase their level of ambition over time. In that sense, it will help SBTi rally more broadly.
- It would still be true to science by ensuring the level of ambition of a given company with regards to scientific benchmarks is transparent

- It would provide more stringent requirements for companies adopting the most ambitious target to help ensure their capacity to meet the target. Several companies have indeed signed up to a 1.5°C target without the beginning of a strategy.

On the other hand, it could also have some drawbacks such as creating a lock-in effect and would therefore need to be designed carefully.

14. Leverage the methodological base to make SBTs more actionable within companies

SBTi has developed a highly valuable corpus of methodologies and resources, including tools and guidance, but it remains somewhat theoretical. Some companies have highlighted the importance of making these resources and tools more actionable and tangible for companies to support and influence the decision-making process, for instance, when making investment decisions. For example, some companies mention that they have developed benchmarks based on the SBT metrics against which they evaluate projects.

There is untapped potential to leverage SBTi's methodological base to root SBTi's principles deeper within the various company functions and to support climate decisions and actions. SBTi could for instance launch a programme with pilot companies aimed at developing specific tools / benchmarks / guidance to help the different corporate functions integrate the climate issue into their activities (strategy, procurement, accounting etc.)

15. Carry out specific research and development around scope 3

The evaluation has highlighted the need to strengthen the Scope 3 methodological base which is an important methodological area. On the one hand, Scope 3 methodology plays a central role in setting value chain targets and in institutionalising SBTs. On the other hand, some companies struggle to understand the guidance while others are reluctant to commit to SBTi because of the implications and uncertainty around Scope 3 for example, the leverage over suppliers and their emissions reduction.

Focusing efforts on scope 3 would help tap into actors operating in countries that have not yet adopted 2050 net zero targets nor have aligned with 1.5°C, such as China, South-East Asia and Indonesia. Providing more technical assistance to companies on this issue and facilitating capacity building and exchange of good practices and lessons learned between companies would be a strong facilitation factor.

Building on research conducted by WRI in summer 2019, the SBTi will shortly be launching a broad research and development effort to improve the scope 3 target-setting framework. Key goals are:

- Understand current practice and barriers around scope 3 target-setting and target-implementation better
- Strengthen the intellectual foundations for scope 3 targets
- Developed scope 3 target-setting framework and guidance for 'Paris-aligned' value chain targets
- Explore which scope 3 implementation support mechanisms the SBTi is well-placed to deliver

16. Make SBTi's resources and knowledge more accessible and 'customer-friendly'

The evaluation highlighted the need to make information and resources from the SBTi more accessible and to organise them in a more user-friendly way. Focusing on creating a smoother customer journey and more user-friendly information has been identified by the SBTi Steering

Committee as a key priority and it is seen as a prerequisite for the initiative to handle the exponential growth in companies setting SBTs that it aims for.

Three (not mutually exclusive) key interventions are under consideration by SBTi:

- The implementation of an improved query management system, including a best practice website FAQ to enable companies to find the most commonly requested information independently
- A more strategic approach to knowledge management that enables knowledge sharing and capacity building around SBTs
- The development of a user-friendly platform that allows companies to understand the key steps required to develop SBTs, the resources that are available to support them at each step, and an online submission form that lets them successively build their target submission while drawing on this information. This would be essentially an SBT App.

While these actions appear to be very important medium/long-term improvements, there seems to be an urgent need to simplify/streamline the numerous existing documents into clearer guidance. For example, the SBTi criteria contain information that require users to look at the Target Validation Protocol document and the Target Submission Form document. The criteria should stand alone and have all information needed to set targets. In addition, various sections of the website refer to different versions of the SBTi criteria; as such, there is a need to review and ensure that the website is up-to-date.

In conclusion, there is a need for improved knowledge management and use of technology to organise the SBTi's technical resources and available information which will require additional capacity and financial resources.

17. Develop methodologies / activities around negative emission actions

Carbon neutrality is becoming the new corporate engagement standard with all the questions and risks that it raises. SBTi is currently developing a method on carbon neutrality and is looking to provide guidance on negative emission actions. This methodological development seems particularly crucial and would need to be prioritized to ensure SBTi is positioned on this topic. SBTi is particularly well placed, given its brand recognition, to define good practices and acceptable actions / projects to help raise the bar and help business understand the respective pros and cons of the various options: offsetting, insetting, nature-based solutions, carbon capture and storage, etc. There is also an opportunity for SBTi to incentivize business transformation and to recognize products and services that contribute to reducing / avoiding / capturing emissions.

