SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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SBTi CORPORATE NET-ZERO STANDARD CRITERIA

Version 1.1

April 2023

VERSION HISTORY

Version	Release date	Effective dates	Updates on earlier version
1.0 SBTi Corporate Net-Zero Standard Criteria	28 October 2021	28 October 2021 to 10 April 2023	
1.1 SBTi Corporate Net-Zero Standard Criteria	11 April 2023	From 11 April 2023	• Edits to improve document's readability. • Minor updates to provide further clarification and context to existing criteria, recommendations and use of terminology. • Clarifications on exclusions, significance thresholds and emissions coverage for scope 1, 2 and 3 targets (criteria 5 and 6). • Clarification that the target year criterion is only relevant for absolute and intensity-based emission reduction near-term targets (criterion 17). • Revision of allowable years for assessing progress to date: for submissions in 2023, a recent year inventory must be provided that is no earlier than 2021 i.e. allowable most recent years are 2021 and 2022 (criterion 18). • Clarification that the neutralization of unabated emissions applies to both the emissions reduction targets boundary and to any unabated emissions that have been excluded. from the GHG inventory (criterion 28). • Further guidance for mandatory target recalculations (criterion 32). • Revision of previous recommendation to criterion for triggered recalculations (criterion 33). • Alignment of criteria 36 and 37 to the revised version of SBTi's policy on fossil fuel companies.

			• Inclusion of most up to date information on sector developments and sector-specific criteria. • Update on Table 2 "A summary of how the cross-sector pathway and sector-specific pathways can be applied"; changes Figure 3 "SBTi perspective on prioritization of mitigation actions" in SBTi Corporate Net-Zero Standard. • Addition of a table with recommended target language templates and examples (Table 7) in SBTi Corporate Net-Zero Standard.

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BACKGROUND TO THE NET-ZERO STANDARD CRITERIA

The Net-Zero Standard Criteria was developed through extensive stakeholder consultation, in collaboration with the Net-Zero Expert Advisory Group. It includes all criteria that must be met for net-zero target(s) to be validated by the SBTi as well as recommendations which are important for transparency and best practice. It is important to note that criteria and recommendations are subject to change and may be updated.

Although this document contains all criteria for setting near-term science-based targets, companies should refer to the SBTi Near-term Criteria, which outlines additional recommendations for near-term targets not included in this document.

These criteria apply only to companies not classified as financial institutions or SMEs. Financial institutions can set targets using the Financial Sector Science-based Targets Guidance. SMEs must use the streamlined process to set targets in line with climate science.

Companies must also follow the GHG Protocol Corporate Standard, Scope 2 Guidance, and Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The Target Validation Protocol for Near-term Targets describes the underlying principles, process, and criteria followed to assess targets and to determine conformance with criteria.[1] The SBTi strongly recommends companies to review Table 1 in the Target Validation Protocol that further details SBTi criteria compliance and non-compliance before developing targets.

Disclaimer

While every effort is made to keep companies informed of the latest criteria and recommendations, the SBTi reserves the right to make adjustments as needed to reflect the most recent emissions scenarios, partner organization policies, and GHG accounting practices.

The initiative also reserves the right to withdraw validation if it becomes apparent that incorrect information was communicated during the target validation process which leads to criteria not being met during the assessment – or if requirements following the approval of the target are not respected (i.e., target progress reporting and recalculations).

Unless otherwise noted (including specific sections), all criteria apply to scopes 1, 2, and 3.

Terminology

This document explains the criteria, which are requirements that companies must follow, and recommendations, which companies should follow, to align with the Net-Zero Standard Criteria. This

[1] The Target Validation Protocol currently only applies to near-term SBT criteria but will be updated to include net-zero targets.

document uses precise language to indicate requirements, recommendations, and allowable options that companies may choose to follow.

