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## Technical note on science-based targets

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CDP Climate Change 2018



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Please note that the deadline to submit targets to the Science Based Targets initiative to be considered for Leadership points in CDP’s 2018 Climate Change Questionnaire is **23:59 UTC-12 April 15, 2018**

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# 1. Introduction

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## 1.1. Purpose of document

This technical note provides guidance on science-based greenhouse gas emissions reduction targets in CDP's 2018 Climate Change Questionnaire. This document is supplemental to the [CDP Climate Change Reporting Guidance](#), [CDP Climate Change Scoring Methodology](#), and [Science Based Targets initiative Call to Action Guidelines](#), which should be also be reviewed before responding. If companies have any questions, comments or suggestions about the content of this document they can contact their CDP account manager or e-mail [info@sciencebasedtargets.org](mailto:info@sciencebasedtargets.org).

## 1.2. The need for science-based targets

Science-based targets (SBTs) provide companies with a clearly defined pathway that specifies how much and how quickly they need to reduce their greenhouse gas emissions. The Paris Agreement in 2015 saw nearly 200 of the world's governments commit to prevent dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels. This signaled an acceleration in the transition to a low carbon economy. Many companies are already demonstrating they have the skills, expertise and ingenuity to make this a reality - but need ambitious emissions reduction targets that ensure the transformational action they take is aligned with current climate science.

## 1.3. Science-based targets in CDP's 2018 Climate Change Questionnaire

CDP recognizes that science-based targets represent best practices in target setting and is incentivizing/rewarding their adoption through scoring. Companies demonstrating climate action and leadership in this regard are recognized for their efforts. The [Science Based Targets initiative](#), of which CDP is a partner, champions science-based target setting as a powerful way of boosting companies' competitive advantage in the transition to the low-carbon economy. CDP is committed to contribute to the SBTi's vision that science-based target setting will become standard business practice. The CDP questionnaire is a critical component of two strategic pillars of the initiative - institutionalizing the adoption of science-based emission reduction targets and creating a critical mass of companies with SBTs.

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# 2. How science-based targets are scored in the 2018 Climate Change Questionnaire

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Science-based targets will be scored in questions C4.1a and C4.1b in two places: 1) for Disclosure and Awareness level points and 2) for Leadership points. All companies, regardless of sector, are eligible to earn full points in each level of scoring.

## 2.1. Disclosure and Awareness level points

Disclosure and Awareness points can be obtained by answering the question "Is this a science-based target?" in C4.1a and C4.1b. Companies may report multiple targets in the tables in C4.1a and C4.1b and elect different dropdown options for each target. Please note that the sum of all responses to "Is this a science-based target?" can only receive a maximum of 1 Awareness point in total.

Dropdown options	Disclosure points	Awareness points
Yes, this target has been approved as science-based by the Science Based Targets initiative	1	1
Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science Based Targets initiative	1	1
No, but we are reporting another target which is science-based	1	1
No, but we anticipate setting one in the next 2 years	1	1
No, and we do not anticipate setting one in the next 2 years	1	0

Guidance on electing the appropriate dropdown option is described below. This Technical Note provides more details than the CDP Climate Change Reporting Guidance.

▼ Yes, this target has been approved as science-based by the Science Based Targets initiative

- Companies are very strongly encouraged to have their targets *officially* validated by the Science Based Targets initiative (SBTi). CDP considers targets approved by the initiative to reflect best practices in science-based target setting. Please select this option only if the target has been officially approved by the SBTi by July 31, 2018. This includes current company targets that were approved for previous CDP climate change questionnaires.

▼ Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science Based Targets initiative

- Companies may self-validate their target as being science-based. Examples of targets that fall under this description include: scope 1 and 2 targets unofficially approved by the SBTi, targets currently in the SBTi validation process, or any other instances where the company asserts the target is science-based though it has not been officially approved by the SBTi. Companies should use the “Comment” column to explain why they have stated that their target is science-based.
- Companies that have science-based scope 1 and 2 targets but do not have an approved scope 3 target can earn awareness points. These include companies that are part of sectors the SBTi is currently unable to validate due to the lack of sector-specific scope 3 guidance (i.e. financial institutions, auto manufacturers and in most cases oil and gas companies). These companies should report their scope 1 and 2 targets on separate rows from their scope 3 targets and elect this dropdown option for scopes 1 and 2.

