

# SCIENCE-BASED TARGETS: A NEW DEVELOPMENT IN FINANCIAL INSTITUTION'S CLIMATE CHANGE GOVERNANCE?

## ACRONYMS:

**SBTi** = Science-Based Target Initiative

**SBT** = Science-Based Target

**FIs** = Financial Institutions

**NSAs** = Non-State Actors

**PA** = Paris Agreement

**GHG** = Greenhouse gas [emissions]



## HISTORY

- Established in 2015, after the Paris Agreement was signed (Science Based Targets 2023)
- Growing momentum for FIs since 2021 (Ibid.)

## TYPES OF TARGET (Science Based Targets, 2023)

- **Near-term** = set an emission reduction strategy for the following 5-10 years
- **Long-term** = set out how a corporate will achieve the volume of emission reductions required to reach net-zero by 2050
- **Net-zero** = cover 90% or scope 3 and 95% of scope 1 and 2 emissions across the organization

## WHAT IS THE SBTI?

- The initiative allows FIs and corporates to voluntarily commit to net-zero by setting science-based targets aligned with the 1.5°C pathway of the PA (Science Based Targets 2023)
- 4,000 corporates currently have set SBTs (Ibid.)
- Corporates who set SBTs commit to reducing >90% of their GHG emissions and neutralize the remaining <10% of emissions using methods for carbon removal (Ibid.)
- Corporates who set SBTs should report on their progress on their emission reduction targets (across scope 1, 2 and 3 emissions) annually (Ibid.)

## IMPACT



- Growing role of Financial Institutions (and NSAs more broadly) in climate governance (Campiglio et al, 2018)
  - FIs are taking a proactive, protective and risk-based approach when setting SBTs to mitigate the risks climate change poses to their economic stability. (Bowman, 2020)
  - This helps to set global standards of emission reduction target setting (Jespersen et al., 2022)
- Adds to the rise of soft law instruments used in environmental and climate governance (Vihma, 2013)

## CASE STUDY - SCHRODERS

UK-based, global asset management firm

- SBTi targets validated in 2021 (Science Based Targets, 2022)
- Aim to reduce Scope 1 and 2 emissions by 46% (Ibid.)
- Aim to reduce scope 3 emissions from the investments they manage from a 2/92°C pathway in 2019 to 2.19°C pathway before 2030 (Ibid.)
- 100% increase in annual sourcing of renewable energy by 2025 (Ibid.)

## FUTURE CHALLENGES

- The SBTi is still a relatively new initiative, so its impact on emissions reduction within the sector requires further research going forward (Bendig et al, 2023)
- Increasing engagement in the developing world of setting corporate science-based emission reduction targets (Rajavuori, 2021)
- Ensuring that emission reduction progress reporting is accurate and reliable (Bowman, 2020)