- The terms "shall" or "must" are used throughout this document to indicate what is required for targets to be in conformance with the Net-Zero Standard Criteria.
- The term "should" is used to indicate a recommendation, but not a requirement.
- The term "may" is used to indicate an option that is permissible or allowable.

The terms "required" or "must" are used in the guidance to refer to requirements. "Can" and "is encouraged" may be used to provide recommendations on implementing a requirement or "cannot" may be used to indicate when an action is not possible. The letter "C" preceding a number indicates a criterion and the letter "R" preceding a number indicates a recommendation.

CRITERIA AND RECOMMENDATIONS

Target boundary

Organizational boundary

C1 – Organizational boundary: Companies should submit targets only at the parent- or group level, not the subsidiary level. Parent companies must include the emissions of all subsidiaries in their target submission, in accordance with the boundary criteria outlined below. In cases where both parent companies and subsidiaries submit targets, the parent company's target must also include the emissions of the subsidiary if it falls within the parent company's emissions boundary given the chosen inventory consolidation approach.[2]

R1 – Setting organizational boundaries: The SBTi strongly recommends that a company's organizational boundary, as defined by the GHG Protocol Corporate Standard, is consistent with the organizational boundary used in the company's financial accounting and reporting procedures.

GHG coverage

C2 – Greenhouse gases: The targets must cover all relevant GHGs as required by the GHG Protocol Corporate Standard.

Scope coverage

C3 – Scope 1 and scope 2: The targets must cover company-wide scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard.

C4 – Scope 3: If a company's relevant scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, they must be included in near-term science-based targets. All companies involved in the sale or distribution of natural gas and/or other fossil fuels shall set scope 3 targets for the use of sold products, irrespective of the share of these emissions compared to total scope 1, 2, and 3 company

[2] This criterion applies only to subsidiaries. Brands, licensees, and/or specific regions or business divisions of a company will not be accepted as separate targets, unless they fall outside of a parent company's chosen consolidation approach.

emissions. All companies shall include emissions from all relevant scope 3 categories in long-term science-based targets.

Emissions coverage

C5 – Scope 1, 2, and 3 allowable exclusions: Companies may exclude up to 5% of scope 1 and scope 2 emissions combined in the boundary of the inventory and target.[3] Companies may exclude a maximum of 5% of emissions from their total scope 3 inventory.[4]

C6 – Scope 3 emissions coverage for near-term targets: Companies must set one or more emission reduction near-term targets and/or supplier or customer engagement targets that collectively cover(s) at least two-thirds (67%) of total reported and excluded scope 3 emissions considering the minimum boundary of each category in conformance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

C7 – Scope 3 emissions coverage for long-term targets: The boundary of long-term science-based targets shall cover at least 90% of total scope 3 emissions. Exclusions in the GHG inventory and target boundary must not exceed 10% of total scope 3 emissions.

R2 – Targets covering optional scope 3 emissions: Targets to reduce scope 3 emissions that fall outside the minimum boundary of scope 3 categories are not required but are nevertheless encouraged when these emissions are significant. Companies may cover these emissions with a scope 3 target, but such targets cannot count towards the thresholds defined in C6 and C7 for scope 3 emissions (i.e., these targets are above and beyond the company's scope 3 targets). For a definition of optional emissions for each scope 3 category, please see Table 5.4 (page 34) of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Method validity (near and long-term targets)

C8 – Method validity: Targets must be modeled using the latest version of methods and tools approved by the initiative. Targets modeled using previous versions of the tools or methods may only be submitted to the SBTi for validation within 6 months of the publication of the revised method or sector-specific tools.

Emissions accounting requirements

C9 – Scope 2 accounting approach: Companies shall disclose whether they are using a location- or market-based accounting approach as per the GHG Protocol Scope 2 Guidance to calculate base year emissions and to track performance against a science-based target. The GHG Protocol requires

[3] Where a company's scope 1 or 2 emissions are deemed immaterial (i.e., under 5% of total combined scope 1 and 2 emissions), companies may set their SBT solely on the scope (either scope 1 or scope 2) that covers more than 95% of the total scope 1 and 2 emissions. The company must continue to report on both scopes and adjust their targets as needed, according to the GHG Protocol's principle of completeness, and as per C32 and C33.