Implementation and progress monitoring

18. Put in place mechanisms to assess progress and impact of companies with SBTs

A mechanism to monitor company progress towards their target and hold companies accountable ranks high in interviewee expectations. In addition, SBTi currently lacks KPIs and tracking mechanisms to assess the impact of the initiative over time (particularly in terms of achieved emission reductions).

SBTi has identified this issue as a key strategic area moving forward. But there is currently no consensus within SBTi on the exact role SBTi should play nor on the type of solution to develop. SBTi is nevertheless currently considering developing a model that will allow to track company progress against their targets and to monitor SBTi's impact. The evaluation's findings support

the need to develop such mechanism which should be carefully designed to minimise any disincentives for companies to join the initiative.

Various complementary actions can be considered:

- Raise requirements at target validation stage to demonstrate how the target will be met
- Develop a protocol that can be used by third-party verifiers to assess progress towards targets
- Link with other initiatives such as ACT or the Climate Action Methodology Data and Analysis (CAMDA) working group more strongly.
 - ACT is an initiative launched by ADEME and CDP that aims to develop a methodology that will recognize companies, sector by sector, that have set ambitious climate commitments and are taking steps to ensure the transition to a low-carbon economy.
 - The CAMDA working group is coordinated by the UNFCCC and its purpose is to support the UNFCCC in implementing the COP25 decision “to continue engaging with non-Party stakeholders and enhancing the effectiveness of the Non-State Actor Zone for Climate Action platform, including the tracking of voluntary action”.
- Require companies to report on a precise set of KPIs
- Interact with authorities to promote emissions reporting requirements and the verification of this information by independent third parties (in turn validating progress towards climate targets)

19. Consider developing carrot & stick mechanisms for implementation of targets

In relation to the point above, SBTi should formalise a clear set of rules for companies that have had their target approved in order to incentivise action. This can include:

- Annual publication of a league table
- Awards putting forward best performing companies in the year, per sector
- Exclusion from SBTi

20. Contribute to providing solutions for companies to help them implement their targets

There is a question on the role SBTi could play to help companies implement their targets. Whether SBTi should offer companies more support to implement and achieve their targets or whether it should stay focused on its core activities is an open question. However, in the long term, the credibility of the SBTi brand will be strongly correlated with whether and to what extent companies committed under the initiative meet their targets. Greater in-depth strategic consideration should be given to the role SBTi could play in this area.

Some routes that could be explored (whether undertaken internally or through partnerships) include:

- Establish a continuous relationship with companies: at the moment, interactions between companies and SBTi occur principally at the target validation stage. However, SBTi is uniquely positioned to provide continuous support to companies, facilitate the network of companies that have signed-up, encourage the sharing of best practices, etc.
- Help demonstrate the feasibility of the transition: SBTi could work with national government agencies, NGOs, financial institutions or other partners to set up financing schemes, develop pilot programmes to help pioneer companies make the transition, build sectoral initiatives
- Develop tools for companies to identify suitable decarbonisation options.

Advocacy

21. Leverage SBTi momentum for policy advocacy

There is wide consensus amongst internal stakeholders on the fact that SBTi should play a larger role in policy advocacy and in promoting policy development. The potential is huge as policy makers will progressively strengthen climate ambition in the face of climate emergency (and current level of awareness of the initiative is low). In addition, companies today need support from ambitious policy frameworks to provide long-term signals and visibility and to make structural changes that will be instrumental to help companies meet their targets.

SBTi acknowledges the huge potential of leveraging SBTi companies for strategic policy advocacy, an impact area that has been part of the SBTi's theory of change from the beginning. The idea is also conceptualised in the Ambition Loop that several SBTi partners co-developed. However, while SBTi has pursued some policy advocacy opportunities on an ad hoc basis, there is currently no coherent strategy for policy advocacy in place.

The SBTi Steering Committee mostly sees the role of SBTi in this space as providing a bridge between ambitious companies and existing policy advocacy efforts within the SBTi partners and strategic collaborators like the We Mean Business coalition.

Policy advocacy does not have to be carried out in-house. However, SBTi should at a minimum recruit a Policy Engagement Manager that will coordinate advocacy activities with SBTi partners and strategic collaborators, ensure that SBTi company base can be leveraged to influence policy decisions and that SBTi is represented, whether at international level (in events such as the COP) or for important policy developments (such as the European Green Deal or national climate strategies). WMB appears as a natural strategic partner to lead and coordinate advocacy activities amongst the various players.

In addition, SBTi could contribute to structuring a group of ambitious companies willing to be active in policy advocacy and to conduct grassroots advocacy action.

