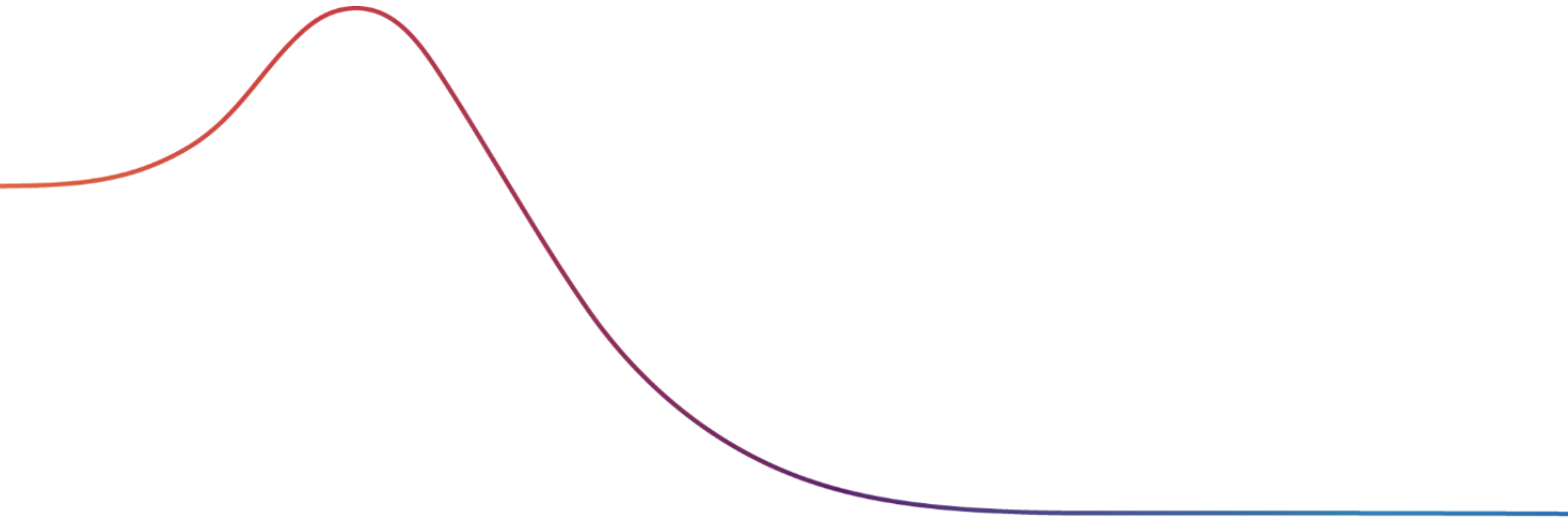
SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi CORPORATE NET-ZERO STANDARD

Version 2.0 - Initial Consultation Draft with Narrative

March 2025



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This Standard is issued by the Science Based Targets initiative (SBTi). Any feedback on SBTi Standards can be submitted to info@sciencebasedtargets.org for consideration of the SBTi.

[1] The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.

VERSION HISTORY

Version	Change/update description	Release date	Effective dates
1.0		28 October 2021	28 October 2021 to 10 April 2023
1.1	Non-substantive revision. For a detailed list of revisions made in Version 1.1, please refer to Annex I of the Main Changes document for Version 1.2 of the Corporate Net-Zero Standard.	11 April 2023	From 11 April 2023 to 12 March 2024
1.2	Non-substantive revision. Relevant elements of the Target Validation Protocol and Corporate Manual (both retired) were consolidated into this version of the Corporate Net-Zero Standard. For a detailed list of revisions made to develop Version 1.2, please refer to Table 1 of the Main Changes document for Version 1.2 of the Corporate Net-Zero Standard.	13 March 2024	From 13 March 2024
2.0 Consultation Draft	To be updated at the end of the Consultation Process.	To be determined	See intended transition process here

CONTENTS

EXECUTIVE SUMMARY

Disclaimer: *The Executive Summary is intended to provide an overview and guidance for stakeholders and does not constitute a normative part of this draft standard. For the full scope of proposed requirements, users should refer to the main body of the consultation draft.*

Introduction

The Science Based Targets initiative (SBTi) exists to enable companies and financial institutions worldwide to play their part in combating the climate crisis. The first Corporate Net-Zero Standard was launched in 2021 to provide a consistent definition of science-based net-zero targets for companies. Since then, more than 1,500 businesses globally have had their science-based net-zero targets validated.

Version 1.2 of this flagship standard continues to be a credible, well-established framework for companies worldwide to set science-based targets. Companies that have not yet set targets are encouraged to do so now, as efforts undertaken under Version 1.2 will continue to be relevant and provide a strong foundation for future alignment with Version 2.0.

At the same time, since the Corporate Net-Zero Standard was first published, it has become increasingly clear that time is running out to tackle climate change. 2024 was the hottest year in recorded history. The latest climate science provides us with a better understanding of the necessary steps needed to curb temperature rises and mitigate the worst effects of climate change.

To align with the latest science and emerging best practice, and in response to stakeholder feedback, we are revising the Corporate Net-Zero Standard. The overall aim of this major revision is to ensure that this standard continues to enable companies to set and deliver ambitious, science-based targets consistent with achieving net-zero emissions at the global level by 2050.

Purpose of the initial consultation draft

Feedback and consultation are critical to the development of a standard that is relevant, robust and practical. This document serves as the first consultation draft of the SBTi Corporate Net-Zero Standard Version 2.0. It proposes updates and revisions to the current version of the standard (Version 1.2) and serves as a means to gather input from all stakeholders.

Public consultation is one of the mechanisms designed to invite broad stakeholder input, in addition to expert working groups and pilot testing. We invite all interested parties to review this draft and provide views on its content, clarity and applicability through this survey. Your feedback will play a key role in ensuring that the standard is effective, inclusive and fit for purpose.

Key features of the draft Corporate Net-Zero Standard Version 2.0

From ambition to progress: enhanced accountability and recognition model

As a growing number of companies reach the end of their target timeframe, and as the focus shifts from ambition to progress, this draft standard introduces a new validation model that provides an end-to-end framework for incentivizing and recognizing credible climate action. The model guides companies in setting science-based targets, assessing and communicating progress at the end of their target cycle and establishing new targets for the next cycle. The aim is to enable and reinforce accountability, recognition and continuous improvement.

Tailored requirements based on company size and geography

This draft standard provides more tailored requirements for companies based on their size and geography. Two categories are introduced. Category A companies (large and medium-sized companies operating in higher-income geographies) are required to follow all criteria. Category B companies (small and medium-sized companies operating in lower-income geographies) are offered increased flexibility by making some criteria optional. This categorization intends to drive climate action across all types of companies while acknowledging differences in size, resources and operating context.

Enhanced scope 3 target-setting framework

To reach net-zero emissions, it is critical for companies to align their procurement and revenue-generating activities with global climate goals. Recognizing the importance of this while acknowledging the challenges that companies face today, this draft standard introduces several changes intended to address common challenges.[2]

Rather than using a fixed-target setting boundary (67% for near-term targets and 90% for long-term targets), this draft standard explicitly incentivizes companies to prioritize action on the most relevant sources of emissions in their value chain.

Acknowledging the challenges with accessing primary emissions data for activities in the value chain, this draft standard places greater emphasis on non-emission metrics and targets, such as the share of procurement directed towards entities and activities that are aligning with global climate goals, or the share of revenue derived from net-zero aligned products and services.

A more nuanced approach to substantiate progress against targets

Acknowledging the practical challenges that companies face today in establishing traceability and accessing primary emissions data for value chain activities, this draft standard proposes a more nuanced approach to addressing impact and substantiating progress against indirect emission sources (scopes 2 and 3).

This draft standard continues to prioritize direct mitigation, i.e. actions and interventions that can be linked to specific emission sources in the company's value chain through a robust

[2] The Catalyzing Value Chain Decarbonization survey results and the Business Ambition for 1.5°c Campaign Final Report detail some of the challenges reported by companies setting science-based targets.

chain of custody model.[3] For instance, measures to minimize emissions by implementing efficiency measures or switching towards lower-emitting suppliers, commodities or products.

When traceability to a specific emissions source in the value chain cannot be established, companies may rely on emissions data and interventions at the 'activity pool' level to assess performance over time and substantiate progress against targets. Examples include an 'upstream supply pool', such as a supply shed from which companies source a specific commodity, or a 'downstream activity pool', such as the electricity grid powering the products that the company brings to market.

When traceability either to the specific emissions source or the activity pool cannot currently be established, or if insurmountable barriers persist in addressing a source of emissions, this draft standard acknowledges the role of indirect mitigation to drive transformation relevant to a company's value chain and comparable to direct mitigation as a time-limited measure to address indirect emissions. For example, the procurement of sustainable aviation fuel following a book-and-claim approach to achieve targets against jet-fuel-related emissions. Indirect mitigation measures are expected to adhere to quality criteria that will be refined throughout the consultation process.

Above and beyond: catalyzing corporate climate finance

This draft standard maintains its focus on the mitigation hierarchy by prioritizing the reduction of emissions across company operations and value chains. At the same time, this draft acknowledges the urgency of addressing emissions released into the atmosphere today and the critical role that companies can play in mobilizing finance for mitigation activities beyond their value chain.

While the current version of the standard (Version 1.2) recommends companies to go above and beyond their science-based targets through beyond value chain mitigation (BVCM), this draft standard aims to provide a stronger incentive by recognizing companies that not only set science-based targets to reduce emissions within their operations and value chain but take responsibility for addressing the impact of emissions released into the atmosphere as they undergo their net-zero transformation.

Through the consultation process, the SBTi aims to identify the most effective mechanisms to shape and recognize this leadership practice.

Continued relevance of 1.5°C in science-based target setting

The temporary breach of the 1.5°C global warming threshold in 2024 and growing impact of climate change underscore the critical importance of accelerating efforts to phase out greenhouse gas (GHG) emissions from our economy. Scientific evidence shows that even small increases in global temperature—every 0.1°C—exacerbate risks of catastrophic impacts, such as more extreme weather events and irreversible tipping points.

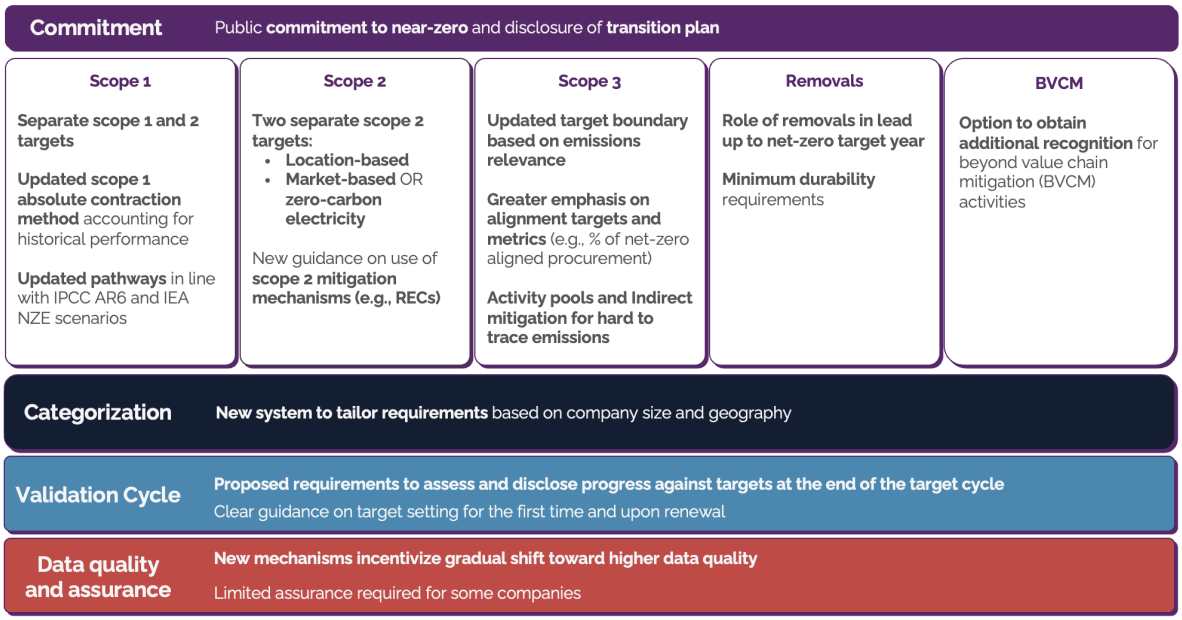
[3] We are tentatively using the term 'direct mitigation' to describe actions that are directly linked to specific activities in the value chain, with traceability ensured through a credible system (e.g., chain of custody). Similarly, we are using the term 'indirect mitigation' to refer to mechanisms such as book and claim and potential variants of mass balance in this draft standard. These terms will be reassessed during the consultation phase.

As the window to stabilize global temperatures below 1.5°C narrows, and the effects of small temperature increases become clearer, the case for strengthening climate ambition becomes stronger. This ambition must also lead to meaningful action that lowers the accumulation of GHGs in the atmosphere.

In light of this, the Corporate Net-Zero Standard and its underlying pathways maintain 1.5°C as the central ambition.

Summary of changes

The graphic below provides a high-level summary of key proposed changes in the SBTi Corporate Net-Zero Standard (CNZS) Version 2.0 Consultation Draft.



The table below presents a more detailed comparison between this draft and Version 1.2 of the Standard.

Topic	CNZS Version 1.2	CNZS Version 2.0 (Initial Consultation Draft)
General		
Scope	Primarily focused on target setting	Comprehensive scope with covering base year performance assessment, target setting, implementation, assessment and communication of progress, and claims
Validation model	Target ambition assessed upfront (ex-ante), but no standardized assessment of target progress (ex-post)	Covers the entire cycle, with an upfront (ex-ante) target ambition assessment, progress assessment

		(ex-post) and a process to set new target
Differentiation of requirements	No differentiation of requirements within SBTi criteria; separate validation process for SMEs	Differentiated requirements based on company size and geographic locations
1. Net-zero commitment		
Commitment model	Commitment made through the SBTi	Public net-zero commitment in line with UN High-Level Expert Group (HLEG) recommendations
Transition plan	N/A	Recommendation / requirement to disclose transition plan
2. Assessing performance in the base year		
Data assurance	N/A	Requirement for Category A companies to obtain third-party (limited) assurance on base year GHG emissions inventory
3. Target-setting		
Underlying pathways	Emission reduction benchmarks derived from IPCC AR5 pathways	Emission reduction benchmarks derived from IPCC AR6 pathways
Near-term targets	Near-term targets required across all scopes; SMEs not required to set scope 3 targets	Near-term targets required across all scopes (Category A) and scopes 1 and 2 (Category B)
Long-term targets	Long-term targets required across all scopes	Category A companies are required to set long-term targets across scopes 1 and 2; long-term scope 3 targets are under consultation
Aggregated targets by scope	Scope 1, 2 and 3 targets may be combined	Separate targets required for each scope
Defining ambition	Defined primarily through external benchmarks (e.g., pathways) and target-setting methods	More nuanced approach that compares current performance with top-down benchmarks determined through pathways and methods
Scope 1	Available methods include sectoral decarbonization approach (SDA) and absolute contraction approach (ACA) with no budget conservation mechanism	Available methods include SDA and revised ACA (under consultation) intended to address budget conservation while rewarding early action
Scope 2	Requirement for location- or market-based targets, with the option of renewable electricity targets	Requirement to set both a location-based target, and either a market-based or zero-carbon electricity target

	Allowable mitigation measures are undefined	Where possible, direct procurement of zero-carbon energy or high-integrity electricity market instruments purchased and consumed in the same market (with appropriate time- and spatial-matching); if sourcing zero-carbon electricity is not possible, contributions to other grids as an interim measure
Scope 3	Fixed minimum boundary for all companies (67% for near-term; 90% for long-term)	Boundary focused on most relevant emission sources for company
	Primary focus on emissions reduction targets	Greater emphasis on non-emission metrics and targets
	Allowable mitigation measures are undefined	Clarity on how to substantiate progress against targets according to different chain of custody models
Residual emissions	Focus on addressing the impact of residual emissions through neutralization from the net-zero year onwards	Three approaches proposed to address the impact of residual emissions during the transition to net-zero and from the net-zero year onwards
	Limited detail on required permanence of removals	Two options for removal durability requirements are proposed: following either the like-for-like principle or a gradual shift from less to more durable removals over time
4. Addressing the impact of ongoing emissions		
Beyond value chain mitigation (BVCM)	Recommendation for companies to support mitigation outside of their value chains	Stronger incentive by recognizing companies that address the impact of ongoing emissions and support mitigation outside of their value chains
5. Assessing and communicating progress against targets		
Substantiation of progress	Lack of guidance on substantiation of progress against targets	Substantiation of progress against targets through interventions traceable to the emission source, activity pool or, in some limited cases, through interim indirect mitigation
Determining progress	Requirement to annually report progress against targets, without definition of how to assess progress	Requirement for companies to assess progress at the end of their target cycle according to a set of pre-defined algorithm
Renewal	Requirement to review and, if necessary, revalidate targets every five years, but no	Requirement for companies to set new targets at the end of each target cycle

	requirement to set new targets	
6. Claims		
General	General guidance provided within the SBTi Communications Guide	Clear claims enabled through the standard (under consultation); preliminary requirements outlined around the need to substantiate claims

Summary: Content of the draft Corporate Net-Zero Standard Version 2.0

This draft of Version 2.0 of the Corporate Net-Zero Standard is designed to provide a more effective approach to corporate climate target setting by guiding companies from initial commitments, through progress assessment and target renewals and concluding with reaching and maintaining a net-zero-aligned state.

This draft standard includes six chapters:

1. Corporate net-zero commitment
2. Determining performance in the target base year
3. Target-setting
4. Addressing the impact of ongoing emissions
5. Assessing and communicating progress
6. Claims

Chapter 1 provides criteria on company-level net-zero commitments and transition plans, which is the first step commonly followed by companies when starting their net-zero journey. Chapters 2 to 6 outline criteria for companies to align with a recurring cycle. Together, they support a new validation model intended to enable continuous improvement throughout a company's transition to net-zero.

Chapter 1: Corporate net-zero commitment

To date, most companies have started the science-based target-setting process by submitting a commitment letter to the SBTi in which they pledge to set science-based targets within 24 months. Companies can also submit targets immediately.

This draft standard proposes to replace the current commitment letter with a more robust commitment process. This process requires companies to publicly state their intentions to achieve net-zero emissions before mid-century and set science-based targets aligned with this ambition within 12 months for Category A companies and 24 months for Category B companies. The draft also proposes that companies publish climate transition plans within 12 months following validation of their targets by the SBTi.

Our aim is that these proposals align with emerging best practices, including those developed by the UN HLEG, the UN Race to Zero and the Climate Action 100 Framework. They require companies to more clearly and uniformly demonstrate their intentions and plans to back up net-zero targets.

Chapter 2: Determining performance in the target base year

Setting effective science-based targets requires companies to determine their base year performance in a clear and transparent way. Chapter 2 of this draft standard provides a more robust framework for companies to assess their base year performance for target-setting purposes. Some of the key proposed changes include:

- A revised consolidation approach to align with best practice, emerging regulation and voluntary frameworks;
- Changes to base year selection to ensure that the base year is representative of the actual structure and performance of the company and that targets are effective in driving change;
- A new approach to identify relevant sources of scope 3 emissions, which serves as the basis for scope 3 target setting; and
- Incentives to increase the quality of data used for target-setting purposes, including a requirement for Category A companies to obtain third-party assurance on GHG emissions inventories.

Chapter 3: Target setting

Chapter 3 describes the target-setting process which builds upon previous SBTi target-setting criteria and the current version of the Corporate Net-Zero Standard. It also proposes changes to address stakeholder feedback and make the target-setting process more effective.

A more nuanced benchmarking approach to determine target ambition

Previous versions of SBTi target-setting criteria have had a central focus on raising the ambition of target-setting practices by using Paris-aligned pathways as an objective, science-based benchmark. As companies decarbonize, it is important that the approach to inform target ambition considers mitigation pathways and the decarbonization that a company has already achieved. Through the new benchmarking approach proposed in this draft standard, companies can assess the gap between current performance and science-based mitigation pathways. Through this approach, companies that have already achieved net-zero emissions for a portion of activities in their value chain can commit to maintaining that level of performance for those activities and focus their target-setting efforts on activities that still need to undergo decarbonization.

Target ambition, composition and timeframe

This draft of Version 2.0 requires that net-zero targets across all scopes (1, 2 and 3) be aligned with pathways limiting global warming to 1.5°C with no or limited overshoot. It addresses discrepancies from Version 1.2 that used different temperature alignment across different scopes within near-term targets.

This draft also requires that all Category A companies (see company categorization) set long-term targets for scope 1 and scope 2 emissions supported by near-term targets across fixed five-year periods leading to the net-zero year. The composition of targets is informed by the evolving voluntary and regulatory landscape, including the Corporate Sustainability Reporting Directive (CSRD) and recommendations from the UN HLEG.

Addressing scope 1 and 2 emissions

This draft standard presents adjustments aimed at responding to stakeholder feedback to enhance the impact and effectiveness of addressing operational scope 1 and scope 2 emissions. The main changes in this draft include:

- Adjustments to the ACA target-setting method (two variations presented for consultation);
- Separation of scope 1 and scope 2 targets;
- Requirements to set both location- and market-based scope 2 targets; and
- Clarity on the use of unbundled energy certificates.

Addressing scope 3 emissions

Acknowledging both the barriers and opportunities associated with scope 3 target setting, this draft standard introduces a series of changes aimed at making scope 3 targets more effective in driving net-zero transformations across value chains. At the same time, it aims to recognize the operational challenges that companies face. Key revisions include:

- **Requirement to set scope 3 targets:** Scope 3 target setting is mandatory for Category A companies but remains optional for Category B companies.
- **Scope 3 boundary:** The draft standard moves away from the previous percentage boundary approach (minimum 67% coverage for near-term targets and 90% for long-term targets). Instead, it requires companies to prioritize the most emission-intensive activities within their value chain and areas where they have the greatest influence (e.g., tier 1 suppliers).
- **Target-setting methods:** Recognizing the challenges associated with value chain emissions data and existing scope 3 target-setting methods, this draft standard places greater emphasis on alignment metrics and methods. This includes measures such as the share of procurement allocated to net-zero-aligned suppliers and activities, as well as the share of revenue derived from net-zero-aligned products and services.
- **Substantiating progress against targets:** Beyond placing greater emphasis on non-emission metrics and targets, this draft standard also enhances clarity and flexibility in how companies can demonstrate progress against scope 3 targets. It acknowledges challenges related to traceability and data quality, allowing for interventions at the activity-pool level (e.g., supply sheds) when direct traceability to specific emission sources is not feasible. Additionally, this draft standard recognizes the use of indirect mitigation approaches (e.g., book-and-claim commodity certificates) where direct traceability is not possible or where persistent barriers prevent mitigation at the source.

Addressing residual emissions

Version 1.0 of the SBTi Corporate Net Zero Standard introduced requirements for companies to neutralize any residual emissions that remain at the net-zero year and beyond. Aligning with best practice and responding to stakeholder feedback, this draft standard incentivizes responsibility of residual emissions along the transition to net-zero and from the net-zero year onwards. Three options are included in this draft, including:

- A requirement for companies to set removal targets, including interim milestones, to address the impact of residual emissions;
- Optional recognition for companies that set removal targets, including interim milestones, to address the impact of residual emissions; or
- Flexibility to address expected residual emissions either entirely through emissions reductions, entirely through removals or through a combination of both.

Target transparency, review and adjustment

This draft standard aligns with new reporting recommendations from the UN HLEG and CSRD aimed at enhancing the transparency of net-zero targets. It also introduces new requirements to adjust targets after performance reviews at the end of each cycle and increases ambition by requiring companies to address underperformance in subsequent target cycles if targets are not achieved.

Chapter 4: Addressing the impact of ongoing emissions

Companies release emissions while they work to implement transformations to achieve net-zero emissions. These are referred to as 'ongoing emissions'. They are different from residual emissions, which remain at the net-zero target year after all possible abatement measures have been implemented.

Version 1.2 of the Corporate Net-Zero Standard recommends companies take responsibility for ongoing emissions by contributing to mitigation outside their value chains. This draft standard proposes additional recognition for companies that address ongoing emissions through BVCM. This change provides additional incentive for companies to address the impact of emissions released into the atmosphere throughout the net-zero journey and to contribute to climate mitigation outside of their value chains.

Chapter 5: Assessing and communicating progress

Acknowledging the growing number of companies approaching the end of their near-term targets and the demand for clearer guidance on determining target progress, this draft standard introduces a new validation model that extends the SBTi's focus from target-setting to include target implementation. This draft requires companies to assess and communicate progress at the end of their target period and to set new targets that account for previous performance, bridging any gaps with achieving net-zero. By strengthening accountability and recognition, the revised validation cycle ensures that companies not only commit to science-based climate action but also demonstrate measurable progress and continuous improvement.

Chapter 6: Claims

In line with best practice for sustainability standards, this draft standard introduces a new chapter providing general guidelines on substantiating claims related to science-based target setting and SBTi validation. It clarifies what companies can claim at different stages of the target-setting process. This draft will be supplemented with specific types of claims and substantiation guidelines, informed by the consultation process.

Intended transition into SBTi Corporate Net-Zero Standard Version 2.0

Companies Setting New Near-Term Targets in 2025 and 2026

Companies will continue to be able to set near-term targets for 2030 under the current versions of the Corporate Net-Zero Standard Version 1.2 and Near-Term Criteria Version 5.2 in 2025 and 2026. It is intended that from 2027 companies will use Version 2.0 to set new near-term and long-term targets.

Near-term targets set in 2025 and 2026 under Corporate Net-Zero Standard Version 1.2 and Near-Term Criteria Version 5.2 will remain valid for five years or until the end of 2030, whichever is earlier. Companies validating near-term targets for this period should develop near-term targets for the subsequent period using Version 2 by the end of 2030 at the latest.

The SBTi will provide a pathway for companies with targets validated in 2025 and 2026 to align their Scope 3 targets with Version 2. This transition pathway will ensure a smooth process, preventing duplication of previously completed work. Further details will be released soon.

Companies with Existing Near-term Term Targets

Existing near-term targets are expected to remain valid until 2030, or the end of the target timeframe, whichever comes first.

SBTi will provide further details on the intended renewal process for companies with previously validated near-term targets in the second public consultation, scheduled for later this year.

How to participate in the public consultation

The SBTi welcomes feedback from all interested parties, including industry professionals, business associations and collectives, academics and think tanks, public sector bodies and regulators, civil society organizations, other voluntary standard setters and actors across the corporate sustainability ecosystem. Your input can help refine this draft, ensuring it meets the needs of its intended users and serves the SBTi's mission to drive science-based climate action in the corporate sector.

Stakeholders can engage in the development process by:

- **Reviewing this draft standard:** The full draft is available within this document.
- **Submitting your feedback:** Feedback can be submitted via an online survey until 1st June 2025.

While the SBTi welcomes all comments, input on the following topic areas are of particular interest:

- Criteria based on company categorization.
- Scope 1 target-setting.

- Scope 2 target-setting.
- Identification of relevant emissions sources in the value chain (scope 3).
- Alignment targets.
- The proposed approaches for carbon removals between 2030 and the net-zero year.
- Claims related to conformity assessment throughout the validation model cycles.
- Clarity, credibility and completeness.

When reviewing this draft Standard and submitting feedback, stakeholders should be aware of the following:

- **Use of "shall / should":** When "(shall / should)" appears within a draft criterion or recommendation, it means that the SBTi is seeking feedback on whether to require (shall) or recommend (should) this element (e.g., see CNZS-C2). The consultation survey will include questions to gather stakeholder input on this decision.
- **Options for consultation:** In some instances, the SBTi presents multiple options for consideration. These are marked by the word "**Option**" in bold text (e.g., see C15.5). The consultation survey will seek stakeholder feedback on the preferred approach.
- **Placeholder criteria:** Some criteria or sub-criteria are labeled as placeholders to highlight elements that the SBTi considers important but require further input and development (e.g., see CNZS-C5.7). These placeholders are indicated as follows: "*(**NOTE**: This is a placeholder that will be further explored and refined through the consultation process)*".

Next steps

Following the public consultation period, all feedback received will be carefully reviewed and analyzed. The SBTi Technical Department will assess the comments to determine where adjustments or clarifications may be needed to improve this draft standard.

A summary of the feedback and how it has been addressed will be published for transparency. The revised draft will then undergo technical review and refinement in collaboration with the Expert Working Groups, pilot testing and a second public consultation. The draft may also be subject to further public consultation before it is submitted for approval by the Technical Council and adoption by the Board of Trustees.

A. INTRODUCTION

A.1 Introduction to the SBTi

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in reducing greenhouse gas emissions to reach net-zero.[4] We develop standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating to safer levels and reach net-zero by no later than 2050.