[4] The SBTi does not recognize emissions perceived to be "negligible" as a rationale for not reporting them. Even if emissions from certain activities or operations are perceived to be negligible, these emissions still must be quantified and reported in the reporting company's GHG inventory. This is regardless of whether the reporting company chooses to exclude them or not, as exclusions must also be quantified and reported.

measuring and reporting scope 2 emissions using both approaches. However, a single and consistent approach must be used for setting and tracking progress toward a SBT (e.g., using location-based approach for both target setting and progress tracking).

C10 – Scope 3 inventory: Companies must complete a scope 3 inventory covering gross scope 3 emissions for all its emissions sources according to the minimum boundary of each scope 3 category set out by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.[5]

C11 – Bioenergy accounting: CO_2 emissions from the combustion, processing and distribution phase of bioenergy – as well as the land use emissions and removals[6] associated with bioenergy feedstocks – shall be reported alongside a company's GHG inventory. Furthermore, these emissions shall be included in the target boundary when setting a science-based target (in scopes 1, 2 and/or 3, as required) and when reporting progress against that target.

Land-related emissions accounting shall include CO_2 emissions from direct land use change (LUC) and non-LUC emissions, inclusive of N_2O and CH_4 emissions from land use management. Including emissions associated with indirect LUC is optional.

Companies are expected to adhere to any additional GHG Protocol Guidance on bioenergy accounting when released to maintain compliance with C11.

C12 – Carbon credits: The use of carbon credits must not be counted as emission reductions toward the progress of companies' near-term or long-term science-based targets. Carbon credits may only be considered as an option for neutralizing residual emissions (see C28) or to finance additional climate mitigation beyond their science-based emission reduction targets (see R9).

C13 – Avoided emissions: Avoided emissions fall under a separate accounting system from corporate inventories and do not count toward near-term or long-term science-based emission reduction targets.

R3 – Biofuel certification: The SBTi recommends that companies using or producing biofuels for transport should support their bioenergy GHG accounting with recognized biofuels certification(s) to disclose that the data on land-related emissions and removals represents the relevant biofuel feedstock production.

R4 – Bioenergy data reporting: The SBTi recommends that companies report direct biogenic CO_2 emissions and removals from bioenergy separately. Emissions and CO_2 removals associated with bioenergy shall be reported as net emissions, according to C11, as a minimum. However, companies are encouraged to report gross emissions and gross removals from bioenergy feedstocks.

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[5] For a definition of the minimum boundaries of scope 3 categories and emissions sources that fall outside the minimum boundaries, see Table 5.4 (page 34) of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
[6] The positive impact of exceeding zero emissions due to biogenic removals shall not be accounted for in a company's target formulation or as progress towards SBTs. In addition, removals that are not directly associated with bioenergy feedstock production are not accepted to count as progress towards SBTs or to net emissions in a company's GHG inventory.

Net-Zero target formulation

Net-zero definition

C14 – State of net-zero emissions: Companies shall set one or more targets to reach a state of net-zero emissions, which involves: (a) reducing scope 1, 2 and 3 emissions to zero or a residual level consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C scenarios or sector pathways and (b) neutralizing any residual emissions at the net-zero target date – and any GHG emissions released into the atmosphere thereafter.

Structure

C15 – Net-zero target structure: Companies aiming to reach a state of net-zero emissions in a timeframe exceeding 10 years shall set both near-term and long-term science-based emission reduction targets according to the requirements and recommendations outlined in this standard. If a company's near-term target meets the ambition requirements of a long-term target, then the latter is not required.

Timeframe

C16 – Base year: The base year must be no earlier than 2015. The company shall use the same base year for its long-term science-based targets as its near-term SBTs.

