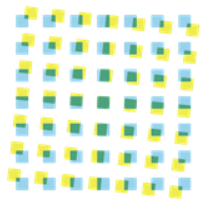


SBTi 2.0: Rethinking Corporate Climate Strategy for a Net-Zero Future

Dr. Matthew Gardner, Sustainerv
Cristina Mendoza, Sustainerv
Aidan Kilpatrick, Sustainerv
Fernando Villasana, Sustainerv



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Inspiring Meaningful Change



For your information



- Please mute your microphone.
- Slides and comments will be sent to you in the next days.
- For questions, please use the chat room. If possible, add your name to the question.

Thank you!



Our goal today: Get more clarity on SBTi 2.0 and its implications for corporate climate strategies.



Agenda 11:00-12:00 EST

Topic	Time
Introduction	5'
SBTi 2.0	15'
Discussion Break	5'
SBTi Big Picture	15'
Discussion Break	5'
Paths Forward	5'



01

Sustainserv Introduction

Dr. Matthew Gardner, Managing Partner



Sustainerv: Sustainability expertise for more than 23 years

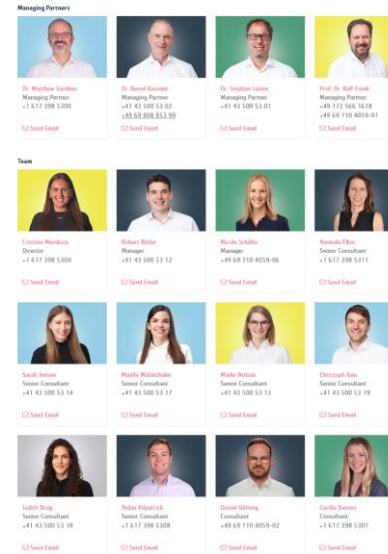


Inspiring
Meaningful
Change

Independent consultancy

Founded in 2001

Many long-term clients in up to 20 sectors



Multi-national presence

Offices in Zurich, Frankfurt, Boston

35+ people



Practical solutions

Global leader in sustainability and ESG reporting

Our services



Focus and strategy

- Benchmarking and trend analysis
- ESRS and other materiality assessments
- Stakeholder engagement
- Goal setting
- Policies and Code of Conducts
- ESG Management Processes
- ESG and Climate risk assessment



Implementation and monitoring

- Net-Zero roadmaps and action plans
- Sustainable supply chain management
- ESG data collection and analytics
- Energy and greenhouse gas management
- Scope 3 Emissions Calculations
- Science-based targets (SBTs)
- Life cycle assessment (LCA)



Reporting and Communications

- Sustainability reporting (GRI, SASB, ISSB)
- CSRD/ESRS Reporting
- ESG ratings/rankings (Ecovadis, CSA, Sustainalytics)
- TCFD-based reporting
- CDP reporting

Speaker Introduction



Dr. Matthew Gardner, Managing Partner

Matthew Gardner combines his background in chemistry and environmental science with a practical approach to sustainability strategy development, precise measurement of sustainability impacts and state-of-the-art sustainability communication. He brings a multidisciplinary approach to his work that unites technical, quantitative expertise with a commitment to clarity and pragmatism. Matthew holds a PhD in chemistry, spent 10 years on the staff of MIT and teaches sustainability strategy and entrepreneurship at the Harvard University Extension School.

Speaker Introduction



Cristina Mendoza, Director

Cristina Mendoza is a Director in our Boston office and has worked in Sustainability Consulting for over a decade. She leads people management in the Boston office and facilitates global strategic alignment on technical skill development, team management, and operations. In addition, she provides strategic leadership on projects across all our service offerings. Cristina is the Chair of the Charlestown-based non-profit 'e'inc., serves on the Environmental Business Council (EBC) Ascending Leaders Awards Committee, the EBC Scholarship Working Group, and previously served for ten years as a member and then Chair of the EBC Ascending Professionals Committee. She also served as an expert advisor to the Associated Industries of Massachusetts (AIM) Sustainability Roundtable for five years. Cristina received the New England Women in Energy and the Environment (NEWIEE) Rising Star Award in 2023 and the EBC Ascending Leaders Award in 2017. She holds a Bachelor of Arts in Environmental Science and an MBA, both from Clark University.