The SBTi is incorporated as a UK charity, with a subsidiary, SBTi Services Limited, which hosts the SBTi's target validation services. Our founding partners are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

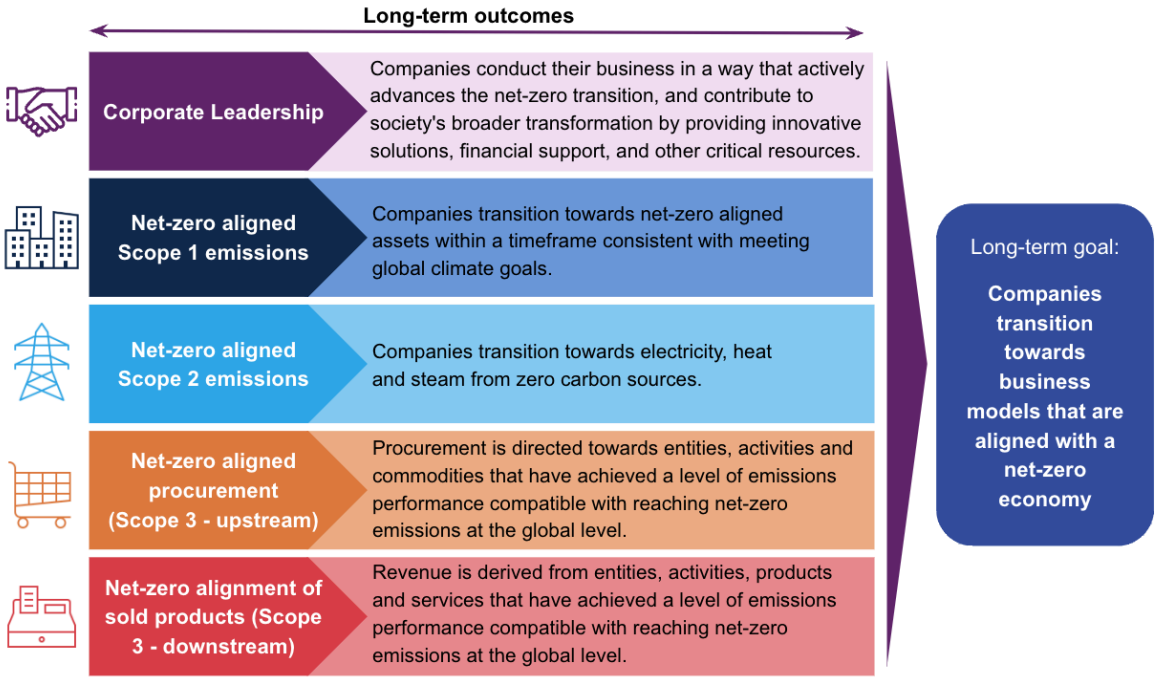
A.2 About SBTi standards

The 2015 Paris Agreement established a goal to limit average global temperature rises to well below 2°C above pre-industrial levels, and pursue efforts to limit the increase to 1.5°C. Climate science has strongly emphasized the importance of limiting global warming to 1.5°C and achieving net-zero CO_2 emissions globally by mid-century to mitigate the risk of irreversible climate impacts.

Achieving net-zero emissions at the global level requires significant transformation across all sectors of the economy, and companies can play a crucial role in driving this transformation. The SBTi's standards aim to enable companies to transition towards business models that are compatible with a net-zero economy by encouraging companies to address emissions across their operations and value chains and to align activities to a net-zero future. SBTi standards focus on five priority outcomes:

[4] A company is a legal entity formed by one or more individuals to engage in and operate a business. This broad definition encompasses financial institutions and is the intended meaning when referencing companies under the Corporate Net-Zero Standard.

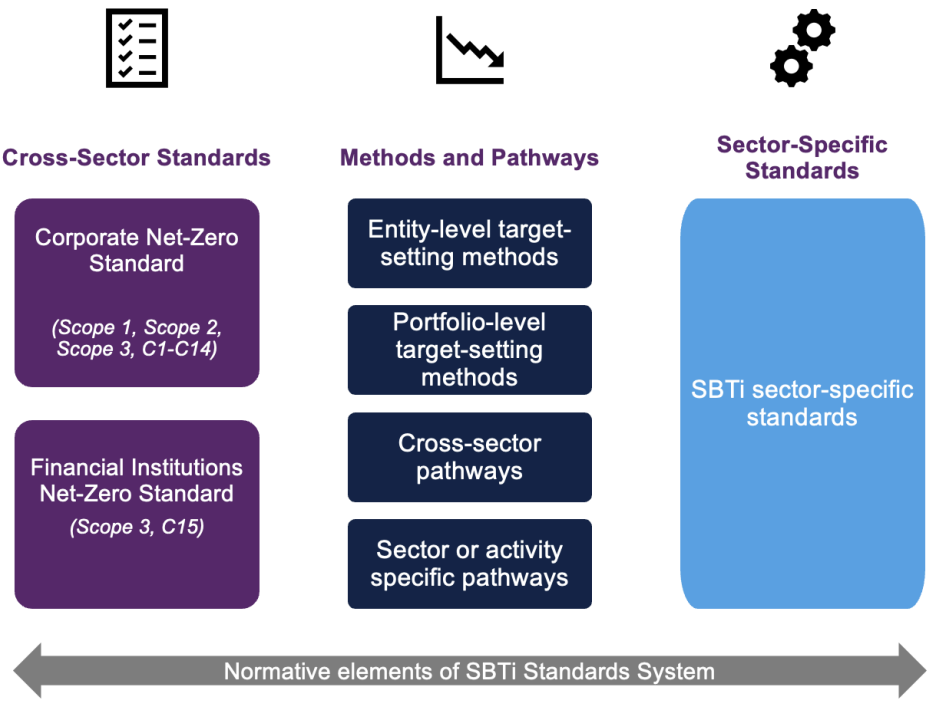
Figure 1. Outcomes incentivized through SBTi standards



A.3 Framework of SBTi standards

SBTi standards are structured in a modular framework, comprising two cross-sector standards – the Corporate Net-Zero Standard and the forthcoming Financial Institutions Net-Zero Standard – which provide cross-sector requirements, guidance and recommendations to align value chain activities with net-zero. Additionally, the suite of SBTi standards includes multiple sector standards intended for the heaviest emitting industries.

Figure 2. Overview of SBTi Standards System.



The SBTi Corporate Net-Zero Standard provides sector-agnostic requirements and recommendations for scope 1, scope 2 and scope 3 emissions, categories 1 to 14. The SBTi Financial Institutions Net-Zero Standard will provide requirements and recommendations for financial activities (scope 3, category 15).

The criteria stipulated in the SBTi Sector Standards are linked to and built upon the cross-sector criteria of the SBTi Corporate Net-Zero Standard (CNZS) (and Financial Institutions Net Zero Standard, if applicable).

All companies shall use the Corporate Net-Zero Standard as the starting point of setting SBTi targets. All companies shall calculate a full and comprehensive GHG emissions inventory and determine the applicability of SBTi sector-specific requirements (see CNZS-C6).

When a company falls within scope of a sector that has a specific standard or target-setting criteria that companies within that sector are required to follow, it shall conform to that standard or those criteria on the scope of applicability of that sector standard to seek validation. Companies shall also apply the Corporate Net-Zero Standard, unless otherwise stipulated within a sector standard.

For example, a company engaged in power sector and financial services activities that meet the thresholds for these sectors shall adhere to the Power Sector Guidance and the Financial Institutions Net-Zero Standard in addition to the Corporate Net-Zero Standard. Requirements within SBTi Sector Standards may be required in addition to or supersede those in the Corporate Net-Zero Standard. The Sector Resources Summary provides an overview of the available and planned pathway and guidance developments for each sector.

A.4 Intended users of the SBTi standards

SBTi standards are intended for established companies, including listed companies, private and public-sector for-profit companies that operate in any sector globally.[5] Organizations such as foundations, trusts, non-profits, partially public non-profits and non-governmental organizations (NGOs) are not eligible for validation. However, the SBTi encourages these stakeholders to consider its standard and adapt them for use.

Company categorization

The Corporate Net-Zero Standard is introducing a new company categorization model based on company size and geography. This model intends to support all companies seeking conformance to this standard, while acknowledging differences in size, location and financing capabilities. The company size categorization is guided by EU regulatory

[5] An established company is defined as any for-profit company with at least one year of operations that has proof of legal registration, records of commercialization and financial statements.

definitions, while geographical categorization is based on the World Bank classification.[6] The categorization divides companies into two groups:

- **Category A**:
    - Large companies in all countries
    - Medium companies allocated to high and upper-middle income countries
- **Category B**:
    - Medium companies allocated to lower-middle and low income countries
    - Small & micro companies in all countries

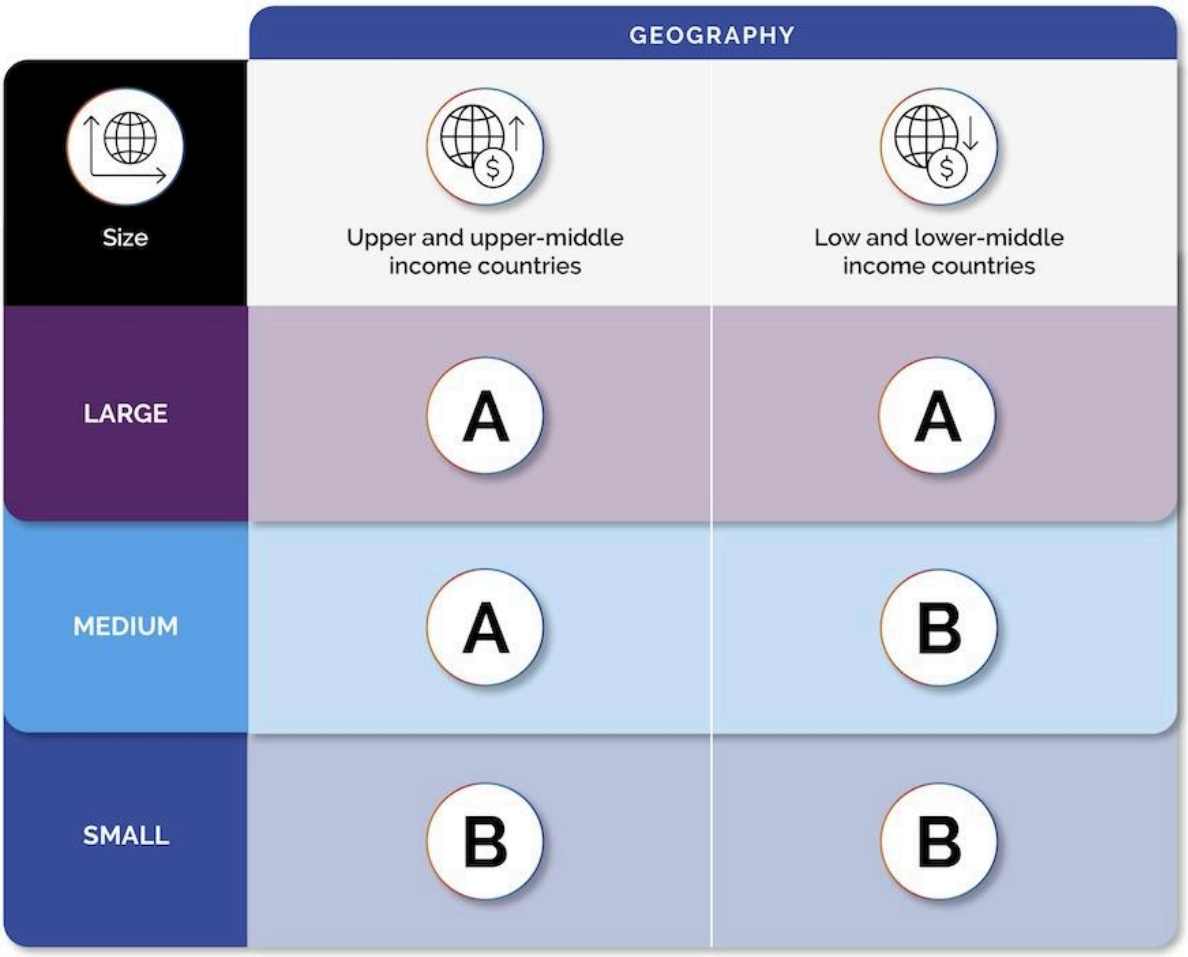
A medium-sized company is allocated to a low-income or lower-middle-income country if both of the following conditions are met: 1) its headquarters are located in a low-income or lower-middle-income country, and 2) it has a net turnover of no more than 50 million EUR or USD derived from any high-income or upper-middle-income country. All other medium-sized companies are allocated to the upper-middle-income and high-income country category.

[6] This standard defines company size thresholds as follows: the 'large' category uses the Corporate Sustainability Due Diligence Directive (CSDDD) definition of large companies; the 'medium' category applies the Corporate Sustainability Reporting Directive (CSRD) definition of large companies; and the 'small' category follows the CSRD definitions for medium, small, and micro companies.The figures in Euros shall be applied to those companies that must comply with European regulation. The USD figures are the same without conversion rate to avoid fluctuations, and they are meant to apply to all other companies that do not need to comply with CSRD and/or CSDDD.

Table 1. Company size definitions and thresholds.

Company size	THRESHOLDS: Emissions	Balance sheet $ or €	Net turnover $ or € worldwide	Employee number
LARGE If at least one thresholds is met	×	×	Over 450m	Over 1,000
MEDIUM If at least two thresholds are met	×	Over 25m	Between 50 - 450m	Between 250 - 1,000
SMALL If emissions threshold is met and at least two other thresholds are met	Less than 10,000 tonnes CO2e (scopes 1+2 combined)	Less than 25m	Less than €50m	Less than 250

Table 2. Categorization by company size and geographical location.



A.5 Validation model

Along with this revised Standard, the SBTi is introducing a new validation model intended to enable continuous improvement throughout the net-zero transformation journey of companies. The validation model provides a mechanism to monitor, assess and communicate conformity with this standard at different stages. The following conformity assessments occur over a defined cycle for targets that are set over a five-year target timeframe:

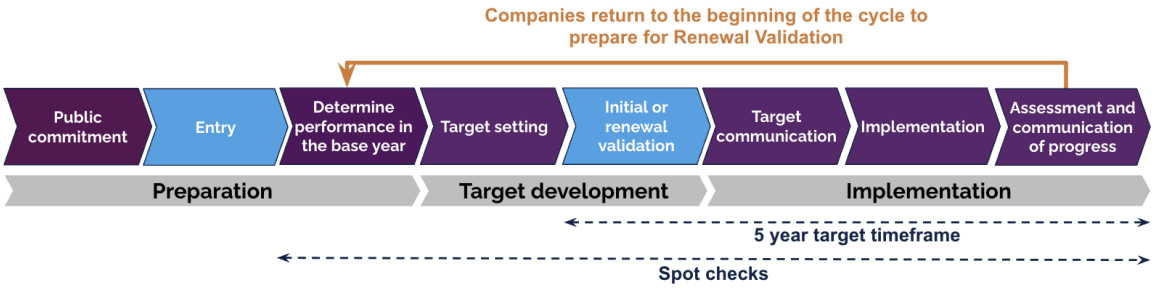
- **Entry Check:** Application stage when entry criteria are checked to ensure the company has leadership support to set and progress against net-zero targets, and is ready to enter the SBTi system.
- **Initial Validation**: When criteria that are applicable to this stage, which typically relate to understanding base year performance and setting targets, are validated. Companies shall undergo the Initial Validation within the specified timeframe following the Entry Check assessment. Category A companies are required to undergo Initial Validation within 12 months, while Category B companies shall undergo Initial Validation within 24 months. Entry Check and Initial Validation can be conducted together if a company is prepared to conform to the Initial Validation requirements.

- **Renewal Validation:** Progress is assessed against targets from the previous cycle, along with any other applicable requirements, and new targets are set covering areas that require further transformation. Renewal Validation can also be triggered by target base year emissions recalculation or other significant changes that lead to the need for target review and adjustment, even if the event occurs before the end of the target cycle.

This draft details the stage at which each criterion is assessed under the "Assessment stage" sub-heading. Annex B: Applicability of Criteria by Assessment Stage and Company Category contains a list of criteria assessed at each cycle stage. Companies are required to have met the criteria (Category A or Category B) that are applicable to each conformity assessment when the assessment is conducted. Throughout the target cycle, companies shall provide the SBTi-designated validation body with all information required to assess conformance with this standard as indicated in the Procedure for Validation of SBTi Targets, and they shall consent to publication of key information related to their conformity assessment on the SBTi website.

In addition to the assessments outlined above, spot checks can be performed at any time throughout the target cycle to confirm a company's conformity with this standard. Any company and target is subject to spot checks. Spot checks are typically performed to maintain the integrity of the assessment process, and may be conducted, for example, as a result of complaints or allegations, or as a follow-up after previous non-conformities.

Figure 3. SBTi conformity assessment cycle.



In line with the Standard Operating Procedure for Development of SBTi Standards, the SBTi will develop criteria assessment indicators (CAIs) that will be used for making conformity decisions. CAIs are developed based on the criteria included in SBTi standards and are used to evaluate whether a company has met the requirements outlined in the respective standard.

Conformity assessments will be carried out as described in the Procedure for Validation of SBTi targets. This document outlines the major checks conducted by SBTi Services during the target validation process. It supports conformance of target submissions with the Science Based Targets initiative's criteria and standards.

A.6 Structure of SBTi standards

SBTi standards are divided into chapters. Each chapter includes criteria and the intended outcomes describing how the criteria support the goals of this standard. In some cases, individual sections also include a description of the intended outcome.

Each section includes the criteria (identified by “CNZS-C” followed by whole numbers) and sub-criteria (identified by “C” followed by decimal numbers). Criteria and sub-criteria are the rules that companies shall adhere to in order to be validated by the SBTi-designated validation body.

Sections may also include recommendations (identified with an “R”) followed by numbers. Recommendations are the best practices companies are encouraged to pursue.

Some criteria within this standard are marked with the term “optional”. This indicates an optional criterion that is not required for validation, but may enable companies to be eligible for additional claims. If companies chose to adhere to optional criteria, they shall be adhered to fully. A company shall not selectively follow parts of an optional criterion, including its subcriteria.

A.6.1 Differentiation of requirements for company categories

Differentiated requirements for Category A and B companies are stipulated under “company category” sub-headings. These differentiated requirements by company category may be relevant to a whole criterion or to a single sub-criterion.

A.7 Terminology

Within the criteria contained within SBTi standards, the terms “shall”, “should” and “may” are used as follows:

1. “Shall” indicates criteria that are required for the applicable activities.
2. “Should” indicates a recommendation. Recommendations are important for transparency and / or adherence to best practices, but are not required.
3. “May” indicates an option that is permitted, allowed, or permissible.

The terms 'can' and 'must' are used with distinct meanings. 'Can' indicates possibility or capability, referring to options or actions available to the user. 'Must' denotes external constraints that are not requirements of this document but are provided for informational purposes. These terms reflect the practical application of SBTi standards in the real world. For instance, 'must' could pertain to compliance with applicable laws in a user’s country, region or sector, while 'can' might describe permissible actions that do not affect validation, such as using a specific technology or approach that might not count towards validation but does not preclude it.

The SBTi Glossary provides a list of terms and definitions, and of acronyms used in the SBTi's technical resources.

A.8 Compliance with regulatory requirements

In addition to meeting the criteria within SBTi standards, companies are responsible for meeting or exceeding the national, subnational, regional, legislation and/or regulation in the countries where the standards are applied on topics covered within the standards.

A.9 Language and translations

The working language for SBTi standards is English. As appropriate, the SBTi shall arrange translations of SBTi standards into languages other than English. Translated versions of a standard are for information only. In case of doubt, the official English language version shall be deemed definitive.

A.10 Review and revision

Within a maximum of five years and a minimum of one year of the date of approval of an SBTi standard, the SBTi shall oversee a formal consultation to undertake a review of the SBTi standard to ensure and improve its continuing relevance and effectiveness in meeting its objectives. The exact review date will be determined based on the evolving needs of stakeholders and advancements in the relevant field.

B. ABOUT THIS STANDARD

B.1 Purpose of the SBTi Corporate Net-Zero Standard

The latest climate science sends a clear warning that we must curb temperature rise to avoid the catastrophic impacts of the climate crisis. The SBTi develops standards that show companies and financial institutions the scale and pace at which they need to reduce their greenhouse gas (GHG) emissions to help avert the worst impacts of climate change. The SBTi's mission is to drive science-based climate action in the corporate sector consistent with limiting warming to 1.5°C.

The SBTi's vision is: "By 2050, the world will have transitioned towards a net-zero and equitable economy that serves the needs of the population within the limits of the planet". The Corporate Net-Zero Standard supports the SBTi's vision by incentivizing companies to deliver ambitious, science-based climate action that enables the transition to an equitable net-zero economy.

Version 2.0 of the Corporate Net-Zero Standard builds upon earlier versions and aims to provide a more comprehensive framework for science-based decarbonization and system transformation. It outlines steps for companies to rapidly reduce GHG emissions, transform their business models and scale up their net-zero aligned activities in line with the most recent scientific climate insights.

B.2 Scope

The SBTi Corporate Net-Zero Standard applies to established companies, as described in Section A.4. Companies seeking SBTi validation, shall conform to this standard regardless of the sector that they operate in.

The SBTi also publishes sector-specific standards. When a company falls within the scope of a sector standard, it shall apply the criteria within that standard in addition to the cross-sector criteria of the Corporate Net-Zero Standard to be eligible for validation.

B.3 Structure of the SBTi Corporate Net-Zero Standard

The Corporate Net-Zero Standard covers six key topics presented over six chapters as seen in Figure 4 that aim to address the following outcomes:

1. CORPORATE NET-ZERO COMMITMENT: Companies make a public commitment to achieve net-zero greenhouse gas emissions by no later than 2050. The commitment signals climate ambition to internal and external stakeholders and informs corporate business strategy, targets, actions, investments and conduct in the near- and long-term.

2. DETERMINING PERFORMANCE IN THE BASE YEAR: Companies define organizational and operational boundaries and develop a thorough understanding of climate-related performance in the target base year. Determining performance in the target's base year helps establish priority areas to guide target-setting and other actions for improvement.

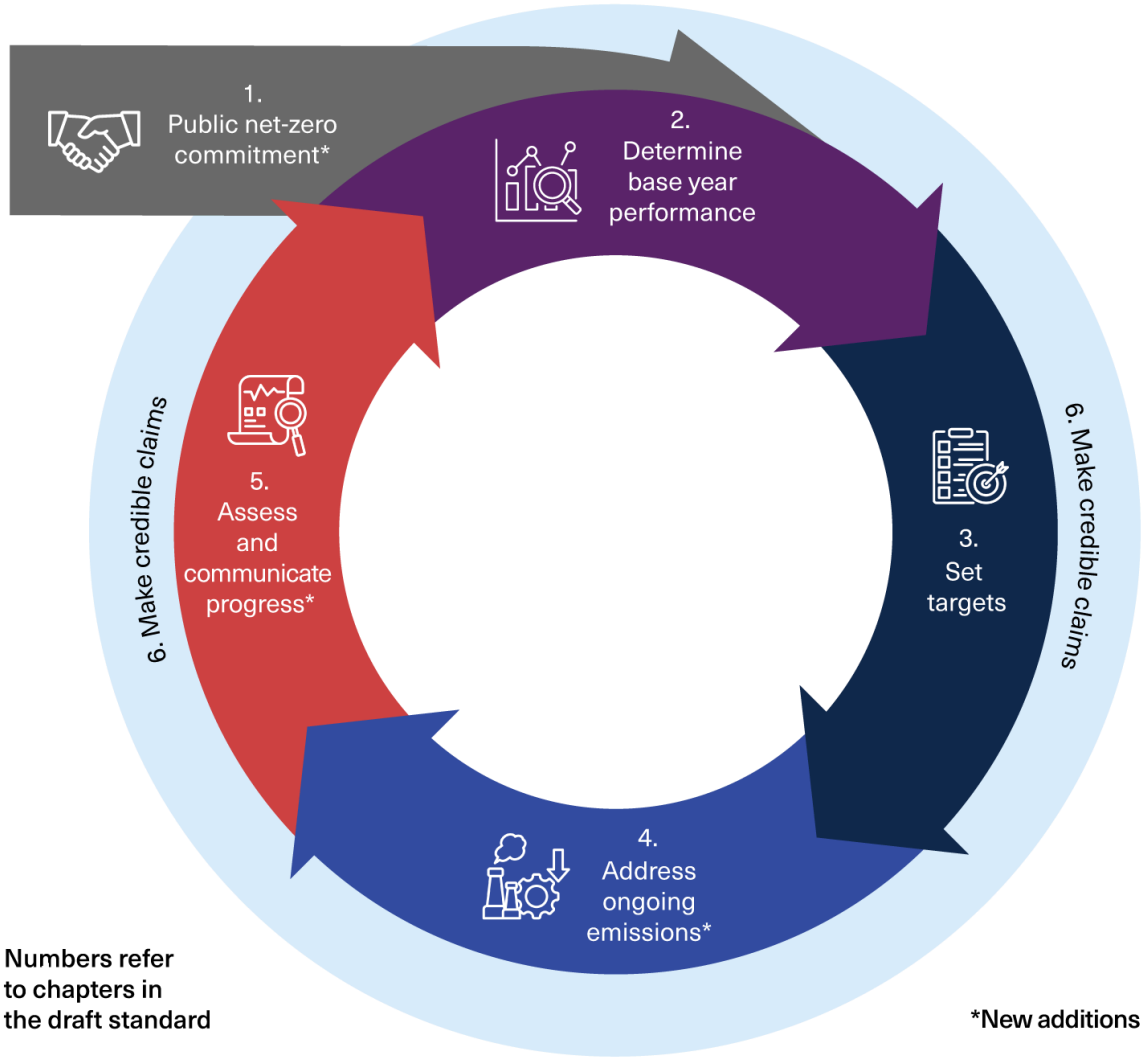
3. <u>TARGET SETTING</u>: Companies set public, science-based, measurable, time-bound targets to improve climate performance and align with pathways consistent with the global goal of reaching net-zero emissions by mid-century.

4. <u>ADDRESSING THE IMPACT OF ONGOING EMISSIONS</u>: Companies take responsibility for ongoing emissions and contribute to broader societal net-zero transformation through additional mitigation measures.

5. <u>ASSESSING AND COMMUNICATING PROGRESS</u>: Companies assess and communicate their progress against targets at the end of each target cycle, evaluate their performance level and set new targets to continue their net-zero transformation journey.

6. <u>SBTi CLAIMS</u>: Companies ensure that all claims covered in this standard, including those regarding target achievement, are accurate, verifiable and adhere to high-integrity standards and applicable regulations.

FIgure 4. A visualisation of the six chapters of the draft Corporate Net-Zero Standard Version 2.0



Each chapter of this standard contains cross-sector criteria and recommendations that apply to all companies, regardless of the sector standards applicable to them. It also includes a number of annexes to support the use of and assessment of conformance against this standard.

Table 3. Description of annexes of the draft Corporate Net-Zero Standard Version 2.0.

Annex	Description	Status
ANNEX A: KEY TERMS	Defines key terms and acronyms introduced in this version of the Corporate Net-Zero Standard that are not already included in the SBTi Glossary.	Draft for public consultation (new)
ANNEX B: APPLICABILITY OF CRITERIA BY ASSESSMENT STAGE AND COMPANY CATEGORY	Lists the criteria assessed at each assessment stage and the company category to which the criteria are applicable.	Draft for public consultation (new)
ANNEX C: SCOPE 3 ACCOUNTING	Describes additional rules for scope 3 accounting.	Draft for public consultation (minor revisions from Corporate Net-Zero Standard Version 1.2)
ANNEX D: RELEVANT SCOPE 3 EMISSIONS SOURCES	List of emissions-intensive activities against which companies assess their exposure to identify relevant sources of emissions in the value chain.	Draft for public consultation (new)
ANNEX E: INDICATORS, BENCHMARKS AND METHODS	Provides a set of cross-sector indicators designed to support the adoption of targets and to support the assessment of progress and performance over time. It also stipulates the interim and net-zero benchmarks to assess conformity with this standard.	Draft for public consultation (new)
ANNEX F: CROSS-SECTOR PATHWAY	Defines the necessary levels of global emission reduction in scenarios limiting warming to 1.5°C by the end of the century.	Draft for public consultation (revision)
ANNEX G: PROGRESS ASSESSMENT FORMULAS	Provides formulas for progress assessment to determine whether targets have been achieved once relevant pre-conditions have been met.	Draft for public consultation (new)
ANNEX H: DETAILED CLAIMS	Describes examples of the claims that the SBTi is exploring through the consultation process.	Draft for public consultation (new)

B.4 Supporting documentation

The draft Corporate Net-Zero Standard Version 2.0 is supported by documentation that explains its foundational elements. These materials provide details of the pathways and algorithms that underpin target-setting methods. By referencing these documents,

stakeholders can gain a deeper understanding of the technical framework behind this standard.

Table 4. Description of supporting documentation that provides explanation of key foundational elements of the draft Corporate Net-Zero Standard Version 2.0.