C17 – Target year(s): Absolute and intensity-based emission reduction near-term targets must cover a minimum of 5 years and a maximum of 10 years from the date the target is submitted to the SBTi for validation.[7] Long-term targets shall have a target year no later than 2050. For companies in sectors that reach net-zero before 2050 (e.g., power generation), long-term SBTs covering relevant activities must have a target year no later than the sector's year of net-zero in eligible 1.5˚C pathways.

C18 – Progress to date: The minimum forward-looking ambition of near-term targets is consistent with reaching net-zero by 2050 at the latest, assuming a linear absolute reduction, linear intensity reduction, or intensity convergence between the most recent year and 2050 (not increasing absolute emissions or intensity).[8]

R5 – Consistency: It is recommended that companies use the same base years for all near-term targets.

[7] For targets submitted for validation in the first half of 2023, valid target years are 2027-2032 inclusive. For targets submitted in the second half of 2023 (from 1 July), valid target years are between 2028 and 2033 inclusive.
[8] Companies must provide all the relevant GHG inventory data including a most recent year GHG inventory even if business activities were impacted by the COVID-19 pandemic. For submissions in 2023, a recent year inventory must be provided that is no earlier than 2021 i.e., allowable most recent years are 2021 and 2022.

Ambition

Scope 1 and 2 near- and long-term targets

C19 – Level of ambition for scope 1 and 2 targets: At a minimum, scope 1 and scope 2 targets must be consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures. This applies to both near-term and long-term targets.

C20 – Absolute targets: Absolute reduction targets for scope 1 and scope 2 are eligible when they are at least as ambitious as the minimum of the approved range of emissions scenarios consistent with the 1.5°C goal or aligned with the relevant 1.5°C sector-specific absolute pathway (long-term targets only).

C21 – Intensity targets: Intensity targets for scope 1 and scope 2 emissions are eligible when they are modeled using an approved 1.5°C sector pathway applicable to companies' business activities.

Scope 3 near- and long-term targets

C22 – Level of ambition for scope 3 emissions reductions targets: At a minimum, near-term scope 3 targets (covering the entire value chain or individual scope 3 categories) must be aligned with methods consistent with the level of decarbonization required to keep global temperature increase well-below 2°C compared to pre-industrial temperatures. For long-term scope 3 targets, this minimum ambition is increased to 1.5°C.

C23 – Supplier or customer engagement targets: Near-term targets to drive the adoption of science-based emission reduction targets by their suppliers and/or customers are acceptable when the following conditions are met:

- **Boundary**: Companies may set engagement targets around relevant and credible upstream or downstream categories.
- **Formulation**: Companies shall provide information in the target language on what percentage of emissions from relevant upstream and/or downstream categories is covered by the engagement target or, if that information is not available, what percentage of annual procurement spend is covered by the target.[9]
- **Timeframe**: Companies' engagement targets must be fulfilled within a maximum of 5 years from the date the company's target is submitted to the SBTi for validation.[10]
- **Ambition level**: The company's suppliers/customers shall have science-based emission reduction targets in line with the latest version of the SBTi Criteria for Near-term Targets.

C24 – Absolute targets (scope 3): Absolute targets for scope 3 are eligible when they are at least as ambitious as the minimum of the approved range of emissions scenarios consistent with the well-

[9] If measuring coverage by spend, the company shall provide an estimate of the emissions coverage associated with that spend for validation purposes to demonstrate that criterion C23 has been met, by the supplier or customer target alone, or together with other scope 3 target(s).
[10] For targets submitted for validation in the first half of 2023, valid target years are up to 2027 inclusive. For those submitted in the second half (from 1 July) of 2023, valid target years are up to 2028 inclusive.

below 2°C goal (near-term targets), the 1.5°C goal (long-term targets), or aligned with the relevant 1.5°C sector-specific absolute pathway (long-term targets only).