Speaker Introduction



Aidan Kilpatrick, Senior Consultant

Aidan Kilpatrick is a Senior Consultant in our Boston office where he leads projects in greenhouse gas emission inventories, science-based target setting and ESG reporting. His clients include large multinational financial institutions, manufacturing firms, software companies and pharmaceutical companies. He is a graduate of Boston College with a Bachelor of Arts in Environmental Studies, with a concentration in Climate Change, and a minor in Management. From his coursework in climate science, environmental policy, and management operations, he has the essential foundations needed to provide practical business solutions for addressing a wide variety of ESG challenges.

Speaker Introduction



Fernando Villasana, Senior Advisor

Fernando is an expert in corporate GHG accounting, net-zero transition strategies, industrial decarbonization, and corporate emission reduction targets, with over 20 years of experience in environmental and climate-related fields and a deep specialization in greenhouse gas (GHG) accounting and science-based targets. He spent eight years at the Science Based Targets initiative (SBTi), where he played a pivotal role in shaping corporate decarbonization strategies by coordinating research to define effective emission reduction strategies and substantiate corporate climate claims, and also spearheading the development of sector-specific standards, methodologies, and other technical resources, directly influencing global best practices.



02

Background of SBTi

Dr. Matthew Gardner, Managing Partner



What is the SBTi and what are SBTs?



Established in 2015, the Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to set greenhouse gas (GHG) emissions reductions targets (SBTs) in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at latest.

In 2023, the SBTi incorporated as a charity, with a subsidiary which hosts target validation services.

Partner organizations include CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).



SCIENCE
BASED
TARGETS

PARTNERS



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



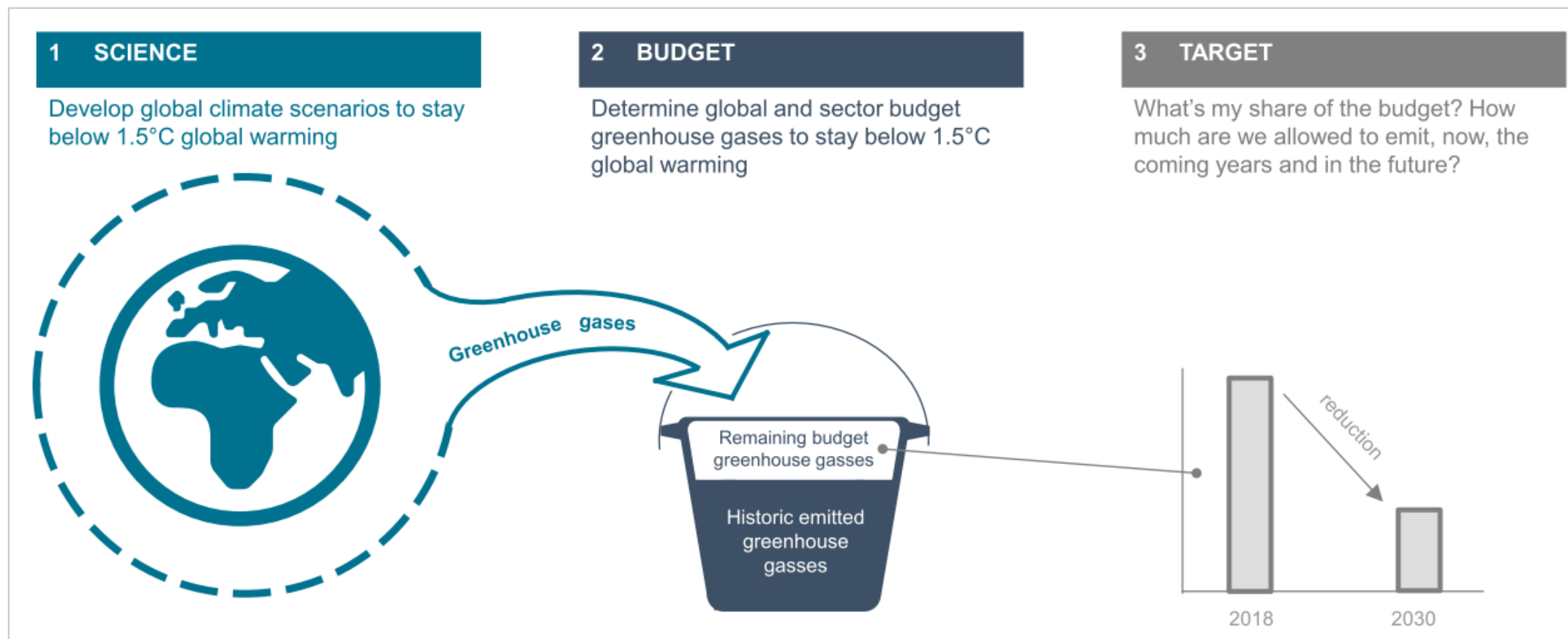
WHAT DOES IT DO?