Document	Description
Documentation of target-setting methods	Document that provides detailed explanation of the algorithms for the target-setting methods used in this standard.
Documentation of cross-sector pathway	Document that provides the detailed rationale for the determination of the cross-sector pathway used in this standard.

B.5 Revision process

Version 2.0 of the Corporate Net-Zero Standard is being developed through a formal and transparent multi-stakeholder process in accordance with the Standard Operating Procedure for Development of SBTi Standards. A more detailed outline of the revision process can be found in the Project Terms of Reference

Stakeholders are able to submit feedback during the public consultation phase and throughout the course of the project through the Project Feedback Form. Responses to feedback will be published in the Public Consultation Feedback Report, the Pilot Testing Feedback Report and the Project Feedback log. A Basis for Conclusions Report will be published alongside the final Corporate Net-Zero Standard Version 2.0 to summarize the feedback received on the project and the SBTi's responses to it.

This draft is undergoing public consultation via this survey. The draft also presents options currently under consideration, which stakeholders can evaluate and provide comments on through the online platform. When the draft criterion or recommendation includes "(shall / should)" it means that the SBTi is seeking feedback on whether to require (shall) or recommend (should) this element. The SBTi invites stakeholders to review the draft and share feedback to help identify potential issues, practical challenges or opportunities for improvement.

1. CORPORATE NET-ZERO COMMITMENT

Background and key concepts

Corporate net-zero commitments play an important role in ensuring that companies demonstrate leadership by embedding climate ambition into their core operations. To date, most companies have started the science-based target-setting process by submitting a commitment letter to the SBTi in which they pledge to set science-based targets within 24 months. Companies can also submit targets immediately.

This draft standard proposes to replace the current commitment letter with a more robust commitment process. This process requires companies to publicly state their intentions to achieve net-zero emissions before mid-century and set science-based targets aligned with this ambition within 12 months for Category A companies and 24 months for Category B companies. By making public net-zero commitments, companies signal their accountability and ambition to play their part in achieving global climate goals.

Effective commitments are backed by robust governance structures, transparent progress reporting and the alignment of key business processes. The draft also proposes that companies publish climate transition plans within 12 months following validation of their targets by the SBTi, subject to the consultation process.

This chapter outlines the foundations of corporate net-zero commitments and highlights the importance of embedding these commitments across all aspects of business operations, from senior leadership accountability to detailed transition planning. They require companies to more clearly and uniformly demonstrate their intentions and plans to back up net-zero targets. Our aim is that these proposals align with emerging best practices, including those developed by the UN HLEG, the UN Race to Zero and the Climate Action 100 Framework.

Draft criteria and recommendations

Intended outcome: Companies make a public commitment to achieve net-zero GHG emissions by no later than 2050. The commitment signals climate ambition to internal and external stakeholders and informs the companies' business strategy, targets, actions, investments and conduct in the near- and long-term.

1.1 Company-wide commitment to net-zero

***Key changes and rationale* (revised):** *To date, most companies have started their science-based target-setting journey by submitting a letter to the SBTi in which they committed to setting science-based targets within 24 months. This commitment is then displayed on the SBTi website on the Target Dashboard, where the company is recognized as "Committed".*

In line with emerging best practice, including the recommendations from the UN High-Level Expert Group (HLEG) on Net-Zero and the UN Race to Zero criteria, the current commitment process will be replaced by a more robust commitment process that is a formal aspect built into the validation model. This updated process will require companies to publicly state their intention

to both reach net-zero emissions and set science-based targets aligned with this ambition by the time of the Entry Check assessment.

CNZS-C1. Companies shall publicly commit to reaching net-zero GHG emissions by no later than 2050.[7]

Company category: *All companies*
Assessment stage: *Entry Check*

C1.1. Commitments shall encompass all operations, business units, subsidiaries, affiliates and joint ventures covered within the company's organizational boundary, as defined in CNZS-C3.

C1.2. Companies shall include all geographic locations and markets where it operates, ensuring that the net-zero commitment applies globally.

C1.3. Companies shall commit to setting and implementing targets to reduce total emissions across all scopes to a residual level in line with pathways consistent with limiting warming to 1.5°C with no or limited overshoot.

C1.4. Companies shall commit to setting and implementing removals targets. (***NOTE:*** *The SBTi is consulting on its approach for integrating carbon removals into this standard. Please see Box 1.)*

C1.5. Companies shall neutralize the impact of any residual emissions that remain at the net-zero target year to reach net-zero.

C1.6. Companies shall commit to publicly reporting their progress toward reaching net-zero emissions, and shall state their approach to reporting including planned frequency and intended reporting method.

C1.7. Companies shall assign responsibility for the net-zero commitment to specific roles or committees within its governance structure and/or within the leadership of the organization (e.g. C-suite level).

C1.8. Commitments shall be formally approved and adopted by the company's highest governing body responsible for external commitments (e.g. the Board of Directors or equivalent).

C1.9. Commitments shall be publicly available and shall clearly address all elements outlined in sub-criteria C1.1 - C1.8.

Recommendations:

R1.1. While the requirement is to reach net-zero emissions by no later than 2050, earlier commitment years are encouraged.

R1.2. Companies should communicate net-zero commitments to all internal stakeholders, including the employees and management at all levels.

R1.3. Companies should communicate net-zero commitments to external stakeholders, including investors, customers, suppliers, regulators, and the general public.

R1.4. Commitments should address how the company plans to discontinue the use and support of fossil fuels in line with its net-zero commitment.

[7] For companies in sectors expected to reach net-zero before 2050 (e.g. power generation), net-zero commitments shall align with the net-zero target year specified within the applicable SBTi Sector Standard.

1.2 Transition plan

Intended outcome: Companies develop detailed transition plans outlining the governance, actions, policies and resources necessary to achieve science-based targets and reach net-zero emissions.

Key changes and rationale ***(new):*** *In line with emerging best practice and evolving voluntary and regulatory frameworks, this standard requires companies to publicly report transition plans within 12 months of target validation. The SBTi does not intend to set detailed requirements for the contents of transition plans or to develop guidance on this subject. Validation will be limited to the requirements in this standard, and this standard will instead refer to other frameworks that companies can use when developing transition plans. As per recommendations from the UN HLEG, the UN Race to Zero criteria and the Climate Action 100 Framework, this standard proposes a recommendation for companies to ensure coherence between their public net-zero commitment and their engagement in relevant climate policy. The SBTi is consulting on whether this recommendation should instead be a requirement within this standard.*

CNZS-C2. Companies (shall/should) develop and make publicly available a climate transition plan within 12 months from initial validation which provides a roadmap of the actions that will be undertaken to achieve net-zero by no later than 2050.

Company category: *All companies*
Assessment stage: *Renewal Validation*

C2.1. Transition plans (shall/should) be formally approved and adopted by the highest level of governance within the company (e.g. the Board of Directors or equivalent).

C2.2. Companies (shall/should) review their climate transition plan and update it if necessary at least every five years.

Recommendations:

R2.1. Category A companies should support the transition to net-zero emissions of category B companies through financial cooperation, capacity building and/or technology transfer. This cooperation may include the following areas:

- Develop and implement a transition plan;
- Phase out unabated fossil fuel consumption and production, where applicable;
- Transition to zero-carbon electricity sources;
- Meet abatement targets established in their transition plans;
- Engage with their suppliers and customers to decarbonize their value chain;
- Provide training for the workforce and local communities in green jobs.

R2.2. Companies should develop and publicly report transition plans based on the Transition Planning Taskforce Disclosure Framework or their corresponding jurisdictional reporting standard.

R2.3 Companies should ensure that all policy engagement, lobbying activities, and advocacy efforts are consistent with and supportive of net-zero GHG

emissions commitments. Companies may follow policy engagement guidelines from best practice frameworks such as InfluenceMap, the UN Guide for Responsible Corporate Engagement in Climate Policy and the Global Standard on Responsible Corporate Climate Lobbying.

2. DETERMINING PERFORMANCE IN THE TARGET BASE YEAR

Background and key concepts

Developing a clear understanding of current performance is a crucial step that helps companies identify the gap between their existing performance and the level required to achieve net-zero emissions. This understanding enables them to effectively leverage the target-setting process to bridge that gap.

This chapter strengthens the process for determining performance in the base year for target setting[8]. Some of the key proposed changes include:

- A revised consolidation approach to align with best practice, emerging regulation and voluntary frameworks;
- Changes to base year selection to ensure that the base year is representative of the actual structure and performance of the company and that targets are effective in driving change;
- A new approach to identify relevant scope 3 emissions sources, which serves as the basis for scope 3 target setting; and
- Incentives to increase the quality of data used for target-setting purposes, including a requirement for Category A companies to obtain third-party assurance on GHG emissions inventories.

In addition to making the process to establish base year performance clearer, the changes in this section aim also to enhance alignment and interoperability with evolving reporting and disclosure frameworks.

[8] Please note that the term “base year” is used throughout this standard to indicate the base year that is used for the purpose of target setting. The term “target base year” may also be used.

Draft criteria and recommendations

Intended outcome: Companies define organizational and operational boundaries and develop a thorough understanding of climate-related performance in the target base year. Determining performance in the target base year helps establish priority areas to guide target setting and other actions for improvement.

2.1 Organizational boundary

Key changes and rationale ***(revised):*** *This revised criterion continues to reinforce the importance of setting targets with a comprehensive boundary, while strengthening disclosure requirements to improve stakeholder understanding of target coverage. It presents two options for defining organizational boundaries - alignment with the GHG Protocol, as in the current standard, or consolidation based on financial statements - both of which are open for consultation.*

CNZS-C3. Companies shall clearly define, describe and publicly report their organizational structure and boundary for GHG emissions accounting and target-setting.

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C3.1. Organizational and operational boundaries shall be established according to the the following (***NOTE:*** *These options will be further explored and refined through the consultation process*):

- 3.1.1. **Option 1:** Organizational and operational boundaries are established according to the GHG Protocol Corporate Standard: A Corporate Accounting and Reporting Standard.
- 3.1.2. **Option 2:** Organizational boundaries and operational boundaries are consistent with the scope of entities, operations, assets and other holdings covered in their consolidated financial statements.

C3.2. Companies shall clearly and transparently report any relevant information about how the organizational boundary and consolidation approach has been determined as part of the validation process, including:

- 3.2.1. Consolidation approach followed;
- 3.2.2. Entities and assets within organizational boundary;
- 3.2.3. Approach towards entities over which they have significant influence;
- 3.2.4. Exclusions or limitations with justification.

C3.3. Companies shall apply all criteria within this standard to the defined organizational boundary.

Recommendations:

R3.1. Companies should define their organizational boundary at the overarching level (e.g. parent company level). However, organizational boundaries may be set at lower levels (e.g. subsidiaries, daughter companies or affiliates).

2.2 Select base year for target setting

Key changes and rationale ***(new):*** *Under the current version of the standard, companies can choose any year from 2015 onwards as their base year. This consultation draft proposes that companies choose a base year no more than three years prior to their Initial Validation. The aim is to maximize ambition and prevent companies from selecting base years that minimize their obligation to reduce emissions, as academic research has shown can happen (Desmoitier, 2024).*

CNZS-C4. Companies shall select a target base year that accurately reflects the company's structure and performance.[9] *(**NOTE:** This criterion and subcriteria are expected to evolve based on the consultation on methods and the pilot testing process.)*

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C4.1. Companies undergoing validation for the first time shall select a base year no earlier than three years before the date of submission for the Initial Validation.

C4.2. Companies with previously validated targets[10] may use the base year from the previous target cycle, provided that the organizational boundary and base year emissions remain valid, or select the target year for the previous cycle, depending on the target-setting approach used.[11]

C4.3. Companies shall apply the selected base year consistently across all applicable indicators (see CNZS-C8). If a different base year is required for a specific indicator, the company shall document and report the rationale for this alternative selection.

C4.4. Companies shall select a base year that reflects typical operations, avoiding years with anomalies such as extended shutdowns, natural disasters, one-off events, or unusual economic conditions that have a significant impact on the company's GHG emissions inventory.

Recommendations:

R4.1. Companies undergoing initial validation should select the most recent year with comprehensive data on emissions and applicable indicators (see CNZS-C8) as the target base year.

R4.2. Base year periods should align with the company financial reporting periods to ensure consistency across financial and emissions data.

[9]Please note that a "target base year" may differ from the inventory base year, which is the initial year for which a company develops a greenhouse gas inventory, and is "a historic datum against which a company's emissions are tracked over time (GHG Protocol, 2004)".
[10] This applies to companies with targets validated under previous versions of the Corporate Net-Zero Standard or Near-Term Criteria, as well as those undergoing Renewal Validation.
[11]For example, if a company had set targets in the previous cycle with a target year of 2030, it shall use 2030 as the target base year when setting targets for the next cycle.

2.3 GHG emissions inventory

***Key changes and rationale* (revised):** *GHG inventories prepared in accordance with the GHG Protocol continue to serve as the basis for target setting. The key updates to this criterion address exclusions from inventories and the frequency of scope 3 emissions reporting.*

Companies setting targets under the current version of the standard may exclude up to 5% of emissions from their inventories but are nevertheless still required to estimate and disclose any excluded emissions during the validation process. Under Version 2.0, no exclusions are permitted. This strengthens the approach by ensuring a more complete representation of corporate emissions and consistency between information provided to the SBTi and the public, reinforcing accountability in the transition to net zero.

While companies are still required to publicly report scope 1 and 2 emissions annually, the scope 3 reporting requirement has been revised. Under Version 2.0, companies are required to report relevant scope 3 emission sources annually, with full scope 3 reporting every three years. This revision is intended to incentivize companies to focus on reducing the most critical emission sources.

CNZS-C5. Companies shall calculate a GHG emissions inventory for the target base year and for the consecutive years within the target timeframe according to the GHG Protocol Standards.

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C5.1. Companies shall conduct a full and comprehensive GHG emissions inventory including all emission scopes following the most recently available GHG Protocol Standards.

5.1.1. Companies shall include all GHGs in the GHG inventory as required by the GHG Protocol Corporate Standard.[12]

5.1.2. Companies shall account and report forest, land and agriculture (FLAG)[13] emissions, bioenergy emissions and removals in line with the GHG Protocol Draft Land Sector and Removals Standard.

C5.2. Companies shall estimate and report emissions across all scopes at the activity-level for emissions-intensive activities. (***NOTE:*** *The SBTi is consulting on activity-level reporting requirements.*)

C5.3. Companies shall calculate and publicly report gross scope 1 and scope 2 emissions in the base year and annually for every subsequent year within the target timeframe.

C5.4. In addition to estimating scope 1 emissions in the target base year, companies shall estimate and report gross scope 1 emissions from 2020 and for every subsequent year to determine cumulative emissions. (***NOTE:*** *This*

[12]The GHGs include the individual gases carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulfur hexafluoride (SF_6), and nitrogen trifluoride (NF_3), as well as the groups of hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs).
[13]Accounting for FLAG emissions is required for any company, regardless of the percentage of FLAG emission over total scope 1, 2 and 3 emissions. If FLAG emissions exceed 20% of total scope 1, 2 and 3 emissions, then companies shall set targets on those emissions according to the SBTi FLAG Guidance.

sub-criterion relates to the Budget-Conserving Contraction Approach target-setting method, which is under consultation.)

C5.5. Companies shall calculate and publicly report location-based scope 2 emissions. Companies shall also calculate and publicly report market-based scope 2 emissions if setting targets on scope 2 market-based emissions.

C5.6. Companies shall adhere to the following requirements in relation to scope 3 emissions:

5.6.1. Companies shall apply Table 5.4 of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and Table C.2. to define the minimum boundary for scope 3 accounting.

5.6.2. Companies shall account for all emissions that meet the minimum boundary definition for each scope 3 category, even if the company has determined that the emissions-generating activity does not meet the relevance accounting and reporting principle under the GHG Protocol. Such emissions may be estimated using averages data where primary data is not available.[14]

5.6.3. Companies shall conform to the additional scope 3 criteria in Annex C: Scope 3 Accounting.

5.6.4. Companies shall measure and publicly report their relevant scope 3 emissions sources (see CNZS-C7) every year. Companies shall also measure and publicly report their scope 3 emissions inventory at the target base year, at the target year and at least every 3 years. (***NOTE:*** *This will be further explored and refined through the consultation process.*)

5.6.5. Companies shall update their scope 3 emissions inventory in case of significant changes, including those listed in CNZS-C11.2.

C5.7. Companies shall ensure emissions and removals are reported separately. (***NOTE:*** *This is a placeholder which will be further explored and refined through the consultation process.*).

Recommendations

R5.1. Companies should calculate a scope 3 inventory on an annual basis.

R5.2. Companies should account for optional emissions that fall outside the minimum boundary of scope 3 categories if they are expected to be significant.

R5.3 Companies should make use of primary data, rather than secondary data.

R5.4. Companies should account for emissions using consistent methodologies, emission factors, and datasets, maintaining the same level of disaggregation across reporting periods. This ensures that changes in the inventory over time are a result of actual emissions increases or decreases, not changes in methodology.[15]

R5.5 Companies using or producing biofuels for transport should support their bioenergy GHG accounting with recognized biofuels certification(s) to provide

[14] This is required to determine which emissions sources are classified as relevant scope 3 emissions sources under criteria CNZS-C7.

[15] In accordance with CNZS-C10, companies are required to enhance data quality. Therefore, maintaining quality should take precedence over ensuring consistency.

evidence that the data on land-related emissions and removals represents the relevant biofuel feedstock production.

2.4 Determination of applicability of sector-specific criteria

Key changes and rationale ***(new):*** *This new criterion requires companies to determine the applicability of SBTi Sector Standards. When a company falls within the scope of a sector standard, it shall apply the criteria within that standard in addition to the cross-sector criteria of the Corporate Net-Zero Standard to be eligible for validation. Please note that the SBTi is currently developing documentation that will support the process to assess applicability of sector standards.*

CNZS-C6. Companies shall determine the applicability of SBTi sector-specific requirements.

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C6.1. Companies shall undertake a process to assess applicability of requirements from SBTi Sector Standards, including the Financial Institutions Net-Zero Standard, and target-setting criteria.

C6.2. Companies shall conform to the requirements in all of the applicable SBTi Sector Standards and sector-specific target-setting criteria whenever applicability thresholds are met.

C6.3. Companies shall also adopt additional indicators specified in applicable SBTi Sector Standards and sector-specific target-setting guidance, in addition to those listed in Annex E: Indicators, Benchmarks and Methods.

2.5 Identification of relevant scope 3 emissions sources

Key changes and rationale ***(new):*** *Reaching a net-zero-aligned state requires companies to address all emission sources over time. However, given the complexities of value chain decarbonization, companies should prioritize the most impactful areas first.*

The current version of this standard requires companies to set scope 3 targets using a minimum percentage coverage threshold (e.g., 67% for near-term targets and 90% for long-term targets). This approach presents several challenges, including the risk of misleading target formulations, the exclusion of significant emission sources, and difficulties in tracking progress over time.

To address these challenges, Version 2.0 introduces an impact-based prioritization process, ensuring companies focus on the most relevant scope 3 emission sources in their value chains. Given the dynamic nature of corporate value chains, companies are expected to reassess relevant scope 3 emission sources at each target cycle.

CNZS-C7. Companies shall identify relevant scope 3 emissions sources in the value chain, including significant scope 3 categories and emissions-intensive activities

Company categorization: This criterion includes adjustments to accommodate Category B companies

Company category: *Category A (mandatory), Category B (optional)*
Assessment stage: *Initial Validation, Renewal Validation*

C7.1. Companies shall identify significant scope 3 categories. Scope 3 categories are considered significant when the category represents 5% or more of total annual scope 3 emissions.

C7.2. Companies shall assess their exposure to emissions-intensive activities across the value chain, both upstream and downstream, as outlined in Tables D.4 and D.5 in Annex D: Relevant Scope 3 Emissions Sources.

C7.3. Emissions-intensive activities are considered significant when they meet either of the following thresholds:

7.3.1. The activity accounts for more than 1% of the company's total annual scope 3 emissions; or

7.3.2. The activity generates more than 10,000 tCO_2e per year.

C7.4. Where companies optionally identify relevant scope 3 emissions sources outside the minimum boundary for scope 3 categories they shall ensure these are reported separately from emissions within the minimum boundary. For a definition of optional emissions for each scope 3 category, please see Table 5.4 (page 34) of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

C7.5. Companies shall establish and transparently document the activities, operations, processes and assets that are identified as relevant scope 3 emissions sources within the organizational boundary (see CNZS-C3).

2.6 Determining performance in the target base year

Key changes and rationale ***(new):*** *This draft introduces a set of indicators to evaluate performance, encompassing both emissions and non-emissions metrics, such as the percentage of energy sourced from clean sources or procurement from climate-aligned suppliers. By integrating both types of indicators, the framework ensures that companies stay focused on key emissions sources while also tracking actionable measures that can be more effectively assessed over time.*

CNZS-C8. Companies shall identify applicable indicators and determine their performance for those indicators at the target base year.[16]

Company categorization: This criterion includes adjustments to accommodate Category B companies.

Company category: *All companies.*
Assessment stage: *Initial Validation, Renewal Validation*

C8.1. Companies shall determine performance in the base year for the following indicators in Table E.1 of Annex E: Indicators, Benchmarks and Methods:
- 8.1.1. Scope 1 emissions (Indicator-CNZS.1).
- 8.1.2. Scope 2 location-based emissions (Indicator-CNZS.2).
- 8.1.3. Scope 2 market-based emissions (Indicator-CNZS.3), or share of zero-carbon electricity consumed (Indicator-CNZS.4).

C8.2. Category A companies shall, and Category B companies may, determine performance in the base year for the following indicators in Table E.1 of Annex E: Indicators, Benchmarks and Methods:
- 8.2.1. Tier 1 supplier alignment (Indicator-CNZS.5) and emissions-intensive supplier alignment (Indicator-CNZS.6);
- 8.2.2. Scope 3 emissions from each emissions-intensive activity, using at least one of the following indicators:
  - 8.2.2.1. Absolute scope 3 GHG emissions for emissions-intensive activities (Indicator-CNZS.7).
  - 8.2.2.2. Average emissions intensity for emissions-intensive activities (physical intensity Indicator-CNZS.8; economic intensity Indicator-CNZS.9).
  - 8.2.2.3. Alignment of emissions-intensive activities (upstream Indicator-CNZS.10; downstream Indicator-CNZS.11).
- 8.2.3. Remaining emissions within each significant category, using at least one of the following indicators:
  - 8.2.3.1. Absolute scope 3 GHG emissions for significant categories (Indicator-CNZS.12).
  - 8.2.3.2. Average emissions intensity for significant categories (Indicator-CNZS.13).

[16] Companies may choose from multiple eligible indicators for scope 2 and 3. Each indicator corresponds to a specific target-setting method outlined in Chapter 3. This flexibility enables companies to select the method(s) that best suits their needs.

8.2.3.3. Share of aligned counter-parties for significant categories (Indicator-CNZS.14)

8.2.4. Scope 3 emissions from fossil fuels related downstream activities, using both indicators if applicable:

8.2.4.1. Share of total revenue from the sale of fossil fuels or services for fossil fuel expansion (Indicator-CNZS.15).

8.2.4.2. Share of total revenue from products that consume fossil fuels during use (Indicator-CNZS.16).

8.2.5. Removals (Indicator-CNZS.17).

C8.3. Companies shall also determine target base year activity, impact or performance indicators applicable from SBTi Sector Standards or SBTi sector-specific target-setting criteria.

2.7 Assurance of GHG emissions inventory

***Key changes and rationale* (new):** *The quality of a company's GHG inventory serves as the foundation of its emissions reduction targets and progress assessment. This draft introduces a new requirement for companies to obtain, at a minimum, limited assurance for their GHG emission inventories from independent third-party verifiers. This aligns with emerging frameworks (e.g. CSRD), as well as HLEG recommendations.*

CNZS-C9. Companies shall obtain third-party assurance of their GHG emissions inventory.

Company categorization: This criterion includes adjustments to accommodate Category B companies.

Company category: *Category A (mandatory), Category B (optional)*
Assessment stage: *Initial Validation, Renewal Validation*

C9.1. Companies shall obtain, at minimum, limited assurance for their GHG emissions inventory, including input data and emissions estimates.

C9.2. The assurance shall cover scope 1 emissions, scope 2 emissions, and relevant scope 3 emissions sources (see CNZS-C7) for the target base year and target year. (***NOTE:*** *The SBTi will consult on assurance requirements for removals.*)

C9.3. Assurance shall be conducted by an independent third-party organization, accredited by a recognized body and in line with internationally recognized GHG emissions assurance standards.[17]

C9.4. Companies shall document and publicly report at minimum following information about the assurance process:

9.4.1. The name and qualifications of the assurance provider;

9.4.2. Year of the GHG inventory;

9.4.3. The scope of the assurance, including boundaries, emissions covered, and specific exclusions or limitations;

[17]The SBTi provisionally considers the CDP list of accepted verification standards as recognized standards.

9.4.4. The methodology and standards used by the assurance provider, along with any assumptions and data limitations;
9.4.5. The type of assurance (e.g. limited, reasonable, or high);
9.4.6. A summary of findings, including any recommendations from the assurance provider.

Recommendations

R9.1. Companies should use insights from assurance findings to improve data quality and reporting processes.
R9.2. Companies should also seek assurance covering scope 3 emissions that are not identified as relevant scope 3 emissions sources (see CNZS-C7).
R9.3. Companies should seek reasonable assurance for scope 1 emissions, 2 emissions, and relevant scope 3 emissions sources.
R9.4. Companies should increase the level of assurance over time.

2.8 Improving data quality

***Key changes and rationale* (new):** *Data quality is critical to ensure the credibility of corporate climate claims. Today, corporate GHG inventories rely significantly on secondary data, introducing significant margins of error that limit the ability to assess changes in emissions and progress against targets over time.*

Recognizing the operational constraints companies face today, along with the importance of improving data quality over time, this draft standard requires companies to gradually shift toward higher quality data. To focus efforts on relevant emissions sources, companies are required to determine the level of traceability for emission-intensive activities and significant scope 3 categories in their base year, and develop a plan to increase traceability over time.

CNZS-C10. Companies shall aim to improve quality and traceability of their GHG emissions data over time.

Company categorization: This criterion includes adjustments to accommodate Category B companies.

Company category: *Category A (mandatory), Category B (optional)*
Assessment stage: *Initial Validation, Renewal Validation*

C10.1. Companies shall determine the level of traceability to the source for emissions-intensive activities within their value chain and significant scope 3 categories in the target base year.
C10.2. Companies shall develop a plan to increase the level of traceability over the target cycle and report progress against it, in order to assess progress against targets and substantiate related claims, striving to achieve full traceability for emissions-intensive activities by 2035 and for other emissions sources in the value chain by 2050.

C10.3. Companies shall include an uncertainty assessment in their data quality evaluation.

2.9 Recalculation of target base year indicators

***Key changes and rationale* (revised):** *This criterion mirrors the requirements of C33 in Version 1.2. However, the SBTi is consulting on which conditions related to data quality should lead to the recalculation of a company's target base year emissions. The SBTi is aware of the significant effort required to undertake such recalculations and recognizes the need to incentivize data quality improvement. For this reason, the SBTi is exploring whether and how data quality improvements should lead to the recalculation of target base year emissions.*

CNZS-C11. Companies shall re-evaluate and, if necessary, recalculate their target base year GHG emissions inventory and other applicable indicators in response to significant changes.

Company category: *All companies*
Assessment stage: *Renewal Validation*

C11.1. Companies shall re-evaluate their target base year emissions and other key indicators on an annual basis to ensure continued representativeness.

C11.2. Companies shall re-evaluate the continued relevance of target base year emissions and indicators in any of the following base year emissions recalculation events:

- 11.2.1. Significant changes in organizational structure (e.g. mergers, acquisitions, divestments, divestment of and/or transfer of assets) or operational boundaries;
- 11.2.2. Significant methodological changes, data quality improvements, or recalculations that affect the accuracy of the target base year emissions and other indicators;
- 11.2.3. Significant changes in company activities that cause emissions to shift from scopes 1 and 2 to scope 3 (or vice versa) of previously validated targets; discovery of significant errors, or cumulative errors, that are collectively significant.

C11.3. Companies shall recalculate their base year and most recent year (if applicable) GHG emissions inventory when the cumulative impact of one or several base year emissions recalculation events results in a variation of 5% or more in any scope 1, scope 2, or scope 3 category.

- 11.3.1. Companies using the Budget-Conserving Contraction Approach described in CNZS-C14 shall recalculate scope 1 emissions for all years between the target base year and reporting year.

C11.4. Companies shall refer to the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to determine the approach to recalculating scope 3 base year emissions due to improvements in data accuracy over time.

C11.5. Companies shall document the rationale for recalculating their base year emissions.

C11.6. The target base year emissions recalculation of the GHG inventory shall be subject to independent third-party assurance as per CNZS-C9.

C11.7. The SBTi-designated Validation Body shall be informed about the target base year recalculation.

Recommendations

R11.1. When recalculating their target base year emissions, companies should update the historical emissions data for all GHG inventory calculations between the target base year and reporting year to contribute to reporting transparency.