▼ No, but we are reporting another target which is science-based

- Another target (absolute or intensity-based) disclosed in C4.1a or C4.1b is science-based (at least one of the first two options above should be selected for another target).

▼ No, but we anticipate setting one in the next 2 years

- Though not required, it is highly recommended that the company publicly communicate their commitment by signing the [SBTi commitment letter](#). Companies have two years to set a target from when they sign the letter.

▼ No, and we do not anticipate setting one in the next 2 years

- The company has no plans to set a science-based target in the next 2 years.

## 2.2. Leadership level points

Science-based targets can also earn up to 3 Leadership level points, equivalent to 12% of a company's final score, through either of the two routes below.

- a) **CDP Route:** Leadership points can be obtained with information disclosed in question C4.1a in the climate change questionnaire. These targets are not necessarily considered science-based. Please consult the [CDP 2018 Climate Change Scoring Methodology](#) for more information. Absolute targets will be assessed cumulatively for Leadership points. Only targets that have achieved at least 7 Disclosure points will be considered.
- b) **SBTi Route:** If targets are submitted to the Science Based Targets initiative for an **official validation** by 23:59 UTC-12 **April 15, 2018** and pass, Leadership points will be automatically awarded for C4.1. Targets approved for previous questionnaires will also automatically be awarded points, unless the targets have since been changed/updated. **Companies must disclose these targets in the CDP questionnaire and the targets shall be consistent.**

The table below outlines the differences between these routes. For more information on the SBTi criteria, in particular on their accompanying recommendations, please refer to the [SBTi criteria and recommendations](#).

Topic	SBTi criteria <i>If the target is officially approved by the SBTi, 3 leadership points are awarded.</i>	CDP criteria <i>If all the below are met, 3 leadership points are awarded. If all except the criteria marked with an * are met, 2.5 leadership points are awarded.</i>
Boundary	<ul style="list-style-type: none"> <li>• <b>C1 - Scopes:</b> The targets must cover company-wide scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard.</li> <li>• <b>C2 - Significance thresholds:</b> Companies may exclude up to 5% of scope 1 and scope 2 emissions combined in their inventory and target.</li> <li>• <b>C3 - Greenhouse gases:</b> The targets must cover all relevant GHGs as required per the GHG Protocol Corporate Standard.</li> </ul>	<ul style="list-style-type: none"> <li>• Targets must cover both scopes 1 and 2 emissions.</li> <li>• The “% of emissions in scope” is 70% or higher.</li> <li>• The % of emissions in scope are 95% or higher of both Scope 1 + 2 emissions.*</li> </ul>
Timeframe	<ul style="list-style-type: none"> <li>• <b>C4 - Base and target years:</b> All targets must cover a minimum of 5 years and a maximum of 15 years from the date the target is submitted to the SBTi for an official validation.<sup>1</sup></li> <li>• <b>C5 - Progress to date:</b> Targets that have already been achieved by the date they are submitted to the SBTi are not acceptable.</li> </ul>	<ul style="list-style-type: none"> <li>• Has a medium time frame (“Target year” is between 5 and 15 more than the “Start year” inclusive).</li> <li>• Has a long time frame (“Target year” is after 15 years more than the “Start year”)</li> <li>• To be eligible for Leadership points multiple targets must be reported to cover both the medium and long time frames.</li> </ul>
Ambition	<ul style="list-style-type: none"> <li>• <b>C6 - Level of ambition:</b> At a minimum, the target will be consistent with the level of decarbonization required to keep global temperature increase to 2°C compared to pre-industrial temperatures, though we encourage</li> </ul>	<ul style="list-style-type: none"> <li>• The targets meet at least a 2.1% year-on-year emissions reduction between base year and target year.</li> </ul>

<sup>1</sup> For targets submitted for an official validation from January to June 2018 the valid target years are 2022-2032 inclusive. Those submitted in from July to December 2018 must have target years between 2023 and 2033.