- **Defines and promotes best practice** in emissions reductions and net-zero targets in line with climate science.
- **Develops standards, tools and guidance** to enable companies and financial institutions to set science-based targets in line with the latest climate science.
- Through its validation services arm, **assesses and validates companies' and financial institutions' targets.**



**SBTs translate global 1.5°C ambition
into corporate level goals**

The core idea of SBTi is relatively simple.



SBTi has become the leading standard...

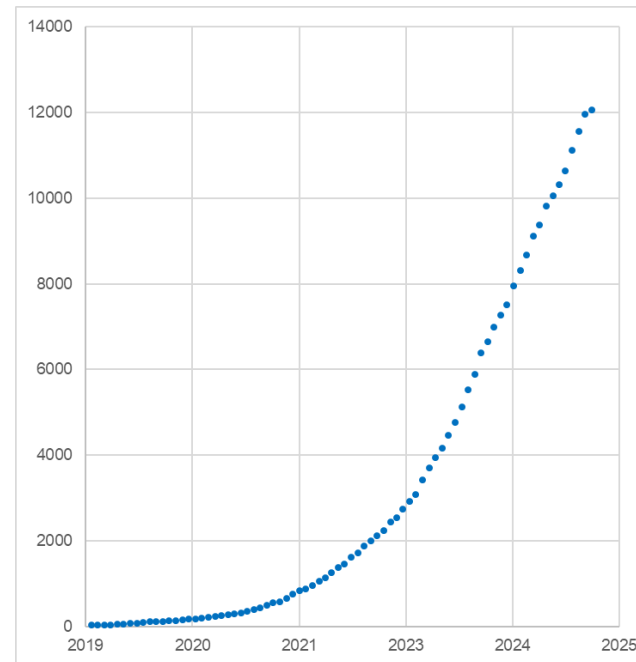


- 11,000 companies committed
- Based on IPCC annual global carbon budgeting
- Void of viable alternatives

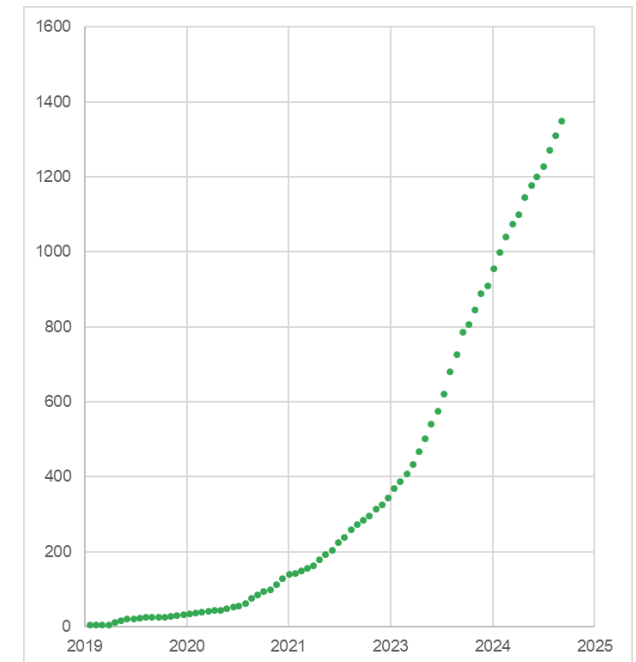


SCIENCE
BASED
TARGETS

SBTi Commitments | Global



SBTi Commitments | USA



... but has been also often in the center of critique. 