22. Position the SBTi methods as tools to help policy makers engage with businesses

Several countries are developing ambitious national climate strategies but decision-makers generally encounter difficulties in engaging with the private sector and defining suitable environmental performance standards for companies. There is an opportunity for SBTi to play a role at country level by developing relevant tools and methods to help policy makers engage with the private sector. In the current Covid-19 crisis, there could also be opportunities to position SBTi as a tool to make the economic stimulus packages greener (e.g. governments could ask large companies to commit to an initiative like SBTi in exchange for financial support).

Improve overall visibility and promotion

23. Build communication capacity within SBTi

SBTi has an in-house communication team but with limited capacity. As such, it has focused historically on operational activities rather than on strategic aspects with WMB and the partner organisations playing an amplifier role. It has now become necessary to strengthen communication activities and to develop capacity internally.

In addition, hiring a high visibility figure with senior communication background could be a strong accelerating factor.

24.Strengthen brand recognition in key geographies

SBTi's name is now widely established in developed economies; however, it not well understood and identified in developing economies. Recognition of respective partners is greater in comparison. SBTi partners should launch or revitalize communication plans and interactive events including webinars to bring SBTi closer to companies, enhance understanding and demonstrate the initiative's value to stakeholders, investors and executives.

25.Help companies with their communication

Some companies have mentioned disappointing communication / media coverage following their engagement / validation of their targets.

SBTi could play a stronger role in promoting companies within their network or advise them on suitable and effective communication channels. This role could also be covered through the collaboration with WMB.

Conclusion

This review highlighted the incredible journey SBTi has undertaken so far. Since its creation 5 years ago, SBTi has achieved rapid growth and led to a paradigm shift on how companies think about climate target setting. More than ever, in a context where State actors' action is insufficient, an initiative like SBTi is essential, for a reasonable chance to keep a global temperature increase below +1.5°C.

This evaluation has also identified significant areas for improvement and challenges faced by the initiative. These issues require special attention and action to ensure the sustainability and scale-up of SBTi. The main conclusions of the evaluation are summarized in the following paragraphs.

Collaboration should remain at the core of the initiative, this is the sinequanone condition to maintain credibility and visibility, to scale up and to address the different areas necessary to create impact. This means working on 3 main levels:

- On the collaboration between the 4 partner organisations. This has been a key success factor of the initiative but it also represents operational challenges which need to be addressed;
- On the collaboration with We Mean Business. It needs to be recast to ensure appropriate governance and decision-making processes, efficient operational coordination and leverage of synergies between the two organisations;
- On the collaboration with the rest of the ecosystem. This should be strengthened to accelerate institutionalisation and embed SBTi more strongly in the market (including in specific sectors and geographies).

Sufficient funding needs be provided to ensure the initiative can build capacity and has sufficient resources to undertake its various activities. This needs to be addressed both by reviewing the current funding distribution and by building capacity within SBTi to be able to attract further funding. This can be complemented by developing new services and revenue streams.

In the short term, the initiative should focus on strengthening its core activities and on maximising these activities' impact. This means rapidly addressing the following issues:

- Strengthening the mid-term and long-term strategic planning process;
- Continuing to structure and streamline the initiative to move as close as possible to a "virtual organisation" with an efficient operational structure;
- Looking into options to achieve scale for the target validation process;
- Speeding up the methodological development in the priority areas
- Improving the user-friendliness of the resources and the overall customer journey;
- Accelerating institutionalization and integration within the ecosystem and looking specifically into opportunities to embed SBTi into stimulus packages.

In the longer term, the initiative should aim to address specific strategic challenges, including:

- Developing a mechanism to monitor company progress towards their target(s) and to hold companies accountable;
- Structuring a long-term policy advocacy strategy with partners such as WMB to embed SBTi into national policies and programmes;
- Carrying out a strategic analysis on how SBTi could be more involved in the implementation phase and have more interactions with the committed companies;
- Investigating opportunities to build a more integrated scheme with other players within the ecosystem.

Appendices

SBTi Review and Recommendations

Interview Guide (External)

Introduction

Can you please introduce yourselves? Describe your role and responsibilities
What is the relationship between your organisation and SBTi

Organisation's objectives

What motivates organisations to voluntarily set emissions reduction targets?
How does SBTi contribute to your organisation meeting its objectives? What are these specific objectives?
In what way is SBTi limited in its reach and impact in helping you meet your objectives? Are there gaps between what SBTi offers and what you seek? What can be improved?
What target setting options did you consider other than targets validated by the SBTi? For example, did you consider setting 'science-aligned targets' without official validation from the SBTi?
How does target setting impact your business? (investments/ action plans).