C25 – Intensity targets (scope 3): Intensity targets for scope 3 are eligible when they are modeled using an approved sector-specific physical intensity pathway where applicable to companies' business activities or using eligible physical intensity or economic intensity approaches. This applies to both near-term and long-term targets. Intensity targets on upstream scope 3 categories must reflect both supply-side and demand-side mitigation levers, where specified by sector-specific guidance.

R6 – Supplier engagement: Companies should recommend that their suppliers use the SBTi guidance and tools available to set science-based targets. SBTi validation of supplier science-based targets is recommended but not required. It is recommended that suppliers classified as SMEs, submit targets through the SME streamlined route.

Combined targets (near and long-term targets)

C26 – Combined scope targets: Targets combining scopes (e.g., 1 and 2, or 1, 2 and 3) are permitted if the SBTi can review the ambition of the individual target components and confirm each meets the relevant ambition criteria.

Renewable electricity targets (near and long-term targets)

C27 – Renewable electricity (scope 2 only): Targets to actively source renewable electricity at a rate consistent with 1.5°C scenarios are an acceptable alternative to scope 2 emission reduction targets. The SBTi has identified 80% renewable electricity procurement by 2025 and 100% by 2030 as thresholds (portion of renewable electricity over total electricity use) for this approach, in line with the recommendations of RE100.[11] Companies that already source electricity at or above these thresholds shall maintain or increase their use of renewable electricity to qualify.

R7 – Purchased heat and steam: When modeling targets using the SDA, it companies should model purchased heat and steam related emissions as if they were part of their direct emissions, i.e., scope 1.

R8 – Efficiency considerations for target modeling: If companies are using a method that does not already embed efficiency gains for the specific sector, market – and the decarbonization projected for the power sector is based on a 1.5°C scenario – these factors should be considered when modeling electricity-related scope 2 targets.

Beyond value chain mitigation

R9 – Beyond value chain climate mitigation: Companies should take action or make investments outside their own value chains to mitigate GHG emissions in addition to their near-term and long-term science-based targets. For example, a company could provide annual support to projects, programs

[11] RE100 guidance states that setting a 100% renewable electricity target by 2030 at the latest shows a strong level of leadership.

and solutions providing quantifiable benefits to climate, especially those that generate additional co-benefits for people and nature. Companies should report annually on the nature and scale of those actions, pending further guidance.

Neutralization

C28 – Neutralization of unabated emissions to reach net-zero: Companies shall remove carbon from the atmosphere and permanently store it to counterbalance the impact of any unabated emissions that remain once companies have achieved their long-term science-based target, and for subsequent years thereafter. The neutralization of unabated emissions applies to both the emissions reduction target(s) boundary and to any unabated emissions that have been excluded from the GHG inventory.

R10 – Neutralization milestones: Companies should disclose information such as planned milestones and near-term investments that demonstrate the integrity of commitments to neutralize unabated emissions at net-zero.

Target formulation

C29 – Target formulation: Companies shall publicly set a net-zero target that clearly and transparently communicates each of the target's relevant components including (a) net-zero target year, (b) magnitude of emissions reductions that will be achieved for near-term and long-term SBTs, and (c) a base year.

Reporting, recalculation and target validity

Reporting

C30 – Frequency: The company shall publicly report its company-wide GHG emissions inventory and progress against published targets on an annual basis.

C31 – Reporting completeness: Companies shall publicly report information pertaining to progress against validated targets, including separately reporting emissions and removals in the annual GHG inventory.

R11 – Where to disclose: There are no specific requirements regarding where the inventory and progress against published targets should be disclosed, as long as it is publicly available. The SBTi recommends disclosure through standardized, comparable data platforms such as CDP's climate change annual questionnaire. Annual reports, sustainability reports and the company's website are also acceptable platforms.