Topic	SBTi criteria <i>If the target is officially approved by the SBTi, 3 leadership points are awarded.</i>	CDP criteria <i>If all the below are met, 3 leadership points are awarded. If all except the criteria marked with an * are met, 2.5 leadership points are awarded.</i>
	<p>companies to pursue greater efforts towards a 1.5°C trajectory.</p> <ul style="list-style-type: none"> <li>• <u>C7 - Absolute vs. intensity</u>: Intensity targets are only eligible when they lead to absolute emission reduction targets in line with climate scenarios for keeping global warming below 2°C or when they are modelled using an approved sector pathway or method approved by the Science Based Targets initiative (e.g. the Sectoral Decarbonization Approach).</li> </ul>	<ul style="list-style-type: none"> <li>• Please see Appendix in section 5 for more information on year-on-year vs. linear reductions.</li> </ul>
Scope 3	<ul style="list-style-type: none"> <li>• <u>C11- Boundary</u>: Companies must complete a scope 3 screening for all relevant scope 3 categories in order to determine their significance as per the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. If a company's scope 3 emissions are at least 40% of total scope 1, 2, and 3 emissions, a scope 3 target is required. The scope 3 target boundary must include the majority of value chain emissions; these are the top 3 categories or 2/3 of total scope 3 emissions.</li> <li>• <u>C12 - Ambition</u>: Scope 3 targets should clearly demonstrate how the company is addressing the main sources of GHG emissions within their value chain in line with current best practice.</li> </ul>	<ul style="list-style-type: none"> <li>• Scope 3 is not assessed at this time.</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• <u>C15 - Frequency</u>: The company will publicly report its company-wide GHG emissions inventory and progress against their targets on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>• The target shall be disclosed in the CDP questionnaire.</li> </ul>

### 2.2.1. Advantages of obtaining target leadership points through the SBTi route

Companies are very strongly encouraged to have their targets officially validated by the Science Based targets initiative to obtain their target Leadership points. Science-based targets are aligned with climate science and backed by four well-known NGOs: CDP, World Resources Institute (WRI), World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC). In addition, the SBTi communications team ensures that the company gets the recognition it deserves for demonstrating proactive planning and leadership.

### 2.2.2. Sectors that are currently unable to be officially approved by the SBTi

The Science Based Targets initiative cannot officially approve targets submitted by companies in certain sectors in which further methodological development is required to validate the level of ambition of a target against a 2°C decarbonization trajectory. These sectors have significant scope 3 emissions; however, there is currently no sector-specific guidance for these emissions. These include: auto manufacturers; financial institutions; and in most cases, oil and gas companies. For oil and gas companies, if their targets are in line with the absolute contraction method then they can potentially be approved. Note that as soon as the [transportation sector guidance](#) is finalized (expected Q2 2018), the SBTi will be able to assess car manufacturers' targets.

Companies in these sectors are welcome to commit to setting a target and align their scope 1 and 2 targets with SBT methods until guidance is available. Companies in these sectors are also encouraged to refer to the [Sector Development Framework](#) to learn about ongoing sectoral development work and to contact the initiative to learn about opportunities to engage in these methodology development efforts.

**In terms of CDP scoring, note that these (and all) companies may still earn Leadership points via the CDP route and may earn Disclosure and Awareness points (see section 2.1 of this Technical Note).**

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## 3. Steps to set science-based targets and have them approved for CDP scoring

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The following section is a step-by-step guide on how to obtain points with science-based targets in the 2018 CDP climate change questionnaire. This information is specific to CDP SBT scoring and is supplemental to the [SBTi Call to Action Guidelines](#), which should be also be reviewed before responding.

### 3.1. Step 1. Commit to setting a science-based target (optional)

Companies have the option of signing a commitment letter to set a science-based target within two years. This is recommended but not required when responding to “Is this a science-based target?” in CC4.1a and CC4.1b with the dropdown option “No, but we anticipate setting one in the next 2 years” (see section 2.1 above for more details). To learn about the benefits of committing, please see Step 1 of the [SBTi Call to Action Guidelines](#).

### 3.2. Step 2. Develop a science-based target

Please see the [SBTi Call to Action Guidelines](#) section Step 2. Develop a Target for guidance and resources.

### 3.3. Step 3. Submit target to the Science Based Targets initiative for an official validation

**To count for scoring in CDP’s 2018 climate change questionnaire**, companies must submit their targets to the SBTi for an [official validation](#) by 23:59 UTC-12 on April 15, 2018.