General Perception

What is the overall impact of the Science Based Targets initiative in your opinion? Does it reach its potential at this stage? What are the challenges faced?

Visibility

What is the level of visibility of SBTi in your market? Where did you first discover SBTi? Does this visibility have a positive impact on companies that engage with SBTi?
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Motivation

What are your motivations to commit through SBTi?
Can you explain why you did not choose SBTi?
If a significant share of your competitors/ main competitor committed through SBTi, would that have an impact on your motivation to sign up?

User experience

How has SBTi facilitated target setting? What could be improved?
What could the SBTi do to encourage more companies to set SBTs?
How user-friendly are the methodological resources provided by SBTi? Can you identify any documents in particular for which you have specific comments?
Are SBTi resources sufficiently adapted to your sector and scale?
For target setting is it necessary to commission the work of a specialist external consultant? For what aspects is this support required? Have you estimated the resources required for setting and validating targets along with subsequent reporting, potential support from a consultant?
In addition, have you estimated the overall resources required and implication of different departments in the process of investments in measures to reduce emissions in line with targets (sustainability, R&D, DG, CEO, Board, procurement, communications, finance etc)?
What is your perception of the target validation process? What challenges did you face in having your targets validated?
What is the perceived level of clarity of SBTi criteria?
What is the validity of SBTi criteria for companies in different stages of the target setting process?
What is your perception of the adaptation from 2°C to 1.5°C and how has it affected your organisation?
What is your evaluation of the follow-up process after targets have been set to monitor progress?

Resources & Funding

What has been your experience with regard to the responsiveness of the SBTi team to your enquiries and requests? How long does it take to receive a response by email? Are you able to reach the SBTi team by phone?
How do you evaluate the fee required by SBTi (Scale of 1-10: 1 being too expensive and 10 being very reasonable)

Future development

Where do you see SBTi in 5 years' time and how should the initiative evolve in your opinion?
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Document and contact collection

Can you identify other organisations that would be useful to interview for this study?
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SBTi Review and Recommendations

Interview Guide (Internal)

Introduction

What is your understanding of the context, purpose and scope of this review?
Please introduce yourselves - describe your role and responsibilities with regard to SBTi
Could you give us a brief historical summary of the SBTi in your geography (key dates and milestones)?
Could you give us a brief overview of the policy and regulatory context in your geography?
Could you give us a brief overview of the corporate landscape in your geography?
What are your expectations of this review?

Governance and processes

What is your opinion on the current governance structure and how could it be improved (e.g., functioning of the steering committee, organisation within project core team, communication, role of advisory group)?
What is your opinion of the relationship with and interaction between SBTi and the WMB secretariat and coalition? (SWOT)
What are your views on internal processes and how procedures and practice could be improved over time?

Efficiency and transformational effect

What are the goals of the SBT initiative from your perspectives? What should SBTi deliver in terms of immediate outcome and in terms of impacts in the longer term?
What is your general impression of the current status/progress of the initiative with regard to its purpose?
How effective is the initiative in delivering the change it is aiming to drive? What are its strong points? What are its weak points?
What are the key barriers and levers for the initiative to scaling up? (consider SBTi branding & communication, SBTi Methodology & Process, Government Policy, Stakeholders' expectations and cultural aspects, Corporate governance...)
What role do you think SBTi should play in monitoring companies' progress in meeting their targets? What other organisations could play a role in monitoring progress within committed companies and ensure that actual plans and actions are implemented?
How can SBTi facilitate the implementation phase and support companies?
How do you think SBTi's approach to the transition from 2°C to 1.5°C could be improved and what are the barriers faced? What would it take to raise the bar to 1.5°C for all SBT companies?
What are your views on SBTi's theory of change? Do you see it materialise in specific sectors / geographies?

Do you feel SBTi should have a more active role in terms of advocacy? Should its partner organisations play a role in advocating for the policies companies need to achieve their targets? Should the SBTi play a role in advocating for stronger NDCs to give companies the certainty they need to make needed investments to meet their targets?

What have you noticed about the difficulties of scaling up the initiative in general and particularly in certain sectors and geographies?

User experience

Have you already collected any feedback from companies on their experience navigating through the target setting resources?

What is your perception of the true value for companies having their targets validated by SBTi?

Perception and visibility

How strong is the SBTi brand in your opinion?

What is, in your opinion, the perception of companies, institutional bodies, policy makers?

How do you think SBTi could maximize visibility for the purpose of a greater impact?