Recalculation and target validity

C32 – Mandatory target recalculation: To ensure consistency with the most recent climate science and best practices, targets must be reviewed, and if necessary, recalculated and revalidated, at a minimum every 5 years. For companies with targets approved in 2020 or earlier, targets must be reviewed and revalidated by 2025, if necessary. Companies with an approved target that requires recalculation must follow the most recent applicable criteria at the time of resubmission. A company's base year emissions recalculation policy must include a significance threshold of 5% or less that is applied to emission recalculations or in the absence of a base year emissions recalculation policy, a company must agree to apply a 5% significance threshold for emission recalculations.

C33 – Triggered target recalculation: Targets shall be recalculated, as needed, to reflect significant changes that could compromise relevance and consistency of the existing target. The following changes shall trigger a target recalculation:

- Scope 3 emissions become 40% or more of aggregated scope 1, 2 and 3 emissions (applies only to near-term SBTs).
- Emissions of exclusions in the inventory or target boundary change significantly.
- Significant changes in company structure and activities (e.g., acquisition, divestiture, merger, insourcing or outsourcing, shifts in goods or service offerings).
- Significant adjustments to the base year inventory, data sources or calculation methodologies, or changes in data to set targets such as growth projections (e.g., discovery of significant errors or a number of cumulative errors that are collectively significant).
- Other significant changes to projections/assumptions used in setting the science-based targets.

C34 – Target validity: Companies with approved targets must announce their target publicly on the SBTi website within 6 months of the approval date. Targets unannounced after 6 months must go through the approval process again unless a different publication time frame has been agreed in writing with the SBTi.

R12 – Validity of target projections: The SBTi recommends companies check the validity of their target-related projections on an annual basis. The company should notify the SBTi of any significant changes and report these major changes publicly, as relevant.

Sector-specific guidance

C35 – Requirements from sector-specific guidance: Companies must follow requirements for target setting and minimum ambition levels as indicated in relevant sector-specific methods and guidance – at the latest, 6 months after sector guidance publication. A list of the sector-specific guidance and requirements is available below in Table 9 and in the Target Validation Protocol for Near-term Targets.

Fossil fuel sales, distribution, and other business

C36 – Companies in the fossil fuel production business, or with significant revenue from fossil fuel business lines: The SBTi will not currently validate targets for:

- Companies with any level of direct involvement in exploration, extraction, mining and/or production of oil, natural gas, coal or other fossil fuels, irrespective of percentage revenue generated by these activities.

- Companies that derive 50% or more of their revenue from the sale, transmission and distribution of fossil fuels, or by providing equipment or services to fossil fuel companies.
- Companies with more than 5% revenue from fossil fuel assets (e.g., coal mine, lignite mine, etc.) for extraction activities with commercial purposes.

These companies must follow the respective sector methodology, once published.

C37 – Sale, transmission, distribution of oil, natural gas, coal as well as other fossil fuels: Companies that sell, transmit, or distribute natural gas – or other fossil fuel products – shall set emission reduction scope 3 targets for the "use of sold products" category, that are at a minimum consistent with the level of decarbonization required to keep global temperature increase to 1.5°C compared to pre-industrial temperatures, irrespective of the share of these emissions compared to the total scope 1, 2, and 3 emissions of the company, company's sector classification, or whether fossil fuel sale/distribution is the company's primary business. Customer engagement targets are not eligible for this criterion.

SECTOR GUIDANCE FOR LONG-TERM SCIENCE-BASED TARGETS

Sector-specific guidance and methods are currently available for many sectors. All new sector-specific guidance that becomes available will be uploaded to the sector development page on the SBTi website. The SBTi has sector-specific requirements related to the use of target-setting methodologies and minimum ambition levels.

Table 1 Sector-specific guidance for long-term SBTs.