3. TARGET SETTING

Background and key concepts

After companies establish their base year performance, the next step is to assess the gap between current performance and the level required for net-zero alignment, then set targets to bridge this gap. This approach to target-setting considers both external science-based benchmarks and the company's actual progress.[18] By integrating these factors, companies set targets that are both ambitious and grounded in science.

This chapter focuses on the requirements for science-based target setting, which build upon previous SBTi target-setting criteria and the current version of the Corporate Net-Zero Standard. This draft standard introduces various changes to address stakeholder feedback and make the target-setting process more effective. Some key concepts that are important to aid understanding of the changes proposed within this revision are described below.

Benchmarking to determine target ambition

Previous versions of SBTi target-setting criteria have had a central focus on raising the ambition of target-setting practices by using Paris-aligned pathways as an objective, science-based benchmark. As companies decarbonize, it is important that the approach to inform target ambition considers mitigation pathways and the decarbonization that a company has already achieved. Through the new benchmarking approach proposed in this draft standard, companies can assess the gap between current performance and science-based mitigation pathways. Through this approach, companies that have already achieved net-zero emissions for a portion of activities in their value chain can commit to maintaining that level of performance for those activities and focus their target-setting efforts on activities that still need to undergo decarbonization.

Target ambition, composition and timeframe

This draft requires companies to set targets across all scopes that align with pathways limiting global warming to 1.5°C with no or limited overshoot. It addresses discrepancies from Version 1.2 that used different temperature alignment across different scopes within near-term targets.

This draft requires all companies to set near-term scope 1 and 2 targets across fixed five-year periods leading to the net-zero year, supported by long-term targets for scope 1 and scope 2 for Category A companies. Category A companies are required to set scope 3 targets, whilst this is optional for Category B companies. The composition of targets is informed by the evolving voluntary and regulatory landscape, including the Corporate Sustainability Reporting Directive (CSRD) and recommendations from the UN High Level Expert Group on Net Zero.

[18] Further details on the methods and pathways used to establish benchmarks can be found in the *Documentation of Target-Setting Methods* and *Documentation of Cross-Sector Pathway* respectively.

Carbon budget conservation

Scope 1 emissions represent the direct emissions from sources that are owned or controlled by the reporting company. Reducing scope 1 emissions to a level consistent with global 1.5°C pathways with little to no overshoot (see Annex F: Cross-sector pathway for more information) is the primary responsibility of a company in its transformation towards a net-zero-aligned business model.

A key challenge in relation to the current scope 1 target-setting methods offered by the SBTi is that they may not guarantee conservation of the underlying carbon budget over multiple target cycles. As such, this draft standard proposed a new method for setting scope 1 targets to ensure company carbon budget conservation over multiple target cycles. This method works by increasing ambition over the longer term if companies fall short in decarbonization efforts in the short-term. This is particularly relevant for clarifying how the second generation of targets set by companies are informed not only by external benchmarks (derived from pathways) but also by the performance of the company over their previous target cycle.

Zero-carbon electricity targets

To maintain a "technology-agnostic" stance, as required by the Standard Operating Procedure for Development of SBTi Standards, Version 2.0 introduces zero-carbon electricity targets as a method for companies to address their energy purchase, acquisition and consumption. This is a revision of the concept of renewable electricity targets, which focus on sourcing renewable electricity at a rate consistent with 1.5°C scenarios. This change is intended to reflect that in some grids, zero-carbon electricity sources, such as nuclear power, are available alongside renewables.

Zero-carbon electricity targets serve as an alternative to scope 2 market-based emissions reduction targets, which companies are required to set in addition to location-based emissions reduction targets. The SBTi expects that companies' efforts toward existing renewable electricity targets, when leading to effective mitigation, will continue to be recognized under this updated approach.

In recognition of the ongoing revisions in the GHG Protocol Standards, the SBTi will monitor any impacts on these criteria to assess the need for adjustments.

Enhanced scope 3 target setting framework

To reach a net-zero-aligned state, it is critical for companies to align their procurement and revenue-generating activities with global climate goals. Recognising the importance of this, whilst acknowledging the challenges and opportunities associated with scope 3 target setting, this draft standard introduces a series of changes intended to make scope 3 targets more effective in driving net-zero transformation across value chains.[19] The key changes relate primarily to the requirement to set scope 3 targets, scope 3 target boundaries, available target-setting methods, and substantiating progress claims.

A visual representation of the steps for setting a scope 3 target is provided in Annex I.

[19] The Catalyzing Value Chain Decarbonization survey results and the Business Ambition for 1.5°C Campaign Final Report detail some of the challenges reported by companies setting science-based targets.

Requirement to set scope 3 targets

In previous versions of this standard, companies were only required to set scope 3 targets if scope 3 emissions represented 40% or more of total emissions. However, as 97%[20] of companies with validated science-based targets have included scope 3 emissions, this requirement has been revised and simplified. This standard replaces this threshold with a company categorization-based approach, making scope 3 targets mandatory for Category A companies and optional for Category B companies. This draft does not require companies to set long-term scope 3 targets, but the SBTi is consulting on whether these targets should be required in addition to near-term targets and the net-zero commitment in CNZS-C1.

Scope 3 target boundaries

The current version of this standard requires companies to set scope 3 targets using a minimum percentage coverage threshold (e.g., 67% for near-term targets and 90% for long-term targets). This approach presents several challenges, including the risk of misleading target formulations, the exclusion of significant emission sources, and difficulties in tracking progress over time.

The revised standard explicitly incentivises companies to prioritise action on the most relevant sources of emissions in their value chain. Instead, it adopts a more focused approach, requiring companies to prioritise scope 3 targets on the most emission-intensive activities within their value chain and those where they have the greatest influence (e.g. Tier 1 suppliers).

Target-setting methods

Recognising the challenges associated with value chain emissions data and existing scope 3 target-setting methods, the revised standard places greater emphasis on alignment metrics and methodologies. The alignment method was introduced to address challenges with aggregated scope 3 indicators and to diversify ways to align value chain activities with global climate goals. This includes measures such as the share of procurement allocated to net-zero-aligned suppliers and activities, as well as the share of revenue derived from net-zero-aligned activities. The alignment method is also intended to be well-suited for companies offering climate solutions, which may experience a near-term increase in scope 3 emissions.

Companies can choose from multiple methods including absolute, intensity or alignment methods. Allowing companies to choose their target-setting methods accommodates different business models and varying levels of data availability and maturity while enabling more advanced companies to adopt sophisticated approaches.

This draft introduces a new requirement for companies to require tier 1 suppliers to align with net-zero. The intention behind this is to leverage companies' direct influence over tier 1 suppliers to drive climate action, prioritizing emissions-intensive activities that are critical to

[20] Excluding small- and medium-sized enterprises [SMEs] and financial institutions. Source: Internal analysis based on the SBTi Target dashboard as of December 2023.

achieve net-zero. The SBTi will consult on the feasibility of this criterion and whether supplier engagement should remain an optional method companies may use to address relevant emissions within the target boundary. The definition of "alignment" at the supplier level evolves over time, first focussing on the suppliers setting science-based targets, then assessing performance against targets and reaching net-zero emissions, as defined in Annex E: Indicators, Benchmarks and Methods. The eligibility of methodologies that can be used to measure this transition will be updated to reflect the move from ambition to progress over time.

Substantiating progress against scope 3 targets

Beyond placing greater emphasis on non-emission metrics and targets, the revised standard also enhances clarity and flexibility in how companies can demonstrate progress against scope 3 targets. It acknowledges challenges related to traceability and data quality and allows for interventions at the activity-pool level (e.g. supply sheds) when direct traceability to specific emission sources is not feasible. Additionally, the standard recognises the use of indirect mitigation approaches (e.g. book-and-claim commodity certificates) where direct traceability is not possible or persistent barriers prevent mitigation at the source. This is further explained in the next section.

A more nuanced approach to substantiate progress against targets

This chapter introduces a more nuanced approach to addressing impact and substantiating progress against indirect (scope 2 and scope 3) emissions. It aims to acknowledge the challenges companies often face in achieving traceability across value chains, accessing primary emissions data and addressing these emissions in the near term.

While robust chain of custody (CoC) models are key to verifying climate performance and supporting credible claims, multi-tier supply chains and material mixing can make tracing emissions to their sources difficult. Companies may also face varying degrees of influence over value chain partners and may not always have access to scalable low-carbon solutions in certain regions.

To navigate these challenges, this standard introduces the concepts of direct and indirect mitigation as a way to balance operational realities with the urgency of advancing net-zero-aligned transformation. It emphasizes the importance of improving traceability to enhance emissions management and ensure credible climate-related claims.

The SBTi is tentatively using the terms 'direct mitigation' and 'indirect mitigation' to describe actions set out below in this draft standard. These terms will be reassessed during the consultation phase.

Direct mitigation

This draft standard continues to prioritize direct mitigation, which refers to actions and interventions that can be linked to specific emissions sources in the company's value chain through a robust chain of custody model. Companies must establish a credible physical connection between the intervention they undertake and the emissions sources it impacts in their value chain. Examples might include minimizing emissions by implementing energy

efficiency measures, switching towards lower-emitting suppliers or commodities, or transitioning to lower-carbon sold products.

Direct mitigation efforts result in a measurable change in the emissions profile of the company's value chain activities and are reflected in the GHG inventory. This requires traceability of the emissions source to the company through a robust chain of custody model that demonstrates physical connectedness, and knowledge of the emissions profile of the emissions source.

This draft standard requires companies to prioritize direct mitigation actions with full traceability to their value chain. Chain of custody models that may help to establish traceability with a high degree of confidence include those that track a physical relationship (e.g. identity preservation, segregation and controlled blending).

Where full traceability is not possible, companies may rely on emissions data and interventions at the 'activity pool' level to assess performance and substantiate progress against targets. The activity pool represents a set of emissions sources that may physically serve the reporting entity but lack specific traceability to individual sources.[21] Examples include an upstream supply pool, such as a supply shed from which companies source a specific commodity, or a downstream activity pool, such as the electricity grid powering the products that the company brings to market.

To determine the emissions profile in these cases, companies should use an average emissions factor for the most specific and disaggregated pool of sources to which physical traceability is possible (Brander & Bjørn, 2023), using chain of custody models that indicate physical connectedness but cannot guarantee a physical relationship (e.g. variants of mass balance) at a minimum. Companies then seek to improve their level of traceability over time (see CNZS-C10).

Indirect mitigation

When traceability to the either specific emissions source or the activity pool cannot currently be established, or if insurmountable barriers persist in addressing a source of emissions, the draft standard acknowledges the role of indirect mitigation as a time-limited measure. The SBTi recognizes that achieving traceability may be more challenging for some activities, such as agricultural commodities. To address this, the SBTi is exploring how different types of indirect mitigation could serve as interim measures towards meeting targets.

Indirect mitigation encompasses actions that drive measurable net-zero-aligned transformation relevant to a company's value chain and comparable to direct mitigation, but lack a physical connection to the reporting company's value chain. An example of indirect mitigation is the procurement of sustainable aviation fuel through a book-and-claim system to address jet-fuel-related emissions.

[21] Brander, M., & Bjørn, A. (2023). Principles for accurate GHG inventories and options for market-based accounting. International Journal of Life Cycle Assessment, 28, 1248-1260. https://doi.org/10.1007/s11367-023-02203-8

While these measures do not affect a company's inventory under the GHG Protocol Standards and are required to be reported separately, their goal is to enable direct mitigation in the long term, such as the scale-up of low-carbon technologies relevant to the value chain that may eventually reduce a company's emissions inventory. Indirect mitigation differs from beyond value chain mitigation (BVCM), which contributes to global climate mitigation for activities that are not associated with the value chain.

Indirect mitigation measures are expected to adhere to quality criteria that will be refined during the consultation process. The SBTi will also consult on the traceability requirements for direct and indirect mitigation, as well as reporting guidelines for indirect mitigation.

Addressing residual emissions

CDR is an important part of global climate mitigation along with efforts to reduce emissions. While abatement represents the majority of mitigation efforts, in pathways that limit warming to 1.5°C with no or limited overshoot, CDR plays a role in counterbalancing the impact of residual emissions and addressing any potential emissions overshoot. This highlights the need for deployment of carbon dioxide removals (CDR) in line with 1.5°C-pathways in parallel with abatement measures.

Consistent with previous versions of this standard, companies are required to neutralize the impact of residual emissions with permanent removals from the net-zero year and thereafter.[22] However, this draft proposes two approaches to proactively address residual emissions, both of which are limited to addressing scope 1 emissions. This is based on the projection that no residual emissions will be associated with energy generation (i.e. scope 2 emissions) in scenarios that limit warming to 1.5°C. Additionally, it accounts for the uncertainties involved in projecting long-term residual emissions for scope 3, given the dynamic nature of value chains and the challenges in estimating residual emissions for value chain counterparties. SBTi Sector Standards may consider scope 3 removal targets, depending on sector-specific considerations.

In the first approach, companies set near- and long-term removal targets to address the impact of their projected residual emissions. Removal targets are set separately from abatement targets, and indicate the level of removals required at the end of the target cycle based on the projection of residual emissions. With the removal target approach, the volume of removals gradually increases over time in line with the CDR growth rate in climate scenarios (see *Documentation of Target-Setting Methods*). By the net-zero target year, 100% of a company's residual emissions will be matched by a corresponding level of CDR.

In the second approach, rather than mandating an additional removal target, companies are allowed a degree of flexibility in addressing projected residual emissions. They can address these residual emissions through additional reductions beyond science-based pathway requirements, removals, or a combination of both. Removals are limited to the small share of emissions projected to remain at the net-zero target year (i.e. less than 10% of base year emissions). Over time, a progressively increasing proportion of residual emissions is eligible

[22] Version 1.2 defines neutralization as: "Measures companies take to remove carbon from the atmosphere and permanently store it, counterbalancing the impact of emissions that remain unabated after the long-term science-based target is achieved. Emissions that were excluded from the long-term target boundary and GHG emissions inventory must also be neutralized."

- but not required - to be addressed through removals. The maximum volume of removals allowed is the same as the removal target volume in the first approach. However, this option allows companies to address these emissions through reductions first where possible, in alignment with the mitigation hierarchy.

Draft criteria and recommendations

Intended outcome: Companies set public, science-based, measurable, time-bound targets to improve climate performance and align with pathways consistent with the global goal of reaching net- zero emissions by mid-century.

3.1 General target-setting criteria

Benchmark assessment

Key changes and rationale ***(new):*** *Assessing performance against net-zero benchmarks identifies the gap between a company's current state and the required level for net-zero alignment. Companies then set targets to bridge this gap. If a company has already met a net-zero benchmark for a specific indicator, it focuses on maintaining that performance.*

CNZS-C12. Companies shall assess their current climate-related performance against net-zero aligned benchmarks.

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C12.1. Companies shall assess their current level of performance against the net-zero aligned benchmarks included in Table E.1 of Annex E: Indicators, Benchmarks and Methods for indicators identified in CNZS-C8.

C12.2. Companies shall conduct the benchmark assessment separately for:

- 12.2.1. Total scope 1 emissions (Indicator-CNZS.1).
- 12.2.2. Total scope 2 location-based emissions (Indicator-CNZS.2).
- 12.2.3. Total scope 2 market-based emissions (Indicator-CNZS.3), or share of zero-carbon electricity consumed (Indicator-CNZS.4).
- 12.2.4. Total scope 3 emissions.
- 12.2.5. Each significant emissions-intensive activity, as identified in CNZS-C7.
- 12.2.6. Remaining emissions within each significant scope 3 category, as identified in CNZS-C7.

C12.3. For activities where companies have already achieved net-zero-aligned performance, as defined for each indicator in Annex E, Table E.1, they shall maintain that level of performance.

C12.4. For activities where a gap exists between the current and desired level of performance, companies shall set targets to close this gap.

Target composition and timeframe

***Key changes and rationale* (revised):** *Previous versions of SBTi standards provided the option to set near-term targets only, through the SBTi Corporate Near-term Criteria, or both near-term and long-term targets under the SBTi Corporate Net Zero Standard.*

In line with emerging regulation (e.g. CSRD) and best practice (e.g. HLEG), the revision of the Corporate Net-Zero Standard proposes a change in the target structure as follows:

- ***Category A companies** are required to set long-term targets, supported by near-term targets if the timeframe for long-term targets exceeds five years.*
- ***Category B companies** may continue to set near-term targets only.*

The timeframe for near-term targets, which was previously between 5-10 years, will be standardized to five years, with the option to align target years with fixed milestone years (e.g. 2030, 2035). The updated approach aligns with emerging frameworks and best practice, enhancing consistency and comparability across companies. The proposed changes to target timeframes reflect current practices within the SBTi, where the majority of targets are set around fixed milestone years (e.g. 2030).

The proposed changes will be further explored as part of the consultation and pilot-testing process.

CNZS-C13. Companies shall set one or multiple targets to achieve net-zero emissions within the timeframe specified in the net-zero commitment.

Company categorization: This criterion includes adjustments to accommodate Category B companies.

***Company category:** All companies*
***Assessment stage:** Initial Validation, Renewal Validation*

C13.1. Companies shall set long-term abatement and, if applicable, removal targets with a timeframe consistent with achieving net-zero value chain emissions in line with the company's public net-zero commitment (i.e. by no later than 2050) as per CNZS-C1. (***NOTE:** The SBTi is consulting on its approach for integrating carbon removals into this standard. Please see Box 1.)*

13.1.1. Companies shall, at minimum, set long-term abatement targets for scope 1 and scope 2 emissions. (***NOTE**: The SBTi is consulting on whether to require long-term scope 3 targets in addition to near-term targets.*)

13.1.2. Category B companies may choose to set only near-term targets.

C13.2. Companies shall set near-term abatement and, if applicable, removal targets when the timeframe for their long-term targets extends beyond five years.

13.2.1. Companies shall set near-term targets for scope 1, scope 2 and scope 3 emissions.

13.2.1.1. Category B companies may choose to set only scope 1 and scope 2 targets.

13.2.2. Companies shall set near-term targets with either a five-year timeframe from the target base year or aligned with the next fixed milestone year (e.g. 2030, 2035, 2040, etc.).

C13.3. Companies shall set separate targets for each scope of emissions (scope 1, 2 and 3).

C13.4. Companies shall set separate abatement and removal targets.

C13.5. Companies may aggregate multiple GHGs into a single CO_2-equivalent (CO_2e) target unless otherwise specified (e.g. in sector standards).

C13.6. Companies with FLAG emissions meeting the significance thresholds in this standard (see CNZS-C7 on relevant scope 3 emissions sources) shall ensure that targets for these emissions are kept separate from energy/industry (non-FLAG) targets.

Recommendations

R13.1. Companies with the capacity to transition faster than the 1.5°C-aligned pathway should do so, reflecting their ability to lead in mitigating climate change. Additionally, companies based in high-income countries should establish targets that surpass the minimum requirements. Given their historical responsibilities and access to resources, this would reflect a greater level of ambition.

3.2 Addressing operational (scope 1 and 2) emissions

Scope 1

Intended outcome: Companies achieve a level of performance that is compatible with a net-zero economy for emissions from sources that are owned or controlled by the company.

***Key changes and rationale* (revised):** *Updates to scope 1 largely relate to line with emerging best practice on scope 1 target setting, and with the aim of ensuring that corporate climate targets can result in credible claims of net-zero-alignment, this standard introduces two potential variations of a modified Absolute Contraction Approach. The first method ensures that the cumulative budget is conserved by correcting emissions overshoot with stricter future target ambition. The second method ensures that regardless of overshoot before the base year, companies' targets will reduce emissions at a rate consistent with achieving net-zero by 2050.*

This standard also includes three options for consultation to address any potential underperformance from the previous cycle at the Renewal Validation stage. These options are described in Documentation of Target-Setting Methods. *It is important to note that the potential use of removals in Option 3 is intended to address shortfalls in progress against near-term targets. Companies are still expected to abate emissions to a residual level following science-based pathways consistent with limiting warming to 1.5°C with no or limited overshoot.*

Finally, under this draft standard, combined scope 1 and 2 targets are no longer permitted. This ensures companies remain focused on reducing emissions they are directly responsible for and prevents scope 1 emissions from being overlooked due to the scale of scope 2 emissions and decarbonization of electricity grids.

CNZS-C14. Companies shall set targets to abate scope 1 emissions from sources that are owned or controlled by the company.

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C14.1. Companies shall assess the level of emissions performance for all activities and sources owned or controlled (i.e. total scope 1 emissions) as established in CNZS-C3.

C14.2. Companies shall cover total scope 1 (i.e. 100%) emissions within their targets.

C14.3. Companies shall set targets for any activities or emissions sources that have not yet achieved net-zero compatible performance, using applicable target-setting methods specified in Table E.1 Annex E: Indicators, Benchmarks and Methods or the relevant Sector Standard.

C14.4. Companies undergoing Initial Validation for the first time shall set targets to reduce scope 1 emissions using the following method (***NOTE:*** *These options will be further explored through the consultation process.*):

14.4.1. **Option 1:** Budget-Conserving Contraction Approach (see method description in *Documentation of Target-Setting Methods*).

14.4.2. **Option 2:** Linear Contraction approach (see method description in *Documentation of Target-Setting Methods*).

C14.5. Companies undergoing Renewal Validation shall set targets to reduce any remaining scope 1 emissions using the following method (***NOTE:*** *These options will be further explored through the consultation process.*):

14.5.1. **Option 1:** Setting a target to reduce remaining emissions using the Budget-Conserving Contraction Approach (see method description in *Documentation of Target-Setting Methods*).

14.5.2. **Option 2:** Setting a target to reduce remaining emissions and to address any potential underperformance for the previous cycle through the Linear Contraction Approach (see method description in *Documentation of Target-Setting Methods*).

14.5.3. **Option 3:** Setting a target to reduce remaining emissions using the Linear Contraction Approach (see method description in *Documentation of Target-Setting Methods*) addressing any potential underperformance for the previous cycle through the permanent removal of carbon from the atmosphere.[23]

C14.6. Mergers and acquisitions, including the acquisition of new assets, shall be incorporated into the company's net-zero ambition.

Recommendations

R14.1. Companies should ensure that, as part of any divestment process, assets are transferred to entities with a comparable level of climate ambition and commitment to achieving net-zero goals.

R14.2. Companies with equipment or assets powered by fossil fuels (should/shall) develop a fossil fuel policy in which they commit to end the consumption of fossil fuels in line with a net-zero pathway (***NOTE:*** *This sub-criterion is subject to change as a result of alignment with sector standards that are under the process of development at the same time as this standard).*

Scope 2

Intended outcome: Companies eliminate emissions from purchased or acquired energy, including electricity, steam, heating, and cooling, by transitioning towards zero-carbon energy and achieving the highest possible standard of energy efficiency in their operations.

Key changes and rationale ***(revised):*** *In Version 1.2 of this standard, companies could set scope 2 targets using either location- or market-based emissions indicators without clear requirements for substantiating progress. Targets that combined both scope 1 and 2 emissions were also permitted. However, academic research has revealed challenges with the current practice (see Bjorn et al. 2022; Brander et al. 2018; Gillenwater et al. 2014; Hamburger 2019; Langer et al. 2024; Mulder & Zomer 2016). Notably, the use of unbundled renewable energy certificates (RECs) and guarantees of origin (GO) certificates often fails in driving renewable energy deployment, undermining the credibility and effectiveness of scope 2 target setting. These challenges are further exacerbated when scope 1 and 2 emissions are combined into a single target.*

[23] The potential use of removals in this option is to address shortfalls in progress against near-term targets. Companies are still expected to abate emissions to a residual level following science-based pathways consistent with limiting warming to 1.5°C with no or limited overshoot.

To address these challenges, this revised standard proposes separate scope 1 and scope 2 targets. It also requires all companies to set location-based scope 2 targets, alongside either market-based targets or zero-carbon electricity targets. Additionally, in line with the Standard Operating Procedure for Development of SBTi Standards, renewable electricity targets are being replaced with zero-carbon electricity targets to remain technology agnostic and accommodate for grids where nuclear electricity is available.

New criteria, such as geographic matching, are introduced to enhance the effectiveness and impact of market instruments in addressing scope 2 emissions. Additional criteria will be assessed through the consultation process informed by the results of the Call for Evidence that the SBTi conducted in 2024.

This revised standard also acknowledges that some companies may lack access to zero-carbon electricity in certain grids, often due to regulatory constraints. In such cases, indirect mitigation measures through sourcing zero-carbon electricity from other grids may be used as a time-limited alternative.

CNZS-C15. Companies shall set targets to abate scope 2 emissions from purchased or acquired electricity, steam, heat and cooling.

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C15.1. Companies shall set a scope 2 location-based emissions reduction target and either a scope 2 market-based emissions reduction target or a zero-carbon electricity target to address scope 2 emissions using applicable net-zero aligned benchmarks and methods, as indicated in Table E.1.

C15.2. Companies shall cover total (i.e. 100%) scope 2 emissions within their targets.

C15.3. The use of zero- or lower-carbon energy to achieve emissions reductions or zero-carbon electricity targets shall be substantiated through the sourcing of the respective energy carrier and its delivery to the point of use, either with physical traceability (e.g. on-site generation or direct line) or via the grid from which the site sources its energy. Energy delivered via the grid used to achieve emissions reductions or zero-carbon electricity targets shall be accompanied by contractual instruments that meet, at a minimum, the GHG Protocol Scope 2 Guidance Quality Criteria (***NOTE:*** *This is a placeholder which will be further explored and refined through the consultation process*).

C15.4. Where possible, companies shall procure contractual instruments conveying a zero-carbon electricity attribute that matches their operational electricity use both in time and geographic location.

C15.5. Where sourcing zero-carbon electricity within the grids in which the company powers its operations is not possible, companies shall contribute to zero-carbon electricity in other grids as an interim measure to address the corresponding portion of scope 2 emissions.

15.5.1. Contributions to zero-carbon electricity in other grids shall count towards scope 2 targets as an interim measure.

15.5.2. Companies shall report their contributions to zero-carbon electricity in other grids separately from their own scope 2 emissions.

15.5.3. Companies shall ensure that zero-carbon electricity sourcing in other grids results from real abatement measures, such as grid decarbonization efforts.

15.5.4. Companies shall provide a justification for not sourcing zero-carbon electricity in the grids from which companies are powering their operations.

Recommendations

R15.1. Companies should aim to achieve zero-emissions electricity as early as possible in higher-income countries and in other regions where sourcing zero-emissions electricity is feasible.

R15.2. Companies should procure contractual instruments that result in additional renewable energy production, thereby directly contributing to grid decarbonization.

R15.3. Companies that have already achieved net-zero aligned scope 2 performance should make direct investments within their value chains to facilitate value chain partners and suppliers located in countries with low-levels of grid decarbonization to address their electricity, heat, steam, and cooling use, or to buy eligible zero-carbon electricity.

R15.4. Companies should strive to achieve the highest possible standards of energy efficiency in their operations.

3.3 Addressing other value chain (scope 3) emissions

Scope 3

Intended outcome: Companies reduce emissions across their value chain—from raw materials to product disposal—by focusing first on the most relevant scope 3 emissions sources. Their procurement and production choices align with the goal of limiting warming to 1.5°C and achieving net zero by 2050.

***Key changes and rationale* (revised):** *Acknowledging both the barriers and opportunities associated with Scope 3 target setting, the revised standard introduces a series of changes aimed at making scope 3 targets more effective in driving net-zero transformation across value chains, while recognising the operational challenges faced by companies.*

Key revisions include:

- *Requirement to set Scope 3 targets: Scope 3 target setting is now mandatory for Category A companies but remains optional for Category B companies.*
- *Scope 3 boundary: The revised standard moves away from the previous percentage based boundary approach (minimum 67% coverage for near-term targets and 90% for long-term targets). Instead, it adopts a more focused approach, requiring companies to prioritise Scope 3 targets on the most emission-intensive activities within their value chain and those where they have the greatest influence (e.g. Tier 1 suppliers).*
- *Target-setting methods: Recognising the challenges associated with value-chain emissions data and existing scope 3 target-setting methods, the revised standard places greater emphasis on alignment metrics and methodologies. This includes measures such as the share of procurement allocated to net-zero-aligned suppliers and activities,*

as well as the share of revenue derived from net-zero-aligned activities.

- *Substantiating progress against targets: Beyond placing greater emphasis on non-emission metrics and targets, the revised standard also enhances clarity and flexibility in how companies can demonstrate progress against scope 3 targets. It acknowledges challenges related to traceability and data quality and allows for interventions at the activity-pool level (e.g. supply sheds) when direct traceability to specific emission sources is not feasible. Additionally, the standard recognises the use of indirect mitigation approaches (e.g. book-and-claim commodity certificates) where direct traceability is not possible or persistent barriers prevent mitigation at the source.*

CNZS-C16. Companies shall set near-term targets to abate scope 3 emissions across their value chains.