- Commitments backed up by real action?
- Governance?
- Missing/delayed technical guidance?
- SBTi for every company?



03

SBTi 2.0

Aidan Kilpatrick, Senior Consultant, Sustainserve



Introduction to SBTi 2.0

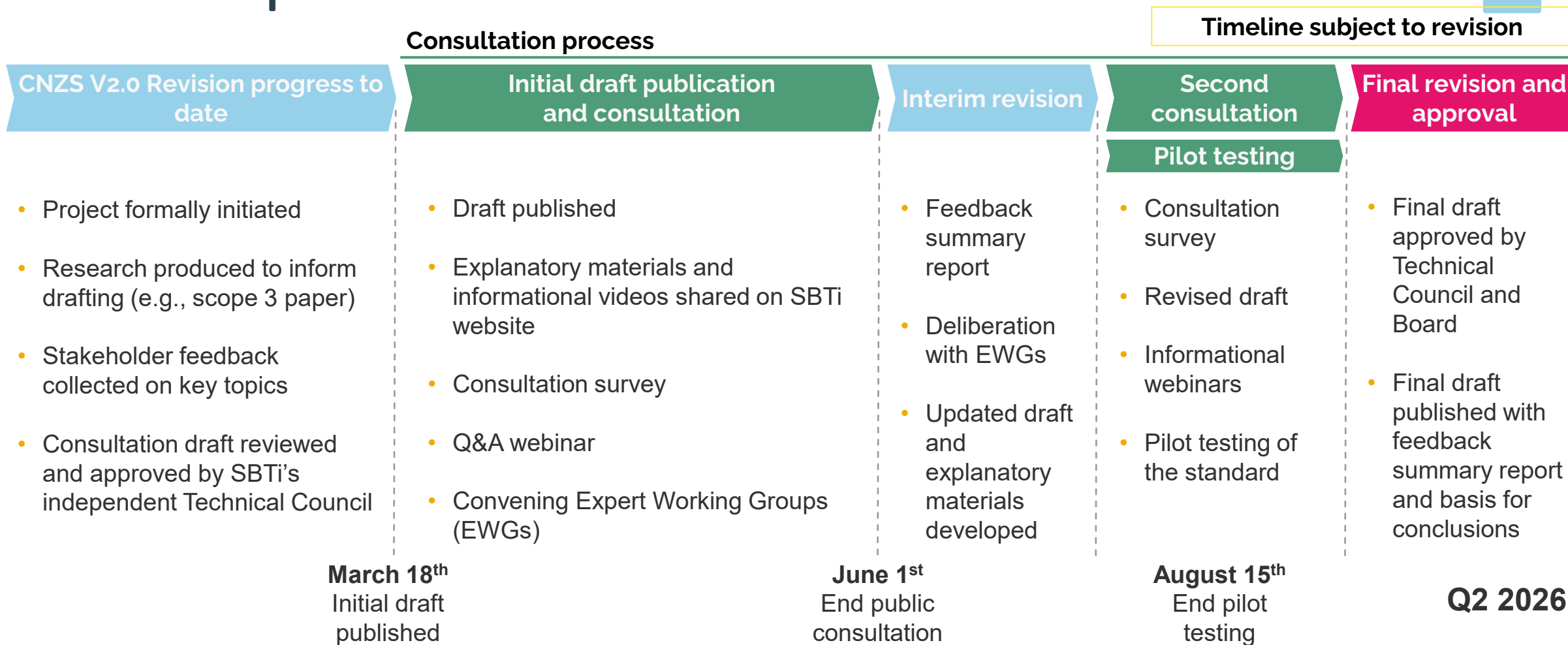


- The Science-Based Targets initiative (SBTi) has guided over 11,000 companies in setting emission reduction targets aligned with the 1.5°C goal.
- In 2025, SBTi released a draft of Version 2.0 of their Corporate Net-Zero Standard, marking the most substantial update since its inception.
- This update emphasizes enhanced accountability, requiring companies to not only set targets but also demonstrate measurable progress and continuous improvement.