Future development

Where do you see SBTi in 5 years' time and how should the initiative evolve in your opinion?

What would be your key recommendations for the initiative to scale up?

What are the main challenges faced by SBTi and how can they be addressed?

Document and contact collection

Do you see any specific relevant internal documents that could be shared with us?

Which stakeholders are particularly important from your perspective to interview during the evaluation?

Internal:

External:

Finance

In what manner do you assess the financial requirements of different resources within SBTi and how funding is allocated in the best way possible?

How efficiently do you feel that resources are allocated currently?

Do you feel SBTi resources (human, financial...) are sufficient to carry out its missions? What are the gaps?

How do the "other funders" (outside of core trio) get involved in the project?

SBTi Review and Recommendations

Websurvey

Stream 1: Companies

Identification
What is the status of your company with respect to the Science Based Targets initiative?
In which country is your organisation headquartered?
Please provide the following key dates:
Perception of drivers & barriers
First target(s) submitted to the SBTi for validation (Month and year, or "N/A")
Most recent target(s) submitted to the SBTi for validation (Month and year, or "N/A")
Next planned target(s) submission/update to the SBTi for validation (Month and year, or "N/A")
If you have committed to SBTi, please rate the importance of each of the following that motivated your organisation to consider setting a SBT?
Where do you see most value in having a validated target by the SBTi?
If you have not committed, what are the main reasons for it?
Which drivers would make your company want to commit or resubmit targets to obtain the SBTi validation?
If you are keen to commit to SBTi but have not committed yet, what barriers/challenges prevent you from committing?
User experience (Communication & Resources)
RESOURCES - Would you agree or disagree with the following statements?
PROCESS - Would you agree or disagree with the following statements?
COMMUNICATION - Would you agree or disagree with the following statements?
LEVEL OF AMBITION - 2°C, well below 2°C, and 1.5°C targets
Can you provide any comments on aspects of the documentation and target validation process that can be improved?
Strategy & Theory of change
Would you agree or disagree with the following statements?
Has your commitment translated into actual actions within your company?
What is your perception of the 1.5°C ambition?
Future development and recommendations
Which key actions should SBTi undertake to encourage more companies to set SBTs (select up to 3 answers)
How do you think SBTi should evolve in the coming 5 years to respond to the needs of companies?
Would it be relevant for SBTi to monitor progress after targets have been set? How would you like that to happen?
Any other comment?

Stream 2: Specialised Consultancies

Identification
In which country is your organisation headquartered?
Perception of drivers & barriers
What are the main drivers for companies to set a SBT? Please rate the importance of each of the following.
Where do you see most value in having a validated target by the SBTi?
Based on your experience, why would a company be reluctant to commit to SBT?
In your opinion, if a company has not committed, which drivers would make it want to commit?
If a company is keen to commit to SBTi but has not committed yet, what barriers/challenges would prevent it from committing?
User experience (Communication & Resources)
RESOURCES - Would you agree or disagree with the following statements?
How do you think SBTi can improve its resources
PROCESS - Would you agree or disagree with the following statements?
COMMUNICATION - Would you agree or disagree with the following statements?
LEVEL OF AMBITION - 2°C, well below 2°C, and 1.5°C targets
Can you provide any comments on aspects of the documentation and target validation process that can be improved?
Strategy & Theory of change
Would you agree or disagree with the following statements?
When companies commit to or set a Science Based Target, what proportion of them also complete the following activities?
What is your perception of the 1.5°C ambition?
Future development and recommendations
Which key actions should SBTi undertake to encourage more companies to set SBTs (select up to 3 answers)
How do you think SBTi should evolve in the coming 5 years to respond to the needs of companies?
What is your evaluation of the follow-up process to monitor progress after targets have been set?
From your position, how can you help grow the number of companies in the SBTi or drive impact at a larger scale?

Stream 3: Other organisations

Identification
Please let us know who you are:
Where are you based?
Strategy & Theory of change
Would you agree or disagree with the following statements?
What is your perception of the 1.5°C ambition?
Future development
Which key actions should SBTi undertake to encourage more companies to set SBTs? (select up to 3 answers)
How should the initiative evolve in the coming years and which role should it play, in your opinion, to be even more impactful?
From your position, how can you help grow the number of companies in the SBTi or drive impact at a larger scale?

Limitations

This paper produced by Deloitte does not provide an assurance statement on the information reported by SBTi or its partners. This study may propose solutions for improvements, presenting advantages and disadvantages. Deloitte is not responsible for recommending which solution is best to adopt or contributing to decision-making.

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