

Technical note on science-based targets

CDP Climate Change 2017

Please note that the deadline to submit targets to the Science Based Targets initiative to be considered for Leadership points in CDP's 2017 Climate Change Questionnaire is [23:59 UTC-12 April 15, 2017](#)

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1. Introduction

1.1. Purpose of document

This technical note provides guidance on science-based greenhouse gas emissions reduction targets in CDP's 2017 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 you have any questions, comments or suggestions about the content of this document please contact your CDP account manager.

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. 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 2017 climate change questionnaire

CDP recognizes science-based target setting as best practices and are incentivizing/rewarding their adoption through scoring. Companies demonstrating climate action and leadership in this regard are recognized for their efforts. Institutionalizing the adoption of science-based emission reduction targets and creating a critical mass of companies with SBTs are two of the main strategic pillars of the Science Based Targets initiative (SBTi). CDP is committed to contribute to the SBTi's vision that science-based target setting will become standard business practice. For more information on the Science Based Targets initiative please visit the initiative's [website](#).

2. How science-based targets are scored in the 2017 climate change questionnaire

Science-based targets will be scored in questions CC3.1a and CC3.1b in two places: 1) for Disclosure and Awareness level points and 2) for Leadership points.

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 CC3.1a and CC3.1b. Companies may report multiple targets in the tables in CC3.1a and CC3.1b 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, and this target has been approved as science-based by the Science Based Targets initiative	0.5	1
Yes, and this target has been approved as science-based by the Science Based Targets initiative	0.5	1
No, as there is currently no established science-based targets methodology in this sector	0.5	0.5
No, but we are reporting another target which is science-based	0.5	1
No, but we anticipate setting one in the next 2 years	0.5	1
No, and we do not anticipate setting one in the next 2 years	0.5	0

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

- Yes, and 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 approved by the SBTi by June 29, 2017. This includes targets that were approved for CDP's 2016 climate change questionnaire.
- Yes, but this target has not been approved as science-based by the Science Based Targets initiative
 - Not all companies have had their target assessed by the SBTi, but may have self-validated 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 while the scope 3 target that was not approved, targets currently in the SBTi validation process, or any other instances where the company self-validates the target as being science-based though it has not been approved by the SBTi. You should use the "Comment" column to explain why you have stated your target to be science-based.
- No, as there is currently no established science-based targets methodology in this sector
 - Not all sectors currently have established science-based targets methodologies. The Science Based Targets initiative cannot review targets submitted by companies in certain sectors in which further methodological work is required to validate the level of ambition of a target against a 2°C decarbonization trajectory. These include: companies in the AFOLU (agriculture, forestry, and other land use) sector, financial institutions and fossil fuel companies.
 - The SBTi is also refining the Sectoral Decarbonization Approach pathways for chemical sector and car manufacturers. Companies in the chemical sector can use the Linear Approach and car manufacturers are invited to submit targets if they have developed them using their own science-based target setting method.

- No, but we are reporting another target which is science-based
 - Another target (absolute or intensity-based) disclosed in CC3.1a or CC3.1b 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
 - While not necessary, it is recommended that the company publicly communicate this by signing the SBTi commitment letter. Companies have two years to set a target from when they sign the SBTi commitment letter.

- No, and we do not anticipate setting one in the next 2 years
 - The target was evaluated and did not pass the Science Based Targets initiative’s quality check or 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 2 Leadership level points through either of the two routes below. Partial points are not given.

- a) **CDP Route:** Leadership points can be obtained with information disclosed in question CC3.1a in the climate change questionnaire. These targets are not necessarily considered science-based. The deadline for the questionnaire submission is June 29, 2017.

- b) **SBTi Route:** If targets are submitted to the Science Based Targets initiative for an **official validation** by 23:59 UTC-12 **April 15, 2017** and pass, Leadership points will be automatically awarded for CC3.1. These targets should still be disclosed in the CDP questionnaire.