To submit targets for an official validation:

- ▼ Companies must fill out the [target submission form](#) and send it to [info@sciencebasedtargets.org](mailto:info@sciencebasedtargets.org) by 23:59 UTC-12 April 15 2018. V2.1 of the form is still accepted until April 16<sup>th</sup>, 2018 but it is highly recommended that companies use V2.2 as it was updated in order to streamline the validation process. Companies using V2.1 will very likely be asked for additional information captured in V2.2. The latest version corresponds to an updated [guidance document](#) (V1.2) to help companies fill out the form correctly.
- ▼ Companies must be sure to request an official check/validation in Section 1.1 of the submission form.
- ▼ Companies must fill out the form as clearly, completely and accurately as possible. Any information provided should be directly related to what is being asked. Missing, inaccurate or disorganized information may cause significant delays in the review process and may result in the assessment not being recognized for scoring in the CDP questionnaire.

### 3.4. Step 4. Target is validated by the SBTi

Please note that the SBTi prioritizes target validations submitted by CDP disclosers over other submissions from March to the end of July because results are used for the CDP scoring. The steps in the target validation process as they specifically pertain to **CDP scoring**, are outlined below. For further details on the process please see the [SBTi Call to Action Guidelines](#).

1. **Initial screening:** A member of the SBTi team will review the submission form to determine if any major fields have been left blank/are unclear. Certain [SBTi criteria](#) (i.e. boundary, timeframe, whether a scope 3 screening was conducted and whether a scope 3 target is set if required) will also be reviewed at this stage.

- ▼ **For CDP scoring**, if significant portions of the form are unclear or unanswered, or the criteria checked during this step are not met, then the target will not be considered for CDP Leadership points via the SBTi route.

2. **Validation team assignment:** If the submission form passes the initial screening, the SBTi will assign a validation team for the target which includes the Lead Reviewer (LR) from one of the initiative's technical partner organizations (CDP, WRI, or WWF) an Appointed Approver (AA, from a partner organization different from the LR's), who will review the assessment done by the Lead Reviewer. In certain cases where reaching a decision is more complex, a member of the Steering Committee will also be assigned to sign off on the final decision. The Lead Reviewer will be the main point of contact between the company and the SBTi. Teams are assigned in a way that ensures that any real or perceived conflicts of interest are avoided. Note that if the company had submitted an unofficial or official validation previously, the same LR and AA will be assigned, if possible.

3. **Desk review:** The Lead Reviewer will thoroughly assess the accuracy, relevance, completeness, consistency, and transparency of the information provided by the company in the submission form and any accompanying documents. If any information is missing or unclear, a query will be sent to the company's technical contact listed on the submission form. The company shall respond to the query using the table where the query is stated and send it back to the SBTi.

- ▼ **For CDP scoring**, in order to ensure that validations are conducted in a timely manner, at this stage companies will have up to two rounds of queries to provide all required information. If the company takes more than one week per round to provide the missing information or hasn't provided sufficient information to assess the targets after two rounds of queries, the company will be moved to the back of the queue of pending target validations. The SBTi technical team will endeavour to finalize all target validations in time for 2018 CDP scoring, but due to limited capacity and the high number of target validations submitted for CDP scoring, companies that don't respond to the queries on time or within two rounds will be assessed only after all other targets submitted for CDP scoring have gone through the validation process.

Once all necessary information has been collected, the Lead Reviewer will evaluate the company's target against the SBTi criteria and fill out a target validation report summarizing his/her justifications for deeming the criteria met or unmet.

4. **Appointed Approver review:** Once the Lead Reviewer has completed the desk review, he/she sends the validation report to the Appointed Approver who reviews the Lead Reviewer's assessment and also completes the target validation report, confirming that all validation criteria have been assessed. If needed, the LR may contact the company with additional questions. Once the LR and AA come to an agreement on their recommendations, the Lead Reviewer sends the report for discussion within the Technical Working Group.

5. **TWG discussion:** The Technical Working Group reviews and discusses the results of the LR and the AA's assessment. At this point, if needed, the LR may ask the company additional questions that may have been raised during the TWG discussion.