[Sustainserv article: SBTi 2.0: A New Paradigm for Corporate Climate Strategies](#)

Development Timeline Process

Source:
<https://files.sciencebasedtargets.org/production/files/CNZSV2DetailedExplanatoryGuide.pdf?dm=1743764038>



It is intended that **from 2027** companies will use version 2.0 to set new near-term and long-term targets.

Two-Tiered Approach

Two steps:

1. Define company size based on thresholds
2. Define category based on company size and geography

Note: Not all changes made to SBTi CNZS 2.0 are mandatory for Category B companies (e.g., climate transition plan, assurance, etc.).

Source:
<https://files.sciencebasedtargets.org/production/files/CNZSV2DetailedExplanatoryGuide.pdf?dm=1743764038>



	<u>Company size</u>				<u>Company location¹</u>		Based on World Bank classification
	Number of employees #	Net annual turnover \$ or €	Balance sheet \$ or €	Emissions (sc. 1 + 2) tCO ₂ e	High and upper-middle income countries	Low and lower-middle income countries	
Large At least 1 criteria	>1,000	>450M	n/a	n/a	A	A	A medium company is considered to be based in low or lower-middle income country if it's HQ is in a low or lower-income country and it's turnover derived from high or upper-middle income countries is <50M (\$ or €)
Medium At least 2 criteria	250 – 1,000	50 – 450M	>25M	n/a	A	B	
Small At least 2 criteria <u>and</u> under CO ₂ e threshold	<250	<50M	<25M	<10,000	B	B	

Navigating the Impacts of SBTi 2.0



Expanded Accountability

- Companies must now demonstrate real-world performance, not just set ambitious targets.
- Formal recognition of Beyond Value Chain Mitigation (e.g., carbon credits).
- Alignment with best practice and clearer, validated claims.