Sector	Eligible methods	Guidance and further notes
Aluminium	When setting long-term SBTs, companies can set targets using the cross-sector pathway (absolute reduction targets only).	Guidance is being developed for the aluminium sector and is currently in the scoping phase.
Apparel and footwear	When setting long-term SBTs, companies in these sectors must use the cross-sector pathway (absolute reduction targets only).	Optional guidance is available for companies in the apparel and footwear sector.
Aviation	When setting long-term SBTs, companies providing air transport services are recommended to set physical intensity targets using the aviation pathway or cross-sector pathway (absolute targets only). The target boundary must cover well-to-wake emissions (WTW), as specified in the SBTi Aviation Guidance.	For all transport-related emissions across all sectors, companies shall report these emissions on a well-to-wheel (WTW) basis in their GHG inventory (well-to-wake for aviation and maritime transport). Aviation target formulation and communication must explicitly state that targets are exclusive of non-CO_2 factors. Targets must include a footnote stating that non-CO_2 factors which may also contribute to aviation-induced warming are not included in this target and whether the company has publicly reported or commits to publicly report its non-CO_2 impacts.
Buildings	When setting long-term SBTs, companies in these sectors are recommended to set absolute reduction targets or intensity targets using the residential buildings pathway, service buildings pathway, or cross-sector pathway (absolute targets only).	Real Estate Investment Trusts (REITs) wishing to set targets must specify if they are a mortgage-based or equity-based REIT. Equity REITs must pursue the regular target validation route for companies. Mortgage REITs must instead utilize the Financial Institutions guidance for setting SBTs. The SBTi is developing guidance for companies operating in the built environment.

Cement	When setting long-term SBTs, companies are recommended to set absolute targets or intensity targets using the cement pathway, or cross-sector pathway (absolute targets only).	The SBTi has released guidance to aid companies in the cement industry in setting science-based targets.
Chemicals	See "all other sectors".	The SBTi is developing guidance for companies in the chemicals sector.
Financial institutions	The SBTi is developing a Net-Zero Standard for financial institutions and cannot validate net-zero targets for this sector before the guidance is completed. Please note that financial institutions can still set near-term science-based targets.	The initiative defines a financial institution as one engaging in investment activities as part of its core functions. These include the following: • Asset management/asset owners. • Retail and commercial banking activities. • Insurance companies (when functioning asset managers). • Mortgage REITs. Additionally, if at least 5% of a company's revenue comes from activities such as those described above, they would be considered a financial institution.
Forest, land-use & agriculture (FLAG)	Companies with significant FLAG emissions are required to set targets (see criteria in the next table column). These are separate from their SBTs that cover all non-FLAG emissions. FLAG targets must use the FLAG-sector pathway (absolute targets) or a commodity pathway (intensity targets). Commodity pathways are available for pathways are available for 11 commodities: beef, chicken, dairy, leather, maize, palm oil, pork, rice, soy, wheat, and timber and wood fiber. Companies in the forest products sector are required to use the commodity pathway for timber and wood fiber. The FLAG target must cover at least 95% of FLAG-related scope 1 and 2 emissions. The FLAG target must cover at least 67% of FLAG-related scope 3 emissions. Please see the FLAG Guidance for further guidance and criteria.	The following companies are required to set FLAG targets: 1.) Companies with FLAG emissions that total 20% or more of overall emissions across scopes; and 2.) Companies in the following sectors: • Forest and Paper Products– Forestry, Timber, Pulp and Paper, Rubber. • Food Production– Agricultural Production. • Food Production– Animal Source. • Food and Beverage Processing. • Food and Staples Retailing. • Tobacco. Please see the FLAG Guidance.