- ▼ **For CDP scoring**, the company has up to one week to respond to the additional query. If the response is not received on time or the response is insufficient, the target will be assessed

only after all other targets submitted for CDP scoring have gone through the validation process.

Once all comments/questions by TWG members raised during the review period are addressed, the LR forwards the recommendations for final sign-off on the validation outcome. In specific cases where the validation process is particularly complex, a Steering Committee Member (SCM) will be assigned for appraisal and final sign-off on the validation outcome. The SBTi's Steering Committee is comprised of management level technical experts from each of the partner organizations.

6. Once there is consensus on the target validation decision, the LR drafts a final decision letter (for official validations) or a feedback letter (for unofficial validations). For approved targets, the LR must communicate with the company to agree on target language that will be used for publication.

7. Communicating decisions and feedback: Once the initiative's partners are in agreement, a final decision official letter (for official validations) will be sent to the company from [info@sciencebasedtargets.org](mailto:info@sciencebasedtargets.org). If approved, the letter will include the wording of the target to be made public as agreed upon by the SBTi and the company.

▼ **For CDP scoring**, all companies will receive a decision letter by July 31<sup>st</sup>, 2018 so companies can include this in their CDP questionnaire response.

8. Targets that do not meet the criteria: If one or more of the criteria have not been met, a decision letter will be sent to the company indicating which criteria and why.

▼ **For CDP Scoring**, please note that companies may still be eligible for CDP leadership points via the CDP route. In addition, companies may still have their targets validated by the SBTi at a later date and count for CDP scoring in 2019.

▼ Companies that submit targets for CDP scoring may receive a letter from the SBTi stating that their targets weren't approved due to lack of information (steps 1 and 3 above). This might happen in cases where the company didn't submit enough information for the SBTi team to assess the target against the criteria or the company didn't respond on time to a request for information or clarification from the SBTi team. In these cases, companies can still have their targets validated by the initiative after July 31, 2018 if they submit the required information, but that decision will not count for 2018 CDP scoring.

### 3.5. Key dates for CDP Climate Change Questionnaire 2018

<b><u>23:59 UTC-12 on April 15, 2018</u></b>	Deadline to submit targets for an official validation in order to count for CDP scoring 2018
<b><u>July 31st, 2018</u></b>	All companies who submitted targets for official validation will receive a decision letter by this date

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## Answers to frequently asked questions

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**Where can I find additional resources related to the SBTi, setting science-based targets and GHG accounting?**

Please refer to the [SBTi Call to Action Guidelines](#) Appendix for resources on all these topics.

**Where can I find resources related to science-based targets scoring CDP's 2018 Climate Change Questionnaire?**

See questions C4.1a and C4.1b in the resources below:

[CDP's 2018 climate change questionnaire](#)

[CDP's 2018 climate change Scoring Methodology](#)

**Why is CDP using information outside of the questionnaire (i.e. taking into consideration companies that have passed the SBTi target validation) for scoring?**

CDP considers the Science Based Targets initiative as the authority on setting and assessing targets in line with climate science. Scoring of CDP's 2018 climate change questionnaire will account for companies who have had targets submitted by April 15, 2018 and approved by the initiative. Targets that did not pass the SBTi's review process or that have not been submitted for review prior to the deadline will still be evaluated using information disclosed in CDP's questionnaire and can still qualify for target Leadership points (see [CDP's 2018 climate change Scoring Methodology](#) for more details).

**Why is the deadline for submissions to the SBTi the same as previous years (April 15th) if other CDP timelines have been pushed back?**

The SBTi target validation process is independent from CDP's Online Response System. In addition, scoring is largely the same as in previous years. Lastly, the SBTi needs time to process a large number of target validations in time for results to be available for scoring.

**Why do the criteria to earn Leadership points through the SBTi and the CDP route differ?**

CDP aims to minimize the reporting burden on companies, in part by reducing changes to the questionnaire from year to year. At the same time, CDP must collect enough information to assess the appropriateness of thousands of company targets. The questions in the Climate Change Questionnaire balance the dynamics of these two contrasting principles. As a result, CDP is unable to collect the type and amount of information necessary to determine if a target is science-based. This reflects a difference in the applications of best practices rather than the principles behind the best practices themselves.