Effective Value Chain Decarbonization

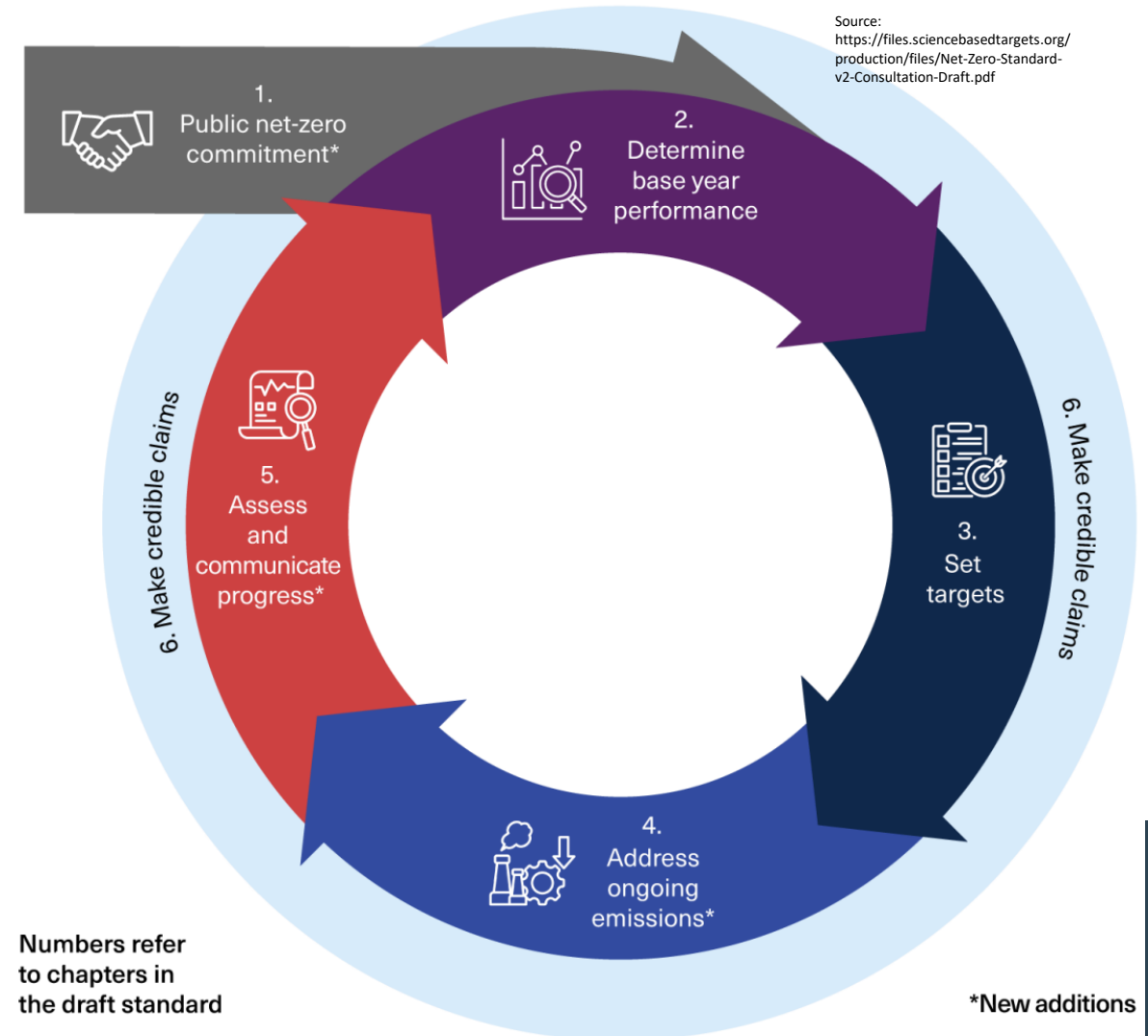
- Greater emphasis on addressing Scope 3 emissions through engaging suppliers.
- Focused Scope 3 targeting and revised relevance threshold.

Strategic Planning

- Necessity for detailed Net-Zero transition plans and integration into overall business strategy.

Implementation Challenges

- Increased need of accurate and assured GHG inventories.
- Flexibility granted to smaller firms and those in developing economies to encourage participation.



SBTi 2.0: Important General Requirements



Topic	SBTi CNZS 1.2	SBTi CNZS 2.0 (Cat. A Companies)
Company Categorization	SBTi criteria applies equally for all companies of a certain size, regardless of region. Tailored SME target-setting route available	Differentiation of companies based on location and company size
Public Commitment	24 months from the date of the commitment to target submission for validation	Public net-zero commitment necessary, deadline for target submission for validation after commitment: 12 months
Climate Transition Plan	High-level commentary on reduction strategy in submission form	Climate Transition Plan required within 1 year of validation
Organizational Boundary	Alignment with GHG Protocol	Alignment with GHG Protocol or consolidation based on financial statements
Base Year	Any year from 2015 onwards	No more than three years prior to their initial validation
Data Quality and Assurance	No assurance requirement	Introduction of third-party assurance and requirement to have a plan to achieve full traceability of emissions- intensive activities by 2035.
Timeframe for Targets	5-10 years (near-term)	Five years, option to align to milestone years (e.g., 2030, 2035, etc.)
Validation Cycle	Validation of base year performance and target setting	End-to-end validation model that provides clear guidance through initial and renewal target-setting, addresses under-delivery
Claims	General guidance provided with the SBTi Communications Guide	Introduction of clear guidelines on substantiating claims related to science-based target setting and SBTi validation

SBTi 2.0: Scope 1



- **Combined Scope 1 and 2 targets no longer accepted**
 - Separate Scope 1 target needed
- **Updated Scope 1 absolute contraction method accounting for historical performance**
 - Introduction of “reference year” to ensure the carbon reduction pathway aligns with carbon budgets in IPCC modeling. Two approaches are proposed to account for the emissions gap between the reference year and the company-selected base year:
 - Option 1 (Budget-conserving contraction approach, BCCA): Conserves carbon budget, considers past performance
 - Option 2 (Linear contraction approach, LCA): Ensures path to net-zero by 2050 for companies
- **Updated pathways** in line with IPCC AR6 and IEA NZE scenarios