Company categorization: This criterion includes adjustments to accommodate Category B companies

Company category: *Category A (mandatory); Category B (optional)*
Assessment stage: *Initial Validation, Renewal Validation*

C16.1. Companies shall set near-term scope 3 targets that cover all relevant scope 3 emissions sources as defined in CNZS-C7. *(**NOTE**: The SBTi is consulting on whether long-term scope 3 targets should be required in addition to near-term targets and the net-zero commitment in C1.3.)*

C16.2. Companies shall separate targets for emissions-intensive activities [representing X% or more of total scope 3]. *(**NOTE**: The SBTi is consulting on whether activity-level targets on emissions-intensive activities should be mandatory and, if so, at what threshold.)*

C16.3. Companies may aggregate targets for remaining scope 3 emissions into a single target.

C16.4. Companies shall set targets using any of the following methods and the benchmarks indicated in Table E.1, Annex E: Indicators, Benchmarks and Methods:

- 16.4.1. Targets to reduce absolute emissions associated with the category or activity at a rate consistent with reaching net-zero emissions by 2050.
- 16.4.2. Targets to reduce the average emissions intensity of the category or activity at a rate consistent with reaching net-zero emissions by 2050.
- 16.4.3. Targets to increase the level of alignment of the category, activity or value chain counterparty at a rate consistent with achieving net-zero emissions by 2050.

C16.5. Scope 3 targets shall be pursued through mitigation measures traceable at the emission source or activity pool level. For emission sources that cannot be directly mitigated, companies may employ effective indirect mitigation measures on an interim basis[24]. *(**NOTE**: Indirect mitigation measures are expected to adhere to quality criteria to be developed through the consultation process.)*

[24] Phase-out dates for indirect mitigation measures will be determined through the consultation process

16.5.1. Companies shall provide a justification for choosing indirect mitigation measures over direct mitigation.

16.5.2. Indirect mitigation measures shall count towards scope 3 targets as an interim measure and shall be reported separately to direct mitigation efforts.

16.5.3. Indirect mitigation shall deliver measurable outcomes comparable to direct mitigation.

C16.6. When using indirect mitigation to address emissions in the scope 3 categories below, companies shall develop and implement policies to:

16.6.1. Optimize transport activities, prioritizing zero-emission transport options across the value chain (categories 4 and 9).

16.6.2. Minimize business travel and prioritize low- or zero-emission transport options (category 6).

16.6.3. Incentivize low- or zero-carbon commuting practices among employees (category 7).

16.6.4. Increasingly align electricity consuming products with best practise energy efficiency standards (category 1 - electricity-related emissions).

16.6.5. Apply circularity to minimize waste and reduce waste-related emissions over time (category 12).

C16.7. Companies shall set supplier engagement targets to increase the percentage of all tier 1 suppliers by spend that are transitioning, or have transitioned, to a level of performance compatible with net-zero according to Table E.3, Annex E: Indicators, Benchmarks and Methods. (***NOTE*****:** *The feasibility of this criterion will be further explored and refined through the consultation and pilot testing process.)*

16.7.1. Companies shall set targets to reach 100% spend on net-zero aligned (i.e. “transitioned”) suppliers within the timeframe specified in their net-zero commitment (Table E.1, Indicator-CNZS.5).

16.7.2. Companies shall set targets to reach 100% spend on tier 1 suppliers providing emissions-intensive activities to be “transitioning” by 2030 (Table E.1, Indicator-CNZS.6).

16.7.3. If emissions-intensive activities in a company’s value chain occur beyond their tier 1 suppliers, they shall require their tier 1 suppliers to extend these requirements to their own suppliers involved in providing these emissions-intensive activities.

C16.8. Companies that derive more than 1% of revenue from fossil fuel activities (see Table D.5) or other goods and services related to fossil fuels (e.g. oil and gas industry ancillary services software for exploration, extraction) shall set targets to reduce revenue from these activities in-line with a net-zero pathway as per Table E.1, Indicator-CNZS.15 and Indicator-CNZS.16 *(**NOTE**: This is subject to change as a result of alignment with sector standards that are under the process of development at the same time as this standard and the threshold will be further explored and refined throughout the pilot testing process).*

C16.9. Companies with relevant emissions associated with the use of sold products, as determined in CNZS-C7, shall set targets addressing the minimum boundary, as identified in Annex C: Scope 3 Accounting, Table C2.

Recommendations

R16.1. Companies should set separate targets on optional emissions that fall outside the minimum boundary of scope 3 categories when these emissions are significant and/or when the company has credible means to mitigate these emissions. For a definition of optional emissions for each scope 3 category, please see Table 5.4 (page 34) of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

R16.2 In addition to setting targets to address emissions, companies (shall/should) develop sourcing policies in which they commit to progressively source from entities, activities and commodities that have achieved a level of emissions performance compatible with reaching net-zero emissions at the global level.

R16.3 Companies (shall/should) develop policies to minimize the use of emissions-intensive activities, including, when appropriate, policies to minimize the use of primary materials that come directly from natural sources.

R16.4 Companies (shall/should) develop transport policies in which they commit to optimize transport activities and prioritize zero-emitting transport options across the company fleet and business travel, upstream and downstream logistics operations, and employee commuting practices. This includes phasing out internal combustion engine (ICE) vehicles by 2035 and ICE trucks by 2040.

R16.5 Companies sourcing minerals identified as emissions-intensive (shall/should) develop a “critical mineral policy”, where they commit to secure the sustainable sourcing, use, and management of minerals essential for modern technologies, prioritizing environmental, social, and governance criteria. The policy aims to reduce supply chain risks, promote recycling and responsible sourcing, and align with global climate and sustainability goals.

R16.6 Companies with significant emissions from investments (scope 3, category 15) as identified in CNZS-C7 should conform to the Financial Institutions Net-Zero Standard (forthcoming).

R16.7 Companies should aim to achieve the best possible energy efficiency level for electrified products and set targets to improve the efficiency of all fuel-powered, electricity-consuming, and battery-operated products and services.

R16.8 Companies (should/shall) develop an energy efficiency policy for buildings in which they commit to minimize energy consumption in buildings and apply the best possible energy efficient technologies.

R16.9 Companies (should/shall) develop product and service policies in which they commit to progressively align product and service portfolios with emissions performance levels compatible with reaching net-zero emissions.

3.4 Addressing residual emissions

Intended outcome: Companies neutralize the impact of any residual emissions remaining at the net-zero target year and thereafter. Between now and net-zero, companies progressively address their expected residual emissions.

Residual emissions at the net-zero year

***Key changes and rationale* (revised):** *This draft maintains the requirement from Version 1.2 that requires companies neutralize all residual emissions, across all scopes, at the net-zero year. The key difference is that more specificity is provided around residual emissions in the value chain, whereby a clearer requirement for collaborating value chain partners to address scope 3 residual emissions is stipulated.*

CNZS-C17. Companies shall neutralize any residual emissions that remain at the net-zero year.

Company categorization: This criterion includes adjustments to accommodate Category B companies.

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C17.1. Companies shall neutralize any residual emissions, across all scopes, that remain at the net-zero year and any GHG emissions released into the atmosphere thereafter.

C17.2. Removal activities used by companies to address residual emissions shall adhere to high-integrity quality and sustainability criteria, such as the GHG Protocol Draft Land Sector and Removals Guidance. (***NOTE:*** *This is a placeholder which will be further explored and refined through the consultation process.*)

C17.3. For residual emissions within the value chain (scope 3), Category A companies shall ensure that these emissions are neutralized either by the value chain partner responsible for the emissions or by providing support to enable their neutralization at the net-zero target year and thereafter.

Removal targets

***Key changes and rationale* (new):** *This draft introduces three options for addressing projected residual emissions between now and the net-zero target year as presented in Box 1. All options are limited to addressing scope 1 emissions. This is based on the projection that no residual emissions will be associated with energy generation (i.e. scope 2 emissions) in scenarios that limit warming to 1.5°C, and in recognition of the uncertainties involved in projecting long-term residual emissions for scope 3, given the dynamic nature of value chains and the challenges in estimating residual emissions for value chain counterparties.*

CNZS-C18 introduces proposed requirements for one of these options: removal targets. This option requires companies to proactively address their projected residual emissions by setting near- and long-term removal targets. An adaption of this approach which would provide optional

recognition for removal targets is presented in Box 1, Option 2.

This draft also proposes that removals are delivered through solutions that meet a minimum durability threshold. This durability threshold can be fixed (like-for-like/nuanced approach) or can gradually increase over time (gradual transition/aggregated approach) (see Documentation of Target-Setting Methods*). In the first case, the company's projected residual emissions are broken down by individual GHG type, allowing each emission to be addressed with specific removal methods through a like-for-like approach. This ensures that the persistence of each GHG in the atmosphere is matched by an equivalent duration of CO_2 storage. An alternative approach proposes a gradual shift from less durable to permanent removal solutions between the 2030-2050 timeframe, in line with the rate of deployment of the removals portfolio removal observed in climate scenarios.*

CNZS-C18. Companies shall set and implement removal targets to increase the volume of removals between now and the net-zero target year.

NOTE: *The SBTi is consulting on how to include this aspect within this standard. CNZS-C18 and associated sub-criteria illustrates Option 1. Refer to Box 1 for all proposed options.*

Company categorization: This criterion includes adjustments to accommodate Category B companies.

Company category: *Category A (mandatory/optional), Category B (mandatory/optional)*
Assessment stage: *Initial Validation, Renewal Validation*

C18.1. For direct (scope 1) residual emissions, companies shall set a long-term removal target to match 100% of direct (scope 1) residual emissions that remain in the net-zero year and thereafter with a corresponding level of durable CDR, in line with the net-zero benchmark specified in Annex E: Indicators, Benchmarks and Methods, Table E.1, Indicator-CNZS.17.

C18.2. Companies shall set near-term removal targets using the removal growth target method (see *Documentation of Target-Setting Methods*) to progressively increase the volume of direct, indirect and/or BVCM removals (see Table E.1, Indicator-CNZS.17).

C18.3. Removal targets shall be delivered through removal activities that meet the minimum durability threshold based on the following two options:

- 18.3.1. **Option 1a.** Using the like for like approach, based on the atmospheric lifetime of the GHG residual emissions being addressed. (***NOTE:*** *The approach for defining the durability of removals will be further explored and refined through the consultation process.*)
- 18.3.2. **Option 1b.** Using the gradual transition approach, so that the minimum durability threshold increases over time.

C18.4. Removal activities used by companies to address residual emissions shall adhere to high-integrity quality and sustainability criteria, such as the GHG Protocol Draft Land Sector and Removals Guidance. (***NOTE:*** *This is a placeholder which will be further explored and refined through the consultation process.*)

Recommendations

R18.1. Companies should begin increasing the volume of removals from the target base year onwards.

R18.2. Companies should deliver near-term removals above the minimum ambition set out by the method in *Documentation of Target-Setting Methods*, Table 2 and Table 4.

Box 1: Options for addressing residual emissions.

The SBTi proposes three options for integrating removals into corporate climate targets to proactively address residual emissions. These three options encompass two different approaches: removals targets and addressing residual emissions through additional abatement or removals. These options are presented below, and the SBTi is exploring these options through public consultation and Expert Working Groups to inform the final version of the standard.

It is important to note that the options presented below focus on addressing the small portion of emissions sources projected to remain unabated at the net-zero year (i.e., residual emissions). For almost all companies, residual emissions represent less than 10% of base year emissions. In all cases, companies are required to address non-residual emissions through reduction measures.

These options apply to companies with projected residual emissions (i.e. companies in hard-to-abate sectors). For companies that are not expected to have residual emissions, the SBTi is exploring whether limited use of removals may be permitted for justified hard-to-abate emissions.

Options 1 and 2 - Separate removal targets

This approach builds upon the neutralization concept introduced in Version 1.0 of the SBTi Corporate Net-Zero Standard. In this approach, companies set abatement targets to achieve a level of reduction derived from 1.5°C-aligned pathways (e.g. >90% reduction between base year and net-zero year). Companies would then set separate removals targets to address the residual emissions remaining at the net-zero year (e.g. <10% residual emissions). These targets progressively increase the volume of removals over time at a rate consistent with reaching 100% of residual emissions being matched by a corresponding level of removals at the net-zero target year.

The proposed requirements for separate removal targets are outlined in CNZS-C18.

Two options for including removal targets are presented for consideration:

1. **Option 1:** Companies are *required* to set near- and long-term removal targets, in addition to abatement targets, to address any projected residual emissions in the net-zero target year;
2. **Option 2:** Companies are *recognized* for setting near- and long-term removal targets, in addition to reduction targets, to address any projected residual emissions in the net-zero target year.[25]

[25] Companies may be recognized for setting removals targets through platforms such as the SBTi Target Dashboard or by gaining the ability to make additional claims.

Option 3: Residual emissions addressed through additional abatement or removals

Rather than mandating an additional removal target, this option provides companies with flexibility in addressing projected residual emissions. They can do so through additional emissions reductions beyond science-based pathway requirements, removals, or a combination of both.

As with Options 1 and 2, any use of removals is limited to the small portion of emissions projected to remain at the net-zero target year (i.e. residual emissions, which for almost all companies is less than 10% of base year emissions). Over time, a progressively increasing proportion of residual emissions will be eligible - but not required - to be addressed through removals.

The maximum volume of removals allowed in Option 3 is the same as the removal target volume in Options 1 and 2. However, this option allows companies to address these emissions through reductions first where possible, in alignment with the mitigation hierarchy.

Important note: The options presented in Box 1 focus solely on the approach for integrating removals to address residual emissions into this standard. The following related, but independent items are under consultation, and are relevant to all options:

- Durability threshold for removal eligibility - whether it should follow a like-for-like approach or allow a gradual shift (per C18.3).
- Quality and sustainability criteria, as outlined in C17.2 and C18.4.
- Removal allowances for companies not expected to have residual emissions (*Documentation of Target-Setting Methods*, p.18).

3.5 Target transparency

Key changes and rationale ***(revised):*** *In line with emerging best practice, including the recommendations from the UN HLEG on Net-Zero and regulatory frameworks such CSRD, reporting requirements have been expanded to include additional requirements and indicators.*

CNZS-C19. Companies shall publicly report the target base year and target information in line with best practice and applicable regulations, within 6 months from validation.

Company category: *All companies*
Assessment stage: *Initial Validation, Renewal Validation*

C19.1. Companies shall publicly report the following information on their target base year:

19.1.1. GHG accounting consolidation approach;
19.1.2. Target base year period;
19.1.3. GHG inventory for the target base year;
19.1.4. GHG inventory of the most recent year;

19.1.5. Type of GHGs[26] covered in the GHG inventory;
19.1.6. Removals purchased by the company that occurred outside the organizational boundary (see BVCM removals, Table E.1 Indicator-CNZS.17) sub-divided by project type, and reported separately from the GHG inventory:
19.1.6.1. In the target base year.
19.1.6.2. In the most recent year.
19.1.7. Measurement approach and data sources for scope 1, 2 and 3 GHG emissions, including clear explanations of possible limitations and associated uncertainties;
19.1.8. For zero-carbon electricity targets, the percentage of purchased, acquired and consumed electricity that is zero-carbon in the base year;
19.1.9. For scope 2 market-based or zero-carbon electricity targets, the type(s) of energy procurement used as the basis for calculation (***NOTE:*** *This is a placeholder which will be further explored and refined through the consultation process*);
19.1.10. FLAG-related emissions, with emissions and removals reported separately;
19.1.11. Third-party assurance status of the GHG inventory;
19.1.12. Recalculations performed, if any, including:
19.1.12.1. Date of recalculation.
19.1.12.2. Reason(s) for recalculation.
19.1.13. Percentage of scope 1 residual emissions covered by removals. (***NOTE:*** *The SBTi is consulting on its approach for integrating carbon removals into this standard. Please see Box 1.)*

C19.2. Companies shall publicly report the following information on their target:
19.2.1. Exact SBTi-approved wording of the target;
19.2.2. Target identification code as provided by the SBTi;
19.2.3. Date the target was validated;
19.2.4. Version of the SBTi criteria and target-setting tool used;
19.2.5. Target base year;
19.2.6. Target year;
19.2.7. Target type (e.g. absolute, intensity);
19.2.8. Emission scope(s) and scope 3 category/categories covered by the target;
19.2.9. GHGs covered by the target as per CNZS-C5.1;
19.2.10. Method(s) used for target setting;
19.2.11. Total absolute emissions covered by the target in tonnes of CO_2e;
19.2.12. Target coverage of target base year emissions in tonnes of CO_2e and represented as a percentage, disaggregated by scope and scope 3 category;
19.2.13. Target value:

[26] Refer to CNZS-C5.1.

19.2.13.1. For emissions targets, the target value shall be reported as the percentage reduction and absolute emissions reductions (in tCO_2e) from the target base year.

19.2.13.2. For alignment targets, the target value is dependent on the metric used for the specific indicator used, see Annex E: Indicators, Benchmarks and Methods.

19.2.13.3. For intensity targets, companies shall include an explanation of the metric or activity value used.

19.2.13.4. For removals, the target value shall be reported as a percentage of scope 1 residual emissions to be addressed at the target year. (***NOTE:*** *The SBTi is consulting on its approach for integrating carbon removals into this standard. Please see Box 1.)*

3.6 Target review and adjustment

Key changes and rationale ***(revised):*** *Minor updates have been made to this criterion to simplify the requirements from the current "triggered target recalculation" criterion within V1.2 of the standard.*

CNZS-C20. Companies shall recalculate their targets when significant changes occur that could compromise the validity of the existing targets.

Company category: *All companies*
Assessment stage: *Renewal Validation*

C20.1. Companies shall consider changes to be significant if they represent a cumulative change of 5% or more in target base year emissions for the scopes or indicators covered by the target.

C20.2. Significant changes include base year emissions recalculations (see CNZS-C11) or other significant changes to projections or assumptions used in setting targets.[27]

C20.3. Companies shall conform to the most recent version of this standard when recalculating targets.

C20.4. Companies shall submit target(s) for revalidation if the recalculation results in any change to the target(s).

Recommendations

R20.1. Companies should check the validity of their targets according to this criterion on an annual basis. The company should notify the SBTi of any significant changes and report these changes publicly, as relevant.

[27] For example, a target recalculation may be triggered if a company's current targets use a metric that becomes irrelevant after a shift in goods or service offerings (e.g. if a car manufacturer stopped selling passenger cars and pivoted to freight trucks, their use of sold products target would no longer be appropriate to model with the sold vehicle pathway and "passenger-kilometers" would no longer be an appropriate metric).

4. ADDRESSING THE IMPACT OF ONGOING EMISSIONS

Background and key concepts

Target setting, as detailed in Chapter 3, is central to the SBTi's work. Science-based target setting incentivizes companies to undertake transformative actions to decarbonize operations and value chains, preventing the release of future GHG emissions. At the same time, the SBTi acknowledges the urgency of addressing emissions released into the atmosphere today and the critical role that companies can play in mobilizing finance for mitigation activities beyond their value chain.

During the transition to net-zero, companies continue to release emissions while they work to implement their science-based targets. These are referred to as 'ongoing emissions'. They are different from residual emissions, which remain at the net-zero target year after all possible abatement measures have been implemented.

Since these ongoing emissions are a primary driver of negative climate impact, it is crucial for companies' credibility to take responsibility for them. This chapter aims to recognize companies that mitigate the impact of ongoing emissions as they progress toward near- and long-term decarbonization.

While the current version of the standard (Version 1.2) recommends companies to go above and beyond their science-based targets through beyond value chain mitigation (BVCM), this draft standard aims to provide a stronger incentive by recognizing companies that not only set science-based targets to reduce emissions within their operations and value chain but take responsibility for addressing the impact of emissions released into the atmosphere as they undergo their net-zero transformation.

The SBTi is proposing to recognize companies that mitigate the impact of ongoing emissions while undertaking science-based decarbonization as an optional leadership practice, rather than a mandatory requirement. Through this approach, the SBTi aims to remain inclusive for companies with varying resources, while offering recognition for those who can and want to go above and beyond to demonstrate enhanced climate leadership, further strengthening their credibility in the process.

The scope of emissions for which companies seeking recognition shall take responsibility and the eligible mitigation actions are proposed in this chapter, but will be further explored and refined. Through the consultation process, the SBTi aims to identify the most effective mechanisms to shape and recognize this leadership practice.

Distinguishing ongoing emissions from residual emissions

It is important to differentiate between ongoing emissions and residual emissions at net-zero; they represent distinct stages in a company's decarbonization journey and require different approaches for mitigation.

Ongoing emissions are the GHG emissions that companies continue to release into the atmosphere as they implement the necessary transformations to achieve net-zero emissions. The SBTi aims to incentivize companies to take responsibility for the impact of ongoing emissions by providing optional recognition for these actions.

Residual emissions are GHG emissions that remain at the net-zero target year after a company has implemented all possible abatement measures across its operations and value chain, and has achieved a level of performance consistent with net-zero aligned pathways.

Interoperability and recognition of other frameworks

There is a broad ecosystem of actors contributing to corporate climate action. The SBTi will explore opportunities to recognize other programs and frameworks that provide assurance that companies are taking responsibility for ongoing emissions in line with the criteria outlined in this standard.

Draft criteria and recommendations

Intended outcome: Companies take responsibility for ongoing emissions, a key driver of continued negative climate impacts during the transition to net-zero, through additional mitigation measures. In doing so, they contribute to broader societal net-zero transformation and strengthen their climate credibility.

Beyond value chain mitigation

Key changes and rationale ***(new):*** *Previous versions of this standard recommended that companies take responsibility for their ongoing emissions by mitigating emissions beyond their value chain. However, these efforts were not formally recognized.*

In this standard, optional recognition of companies that mitigate the impact of ongoing emissions and related reporting requirements are proposed. This change aims to provide a stronger incentive for companies to take responsibility for ongoing emissions, recognizing the urgent need to accelerate climate action and scale up corporate climate finance.

CNZS-C21. Companies seeking additional recognition for addressing ongoing emissions shall take responsibility for ongoing emissions that continue to be released into the atmosphere on an annual basis.

NOTE: *This is a requirement only for companies seeking additional recognition for addressing ongoing emissions.*

Company category: *All Companies*
Assessment stage: *Renewal Validation*

C21.1. Companies shall determine and publicly report total ongoing emissions across scopes 1, 2 and 3 that were released into the atmosphere over the previous target timeframe.

C21.2. Companies shall take responsibility for emissions released into the atmosphere throughout the target timeframe, addressing, at a minimum, the impact of the following emissions (***NOTE:*** *These and other options will be further explored and refined through the consultation process*):

21.2.1. **Option 1.** Total emissions across scopes 1, 2 and 3.

21.2.2. **Option 2.** Total scope 1 and 2 emissions, and a portion of scope 3 emissions.

C21.3. Companies shall make contributions to address ongoing emissions:

21.3.1. **Option 1.** On an annual basis over the course of the target timeframe.

21.3.2. **Option 2.** For the duration of the target timeframe at the end of the target cycle.

C21.4. Companies shall use the method(s) described to determine the scale of their contributions towards taking responsibility for ongoing emissions (***NOTE:*** *This is a placeholder which will be further explored and refined through the consultation process*).[28]

C21.5. Companies shall take responsibility for ongoing emissions through beyond value chain mitigation (BVCM) measures, for example, high-integrity carbon credit purchases, direct financing of mitigation projects, or conservation of carbon in natural ecosystems (***NOTE:*** *This will be further explored and refined through the consultation process*).

C21.6. Companies shall be eligible for recognition for taking responsibility for ongoing emissions provided that they can demonstrate:

21.6.1. **Option 1:** Achievement of their science-based targets.

21.6.2. **Option 2:** Meaningful progress against their science-based targets *(**NOTE:** To be refined through consultation process)*.

Recommendations

R21.1. Companies should follow the process for designing and implementing high-integrity and high-impact BVCM strategies as described in the SBTi Report on the Design and Implementation of Beyond Value Chain Mitigation (BVCM).

R21.2. Companies should prioritize BVCM actions that provide substantial sustainability co-benefits, such as those that help preserve natural carbon stocks with high biodiversity value and contribute to social well-being.

R21.3. Beyond value chain measures should lead to measurable mitigation outcomes within the period for which companies are taking responsibility and should adhere to high-integrity standards, including social and environmental standards (***NOTE:*** *This will be further explored and refined through the consultation process*).

R21.4 If using carbon credits to address ongoing emissions, companies should aim to address 100% of their remaining emissions in line with recognized third-party frameworks (***NOTE:*** *The SBTi's recognition process for third party frameworks is under development*).

R21.5. Companies should calculate and take responsibility for historic emissions.

[28] Please see the section entitled "Step 2: Establish a BVCM Pledge" (page 41) and Annex E of the SBTi's Above and Beyond Report on Beyond Value Chain Mitigation for an explanation of potential methods that will be considered during the consultation process.

Reporting beyond value chain mitigation

CNZS-C22. Companies seeking additional recognition for addressing ongoing emissions shall publicly report actions to take responsibility for ongoing emissions.

NOTE: *This is a requirement only for companies seeking additional recognition for addressing ongoing emissions.*

Company category: *All companies*
Assessment stage: *Renewal Validation*

C22.1. Companies shall report the proportion of ongoing emissions for which they are taking responsibility for.

C22.2. Companies shall report the financial contribution they have made to address ongoing emissions.

C22.3. Companies shall include a detailed description of the measures employed, including the type of actions undertaken (e.g. high-integrity carbon credit purchases, direct financing of mitigation projects, conservation efforts).

C22.4. Actions taken to address remaining emissions shall not be deducted from, or netted against, the company's GHG emissions inventory and shall not be counted towards abatement targets.

5. ASSESSING AND COMMUNICATING PROGRESS

Background and key concepts

Targets provide essential direction to companies as they decarbonize, but target-setting is just the starting point of this process. Achieving measurable progress toward these targets is crucial for a credible transition to a net-zero-aligned state.

Acknowledging the growing number of companies approaching the end of their near-term targets and the demand for clearer guidance on determining target progress, this draft standard introduces a new validation model (see A.5 Validation model). This model extends the SBTi's focus from target-setting to include target implementation.

This cyclical model provides a structured framework to assess conformance with the standard's requirements at key stages: the Entry Check, where companies commit to transitioning toward a net-zero-aligned business model; the Initial Validation, when targets are formally assessed; and the Renewal Validation, conducted at the end of the target timeframe to evaluate, communicate, and recognize progress.

The requirements within this chapter to assess and communicate progress are particularly critical for promoting accountability and transparency. This draft requires companies to assess and communicate progress at the end of their target timeframe and to set new targets that account for previous performance, bridging any gaps with achieving net-zero. By strengthening accountability and recognition, the revised validation cycle ensures that companies not only commit to science-based climate action but also demonstrate measurable progress and continuous improvement in the global effort to mitigate climate change.

Draft criteria and recommendations

Intended outcome: Companies assess and communicate their progress against targets at the end of each target cycle, evaluate their performance level against net-zero benchmarks and set new targets to continue their transformation to net-zero.

5.1 Assessing and communicating target progress

Substantiating target progress

***Key changes and rationale* (new):** *For a company to make credible progress claims, robust evidence is required that substantiates mitigation outcomes. Although this criterion builds on criteria related to carbon credits and avoided emissions in Version 1.2 of this standard, this draft introduces an overarching criterion to stipulate the principles against which progress is substantiated. To enhance the credibility of such claims, the SBTi is consulting on whether third-party assurance of all supporting data should be a recommendation or a requirement for companies to substantiate progress.*

CNZS-C23. Companies shall substantiate progress against targets with mitigation measures that are accurate, permanent, transparent, and verifiable.

Company categorization: This criterion includes adjustments to accommodate Category B companies.

Company category: *All companies*
Assessment stage: *Renewal Validation*

C23.1. Targets shall be delivered according to applicable criteria specified in this standard.

C23.2. Significant organizational boundary changes, methodological changes and changes to the underlying data shall be addressed by conducting a target base year recalculation (see CNZS-C11) and shall not be counted as emissions reductions towards progress or achievement of abatement targets.

C23.3. Companies shall not count actions resulting in mitigation outcomes outside of the company's value chain toward progress and achievement of abatement targets unless otherwise stipulated in Chapter 3. This includes, but is not limited to, carbon credits, emissions avoided through sold products and the purchase of unbundled environmental attribute certificates originating from activities outside the company's value chain.

C23.4. Category A companies shall provide evidence of third-party assurance for data substantiating target progress. (***NOTE:*** *This will be further explored and refined through the consultation process*)

C23.5. Category A companies (shall/should) provide evidence of third-party assurance of the scope 1 GHG emissions inventory covering all years between the target base year and target year inclusive. (***NOTE:*** *This sub-criterion relates to the Budget-Conserving Contraction Approach target-setting method, which is under consultation.*)

Recommendations

R23.1. Category B companies should provide evidence of third-party verification for data substantiating target progress.

Determining target progress

Key changes and rationale ***(new):*** *As a growing number of companies reach the end of their target timeframe, this draft introduces a standardized process for evaluating progress against targets. This standardized process ensures consistency in progress assessments which is necessary for companies to make credible and comparable claims. To support this, the SBTi requires that all companies undergo a progress assessment using the formulas described in Annex G: Progress Assessment Formulas.*

CNZS-C24. Companies shall determine progress on their targets and other indicators at the end of the target timeframe.