**Why don't intensity targets qualify for CDP leadership through the information provided in the CDP questionnaire?**

Intensity targets submitted by the deadline for an official validation and approved by the SBTi will receive Leadership points (see [CDP's 2018 climate change Scoring Methodology](#) for more details). Due to the complexities of assessing the ambition and appropriateness of intensity targets, intensity targets are not able to be evaluated for CDP Leadership points.

**Are scope 3 targets assessed for Leadership points via the CDP route?**

No. Due to the complexities of scope 3 accounting, the CDP questionnaire is not able to capture the full suite of relevant information to properly assess scope 3 targets at this time.

**I am a financial institution, auto manufacturer, or an oil and gas company. Can my targets be validated as science-based? Am I eligible for Leadership points in the targets section of CDP's Climate Change Questionnaire?**

There are currently no sector-specific approved pathways to determine if the Scope 3 targets of these sectors are science-based. Financial institutions and car manufacturers cannot be officially approved at the moment by the SBTi. Note that car manufacturers will be able to have their targets validated soon, as soon as the [transportation sector guidance](#) is finalized (expected Q2 2018). Oil and gas companies can potentially be approved by the SBTi, only if their targets are in line with the Absolute contraction method. Companies in these sectors and all other sectors can still qualify for Leadership points via the CDP route by having science-based scope 1 and 2 targets (see section 2.1 of this Technical Note).

**Are targets that qualify for leadership through the CDP questionnaire but haven't passed the SBTi official validation considered science-based targets?**

CDP only considers companies whose targets have been formally assessed through the SBTi official target validation as science-based.

**Are combined scopes acceptable to obtain leadership points? For example, a combined scope target where there is a 30% absolute emissions reduction applied to scopes 1+2 combined from 2010 to 2030, the 30% reduction can come from scope 1 and/or 2 and there is no individual target for each scope.**

Combined scope target (e.g. scopes 1 + 2, scopes 1, 2, + 3) are acceptable for both routes. For the CDP questionnaire route, the 2.1% absolute reduction must apply to each scope if the targets communicate the scopes separately. For combined targets, the 2.1% absolute reduction applies to both scopes combined.

**Why does the CDP route ambition criterion require at least a 2.1% average year-on-year absolute emissions reduction between base year and target year for both mid- and long-term targets together?**

The IPCC AR5 emissions scenario RCP 2.6 indicates that emissions in 2050 decrease from 49 to 72% relative to 2010. As such, 2.1% represents a mid-point between 49 and 72%. For more information on IPCC emission scenarios please refer to the [IPCC AR5 Working Group 3 Report, Chapter 6](#). The company's reduction is aggressive enough if its '% reduction from the base year' stated in CC3.1a is greater than  $1 - (1 - 0.021)^{(\text{Target end year} - \text{Target base year})}$ . Please note that CDP is asking for a year-on-year reduction and this pathway differs slightly from the Linear Approach, which assumes a linear reduction pathway. See the Appendix of this Technical Note for more information.

**How and when will companies receive a decision from the SBTi on the validation results?**

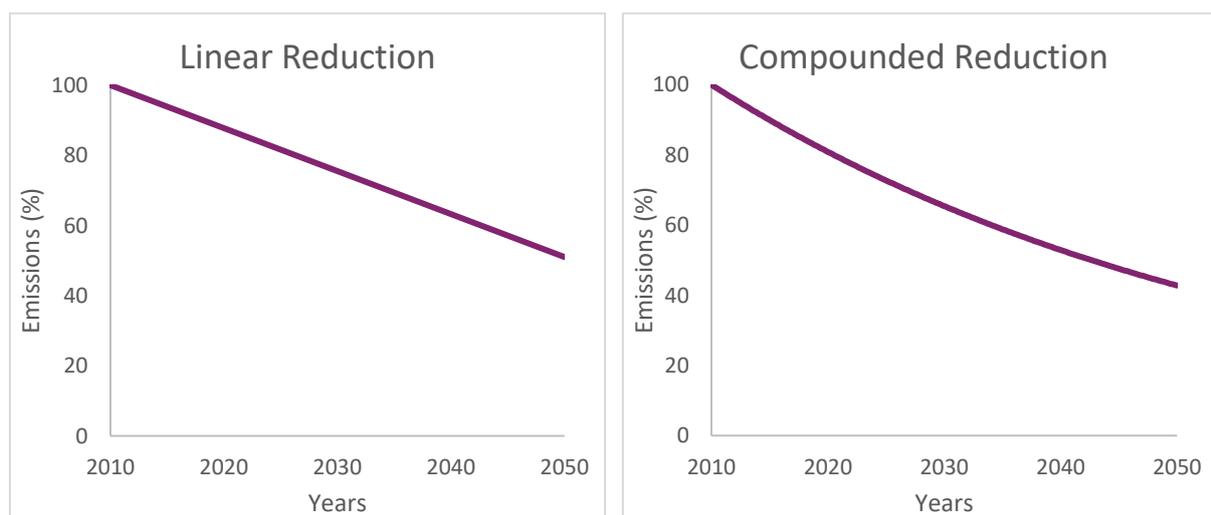
The SBTi will send a decision letter by e-mail to the contact listed on the target submission form. If the target is not approved, the letter will state where it has not met the eligibility criteria. Companies should expect to receive this information by July 31, 2018.