Fossil fuel sale/ transmission/ distribution[12]	In addition to the guidance for the primary sector, companies must set targets for scope 3 category 11, irrespective of the share of these emissions compared to the total scope 1, 2 and 3 emissions of the company. Separate scope 3 targets may need to be set in this case.	This is applicable to companies that derive less than 50% of revenue from the sale, transmission and distribution of fossil fuels.
Information and communication technology providers	When setting long-term SBTs, companies in these sectors must use the cross-sector pathway (absolute reduction targets only).	The optional guidance for ICT companies including mobile networks operators, fixed networks operators, and data centers operators outlines in detail the target setting requirements for setting near-term science-based targets.
Iron and steel	When setting long-term SBTs, companies in these sectors can set targets using the cross-sector pathway (absolute reduction targets) or using the long-term sector intensity pathway (intensity targets).	The SBTi is developing guidance for companies in the steel sector.
Maritime Transport	Companies in Maritime Transport **must** use the sector-specific pathway. Near-term targets can be no earlier than 2030. All companies setting near-term science-based targets covering emissions from own operations (e.g., vessel owners or operators) shall also submit long-term science-based targets along with their near-term target submission. For maritime transport emissions, a long-term science-based target means reducing emissions to a residual level in line with 1.5°C scenarios by no later than 2040.	On the transport sector page, you will find the Maritime Transport Guidance and the Maritime Transport Target Setting Tool. Please note that companies using this guidance to set near-term science-based targets covering scope 3 emissions from subcontracted maritime transport operations (e.g., cargo owners or shippers) are not required to submit long-term science-based targets. For **all** transport-related emissions across all sectors, companies shall report these emissions on a well-to-Wheel (WTW) basis in their GHG inventory (well-to-wake for aviation and maritime transport).
Oil and gas	The SBTi is developing a new methodology for companies in the oil and gas sector to set science-based targets. Currently, the SBTi is unable to accept commitments or validate targets for companies in the oil and gas or fossil fuels sectors. Please see our policy for further information.	Companies in this sector include – but are not limited to – integrated oil and gas companies, integrated gas companies, exploration and production pure players, refining and marketing pure players, oil products distributors, gas distributors and retailers and traditional oil and gas service companies. Please see the Oil

[12] This information is only applicable to companies that receive less than 50% of their revenue from fossil fuel sale, transmission, or distribution. For companies receiving 50% or more of their revenue from these activities, please refer to the Oil and Gas section above.

		and Gas sector page on our website for more information.
Power generation	The intensity convergence method **must** be used by power generation companies, as specified in the Guidance for Electric Utilities. For power sector companies, long-term science-based targets must reduce emissions to a residual level in line with 1.5°C scenarios by no later than 2040 using the Sectoral Decarbonization Approach.	Please see the Power/Electric utilities Guidance. Companies in the power sector with scope 3 emissions representing 40% or more of overall emissions must set an intensity target covering all sold electricity (including purchased and resold electricity in scope 3, category 3), as well as a target covering power generation in scope 1. Companies in this sector must set targets to reach net-zero no later than 2040.
Pulp and paper	When setting long-term SBTs, companies can set targets using the cross-sector pathway (absolute reduction targets only).	Guidance is being developed for the pulp and paper sector and is currently in the scoping phase.
Road and rail	Road and rail transport can follow the cross-sector pathway (absolute reduction targets), no sector intensity pathway is available.	Target setting guidance will be updated along with sector trajectory but you can view the transport sector guidance here. For **all** transport-related emissions across all sectors, companies shall report these emissions on a well-to-wheel (WTW) basis in their GHG inventory (well-to-wake for aviation and maritime transport).
Transport OEMs/Automakers	The SBTi is temporarily pausing near- and long-term target validations and target updates for automakers until 1.5°C scope 3 targets for use-phase emissions from new road vehicles are developed and approved. Please see our policy for further information.	This applies to automakers. Auto part manufacturers can still set targets using the cross-sector absolute reduction.
All other sectors	When setting long-term SBTs, companies in all other sectors are recommended to set absolute reduction targets using the cross-sector pathway. Sector-specific absolute or intensity targets may be used instead for emissions allocated to a relevant sector.	Companies should allocate emissions to relevant activities as per the Greenhouse Gas Protocol, where guidance is available. Emissions in scopes 1, 2, or 3 allocated to activities with a sector-specific pathway may be covered by a sector-specific absolute or intensity target, except for upstream scope 3 categories where supply-side mitigation is important and not reflected by the pathway.