Company category: *All companies*

Assessment stage: *Renewal Validation*

C24.1. Companies shall assess progress against targets no later than 12 months after the target timeframe has elapsed in preparation for renewal validation.

C24.2. Companies shall confirm that the target base year information and targets remain valid.

24.2.1. Where necessary, companies shall adjust their target base year information and recalculate targets (see CNZS-C11) before undertaking the progress assessment.

C24.3. Progress shall be assessed separately for each target, using the applicable formula specified in Annex G: Progress Assessment Formulas.

5.2 Setting targets for the next cycle

Key changes and rationale ***(new):*** *This standard requires companies to regularly assess their performance across relevant indicators against a net-zero-aligned benchmark, identify any gaps, and set new targets to bridge these gaps. At this stage, companies will return to Chapter 2 to determine performance against net-zero benchmarks and Chapter 3 for target setting.*

At the end of the target timeframe, companies will exhibit varying levels of progress. Where scope 1 reductions fall short of the targeted ambition, this standard proposes alternatives to address potential underperformance. These options are outlined in the scope 1 target-setting section of this standard.

CNZS-C25. Based on the performance achieved at the end of the target cycle and any remaining gap towards reaching net-zero emissions, companies shall establish new targets to address this gap.

Company category: *All companies*
Assessment stage: *Renewal Validation*

C25.1. At the end of each target timeframe, companies shall assess their level of performance across relevant indicators not yet assessed as part of the progress assessment, using the process described in CNZS-C8, and in line with the latest version of the SBTi Corporate Net-Zero Standard.

C25.2. Companies shall identify any gap between their performance and the net-zero benchmark, and set new targets to address this gap in line with the most recent SBTi Corporate Net-Zero Standard.

5.3 Renewal validation

Key changes and rationale ***(new):*** *To be eligible for renewal validation, companies are required to provide evidence that demonstrates that they conformed with all requirements of this standard across the previous target cycle. This is designed to prevent non-conformance across multiple target cycles and encourage continuous improvement. Companies shall submit the assessment of progress against targets from the previous target cycle, as well as new targets for the next target cycle. The SBTi is consulting on whether third-party assurance of all supporting data*

should be a recommendation or a requirement for companies to substantiate progress.

CNZS-C26. Companies shall demonstrate conformance with this standard for the previous cycle to be eligible for renewal validation.

Company categorization: This criterion includes adjustments to accommodate Category B companies.

Company category: *All companies*
Assessment stage: *Renewal Validation*

C26.1. Companies shall submit targets and undergo a renewal validation for the next target cycle within 12 months of the end of the previous target timeframe.

C26.2. Companies shall submit assessment of progress for the previous cycle, and any additional information to determine conformance with the requirements stipulated in this standard, as well as any additional renewal validation requirements applicable at the time.

C26.3. Companies shall document and report the following information, at minimum, to the SBTi-designated Validation Body:

- 26.3.1. Evidence of recalculation triggers and recalculations performed;
- 26.3.2. Confirmation that organizational boundary changes, methodological changes and changes to the underlying data have not been counted as emissions reductions.

C26.4. Category A companies shall document and report the following information about the assurance process for data substantiating target progress, at minimum, to the SBTi-designated Validation Body (***NOTE:*** *This will be further explored and refined through the consultation process.*):

- 26.4.1. The name and qualifications of the assurance provider;
- 26.4.2. The scope of the assurance, including boundaries, emissions covered, and specific exclusions or limitations;
- 26.4.3. The methodology and standards used by the assurance provider, along with any assumptions and data limitations;
- 26.4.4. The type of assurance (e.g. limited, reasonable or high);
- 26.4.5. A summary of findings, including any recommendations from the assurance provider.

C26.5. As per Section 5.2 of this standard, if any gap remains between the level of performance achieved and the applicable net-zero benchmarks, companies shall submit targets for the new cycle for validation.

C26.6. Companies opting for recognition shall also submit evidence that they have addressed the impact of ongoing emissions, as outlined in Section 4 of this standard, as part of the renewal validation process.

C26.7. Companies that do not intend to undergo the renewal validation process for the new cycle may still submit evidence to substantiate progress against targets for the previous cycle.

Communicating target progress and new targets

***Key changes and rationale* (revised):** *Previous versions of this standard required companies to report annually on emissions and target progress but did not specify the data points to be disclosed. This draft standard introduces clearer requirements, mandating companies to publicly report on target progress at the end of the target cycle and specifying the information to be disclosed.*

CNZS-C27. Companies shall publicly report on their target progress at the end of their target cycle.

Company category: *All companies*
Assessment stage: *Renewal Validation*

C27.1. Within 6 months after completing the renewal validation process, companies shall publicly report the level of progress achieved against targets as well as the targets for the new cycle.

C27.2. For communication of progress against targets companies shall communicate at the minimum:

- 27.2.1. Target formulation (including version of the SBTi criteria,target-setting tool and name of underlying emissions pathway used);
- 27.2.2. Target and target base year information, update history and reasons for update, if applicable;
- 27.2.3. Target base year;
- 27.2.4. Target year;
- 27.2.5. Emissions for each scope in the target base year after recalculations, if applicable;
- 27.2.6. Emissions for each scope in the target end year after recalculations, if applicable;
- 27.2.7. For removals, the percentage of scope 1 residual emissions covered by removals at the target year. (***NOTE:*** *The SBTi is consulting on its approach for carbon removals. Please see Box 1.)*
- 27.2.8. Measurement approach and sources of scope 1, 2 and 3 data used to determine the GHG emissions data for performance assessment, with clear emphasis on their possible limitations and associated uncertainty;
- 27.2.9. Values in the target base year and in the target year for other applicable indicators used to set targets;
- 27.2.10. Third-party assurance status of the GHG inventory;
- 27.2.11. Companies shall report the results of the progress assessment for each target separately.

C27.3. Where sufficient progress has not been made, companies shall provide an explanation detailing the reasons for this.

C27.4. Companies shall also report planned actions to address internal and external barriers that may have prevented companies from delivering on their targets. This may include strategies to enhance internal capacity, foster stakeholder

engagement, secure necessary resources, and address regulatory constraints.

C27.5. Communication of new targets for the upcoming cycle shall be conducted according to Section 3.5 of this standard.

C27.6. Any communication related to target progress or renewal validation shall adhere to requirements stipulated in the Claims Section of this standard and any other applicable SBTi policies.

6. SBTi CLAIMS

Background and key concepts

In line with best practice for sustainability standards, this chapter introduces general guidelines on substantiating claims related to science-based target setting and SBTi validation. The aim is to enable companies to substantiate claims related to their climate target setting and target progress, and communicate about their efforts in a clear and credible way.

The initial set of claims proposed demonstrate conformance with the requirements set out in this standard at different assessment stages (e.g. Entry Check, Initial Validation, Renewal Validation). This draft standard will be supplemented with specific types of claims and substantiation guidelines, informed by the consultation process.

As part of the consultation process, the SBTi seeks stakeholder feedback on a set of additional claims designed for different stages of the target-setting process. This includes claims such as temperature-alignment, net zero-alignment, target progress, performance, target achievement and net-zero achievement. The consultation survey accompanying this standard includes questions on appropriate claims for individual entities, including the continued use of temperature-based claims. Emerging legislation regulating climate and environmental claims, such as the draft EU Green Claims Directive, increasingly prohibits overclaiming or greenwashing.

The SBTi seeks to align its claims with evolving regulatory frameworks while meeting the expectations of stakeholders. As such, any claims that the SBTi enables through this standard will be informed by the feedback collected through the consultation process and subject to legal review.

Furthermore, it is important to note that limiting warming to 1.5°C—or any other threshold—and reaching net-zero depends not on individual companies or groups but on the collective efforts of state and non-state actors globally. As such, the SBTi is consulting on the suitability of these claims in the context of this standard.

Draft criteria and recommendations

Intended outcome: Companies ensure that all claims covered in this standard, including those regarding target achievement, are accurate, verifiable and adhere to high-integrity standards and applicable regulations.

6.1 General claims requirements

Key changes and rationale ***(revised criterion):*** *Currently, the SBTi provides general guidance that companies are required to follow through the SBTi Communications Guide when communicating about commitments or approved science-based targets. However, this is not made explicit within the previous versions of this standard. This draft standard introduces requirements that companies are required to follow to conform to the Corporate Net-Zero Standard.*

CNZS-C28. Companies shall ensure all net-zero related claims are accurate, transparent and verifiable, and compatible with the requirements in the SBTi Corporate Net Zero Standard and applicable regulations.

Company category: *All companies*
Assessment stage: *Entry Check, Initial Validation, Renewal Validation*

C28.1. Companies shall adhere at all times to all relevant SBTi policies and procedures including but not limited to Claims, Brand and Validation policies (forthcoming).

C28.2. Claims made by companies shall accurately communicate the conformance status of the company by using the appropriate claims wording as stipulated in Annex H.

C28.3. Companies shall ensure that all claims are accurate, verifiable and transparent, avoiding language that may mislead stakeholders or misrepresent the company's climate-related ambition, progress or performance.

C28.4. Companies shall ensure that claims meet or exceed regulatory requirements.[29]

C28.5. All claim content shall be fully substantiated with relevant and verifiable evidence, which shall remain accessible for transparency purposes and available to the SBTi, third-parties and/or regulatory bodies upon request.

Recommendations

R28.1. The ISEAL Sustainability Claims Good Practice Guide should be used as a reference for claims-making.

[29] For instance, the EU Green Claims Directive in the EU or the Federal Trade Commission (FTC) - Green Guides in the USA (when published).

6.2 Eligible claims before initial validation

Key changes and rationale ***(revised criterion):*** *Currently most companies enter the 'SBTi system' by submitting a commitment letter in which they pledge to set science-based targets within 24 months. The SBTi intends to replace the current commitment process with a more robust Entry Check assessment, where companies wishing to enter the SBTi system are required to conform to the criteria within the standard that apply to this stage. Upon a positive outcome of this Entry Check, companies will be eligible to make certain claims before undergoing the Initial Validation assessment.*

CNZS-C29. Companies shall ensure that any claim occurring before initial validation is accurate and transparent and reflects the company's assessment stage in the SBTi target-setting process.

Company category: *All companies*
Assessment stage: *Initial Validation*

C29.1. Following the Entry Check process and prior to the initial validation, companies may make claims regarding their commitment to reach net-zero emissions, SBTi application status, and intent to set science-based targets, as stipulated in Annex H.

C29.2. Such application claims shall accurately reflect the company's assessment stage, avoiding language that could misrepresent or overstate the company's validation status.

C29.3. Companies shall refrain from making any claims until their application has been formally accepted by the SBTi following the Entry Check process.

C29.4. Companies shall avoid any claims that could imply validation or endorsement by the SBTi.

6.3 Eligible claims after initial validation

Key changes and rationale ***(revised criterion):*** *Many companies actively communicate their target ambitions. Once a company's targets have been validated, they are entitled to make a combined 'ambition claim' reflecting all targets applicable to them. This standard enables these claims and allows a range of sub-claims permitted for individual targets, depending on the type of target (see Annex H).*

CNZS-C30. Following initial validation, companies shall ensure that target-related "ambition claims" accurately reflect their validation status and the ambition level of their validated targets.

Company category: *All companies*
Assessment stage: *Initial Validation*

C30.1. When communicating about targets that have been validated by the SBTi-designated Validation Body, companies shall accurately represent the ambition of those targets as per Table H.2. Example target sub-claims and scope of the validation.

C30.2. Companies shall clearly formulate and communicate validated targets in line with Annex H of this standard, avoiding any language that could overstate the ambition of these targets.

C30.3. Companies shall avoid any language of phrasing that could misrepresent or overstate the company's ambition of their targets, or that may imply broader validation or endorsement beyond the specific targets.

C30.4. Companies shall publicly report all relevant information about their validated targets, including the requirements outlined in Section 3.5 Target transparency of this standard.

6.4 Eligible claims after renewal validation

Key changes and rationale ***(new):*** *This revised standard introduces a new process for progress assessment alongside a process for setting new targets through the Renewal Validation assessment stage. To recognize companies for their progress, while also recognising various risks that stem from challenges such as GHG inventory accounting accuracy, the SBTi is proposing 'conformance claims' rather than 'progress claims' or 'achievement claims'. Once progress has been validated by the SBTi-designated Validation Body, companies that decide to renew their targets may use a 'renewal claim'. To ensure consistency, the target renewal claims shall follow the same style, format, logic and wording and the target ambition claims made after the Initial Validation.*

CNZS-C31. Following assessment of progress and renewal validation, companies shall ensure that progress-related claims and renewal claims accurately reflect the outcome of the assessment and re-validation process.

Company category: *All companies*
Assessment stage: *Renewal Validation*

C31.1. Companies shall avoid language or phrasing that could misrepresent or overstate the company's performance or achievement of targets or the scope of assessment by the SBTi.

C31.2. Companies shall refrain from making any progress-related claims until progress has been formally validated by the SBTi-designated Validation Body.

C31.3. Companies may make claims that indicate that targets have been assessed in conformance with the SBTi Corporate Net-Zero Standard Version 2.0. An example of a permitted conformance claim is listed in Annex H.

C31.4. If the company decides to validate targets for the next target cycle, the requirements of CNZS-C30 apply to the claims associated with these targets.

C31.5. The assessment stage shall be clearly mentioned in the claim pertaining to the renewed targets.

C31.6. Companies shall not imply continued association with the SBTi if they have decided not to undertake renewal validation.

6.5 Eligible claims for optional recognition for addressing ongoing emissions

Key changes and rationale ***(new):*** *Version 1.2 of the Corporate Net-Zero Standard recommends companies take responsibility for ongoing emissions through BVCM. However, it has not enabled any claims in relation to these efforts. This draft Standard proposes additional recognition for companies that address ongoing emissions through BVCM. This addition aims to provide a stronger incentive for companies to take responsibility for ongoing emissions, recognizing the urgency of the climate crisis and the critical need to scale up corporate climate finance.*

CNZS-C32. Companies addressing ongoing emissions through beyond value chain mitigation (BVCM) measures may make additional claims in line with the criteria outlined in this section.

NOTE: *This is a requirement only for companies seeking additional recognition for addressing ongoing emissions.*

Company category: *All companies*
Assessment stage: *Renewal Validation*

C32.1. Companies shall ensure that BVCM-related claims are clear and transparent, avoiding language that may mislead stakeholders.

C32.2. Claims must distinguish BVCM contributions from reductions achieved within the company's value chain to avoid creating confusion about the company's actual emissions performance.

ANNEX A: KEY TERMS

A full list of relevant terms, definitions and acronyms can be found in the SBTi Glossary. Please find below a list of new or updated key terms used in this standard. Terms marked '*revised*' differ from the current definitions in the SBTi Glossary.

Term	Definition
Abatement targets	Targets to prevent, reduce, or eliminate sources of operational or value chain emissions. Can be formulated as emissions reduction or alignment targets.
Activity	An individual source of emissions included in a scope 3 category. The term is used throughout this standard to refer to commodities, products, services and activities, for example cement or steel for category 1 emissions or the mode of transport (e.g. maritime or aviation) for category 4 emissions (adapted from GHG Protocol - WRI, WBCSD, 2021).
Activity pool	The set of emissions sources which may physically serve the reporting entity, but within which further traceability to the specific physical sources used by the reporting entity is not possible (Brander & Bjørn, 2023). Examples include an upstream supply pool, such as a supply shed from which companies source a specific commodity, or a downstream activity pool, such as the electricity grid powering the products that the company brings to market.
Alignment	Refers to a level of performance compatible with net-zero emissions at the global level.
Alignment targets	Abatement targets designed to achieve a specific outcome aligned with the long-term global goal of reaching net-zero emissions by a defined point in time.
Assessment stage	Refers to the specific conformity assessment within the target cycle that the company has reached.
Base year (inventory)	A historic datum (a specific year or an average over multiple years) against which a company's emissions are tracked over time (GHG Protocol, 2004).
Base year (target) / target base year	The base year is used for defining a GHG target, e.g. to reduce CO2 emissions by 25% from 2000 levels (target base year) by 2010 (GHG Protocol, 2004).
Benchmark (revised)	A reference point against which a company's performance can be compared.
Beyond value chain mitigation (BVCM) (revised)	Mitigation action or investments that fall outside a company's value chain, including activities that avoid or reduce GHG emissions, or remove and store GHGs from the atmosphere. Beyond value chain mitigation is distinct from indirect mitigation as it has no association with the company's value chain and is not expected to contribute to net-zero transformation related to the value chain.

Term	Definition
Criteria Assessment Indicators (CAIs)	Verifiable control points that are used to evaluate submitted information during the conformity assessment process.
Conformity assessment	Refers to the process of determining whether a company meets the requirements of the specified standard.
Emissions-intensive activities	Refers to activities, products, services, or processes that significantly contribute to global GHG emissions or otherwise exacerbate climate change. This includes activities in energy-intensive and land-use-intensive sectors.
Direct mitigation	Mitigation actions directly linked to specific activities in the value chain, with traceability established through a credible system (e.g. chain of custody). Direct value chain mitigation measures are those with physical association to the value chain (i.e. traceable to the company's value chain at the emissions source or activity pool level, and are accounted for within the corporate GHG emissions inventory) and can substantiate value chain emissions reductions.
Differentiation	Refers to criteria or recommendations that are tailored to different types of companies based on company categorization.
Emissions reduction targets (revised from definition of GHG emissions reduction targets (for corporates))	Abatement targets to reduce operational or value chain GHG emissions by a specified amount in percentage terms.
Fixed milestone year	A predetermined target year that occurs at regular intervals, specifically ending in either 0 or 5. For example, the fixed milestone years between now and 2050 are 2030, 2035, 2040, 2045 and 2050.
Gross emissions reporting	Gross means total emissions before any deductions or other adjustments are made to take account of GHG mitigation activities, carbon credits, renewable energy certificates, avoided emissions from the use of goods and services and/or reductions attributable to the sequestration or transfer of GHGs (adapted from CDP Glossary). This is valid across all scopes.
Historical emissions	Emissions occurring during the entire life of the organization to the current date (adapted from Gold Standard, Funding Beyond Value Chain Mitigation).
Idealized reduction curve	The reduction curve prescribed by the Absolute Contraction Approach for every year between target base year and target year. The curve is "idealized" as it represents the target trajectory, though companies are not required to meet every individual point along the curve.
Indicator	A measurable variable used to track progress or assess conditions in a specific area, often to evaluate changes over time or performance against a set goal.
Informative	Informative elements are those that are descriptive, developed to enable companies, including applicants for validation, to understand the concepts presented in the normative elements. They contain examples or

Term	Definition
	suggestions that explain the meaning and implications of the requirements as well as giving suggestions on the application of the requirements. Informative resources cannot be used to assess conformance with SBTi standards.
Indirect mitigation	Mitigation actions that contribute to net-zero-aligned transformation relevant to the company's value chain but that cannot be traced back to activities or emissions sources within the company's value chain. This may include chain of custody models like book and claim systems. Indirect mitigation is distinct from beyond value chain mitigation (BVCM) in that it is intended to contribute to net-zero transformation relevant to the value chain, whereas BVCM contributes to global climate mitigation for activities that are not associated with the value chain. ***NOTE**: Indirect mitigation measures are expected to adhere to quality criteria to be developed through the Expert Working Groups and consultation process*
Minimum durability threshold	The minimum duration for which the carbon sink associated with a carbon dioxide removal (CDR) solution must store carbon to be eligible toward delivering on a company's removal target. Solutions that meet or exceed this threshold qualify for inclusion.
Near-term targets (revised)	Goals set by companies on a five-year time horizon or based on milestone years toward achieving net-zero emissions.
Net-zero aligned benchmark	Benchmarks that stipulate the required level of performance to be compatible with achieving a net-zero economy by 2050 (i.e. end-point value of the indicator).
Net-zero aligned product	A net-zero aligned product is any good or service that fulfills a credible intensity threshold per functional unit for a net-zero world, such as those set out in a credible taxonomy or based on other scientific evidence. Net-zero aligned products may have zero or negative emissions, or may still emit some level of GHGs. *(**Note**: The approach for defining net-zero alignment will be further explored and refined through the consultation process).*
Normative	Normative elements are those that are prescriptive and shall be followed by companies, including those applying for target validation, to conform with the requirements of SBTi's standards.
Novel Carbon Dioxide Removal (CDR)	CDR refers to anthropogenic activities that extract CO_2 from the atmosphere and ensure its durable storage in geological, terrestrial or ocean reservoirs, or within products. 'Novel' CDR are emerging and innovative removal methods/technologies that are in the early stages of development and deployment, distinct from conventional approaches like afforestation.
Ongoing emissions	Emissions occurring from the target base year over the target timeframe (adapted from Gold Standard, Funding Beyond Value Chain Mitigation).
Performance (revised)	Systematic quantification of how sustainable an activity or organization is in relation to its impacts on the climate measured through metrics such as GHG emissions or non-emission metrics (e.g. energy efficiency, etc.).

Term	Definition
Primary data	Primary data includes data provided by suppliers or others that directly relate to specific activities in the reporting company's value chain.
Progress (revised)	Level of advancement towards an established target.
Progress assessment	Process of determining progress made against a goal or target at any given point.
Public reporting	Refers to the sharing of information or data with the general public in a transparent and accessible manner for instance on an SBTi owned or SBTi recognized website, a company website, a company annual report or through other means if so prescribed in this standard.
Relevant scope 3 emissions sources	Relevant scope 3 emissions sources include: ● Significant scope 3 categories representing 5% or more of total scope 3 emissions; and ● Emission-intensive activities representing 1% or more of total scope 3 emissions or at least 10,000 tCO_2e/year.
Removals targets	Targets to remove CO_2 from the atmosphere and durably store it in geological, terrestrial, ocean reservoirs or in products. Interim removal targets are removal targets set by companies on a five-year time horizon or based on milestone years.
SBTi system	Refers to the SBTi's collective framework to develop standards, validate companies against those standards, and allow for claims and communications in relation to those standards.
Scenario envelope	The set of emissions reduction scenarios derived from applying principled filtering criteria across a database of mitigation pathways published by scientific bodies. The scenario envelope defines the cross-sector pathway and emissions reduction levels of critical GHGs.
Scenario reference year	A specific year chosen as a baseline or standard for comparison. This may indicate the start year of the scenario or pathway used in target setting, or the year from which a benchmark is derived.
Secondary data	Secondary data includes industry-average-data (e.g. from published databases, government statistics, literature studies and industry associations), financial data, proxy data, and other generic data.
Significant	An activity, emissions source, or scope is considered significant when it meets the relevance thresholds as defined in SBTi standards.
Target cycle	An iterative process encompassing determining base year performance, target setting, validation, communication, implementation, and assessment and communication of progress. Each cycle concludes with performance assessment and communication of progress, starting anew with determining the base year performance.
Target timeframe (revised from target period)	The duration of a target from target base year to target end year. Interim targets for example have target timeframes of 5-years.

Term	Definition
Tier 1 supplier	Tier 1 suppliers are companies with which the reporting company has a purchase order for goods or services (e.g. materials, parts, components, etc.). Tier 1 suppliers have contractual obligations with the reporting company, providing the leverage needed to request GHG inventory data (GHG Protocol, Scope 3 Frequently Asked Questions).
Transition plan (climate-related)	A climate-related transition plan is an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its GHG emissions (IFRS S2 Appendix A).
Transitioning	An entity is classified as "transitioning" when it has set science-based emissions reduction targets consistent with limiting warming to 1.5°C. Entities should set targets in conformance with SBTi standards. Validation of their science-based targets by the SBTi-designated Validation Body is recommended but not required. The "transitioning" classification is first focused on entities establishing a clear 1.5°C aligned ambition. Over time, entities will have to demonstrate progress against this ambition to keep their "transitioning" classification (the date for the introduction of this requirement is to be confirmed). The eligibility of methodologies that can be used to measure transition will therefore be updated to reflect this move from ambition to progress over time.
Transitioned	An entity is classified as transitioned, when: ● Entity has reached zero or near-zero emissions across all GHG emission scopes, and ● Entity has neutralized any residual emissions.
Traceable emissions data	Refers to emissions data where both of the following are known by the reporting company: ● The emissions source in the value chain, established through a credible system (e.g. chain of custody model) demonstrating physical connectedness to the reporting company; ● The emissions profile of the emissions source (e.g. emissions factor).
Unabated fossil fuels	Fossil fuels produced and used without direct interventions that substantially reduce the amount of GHG emitted throughout the life cycle (adapted from IPCC, 2023).
Value chain	A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of-life (EFRAG IG 2: Value Chain Implementation Guidance).
Zero-carbon electricity	Electricity that is characterized by total GHG emissions per unit of generation that are less than or equal to zero, accounting for both direct and fuel-cycle emissions. This definition excludes embodied emissions related to the construction of electricity infrastructure. Fossil-fired electricity with carbon capture and sequestration (CCS) and certain renewable resources, such as sustainably sourced biomass, are not classified as

Term	Definition
	zero-carbon due to potential emissions associated with their lifecycle and operational practices (adapted from Climate Group).

ANNEX B: APPLICABILITY OF CRITERIA BY ASSESSMENT STAGE AND COMPANY CATEGORY

To incentivize continuous improvement towards urgent decarbonization in the near-term while keeping companies on track to achieve their net-zero commitments, the criteria included within this standard are assessed at different stages over a defined cycle. Companies shall conform to all criteria required at each conformity assessment stage at the time the assessment is conducted.

The Corporate Net-Zero Standard has differentiated requirements for companies based on their size and geography. This enables companies of different sizes and geographies to undertake a science-based decarbonization process in a manner that strives for equity. The applicability of the criteria within this standard depends on the company category (as described in A.4 and A.6.1).

Table B1. Overview of criteria that are applied at each conformity assessment and for each company category.

Chapter	Section	Sub-section (if applicable)	Requirement	Conformity Assessment			Company category	
				Entry Check	Initial Validation	Renewal Validation	Category A	Category B
1. CORPORATE NET-ZERO COMMITMENT	1.1 Company-wide commitment to net-zero	N/A	CNZS-C1	✓			✓	✓
	1.2 Transition plan	N/A	CNZS-C2			✓	✓	✓
2. DETERMINING PERFORMANCE IN THE TARGET BASE YEAR	2.1 Organizational boundary	N/A	CNZS-C3		✓	✓	✓	✓
	2.2 Select base year for target setting	N/A	CNZS-C4		✓	✓	✓	✓

Chapter	Section	Sub-section (if applicable)	Requirement	Conformity Assessment			Company category	
				Entry Check	Initial Validation	Renewal Validation	Category A	Category B
	2.3 GHG emissions inventory	N/A	CNZS-C5		✓	✓	✓	✓
	2.4 Determination of applicability of sector-specific criteria	N/A	CNZS-C6		✓	✓	✓	✓
	2.5 Identification of relevant scope 3 emissions sources	N/A	CNZS-C7		✓	✓	✓	Optional
	2.6 Determining performance in the base year	N/A	CNZS-C8		✓	✓	✓	✓ (with optional elements)
	2.7 Assurance of GHG emissions inventory	N/A	CNZS-C9		✓	✓	✓	Optional
	2.8 Improving data quality	N/A	CNZS-C10		✓	✓	✓	Optional
	2.9 Recalculation of target base year emissions	N/A	CNZS-C11			✓	✓	✓
3. TARGET-SETTING	3.1 General target-setting criteria	Benchmark assessment	CNZS-C12		✓	✓	✓	✓
		Target composition and timeframe	CNZS-C13		✓	✓	✓	✓

Chapter	Section	Sub-section (if applicable)	Requirement	Conformity Assessment			Company category	
				Entry Check	Initial Validation	Renewal Validation	Category A	Category B
	3.2 Addressing operational (scope 1 and 2) emissions	Scope 1	CNZS-C14		✓	✓	✓	✓
		Scope 2	CNZS-C15		✓	✓	✓	✓
	3.3 Addressing value chain (scope 3) emissions	Scope 3	CNZS-C16		✓	✓	✓	Optional
	3.4 Addressing residual emissions	Residual emissions at the net-zero year	CNZS-C17		✓	✓	✓	✓
		Interim removal targets	CNZS-C18			✓	Under consultation	Under consultation
	3.5 Target transparency	N/A	CNZS-C19		✓	✓	✓	✓
	3.6 Target review and adjustment	N/A	CNZS-C20			✓	✓	✓
4. ADDRESSING THE IMPACT OF ONGOING EMISSIONS	N/A	N/A	CNZS-C21			✓	✓	✓
	N/A	N/A	CNZS-C22			✓	✓	✓

Chapter	Section	Sub-section (if applicable)	Requirement	Conformity Assessment			Company category	
				Entry Check	Initial Validation	Renewal Validation	Category A	Category B
5. ASSESSING AND COMMUNICATING PROGRESS	5.1 Assessing and communicating target progress	Substantiating target progress	CNZS-C23			✓	✓	✓
		Determining target progress	CNZS-C24			✓	✓	✓
	5.2 Setting targets for the next cycle	N/A	CNZS-C25			✓	✓	✓
	5.3 Renewal validation	N/A	CNZS-C26			✓	✓	✓
		Communicating target progress and new targets	CNZS-C27			✓	✓	✓
6. CLAIMS	6.1 General claims requirements	N/A	CNZS-C28	✓	✓	✓	✓	✓
	6.2 Eligible claims before initial validation	N/A	CNZS-C29	✓			✓	✓
	6.3 Eligible claims after initial validation	N/A	CNZS-C30		✓		✓	✓
	6.4 Eligible claims after renewal validation	N/A	CNZS-C31			✓	✓	✓

Chapter	Section	Sub-section (if applicable)	Requirement	Conformity Assessment			Company category	
				Entry Check	Initial Validation	Renewal Validation	Category A	Category B
	6.5 Eligible claims for optional recognition for addressing ongoing emissions	N/A	CNZS-C32			✓	✓	✓

ANNEX C: SCOPE 3 ACCOUNTING

This annex provides additional scope 3 accounting criteria, organized into scope 3 category-specific criteria, as well as clarification around the minimum boundaries for scope 3 criteria. The criteria in this annex may already be contained in Corporate Net-Zero Standard Version 1.2, have undergone minor revisions since Version 1.2 or may be new, and are indicated as such. These criteria shall be followed by companies that are seeking conformity with SBTi standards.