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## Appendix

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### 3.6. Linear vs. Compounded Reductions



The SBTi assumes a linear emission reduction trajectory from the base to the target year when assessing companies against Absolute Contraction Approach and uses the IPCC RCP2.6 trajectory subcategory that keeps overshoot to under  $0.4W/m^2$ .<sup>2</sup> This requires at least a 49% absolute reduction in global emissions from 2010 to 2050, translating to a 1.23% annual reduction on average.

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<sup>2</sup> [http://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc\\_wg3\\_ar5\\_chapter6.pdf](http://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc_wg3_ar5_chapter6.pdf)

When the SBTi uses the Absolute Contraction Approach to assess the target’s level of ambition, it is sufficient if:

$$\frac{\text{Company \% reduction}}{(\text{target year} - \text{base year})} \geq 1.23\%$$

Note that the SBTi has specific requirements for certain sectors in terms of ambition. A more detailed summary can be found in Appendix 5.2. below.

CDP uses a compounded reduction rate in its calculations, which is more conservative since it results in less cumulative emissions. The company must reduce its absolute emissions at least 2.1% year-on-year between the base year and the latest target year. Individually, the mid-term and long-term targets do not have to meet the 2.1% average annual reduction, but they do have to meet the 2.1% reduction taken together. For example, if one of the targets is less aggressive than 2.1% it must be compensated by the other being proportionally more aggressive (accounting for each target’s timeframe).

The target’s level of ambition is sufficient if:

$$\text{Company \% reduction from base to target year} \geq 1 - (1 - 0.021)^{(\text{target year} - \text{base year})} \%$$

### 3.7. SBTi’s ambition requirements by sector

The table below explains the specific sector requirements the SBTi has in terms of ambition. In general, if an absolute target is submitted for validation and it is in line with the Absolute Contraction Approach and/or with the SDA, it will be considered sufficiently ambitious. However, for certain sectors where no sector-specific methodology is available or where these two methods lead to very different targets in terms of ambition, the targets might have to be in line with only one of the methods as indicated below. Sector classifications can be found in the [SDA methodology](#) Appendix VI.

Sectors	Sufficient ambition if in line with
<ul style="list-style-type: none"> <li>Iron and steel</li> <li>Cement</li> <li>Aluminum</li> <li>Pulp and paper</li> <li>Services/commercial buildings</li> <li>Passenger transport - light road vehicles, heavy duty vehicles, and rail</li> <li>Other industry<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>Sectoral Decarbonization Approach <b>and/or</b> Absolute Contraction</li> </ul>
<ul style="list-style-type: none"> <li>Chemicals and petrochemicals</li> <li>Other transport (air freight and logistics, marine passenger or good transportation, and trucking)</li> <li>Passenger air transport</li> <li>Agriculture, forestry and other land use</li> <li>Residential buildings</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>Absolute Contraction</li> </ul>
<ul style="list-style-type: none"> <li>Power generation</li> </ul>	<ul style="list-style-type: none"> <li>Sectoral Decarbonization Approach</li> </ul>

<sup>3</sup> Note that the SBTi strongly recommends companies in this sector to use the Absolute contraction instead of the SDA if their base year is prior to 2014.