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](#). Please note that while the SBTi strongly encourages companies to follow the recommendations, targets only need to meet all criteria in order to pass the validation.

Topic	SBTi criteria ¹	CDP criteria
Boundary	<ul style="list-style-type: none"> • <u>C1 - Scopes:</u> The targets must cover company-wide scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard. • <u>C2 - Significance thresholds:</u> Companies may exclude up to 5% of scope 1 and scope 2 emissions combined in their inventory and target. • <u>C3 - Greenhouse gases:</u> The targets must cover all relevant GHGs as required per the GHG Protocol Corporate Standard. 	<ul style="list-style-type: none"> • At least 70% of emissions per scope must be covered. • Targets cover both scopes 1 and 2.

¹ The SBTi criteria are not numbered consecutively since several criteria not listed above go into effect on April 16, 2017.

Topic	SBTi criteria ¹	CDP criteria
Timeframe	<ul style="list-style-type: none"> • <u>C4 - Base and target years:</u> 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.² • <u>C5 - Progress to date:</u> Targets that have already been achieved by the date they are submitted to the SBTi are not acceptable. 	<ul style="list-style-type: none"> • Must have mid-term target (ending between 2020 and 2035 inclusive) and long-term target (ending after 2035). • To be eligible for Leadership points multiple targets must be reported to cover both the medium and long-term time frames.
Ambition	<ul style="list-style-type: none"> • <u>C6 - Level of ambition:</u> 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 companies to pursue greater efforts towards a 1.5° trajectory. • <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). 	<ul style="list-style-type: none"> • The targets meet at least a 2.1% year-on-year emissions reduction between base year and target year. • Absolute targets will be assessed cumulatively for Leadership points.
Scope 3	<ul style="list-style-type: none"> • <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. • <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. 	<ul style="list-style-type: none"> • Scope 3 is not assessed at this time.
Reporting	<ul style="list-style-type: none"> • <u>C15 - Frequency:</u> The company will publicly report its company-wide GHG emissions inventory and progress against their targets on an annual basis. 	<ul style="list-style-type: none"> • N/A

² For targets submitted for an official validation in first half of 2017 the valid target years are 2021-2031 inclusive. Those submitted in the second half of 2017 must be between 2022 and 2032.

2.2.1. Advantages of SBTi route to obtain leadership points

Companies are very strongly encouraged to have their targets officially validated by the Science Based Targets initiative and obtain their Leadership points through the SBTi route. The SBTi defines and promotes best practice in science-based target setting as well as offers resources and guidance to reduce barriers to adoption. The initiative is backed by four leading environmental organizations, including CDP, the UN Global Compact, the World Resources Institute and WWF. Through the initiative, these organizations conduct a comprehensive quality assessment of the targets and provide multiple opportunities of showcasing for approved targets.

2.2.2. Sectors that are currently unable to be validated by the SBTi

The Science Based Targets initiative cannot review 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 include: companies in the AFOLU (agriculture, forestry, and other land use) sector, financial institutions and fossil fuel companies. The SBTi is also refining the Sectoral Decarbonization Approach pathways for chemical sector and car manufactures. Companies in the chemical sector can use other SBT methodologies and car manufacturers are invited to submit targets if they have developed them using their own methodology they consider as science-based.

Companies in these and other sectors are encouraged to visit the [Sector Development Framework](#) on our website to learn about ongoing sectoral development work and to contact the initiative to learn about opportunities to engage in these methodology development efforts.

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

The following section is a step-by-step guide on how to obtain points with science-based targets in the 2017 CDP climate change questionnaire. This information is specific to CDP SBT scoring and is supplemental to the [Science Based Targets initiative 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 CC3.1a and CC3.1b 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 2017 climate change questionnaire, companies must submit their targets to the SBTi for an official validation by 23:59 UTC-12 on April 15, 2017.