C.1 Scope 3 category-specific criteria

This section outlines additional reporting requirements for certain scope 3 categories. These shall be applied as a supplement to the guidance provided by the GHG Protocol in Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Table C.1. Category-specific guidance for value chain accounting.

Scope 3 Category	Criteria	Status
Purchased goods and services [cat. 1]	Emissions from procurement of refurbished or second-hand products may be excluded from the scope 3 inventory. Emissions from transportation of these products and emissions from refurbishment processes shall be accounted for in the scope 3 inventory.	New
Upstream transportation and distribution [cat. 4] AND Downstream transportation and distribution [cat. 9]	All transport-related emissions from fuel use, emissions shall be reported on a well-to-wheel (WTW) basis (well-to-wake for aviation and maritime transport) that reflects direct use emissions from fuel combustion (tank-to-wheel, TTW) and upstream emissions related to fuel production and distribution (well-to-tank, WTT). For purchased fuels, fuel related emissions shall be accounted for on a WTW basis i.e., TTW emissions which are equivalent to scope 1 emissions and WTT emissions reported in scope 3 category 3 “fuel-and-energy-related activities”. Furthermore, the upstream emissions of purchased electricity (WTT emissions) shall be accounted for in scope 3 category 3 “fuel- and energy-related activities” if not accounted for in scope 1 and/or 2. For more information, consult Table 5.4 (page 34) of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.	No revision
Franchises [cat. 14]	If franchisors have sufficient influence over sourcing (i.e. sourcing policies, requirements to use specific suppliers or existing central procurement software run by franchisor), all upstream and downstream scope 3 emissions of franchisees shall be included into relevant categories of franchisors’ scope 3 emissions.	New
Investments [cat. 15]	Companies that do not fall in scope of the Financial Institutions Net-Zero Standard may use the Partnership for Carbon Accounting Financials (PCAF) Global GHG	Minor revision

Scope 3 Category	Criteria	Status
	Accounting and Reporting Standard for the Financial Industry to calculate financed emissions.[30] Emissions beyond the minimum requirements of the Greenhouse Gas Protocol for Scope 3 Category 15 Investments as per Table 5.9 (page 52) of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard are considered optional, and companies are not required to, but may, set optional targets on these emissions.	

C.2 Scope 3, category 11 minimum boundary definition

This section provides guidance on identifying the minimum boundary for scope 3 category 11 emissions: use of sold products. This builds on Table 5.4 of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard by the Greenhouse Gas Protocol and aims to clarify cases where there may be ambiguity. According to the Greenhouse Gas Protocol "the minimum boundaries are intended to ensure that major activities are included in the scope 3 inventory, while clarifying that companies need not account for the value chain emissions of each entity in its value chain, ad infinitum".

Defining the minimum boundary is necessary to ensure consistency in terms of how emissions are categorized and reported by companies and allow comparability among different companies in the same sector.

The minimum boundary includes the direct use-phase emissions of sold products over their expected lifetime (i.e. scope 1 and scope 2 emissions of end users that occur from the use of products that directly consume energy during use, fossil fuel and feedstock and GHGs and products that contain or form GHGs that are emitted during use).

The minimum boundary does not include indirect use-phase emissions that are generated by products that only consume energy indirectly during use over their expected lifetime. Indirect use-phase emissions are "optional", but – if included– their calculation methodology shall be disclosed through the validation process.

The table below provides a non-exhaustive list of emissions to be considered within or outside the minimum boundary for scope 3 category 11 "use of sold products".

Table C.2. Supplementary definition of the minimum boundary of direct and indirect use-phase emissions sources accounted for under scope 3 category 11 "use of sold products".

Sector	Within minimum boundary	Outside minimum boundary
Automobiles and components	Emissions corresponding to energy consumed/dissipated along the drivetrain that	Weight-based allocation of emissions from sold components

[30] According to the draft Financial Institutions Net-Zero Standard, companies that generate 5% or more of their revenue from lending, investing (as asset owner or manager), insurance underwriting, and/or capital market activities fall within scope.

Sector	Within minimum boundary	Outside minimum boundary
	give rise to direct emissions corresponding to the fuel/energy source: engines, headlights, air conditioning system, heaters	(e.g. tires, bumpers seatbelts or other components in a vehicle) that do not emit or transfer electricity
Apparel		Emissions from washing and drying of clothes
Building sector (i.e. developer, construction companies, property managers)	Emissions from the use of building projects that have been constructed. This includes energy used for heating, cooling and electricity consumption, as well as fugitive emissions from refrigerant leaks and cooling systems	Emissions from repair, replacement and refurbishment during the use phase
Architecture and design	Emissions from the use of building projects that have been constructed is strongly recommended.This includes energy used for heating, cooling, cooling and electricity consumption, as well as fugitive emissions from refrigerant leaks and cooling systems	Embodied emissions from renovations, repairs, and construction phase
Electrical equipment	• Emissions from the use of chargers, electricity transmissions and distribution equipment. • Emissions from electricity dissipated from recharging and discharging rechargeable batteries • Emissions from lost heat and cooling of sold piping systems • Emissions from the use of power step-up and- down transformers • Emissions from lost electricity, heat and cooling of other power system equipment	Emissions from electricity stored and transmitted by rechargeable batteries
Consumer electronics	Emissions from the use or transfer of electricity in electronics or electronic components such as displays, microchips, memory drivers, and cameras	For companies that produce electronic casing such as housing for computers or lenses for cameras, the emissions associated with use-phase of the electronic product itself are beyond the minimum boundary
Food and beverage industry	CO_2 released from drinks opening	• Emissions from cooling of ice for beverages; • Emissions from frying /microwaving /cooking of any food item • Emissions from use of household food waste disposer
Household appliances	• Emissions from energy consumption of large and small household appliances, lightbulbs and smart-home products	Emissions from the energy consumption of consumers' tools needed to remote control

Sector	Within minimum boundary	Outside minimum boundary
	• Emissions from charcoal and lighter fluid for barbecues	appliances (smartphone, router, etc.)
Software solution providers and telecommunication services	Emissions from energy consumption of hardwares if sold by the same company providing the software	• Emissions from energy consumption of customer hardware running software or other IT infrastructure NOT sold by software provider • Emissions from the use of the network by cellphones
Transport and logistics (infrastructure providers)	Emissions from the operation of infrastructure connected with logistics services (i.e. refrigerators, automated rails, conveyor belts)	Emissions from the maintenance of transport infrastructure, such as roads, bridges, airports, etc
On-premises services	Emissions from the use of client facilities from the provision of services (e.g. catering firm cooking in client's kitchen, cleaning firm using client's electricity)	

ANNEX D: RELEVANT SCOPE 3 EMISSIONS SOURCES

D.1 Definition of relevant scope 3 emissions sources

The Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises recommend prioritizing actions where impacts are most severe and likely. Following this principle, this standard emphasizes identifying and addressing relevant scope 3 emissions sources that are both significant to the company's operations and significant globally. This approach to identifying relevant scope 3 emissions sources is based on two key criteria:

1. **Significant Scope 3 Categories:**
   Companies should prioritize scope 3 categories that contribute a substantial share of their total scope 3 emissions. This "company-level" perspective ensures that the largest emissions sources within the organization's value chain are prioritized. By addressing these significant categories, companies can make meaningful progress toward reducing their overall emissions footprint.
2. **Emissions-Intensive Activities:**
   Companies should also prioritize activities in sectors with high emissions intensity, such as energy- and land-use-intensive industries. These sectors are significant contributors to global GHG emissions and are critical to the net-zero transition. To determine exposure to these activities, companies need to analyze their GHG inventory at a more granular level, focusing on emissions from specific activities and resources. This approach introduces an "economy-level" perspective, ensuring that activities that are deemed critical to be decarbonized are included in company targets. Annex D provides a predefined list of high-emissions activities. Companies shall use this list to identify emissions-intensive activities across both upstream and downstream segments of their value chain, as outlined in CNZS-C7.

By identifying and targeting relevant scope 3 emissions sources through these two lenses—company-specific priorities and globally significant activities—this approach helps companies focus on areas where they can achieve the greatest impact. This strategy aims to enable companies to align their value chains with global climate goals while driving targeted, effective emissions reductions.

D.2 Significant scope 3 categories

Following the aim for prioritization of relevant emissions, a 5% threshold is proposed to identify significant scope 3 categories. This threshold means that any category representing 5% or more of total annual scope 3 emissions shall be included in company targets. As significant categories are identified and progressively addressed during the first target cycle, the relative significance of categories that were not previously covered by company targets will increase leading them to be included in company targets in the next target cycle until all emissions sources have been addressed.

To test the assumption that the 5% threshold would allow to include the vast majority of emissions inside the target boundary, SBTi conducted an analysis based on self-reported emissions data publicly disclosed to CDP. The research aimed to test the absolute and average percentage of scope 3 emission covered applying the 5% threshold for significant scope 3 categories. The results indicate that the application of the 5% threshold would lead to approximately 97% of all reported scope 3 emissions in absolute terms across all sectors being included in company targets and an average target coverage of 94% of scope 3 emissions per sector at company level. This raises the scope 3 target boundary to at least 90% of scope 3 emissions across almost all sectors[31] (see Table D.1) and could further increase when including emission-intensive activities that do not fall into a scope 3 category that meets the 5% significance threshold.

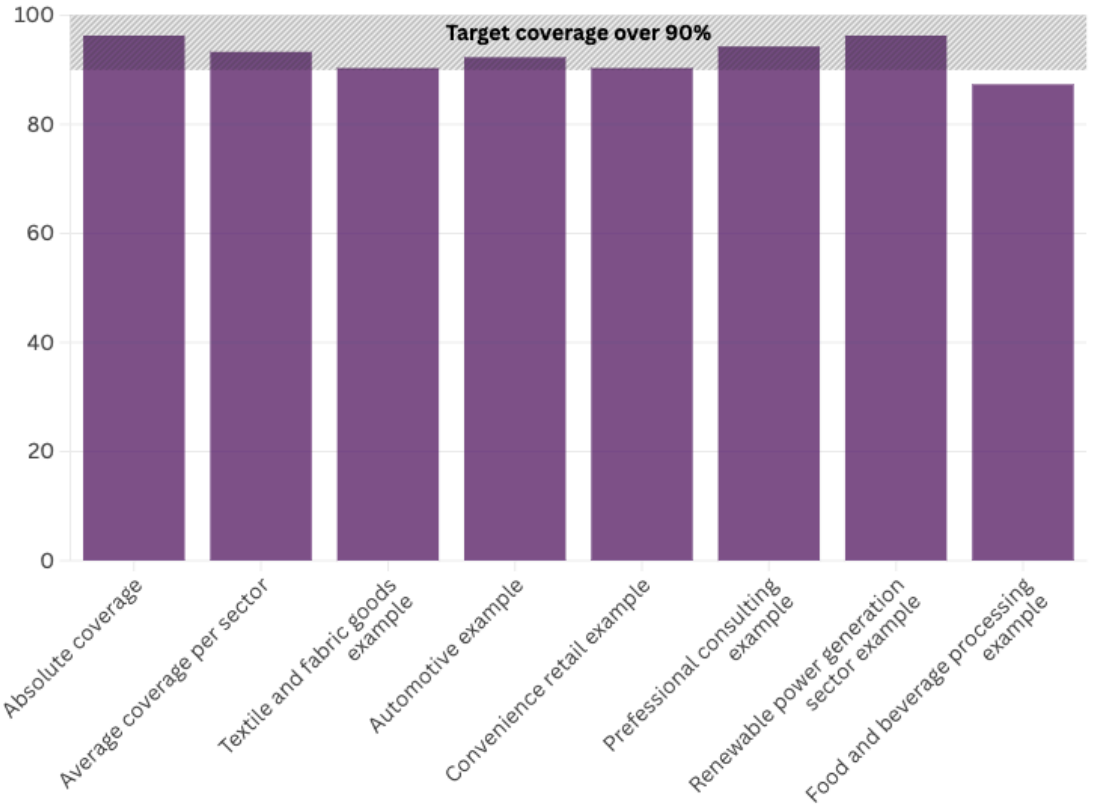
[31] The sectors with a coverage under 90% are medical equipment and supplies (87%); health care provision; print and publishing services; biotech and pharma (each at 89% coverage).

Table D.1. Absolute and average percentage coverage of total scope 3 emissions using 5% threshold per sector according to the CDP Full GHG Emissions Dataset.

SECTOR	Absolute emission coverage at sector level	Average emission coverage at company level / sector
Oil & gas processing	98%	94%
Financial services	99%	97%
Electrical & electronic equipment	97%	95%
Powered machinery	98%	97%
Transportation equipment	96%	97%
Coal mining	99%	96%
Oil & gas extraction & production	96%	96%
Trading, wholesale, distribution, rental & leasing	94%	93%
Chemicals	92%	90%
Energy utility networks	95%	97%
Food & beverage processing	91%	91%
Metallic mineral mining	95%	94%
Convenience retail	92%	91%
Metal products manufacturing	96%	91%
Thermal power generation	95%	97%
Renewable energy equipment	98%	92%
Construction	94%	95%
Oil & gas retailing	97%	97%
Metal smelting, refining & forming	92%	91%
Discretionary retail	94%	94%
Renewable power generation	98%	96%
Light manufacturing	95%	92%
Textiles & fabric goods	91%	93%
Industrial support services	96%	93%
Intermodal transport & logistics	96%	95%
IT & software development	96%	92%
Oil & gas storage & transportation	96%	98%
Media, telecommunications & data center services	94%	93%
Bars, hotels & restaurants	91%	91%
Web & marketing services	97%	91%
Cement & concrete	96%	97%
Land & property ownership & development	94%	93%
Marine transport	97%	97%
Biotech & pharma	90%	89%
Air transport	96%	97%
Other services	93%	91%
Other materials	90%	94%
Specialized professional services	92%	93%
Crop farming	95%	95%
Paper products & packaging	92%	93%
Leisure & home manufacturing	93%	93%
Medical equipment & supplies	87%	87%
Non-energy utilities	93%	94%
Wood & paper materials	95%	96%
Plastic product manufacturing	91%	92%
Rail transport	96%	96%
Nuclear power generation	95%	97%
Commercial & consumer services	94%	91%
Health care provision	89%	89%
Tobacco	88%	91%
Entertainment facilities	91%	91%
Fish & animal farming	95%	95%
Wood & rubber products	93%	91%
Print & publishing services	89%	89%
Other mineral mining	96%	95%
Road transport	95%	95%
Logging & rubber tapping	91%	97%
Government banks	99%	99%
Government agencies	93%	93%

The second research question aimed to examine some real cases data from different sectors, testing what exact percentage of scope 3 emissions would be covered by targets when applying the 5% threshold at company level. The test was run anonymizing company data and rounding data up to 2 significant figures to protect company anonymity. In all the six case studies analyzed, emissions coverage resulted in over 90% of scope 3 emissions only by applying the 5% threshold, except for the food processing sector where it reaches 88.95% coverage. Two of the six case studies are also illustrated in the following section. As we will discuss in the next section, emissions-intensive activities not already covered within these categories shall be included in addition, potentially leading to a higher coverage. This is the case in the food processing sector, where upstream and downstream distribution, despite accounting for less than 5% at category level, would need to be included in the target boundary, as they represent an emissions-intensive activity (transportation), according to SBTi emission-intensive activity list (see table D.4) and they exceed the significance threshold of 10.000 tCO_2e. For this reason, it is likely that even in the food processing sector effective emissions coverage would be over 90%.

Image D.1. Emissions percentage covered across different examples.



Example 1. Company from the automotive sector

Table D.2. Scope 3 emission in a representative company of the automotive sector.

Scope 3 Category		Category coverage over total scope 3 emissions
11	**Use of sold products**	**77%**
1	**Purchased goods and services**	**16%**
2	Capital goods	2%
4	Upstream transportation and distribution	2%
12	End of life treatment of sold products	1%
9	Downstream transportation and distribution	1%
3	Fuel-and-energy-related activities (not included in Scope 1 or 2)	1%
7	Employee commuting	0%
5	Waste generated in operations	0%
6	Business travel	0%
Total scope 3 emissions covered applying the 5% category threshold		**93%**

In the first example, at least 93% of total CO_2e emissions would need to be covered by targets, applying the 5% category threshold, leading to the inclusion of categories 11 and 1. In addition to these, it is likely that activities in category 4 and 9 - upstream and downstream transportation and distribution - should be covered by targets, as road, aviation and marine transportation are considered emissions-intensive activities (see Table D.4). Furthermore, any purchase of buildings (i.e. for production or reselling) or assets that consume fossil fuels (e.g. machinery for components production) falling into category 2, capital goods, would also need to be covered by a target as an emissions-intensive activity, if above the 1% threshold or exceeding 10.000 tCO_2e.

Other emissions-intensive activities likely to occur in the automotive sector are already included in category 1, including for example the procurement of aluminum, steel, other metals and minerals, and the sale of products that consume fossil fuels included in category 11.

Example 2. Company from the food and beverage processing sector

Table D.3. Scope 3 emissions in a representative company of the food and beverage sector.

Scope 3 Category		Category coverage over total scope 3 emissions
1	**Purchased goods and services**	**54%**
10	**Processing of sold products**	**29%**
14	**Franchises**	**6%**
9	Downstream transportation and distribution	4%

3	Fuel-and-energy-related activities (not included in scope 1 or 2)	3%
4	Upstream transportation and distribution	2%
12	End of life treatment of sold products	1%
2	Capital goods	1%
5	Waste generated in operations	0%
7	Employee commuting	0%
6	Business travel	0%
Total scope 3 emissions covered applying the 5% category threshold		**89%**

In the second example, at least 89% of total CO_2e emissions would need to be covered by targets, including categories 1, 10 and 14. In this specific case it is likely that categories 9 and 4 (upstream and downstream transportation and distribution) would include emissions-intensive activities, namely road, aviation and marine transport, which would result in the inclusion of those categories fully or at least in part in the target boundary. Furthermore, any purchase of buildings falling in category 2, capital goods, would also need to be covered by a target as an emission-intensive activity.

Other emission-intensive activities likely to occur in the food processing sector are already included in category 1, including for example the procurement of agricultural commodities.

D.3 Emission-intensive activities

In addition to significant scope 3 categories, companies should also prioritize activities in sectors with high emissions intensity, such as energy- and land-use-intensive industries.

The following tables sets out a predefined list[32] of emissions-intensive activities due to their importance for the wider net-zero transition. Companies are to use this list to identify their exposure to emissions-intensive activities both upstream and downstream in their value chain, as required in CNZS-C7.

With the aim of prioritizing relevant emissions sources, the 1% significance threshold for emission-intensive activities is proposed, to exclude activities that represent a negligible portion of a company's overall scope 3 footprint and prioritize more relevant sources of GHG emissions[33]. In addition to the 1% significance threshold, the 10,000 tCO_2e threshold is proposed as an additional failsafe to avoid exclusion where these emissions may still be significant on an absolute basis, and is consistent with the maximum emissions threshold (sum of scope 1 and scope 2 emissions) proposed by the SBTi to define a "small" business in the company categorization section. 10,000 tCO_2e is also used as a threshold for defining

[32] This list comes from a comparison and aggregation of different sources listing emissions-intensive activities. The sources include: TEG Final Report on EU Taxonomy (2020), CDP High Impact Sector, Science Based Targets Network High Impact Commodity List (2023), IIGCC (2024) scope 3 materiality portfolio assessment in Scope 3 emissions of investments and IEA (2023) Energy End-uses and Efficiency Indicators Data Explorer and SBTi (2023), FLAG Guidance.

[33] Product Environmental Profile (PEP) Ecopassport rules stipulate that a flow can be cut off from the inventory if it is less than or equal to 5% of the mass of the reference product, is less than or equal to 5% of the total use of primary energy during the life cycle of the reference product, and less or equal to 5% of the total life cycle environmental impacts of the reference product. (PEP ecopassport® PROGRAM PCR Product Category Rules for Electrical, Electronic and HVAC-R Products PCR-ed4-EN-2021 09 06 Produce a LCA (pep-ecopassport.org) - adapted from GHG Protocol.

smaller emissions sources by other standards, e.g. the Gold Standard defines "microscale" projects as those with annual emissions reductions under 10,000 tCO_2.

Table D.4. List of emissions-intensive upstream activities.

Activity type	Sector	Activity	Scope 3 category	Action by the company
Procured commodity[34]	Agriculture	Cattle	1	Any procurement of raw or derived products
		Chicken	1	Any procurement of raw or derived products
		Cocoa	1	Any procurement of raw or derived products
		Coffee	1	Any procurement of raw or derived products
		Dairy	1	Any procurement of raw or derived products
		Leather	1	Any procurement of raw or derived products
		Palm	1	Any procurement of raw or derived products
		Pork	1	Any procurement of raw or derived products
		Rubber	1	Any procurement of raw or derived products
		Maize, rice and wheat	1	Any procurement of raw or derived products
		Soy	1	Any procurement of raw or derived products
		Timber & wood fiber	1	Any procurement of raw or derived products
	Industry	Cement	1	Any procurement of cement and concrete or subproducts
		Primary chemicals	1	Any procurement of primary chemicals (including ammonia, ethanol, high value chemicals)
		Aluminum	1	Any procurement of aluminum or sub-product
		Steel	1	Any procurement of steel or sub-product
	Mining	Other metals and minerals[35]	1	Any procurement of iron
			1	Any procurement of copper
			1	Any procurement of lithium
			1	Any procurement of nickel
			1	Any procurement of cobalt
			1	Any procurement of manganese

[34] Upstream emissions-intensive commodities may be produced by entities with whom companies have a direct business relationship (i.e. tier 1 suppliers) or by entities with whom companies do not have a direct business relationship (i.e. beyond tier 1 suppliers). The share of alignment of emissions-intensive commodities is therefore aggregated in terms of volume rather than direct spend.
[35] Alignment benchmarks are not currently available for the other metals and minerals category. These activities shall be addressed through emissions reduction targets and covered by the critical mineral policy.

Activity type	Sector	Activity	Scope 3 category	Action by the company
Additional activities	Transport	Road transport	2, 8	Any procurement of ICE-vehicles as capital goods (e.g. vehicle fleets) or leased assets
			4	Any procurement of upstream transportation and distribution services
		Aviation	2, 8	Any procurement of transport equipment as capital goods (e.g. airplanes) or leased assets
			4	Any procurement of upstream transportation and distribution services
		Maritime transport	2, 8	Any procurement of transport equipment as capital goods (e.g. ships) or leased assets
			4	Any procurement of upstream transportation and distribution services
	Real estate	Commercial buildings (offices, retail spaces, hotels, warehouses, or mixed-use properties)	2, 8	Any procurement of buildings as capital goods or as leased assets
	Energy	Other assets that consume fossil fuels	1, 2	Any procurement of other assets and equipment that consume fossil fuels

Table D.5. List of emissions-intensive downstream activities.

Activity type	Sector	Activity	Scope 3 category	Action by the company
Sold good or service	Fossil fuels (coal, oil, gas)	Distribution and sales of fossil fuel products or related services	11, 13	Any revenue from coal, oil and natural gas (incl feedstocks) distribution and sales or related services
		Products that consume fossil fuels	11, 13	Any revenue from products that consume fossil fuels (fuel-fired equipment such as vehicles, furnaces, kilns, boilers, generators)
	Other	Products that contain or form greenhouse gasses that are emitted during use	11, 13	Any revenue from products that emit GHGs during their use phase (e.g. refrigerators, fertilizers)
	Energy	Products that consume electricity	11, 13	Any revenue from products that consume electricity during

Activity type	Sector	Activity	Scope 3 category	Action by the company
				use phase (e.g. data centers, appliances, electric vehicles, electric heaters, air conditioners)
Additional activities	Real estate	Commercial buildings (offices, retail spaces, hotels, warehouses, or mixed-use properties)	11, 13	Any revenue from sold or leased buildings

ANNEX E: INDICATORS, BENCHMARKS AND METHODS

This annex provides indicators, benchmarks and methods used to set targets. Applicable across all sectors, these three elements support assessing performance toward net-zero over time and setting targets. They are used to guide companies in performing a benchmark assessment (see CNZS-C12) to inform the development of science-based targets and improvement plans.

This annex specifies the following elements:

1. **Indicators:** An indicator is a measurable variable used to track progress or assess conditions in a specific area, often to evaluate changes over time or performance against a set goal.
2. **Benchmarks:** A benchmark is a reference point against which a company's performance can be compared. The net-zero aligned benchmarks (i.e. end-point value of the indicator) stipulate the required level of performance to be consistent with a net-zero economy. Table E.1 sets out the net-zero aligned benchmarks for cross-sector indicators. Table E.2 sets out net-zero aligned benchmarks for emissions-intensive activities.
3. **Target-setting methods:** The method (algorithm) which uses 1.5°C pathways and company input variables to define the near-term performance values for each indicator. Near-term performance values are not provided as they are dependent on the specific company variables, such as base year performance levels. Tables E.1 and E.2 provide the methods that apply to each indicator.

Companies shall use these tables to identify the required indicators to be measured to reach net-zero aligned performance by 2050. The indicators outlined below shall be considered along with additional indicators specified in SBTi Sector Standards if applicable.

E.1. Indicators, net-zero aligned benchmarks and target-setting methods for cross-sector indicators

Indicators measure quantitative data about the company's activities that are applicable to setting climate targets. They include GHG indicators and alignment indicators. GHG indicators measure the direct and indirect GHG emissions over time associated with the company's operations and its value chain. Alignment indicators measure a company's operational and value chain performance against alignment with a net-zero economy.

As specified in the Corporate Net-Zero Standard criteria, companies may choose from a selection of eligible indicators to meet specific criteria for target baselining and target setting.

Table E.1 below sets out the performance indicators for operational related emissions and for value chain related emissions that are applicable across all sectors.

Table E.1. Indicator descriptions, net-zero aligned benchmarks and target-setting methods.

Code	Indicator	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
Scope 1 and 2 indicators							
Indicator-CNZS.1	Scope 1 GHG emissions	Gross GHG emissions from owned or controlled sources. Calculation methodology defined by the GHG Protocol Corporate Standard: A Corporate Accounting and Reporting Standard.	Metric tons of CO_2 equivalent (tCO_2e)	Option 1: 89% below 2020 levels[36] Option 2: Activity dependent: 0 tCO_2e or, sector allocated residual levels	2050 or earlier	SBTi cross-sector pathway (link to the Annex on the pathway)	Absolute Contraction Approach (ACA)
Indicator-CNZS.2	Scope 2 GHG emissions - Location-based	Gross GHG emissions from the generation of consumed energy (electricity, heat, steam, cooling). Based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries. Calculation methodology defined by the GHG Protocol Corporate Standard: A Corporate Accounting and Reporting Standard.	Metric tons of CO_2 equivalent (tCO_2e)	0 tCO_2e	2040 or earlier	SBTi cross-sector pathway	Absolute Contraction Approach (ACA)

[36] The cross-sector residual value (i.e. 11%) is assigned only to activities that are generated in sectors with allocated residual emissions based on the cross-sector pathway.

