Diagram 5: Step-by-step process for developing science-based targets (SBTs)

British International Investment

START

Baseline assessment

a. Quantify GHG emissions across Scopes 1, 2 and wherever material Scope 3.

FIs should focus on Scope 3 financed emissions, which by extension refers to Scopes 1, 2 and 3 emissions of their clients, especially for high-emitting sectors like O&G.

b. Validate data quality; aggregate at sector/segment-level and monitor at portfolio-level with special attention to clients with significant emissions footprints.

Pathway selection

a. Choose a credible decarbonisation pathway relevant to sector/geography in line with national/institutional climate ambition and risk appetite.

b. Evaluate and disclose key assumptions on carbon budget, use of CDR, GHGs and scopes covered, reliance on artificial sequestration technologies.

Target formulation

a. Decide on absolute/intensity-based targets linked to temperature targets.

b. Set interim milestones per sector and outline the engagement approach.

Stakeholder engagement and disclosure

a. Involve senior management and build in oversight for tracking progress towards targets.

b. Seek third-party validation and disclose status transparently.

Implementation and monitoring

a. Plan for ongoing client engagement, data collection, and provide technical support as needed.

b. Track progress and update targets with new science/policy considerations.

END

Some caveats for SBTs in emerging market contexts:

- Many scenarios based on global carbon budgets and mathematical models require rapid emission reductions that may be unrealistic in some geographies or markets.
- For example, emerging markets with less access to state-of-the-art technologies may lack the low-carbon infrastructure for rapid transition.
- Emerging markets may also prioritise economic growth and development, consistent with the Paris Agreement's principle of "common but differentiated responsibilities".