To submit targets for an official validation:

- Fill out the [target submission form V2.0](#) and send it to info@sciencebasedtargets.org by 23:59 UTC-12 April 15 2017. V1.0 of the form is still accepted until April 15th but it is highly recommended that companies use V2.0 as it has more refined questions and will make the validation process more efficient. V2.0 also comes with an accompanying [guidance](#) document to help companies fill out the form correctly.
- Be sure to request an official check/validation by ticking the appropriate box at the top of the form.
- 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

The steps that the SBTi takes to validate a target, specifically for 2017 CDP scoring, are outlined below. Please note that companies have an opportunity to provide clarifications or minor pieces of missing information, but within a limited timeframe.

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 (e.g. boundary, timeframe) will also be checked 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 from one of the initiative's technical partner organizations (CDP, WRI, or WWF) and a member of the Steering Committee (not from the same organization as the reviewer) who must sign off 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 reviewer and member of the Steering Committee will be assigned.

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 log will be sent to the company's technical contact listed on the submission form. The company shall respond to the query by filling out the appropriate sections of the log 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 do its best³ to finalize all target validations in time for 2017 CDP scoring, but due to limited capacity and the high number of target validations submitted for CDP scoring, submissions 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 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. For more details on how the reviewer evaluates the criteria, see the Appendix of the Target Review Protocol available on the initiative's website.

4. TWG discussion: Once the Lead Reviewer has completed the desk review, the target validation report and relevant documentation is sent to the SBTi's Technical Working Group, which has representatives with technical expertise from each of the partner organizations. The Technical Working Group consults the reviewer regarding the results of his/her target validation report. At this point, if needed, the lead reviewer may ask the company for further information to prove that their target is science-based.

- 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 not be approved for 2017 CDP scoring.

The Lead Reviewer's recommended decision is then discussed within the Technical Working Group. Once all comments/questions by TWG members or Steering Committee members raised during the review period are addressed, the Lead Reviewer forwards Target Validation Report, submission form, and any other relevant documents to the assigned member of the Steering Committee.

5. Steering Committee approval: The SBTi's Steering Committee is comprised of management level technical experts from each of the partner organizations. The assigned Steering Committee member reviews the decision made by the Technical Working Group and either confirms or rejects it. Once the Steering Committee has signed off on the target validation decision, the Lead Reviewer drafts a final decision letter (for official validations) or a feedback letter (for unofficial validations). For approved targets, the Lead Reviewer must communicate with the company and the Steering Committee to agree on a target language that will be used for the targets' publication.

6. 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. 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 June 29, 2017. If the SBTi's decision contradicts the company's answers in questions CC3.1a and CC3.1b, the company may request a free amendment to its response to this question, which will need to be submitted to CDP by July 14th, 2017 in order to be scored.

³ Please note that the SBTi will prioritize target validations submitted for CDP scoring over other submissions from March to July.

7. **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 2018.
- 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 the June 29th if they submit the required information, but that decision will not count for CDP scoring.

4. Answers to frequently asked questions

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 2017 Climate Change Questionnaire?

See questions CC3.1a and CC3.1b in the resources below:

[CDP's 2017 climate change questionnaire](#)

[CDP's 2017 climate change Scoring Methodology](#)

[CDP's 2017 climate change Guidance](#)

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 2017 climate change questionnaire will account for companies who have had targets submitted by April 15, 2017 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 2017 climate change Scoring Methodology](#) for more details).

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 2017 climate change Scoring Methodology](#) for more

details). Due to the complexities of assessing the ambition and appropriateness of intensity targets, intensity targets cannot qualify for leadership points via the CDP questionnaire alone.

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

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, company in the AFOLU (agriculture, forestry, and other land use) sector, or a fossil fuel company. Can I 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 approved pathways to determine if the targets of these companies are science-based. Companies in these sectors can still qualify for Leadership points via the CDP route (see above).

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 e.g. in a 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.

How and when will companies receive a decision from the SBTi on whether or not their target is science-based?

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 June 29, 2017.