Code	Indicator	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
Indicator-CNZS.3	Scope 2 GHG emissions - Market-based	Gross GHG emissions from the generation of consumed energy (electricity, heat, steam, cooling). Based on the emissions emitted by the generators from which the reporting company contractually purchases electricity bundled with instruments, or unbundled instruments on their own. Calculation methodology defined by the GHG Protocol Corporate Standard: A Corporate Accounting and Reporting Standard.	Metric tons of CO_2 equivalent (tCO_2e)	0 tCO_2e	2040 or earlier	SBTi cross-sector pathway	Absolute Contraction Approach (ACA)
Indicator-CNZS.4	Share of zero carbon electricity consumed	Share of electricity consumed from zero carbon sources. Zero carbon sources include any technology that does not generate any GHGs during the production of electricity (e.g. wind, solar, hydro, nuclear, batteries).	Percentage (%) of electricity sourced from zero carbon sources	100%	2040 or earlier	IEA NZE by 2050 Scenario	Index Alignment Approach
Scope 3 - tier 1 supplier alignment							
Indicator-CNZS.5	Alignment of tier 1 suppliers	Indicator measures the share of total procurement spend on tier 1 suppliers that are aligning to 1.5°C pathways (see Table E.3 for definition of alignment). The % aligned procurement spend = spend on aligned suppliers / total procurement spend.	Percentage (%) of aligned tier 1 suppliers	100%	2050 or earlier	N/A	Linear Alignment Approach

Code	Indicator	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
Indicator-CNZS.6	Alignment of tier 1 suppliers providing emissions-intensive activities	Indicator measures the share of total procurement spend on aligned suppliers providing emissions-intensive activities in Annex D: Relevant Scope 3 Emissions Sources (see Table E.3 for definition of alignment). The % aligned procurement spend = spend on aligned suppliers providing emissions-intensive activities / total spend on suppliers providing emissions-intensive activities.	Percentage (%) of aligned tier 1 suppliers providing emissions-intensive activities	100%	2030	N/A	Fixed target of 100% alignment by 2030 regardless of base-year
Scope 3 - emissions-intensive activities							
Indicator-CNZS.7	Absolute scope 3 GHG emissions for emissions-intensive activities	Gross GHG emissions from each emissions-intensive activity in Annex D: Relevant Scope 3 Emissions Sources.	Metric tons of CO_2 equivalent (tCO_2e)	Option 1: 89% below 2020 levels[37] Option 2: Activity dependent: 0 tCO_2e or, sector allocated residual levels	2050 or earlier	SBTi cross-sector pathway	Absolute Contraction Approach (ACA)
Indicator-CNZS.8	Physical emissions intensity for upstream	Indicator measures the physical emissions intensity for upstream emissions-intensive activities in Annex D: Relevant Scope 3 Emissions	Metric tons of CO_2 equivalent per million	Asset/activity dependent according to Table E.2	2050 or earlier	IEA NZE by 2050 Scenario	Sectoral Decarbonization Approach (SDA)

[37] The cross-sector residual value (i.e. 11%) is assigned only to activities that are generated in sectors with allocated residual emissions based on the cross-sector pathway.

Code	Indicator	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
	emissions-intensive activities - upstream only	Sources. Table E.2 details the applicable physical intensity indicators metrics for each commodity.	of output (tCO_2e / activity unit)				
Indicator-CNZS.9	Economic emissions intensity for emissions-intensive activities	Indicator measures the emissions economic emissions intensity per monetary unit (i.e. unit of procurement spend on or revenue) from emissions-intensive activities in Annex D: Relevant Scope 3 Emissions Sources. Calculated as: Total upstream GHG emissions / total spend on the purchases of emissions-intensive activities. OR Total downstream GHG emissions / total revenue from emissions-intensive activities.	Metric tons of CO_2 equivalent per monetary unit (e.g. tCO_2e per USD)	0 tCO_2e / USD	2050 or earlier	N/A	Absolute Contraction Approach (ACA) or Economic Intensity Contraction
Indicator-CNZS.10	Alignment of emissions-intensive activities - upstream only	Indicator measures the percentage share of emissions-intensive activities with a level of emissions performance compatible with reaching net-zero. Table E.2 details the applicable net-zero aligned benchmark values for each commodity. Note: Where emissions-intensive activities in the value chain are occurring beyond tier 1 suppliers, alignment of emissions-intensive activities should be measured in terms	Percentage (%) of volume or spend on aligned emissions-intensive activities	100%	2050 or earlier	N/A	Linear Alignment Approach

Code	Indicator	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
		of volume.					
Indicator-CNZS.11	Alignment of all sold and / or downstream leased products - downstream only	Indicator measures the share of total revenue from net-zero aligned products. Net-zero aligned products are defined as any good or service that fulfills a credible intensity threshold per functional unit for a net-zero world, as set out in a credible taxonomy or other science-based paper. Net-zero aligned products can therefore be operating at zero or negative emissions, or may still be emitting some level of GHGs. The % net-zero aligned revenue = revenue from net-zero aligned sold and/or leased products and non-emissions-intensive sold and/or leased products / total revenue.	Percentage (%) of revenue	100%	2050 or earlier	N/A	Linear Alignment Approach
Scope 3 significant categories[38]							
Indicator-CNZS.12	Absolute scope 3 GHG emissions for significant	Indicator measures scope 3 GHG emissions for each category identified as significant under CNZS-C7.	Metric tons of CO_2 equivalent (tCO_2e)	Option 1: 89% below 2020 levels[39]	2050 or earlier	SBTi cross-sector pathway	Absolute Contraction Approach (ACA)

[38] Physical intensity is only specified for emissions-intensive activities. Physical intensity is most relevant for purchased commodities and specific activities such as transport. It is not an eligible metric for other elements of scope 3 due to the lack of net-zero benchmarks and applicable activities where physical intensity is an appropriate way to assess performance.
[39] The cross-sector residual value (i.e. 11%) is assigned only to activities that are generated in sectors with allocated residual emissions based on the cross-sector pathway.

Code	Indicator	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
	categories			Option 2: Activity dependent: 0 tCO_2e or, sector allocated residual levels			
Indicator-CNZS.13	Economic emissions intensity for significant categories	Indicator measures the economic emissions intensity per monetary unit (spend or revenue), calculated as category emissions divided by total spend or revenue.	Metric tons of CO_2 equivalent per monetary unit (e.g. tCO_2e per USD)	0 tCO_2e / USD	2050 or earlier	N/A	Absolute Contraction Approach (ACA) or Economic Intensity Contraction
Indicator-CNZS.14	Share of aligned counter-parties (third party processors, franchisees[40], customers) - categories 10, 11 and 14 only	Percentage of counterparties that are transitioning, or have transitioned, to a level of performance compatible with net-zero (see Table E.3 for definition of alignment, transitioning and transitioned).	Percentage (%) of total revenue from aligned counterparties	100%	2050 or earlier	N/A	Linear Alignment Approach
Scope 3 - fossil fuel related downstream activities							

[40]The GHG Protocol defines a franchise as “a business operating under a license to sell or distribute another company’s goods or services within a certain location” and clarifies that franchisors include “companies that grant licenses to other entities to sell or distribute its goods or services in return for payments, such as royalties for the use of trademarks and other services.” Category 14 therefore must include revenue from traditional franchise models (e.g., franchised stores) and from licensing intellectual property or branding rights (e.g., granting third parties permission to produce goods under the reporting company’s brand).

Code	Indicator	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
Indicator-CNZS.15	Share of total revenue from the sale of fossil fuels or services for fossil fuel expansion	Indicator measures the percentage of total revenue derived from the sale of unabated fossil fuels, including coal, oil, and natural gas.	Percentage (%) total revenue	0%	2050 or earlier	N/A	Linear Alignment Approach
Indicator-CNZS.16	Share of total revenue from products that consume fossil fuels during use	Indicator measures the percentage of total revenue from products that require fossil fuels for their operation during the use phase (e.g. gasoline-powered vehicles, gas stoves).	Percentage (%) total revenue	0%	2050 or earlier	N/A	Linear Alignment Approach
Removals							
Indicator-CNZS.17	Total removals	Quantity of removals (direct, indirect and BVCM removals) purchased relative to the residual emissions of the company, where: ● Direct removals: Amount of carbon dioxide removed by sinks and pools owned or controlled by the company. ● Indirect removals: Amount of carbon dioxide removed by sinks and pools owned or controlled by another entity within the value chain of the company. ● BVCM removals: Amount of carbon dioxide removed by	Percentage (%) of company residual emissions addressed with durable removals	100%	2050 or earlier	SBTi cross-sector pathway	Removal Growth Target (RGT)

Code	Indicator	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
		sinks and pools owned or controlled by an entity situated beyond the value chain of the company.					

E.2 Indicators, net-zero aligned benchmarks and methods for emissions-intensive activities

Performance indicators, benchmarks and methods for emissions-intensive activities for which the SBTi has already developed target-setting guidance or pathways are outlined in Table E.2 below. Sector-specific net-zero aligned benchmark values are dependent on SBTi Sector Standards, and the associated pathways used in those standards. These benchmarks may be expanded and/or superseded as pathways are revised and as new SBTi Sector Standards are developed.

Table E.2. Net-zero-aligned benchmarks and methods for determining near-term targets for emissions-intensive activities.

Code	Activity	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
Activity metric-CNZS.1	Cement production	This metric is to calculate the emissions per unit of cement produced. The intensity metric shall be in terms of tCO_2 ("gross" emissions, i.e. emissions from combustion of waste derived fuels shall be included) per tonne of cementitious product or equivalent. Cementitious product means clinker, cement and cement substitutes produced by the reporting company.	Kg CO_2/ kg cement	0.033	2050 or earlier	IEA NZE by 2050 Scenario	Sectoral Decarbonization Approach (SDA)

Code	Activity	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
Activity metric-CNZS.2	Steel production	This metric is to calculate the emissions per unit of steel produced. The intensity metric shall be in terms of tCO_2 / t of hot rolled steel. Calculation of the intensity shall follow leading industry standards, such as the SBTi Steel Sector Guidance or RMI's Sustainable Steel Principles.	Kg CO_2/ kg steel	0.111	2050 or earlier	IEA NZE by 2050 Scenario	Sectoral Decarbonization Approach (SDA)
Activity metric-CNZS.3	Electricity Generation	This metric is to calculate the emissions per unit of electricity generated. The intensity metric shall be in terms of tCO_2 / MWh of all sold electricity. The emissions value covers the scope 1 emissions of all electricity generated by the activity, or bought and resold by an entity. It represents the gross emissions of power generation activity. Gross electricity generation includes all electricity generated.	Kg CO_2/ KWh	0.009	2040 or earlier	IEA NZE by 2050 Scenario	Sectoral Decarbonization Approach (SDA)
Activity metric-CNZS.4	Electricity Generation	Activity metric of zero-emission generation capacity refers to any technology that does not generate any GHGs during the production of electricity (e.g. wind, solar, hydro, nuclear, batteries). While these technologies still have lifecycle emissions (e.g. via the embedded materials), the indicator only references the electricity generation phase.	% zero carbon generation	100	2040 or earlier	IEA NZE by 2050 Scenario	Index Alignment Approach
Activity metric-CNZS.5	Maritime transport	This metric, the Energy Efficiency Operational Indicator (EEOI) measures the Well-to-Wake emissions (based on fuel	Energy Efficiency Operationa	Vessel dependent	2050 or earlier	IEA NZE by 2050 Scenario	Sectoral Decarbonization Approach

Code	Activity	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
		used for the voyage and the life cycle carbon intensity of the fuel) per tonne nautical mile (which represents the actual tonnage transported over each nautical mile).	I Index (tCO_2/t.nm)				(SDA)
Activity metric-CNZS.6	Aviation	This metric is to calculate the emissions per revenue per tonne km transported. The intensity metric shall be in terms of tCO_2 (Well-to-Wake basis - the sum of both scope 1 emissions from jet fuel combustion and scope 3 category 3 “fuel- and energy-related activities” emissions from upstream production and distribution of jet fuel) per Revenue Passenger Kilometers (RPK) or Revenue Tonne Kilometers (RTK) from flown operations.	gCO_2/RTK	Segment dependent	2050 or earlier	IEA NZE by 2050 Scenario	Sectoral Decarbonization Approach (SDA)
Activity metric-CNZS.7	Passenger road transportation (global)	This metric is to calculate the lifecycle emissions (Whell-to-Wheel emissions of the vehicle) per vehicle km.	gCO_2/v.km	Vehicle dependent	2050 or earlier	IEA Mobility Model (MoMo)	Sectoral Decarbonization Approach (SDA)
Activity metric-CNZS.8	Passenger road transportation (global)	A zero-emission vehicle is any vehicle with zero tailpipe emissions occurring during its use phase. This is a technology agnostic activity indicator, and may include technologies such as electric vehicles, hydrogen vehicles, or any other fuel that results in zero tailpipe emissions.	% new ZEV cars and vans	100	2040 or earlier, market dependent	ZEV Declaration	Linear Alignment Approach
Activity metric-	Buildings in-use	This metric is to calculate the emissions (from in-use operational, derived from any	kg CO_2e/m^2	Geographical location and	2050 or earlier	CRREM	Sectoral Decarbonizatio

Code	Activity	Description	Unit	Net-zero aligned benchmark value	Net-zero aligned benchmark year	Reference scenario	Target-setting method
CNZS.9	operational emissions (global)	energy consumption, electricity or other fuels used for heating) per unit of floor area of the building.		building typology dependent			n Approach (SDA)
Activity metric-CNZS.10	FLAG commodities	This metric is to calculate the emissions per unit of FLAG commodity produced. The intensity metric shall be in terms of tCO_2e ("net" emissions per tonne of FLAG product.	tCO_2e/tonne	Commodity dependent	2050 or earlier	SBTi FLAG Commodity Pathways	Sectoral Decarbonization Approach (SDA)

E.3 Alignment at the entity level

Table E.3 provides a non-exhaustive list of the eligible metric types per timeframe that can be used to inform and measure alignment at the entity level. To define climate alignment an organization should check whether the counterparty has achieved a transitioned (net-zero achieved) status first and if the answer is no, then check for its transitioning status.

Table E.3. Alignment at the entity levels (applicable to engagement targets for suppliers, franchisees, customers or third party processors).

Counter-party type	What counts as alignment (transitioning towards net-zero)	
	Transitioning	**Transitioned (net-zero achieved)**
Supplier, franchisee, customer, third party-processor	Entity has set science-based emissions reduction targets consistent with limiting warming to 1.5°C. Entities should set targets in conformance with SBTi standards. Validation of their science-based targets by the SBTi-designated Validation Body is recommended but not required. The “transitioning” classification is first focused on entities establishing a clear 1.5°C aligned ambition. Over time, entities will have to demonstrate progress against this ambition to keep their “transitioning” classification (the date for the introduction of this requirement is to be confirmed). The eligibility of methodologies that can be used to measure transition will therefore be updated to reflect this move from ambition to progress over time.	An entity is classified as transitioned, when: ● Entity has reached zero or near zero emissions across all GHG emission scopes, and ● Entity has neutralized any residual emissions.

ANNEX F: CROSS-SECTOR PATHWAY

This annex details emissions reduction levels for critical greenhouse gasses (GHGs) descending from the revised SBTi cross-sector pathway and aligned with the goal of limiting global warming to 1.5°C and achieving net-zero CO_2 emissions by mid-century. The scenario envelope (portfolio of eligible scenarios) of the cross-sector pathway is derived by applying a set of filtering criteria, aligned with the SBTi principles to the scenarios in the C1 category of the AR6 and the latest Net Zero Emission (NZE) scenario developed by the International Energy Agency (IEA) (IEA, 2023). The cross-sector pathway covers the basket of Kyoto GHGs except forest, land and agriculture (FLAG) emissions, which are addressed through separate FLAG sector pathways. Consequently, the cross-sector pathway reflects the GHG emissions from energy supply, buildings, industry and transport.

Table F.1 details emissions reduction levels for various GHGs across five-year periods from 2020 until 2050. It shows that deep reductions in the atmospheric concentration of all GHGs must be achieved by 2050, with residual CO_2e emissions equal to 11% of 2020 levels. Table F.2 presents the disaggregation of projected residual CO_2 emissions by 2050, across key global economic sectors. The residual emissions are derived from the net-zero benchmarks of the SBTi sector-specific guidance (SBTi, 2024), quantified through detailed assessments of the mitigation potentials achievable at the industry level. This sectoral differentiation ensures that residual emissions are rooted in a technically robust framework, capturing the difficult-to-abate emissions within each sector.

These pathways and benchmarks shall be used for target-setting methods like the Absolute Contraction Approach (ACA) and the Sectoral Decarbonization Approach (SDA), alongside additional indicators outlined in SBTi Sector Standards to help companies set targets using the most up-to-date, eligible methods (CNZS-C14, CNZS-C15, CNZS-C16).

Table F.1. Summary of the updated cross-sector pathway for key GHG emissions from energy and industrial processes. Note that the pathway only reflects reductions in energy and industrial process emissions and does not include reductions in emissions from FLAG. Companies with significant FLAG emissions are required to set targets using the dedicated FLAG pathway (SBTi, 2022).

Greenhouse gas	2020 - 2030 (%)	2020 - 2035 (%)	2020 - 2040 (%)	2020 - 2045 (%)	2020 - 2050 (%)
Gross fossil CO_2	41 [34-43]	60 [58-65]	76 [71-81]	85 [81-90]	91 [87-95]
Fossil CH_4	61 [45-68]	68 [56-79]	71 [63-79]	76 [67-84]	80 [69-82]
Fossil N_2O	34 [-2-49]	46 [15-57]	50 [21-62]	57 [24-68]	61 [27-70]
Hydrofluorocarbons (HFCs)	80 [44-80]	86 [43-86]	92 [47-92]	91 [54-91]	91 [61-91]
Perfluorocarbons (PFCs)	73 [70-75]	77 [77-77]	81 [81-81]	84 [84-85]	87 [87-88]
SF_6	60 [46-60]	62 [44-62]	64 [41-64]	67 [42-67]	69 [38-70]

CO_2e (all gasses combined)	45 [35-48]	62 [57-68]	75 [69-80]	84 [78-89]	89 [83-93]

We use the median of the modeled 2020 values from the scenarios for non-CO_2 gases, while the historical value for fossil CO_2 is taken from Foster et al. (2023). The results are presented as the median percentage reduction along with the interquartile range across the scenarios.

Table F.2. 2050 sector-specific residual levels of gross CO_2 emissions for electricity and heat, buildings, transportation and industry sectors. Note that the emission data reflects direct emissions only (scope 1), though companies setting science-based targets are required to include indirect emissions (scopes 2 and 3).

Sectoral disaggregation	Sub sector	Residual emissions in 2050 ($MtCO_2$)	% share of global gross CO_2 emissions in 2020
Electricity and heat	N/A	99	0.28 %
Buildings	N/A	171	0.48%
Transportation	Aviation	210	0.6%
	Shipping	122	0.35%
	Passenger car	85	0.24%
	Truck	198	0.57%
Industry	Cement	133	0.38%
	Chemical	66	0.19%
	Iron and Steel	220	0.66%
	Aluminum	8	0.02%
Total across all sectors		**1308**	**~4%**

ANNEX G: PROGRESS ASSESSMENT FORMULAS

This annex provides SBTi's formulas for progress assessment for both emissions reduction and alignment targets. These formulas shall be followed to undertake the progress assessments that are necessary for companies seeking revalidation in conformity with SBTi standards. Please note that the formulas shall be applied only after any necessary recalculations have been undertaken.

G.1 Emissions reduction targets

The SBTi's formulas for progress assessment of emissions reduction targets calculate (1) the % of target achieved and (2) the change in total emissions (in tCO_2e).

Equation G.1. Percentage of target achieved for emissions reduction targets.

To establish the percentage of target achieved for emissions reduction targets, the following equation shall be used:

$$\%\ target\ achieved\ = \left(\frac{Emissions\ reductions\ achieved}{Targeted\ emissions\ reductions}\right) \times 100$$

Where:

$$Emissions\ reductions\ achieved\ = Target\ base\ year\ emissions\ -\ Emissions\ in\ the\ target\ year$$

$$Targeted\ emissions\ reductions\ = Target\ base\ year\ emissions\ \times\ Targeted\ \%\ reduction\ over\ target\ timeframe\ (e.g.\ 42\%)$$

Equation G.2. Change in emissions for emissions reduction targets.

To establish the change in total emissions from the target base year for emissions reduction targets, the following equation shall be used:

$$Change\ in\ total\ emissions\ = Total\ target\ year\ emissions\ -\ Total\ target\ base\ year\ emissions$$

G.2 Alignment targets

The SBTi's formulas for progress assessment of alignment targets calculate (1) the % of target achieved and (2) the change from the target base year.

Equation G.3. Percentage of target achieved for alignment targets.

To establish the percentage of target achieved for alignment targets, the following equation shall be used:

$$\%\ target\ achieved\ = \left(\frac{Achieved\ value}{Targeted\ value}\right) \times 100$$

Equation G.4. Change in performance for alignment targets.

To establish the change in performance from the target base year for alignment targets, the following equation shall be used:

$$Change\ in\ performance\ =\ Targeted\ value\ -\ Target\ base\ year\ value$$

G.3 Calculating variance

Variance indicates the difference between the achieved result and the target, and determines whether a company has achieved its target or not. This formula can be applied to both emissions and alignment targets.

Equation G.5. Variance to indicate achievement status.

To establish the percentage of target achieved for alignment targets, the following equation shall be used:

$$Variance\ =\ \%\ target\ achieved\ -\ 100\%$$

Where a positive variance indicates overachievement and negative variance indicates underachievement.

ANNEX H: EXAMPLES CLAIMS BEING EXPLORED

Table H.1 contains a summary of example claims and trademark use that are being explored, based on company cycle stage.

***NOTE**: The list of sub-claims in Annex H is subject to change based on the consultation process and legal analysis of eligible claims.*

Table H.1. Summary of example claims.

Assessment stage	Type of claim	Pre-conditions	Status-related claims	Sustainability-related claims
Entry Check (pre-validation)	Application claim	Entry Check completed	*"[Company A] has committed to reach net-zero emissions by [year X] and intends to submit targets for SBTi validation by [date]."*	N/A
Initial Validation	Ambition claim	Passed Initial Validation positively	*"[Company A] strives to achieve [target x] by [year X] and [target y] by [year Y], aligned with the SBTi Corporate Net-Zero Standard Version 2.0.* *These targets have been validated to be in conformance with SBTi Standards"*	The ambition claim shall clearly refer to the permitted target sub-claims (see table H.2 for sub-claim options). Other claims will be explored as part of the consultation process.
Progress assessment	Conformance claim	Progress assessment completed	*"[Company A] is found conformant to SBTi Corporate Net-Zero Standard Version 2.0 from [DD/MM/YY] onwards for its [first] target cycle (from [year X] to [year Y]).* *This has been independently assessed by the SBTi Validation Body."*	Claims to be explored as part of the consultation process.
Renewal Validation	Renewal claim	Passed the progress assessment	*"[Company A] has been found conformant to the*	Claims to be explored as part of the consultation process.

Assessment stage	Type of claim	Pre-conditions	Status-related claims	Sustainability-related claims
		positively + Passed the renewal validation for the next target cycle	*SBTi Corporate Net-Zero Standard Version 2.0 for the target cycle from [year X] to [year Y].* *[Company A] has renewed its targets and strives to achieve [target x] by [year X] and [target y] by [year Y], aligned with the SBTi Corporate Net-Zero Standard Version 2.0.* *[Cycle 1] target performance and renewed targets have been independently assessed by the SBTi Validation Body."*	

H.2 Example target ambition sub-claims

When companies make ambition claims, they shall clearly reference the target type by integrating corresponding sub-claims and target language in the content of the ambition claim, as illustrated in table H.2. In addition, as for all ambition claims, reference to the SBTi Corporate Net-Zero Standard Version 2.0 as well as the name of the third-party (i.e. SBTI Validation Body) shall be made as illustrated in table H.1.

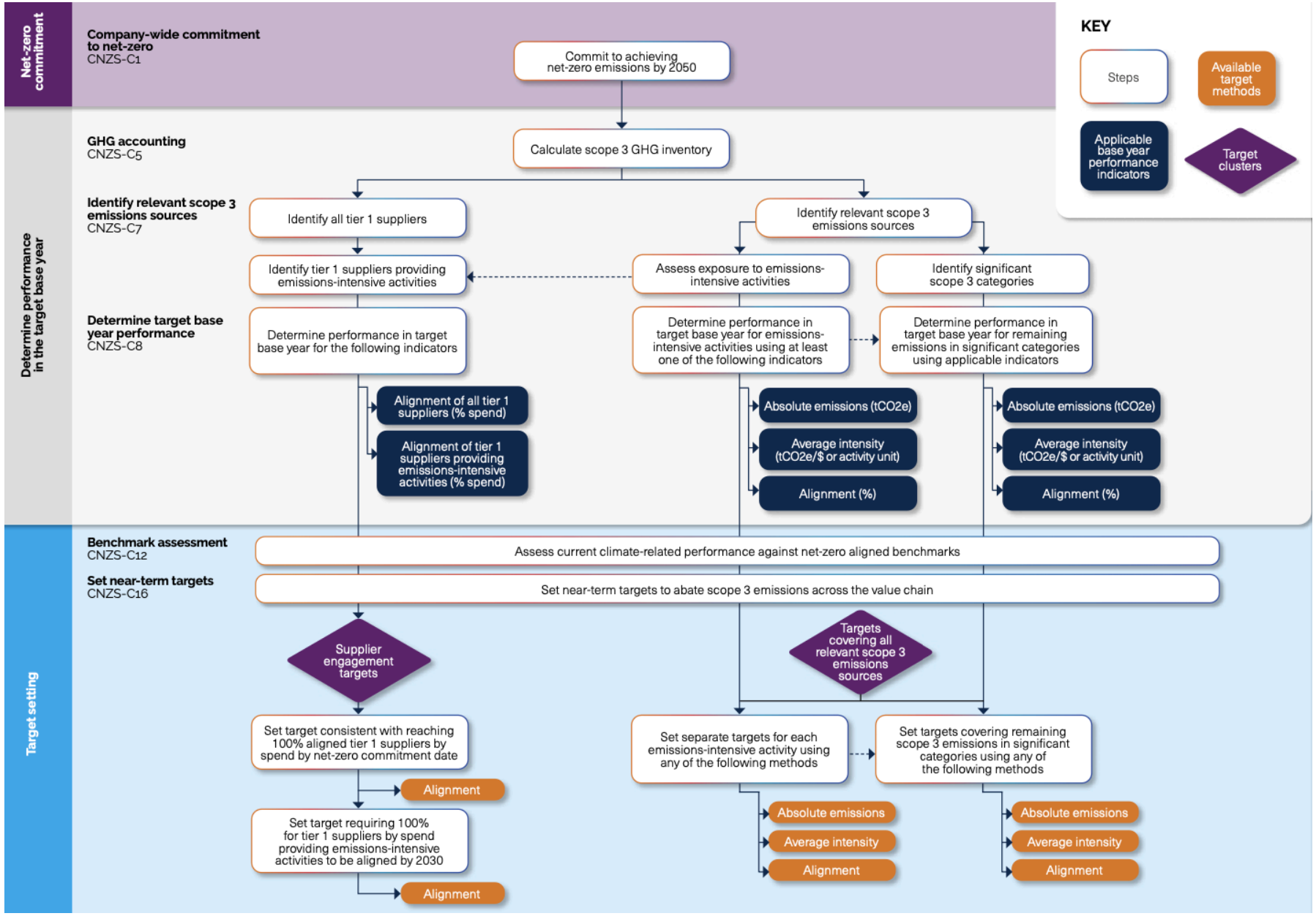
This list of ambition sub-claims is non-exhaustive and shall be aligned with the final version of Annex E: Indicators, Benchmarks and Methods.

Table H.2. Example target sub-claims.

Target metric/ Target type	Target sub-claims and target language
GHG emissions reduction targets	
GHG scope 1 absolute reduction ambition	*"[Company A] strives to reduce our scope 1 GHG emissions by [x%] (in absolute terms) by target year [year Y] compared to the base year [year X]"*
GHG scope 2 absolute reduction ambition	*"[Company A] strives to reduce our scope 2 GHG emissions by [x%] (in absolute terms) by target year [year Y] compared to the base year [year X]."*
GHG scope 3 absolute reduction ambition	*"[Company A] strives to reduce our scope 3 GHG emissions by [x%] (in absolute terms) by target [year Y] compared to the base year [year X]."*
GHG scope 3 physical intensity reduction ambition	*"[Company A] strives to reduce our scope 3 GHG emissions by [x%] by target year [year Y] (per category or activity Z) compared to the base year [year X], e.g. reduction of [x%] T CO2e per T commodity or activity [procured, produced or sold]. This is equivalent to an absolute reduction of [X] tons CO_2e."*
Alignment targets	
Direct procurement alignment at supplier level	*"[Company A] strives to source [x%] of the total procurement spend with SBTi conformant tier 1 suppliers by [year X] and 100% by [year Z]."*
Zero-carbon electricity	*"[Company A] strives to transition to [x%] zero-carbon electricity sources by [year X] and 100% by [year Z]."*
Procurement/revenue alignment at activity level	*"[Company A] strives to transition [x%] of our procurement or sales towards aligned activities by [year X] and 100% by [year Z]."*
Emissions-intensive activity alignment	*"[Company A] strives to source [x%] of aligned [emissions-intensive activity X, Y, Z] by [year X] and 100% by [year Z]."*

Target metric/ Target type	Target sub-claims and target language
Total removals (scope 1)	*"[Company A] strives to increase the volume of removals relative to the scope 1 emissions with [x%] by [year Y] to reach 100% coverage of residual emissions by [year Z]."*

ANNEX I: STEPS FOR SCOPE 3 TARGET-SETTING



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