SBTi 2.0: Scope 2



- Combined Scope 1 and 2 targets no longer accepted
- **Two separate Scope 2 targets needed:**
 - Location-based target
 - Market-based target or zero-carbon (not renewable) electricity target
- **Clearer guidance on use of environmental attribute certificates** (e.g., RECs), specifically around time- and spatial-matching of energy consumption and production.

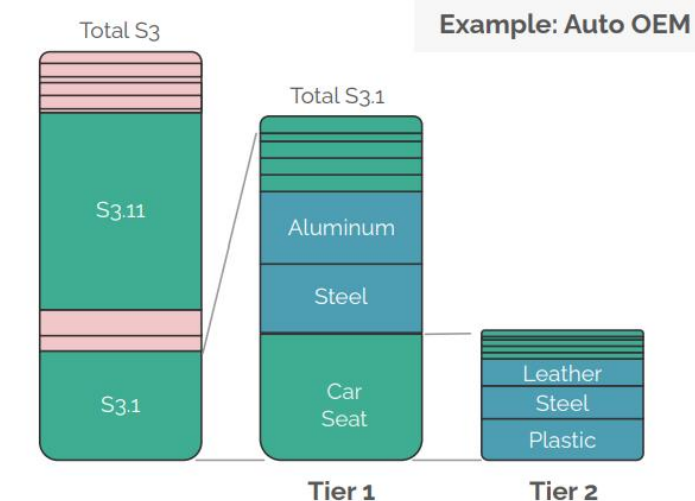
SBTi 2.0: Scope 3

- Scope 3 target setting now mandatory for Cat. A companies

Source:
<https://files.sciencebasedtargets.org/production/files/CNZSV2DetailedExplanationGuide.pdf?dm=1743764038>

1 Set target boundary

Drill down through ALL tiers in ALL S3 categories: include all activities in **significant categories** AND any other **emission-intensive activities** ?



A Significant categories

Significant if >5% of total S3

B Emission-intensive activities (EIAs)¹

If >1% of total S3, or >10,000 tCO₂e, and in SBTi list of EIAs, in any tier of the value chain

2 Set targets

Set **engagement targets** AND **mitigation targets**

1 Supplier engagement target²

- Suppliers of emission-intensive activities³**: 100% aligned by 2030
- Other suppliers**: 100% aligned by NZ year

2 Mitigation targets

- At least one target** covering all significant categories (option to split by category)
- Separate targets** for each **emissions-intensive activity** >[X]% of S3 emissions (% to be decided in consultation)

Using at least one of the following methods ?

Absolute	Intensity	or	Alignment
tCO ₂ e	tCO ₂ e/product; tCO ₂ e/\$		% aligned spend, or revenue ⁴

3 Deploy mitigation measures

For each **mitigation target**, select mitigation measure

Traceable emissions sources

(e.g. automaker directly procures steel)

- Physical connection of emissions source to company
- Emissions source is accompanied by a supplier-specific emissions profile

→ **Direct mitigation**: physical segregation or controlled blending

Semi-traceable emissions sources

(e.g. steel inputs to car seats traced to activity pool)

Physical connectedness cannot be proven, but is theoretically possible e.g., sourcing from an activity pool

→ **Direct mitigation (w/ traceable chain of custody)**: mass balance

Untraceable emissions sources

(e.g. leather source in car seat unknown)

Physical traceability is not possible or insurmountable barriers exist e.g., unknown tier 2+ suppliers

→ **Indirect mitigation**: book & claim ('interim' mechanism)

→ **Policies**: for select categories⁵

SBTi 2.0: Residual Emissions, Removals, and Beyond Value Chain Mitigation (BVCM)



Source:
<https://files.sciencebasedtargets.org/production/files/CNZSV2DetailedExplanationGuide.pdf?dm=1743764038>

Residual Emissions

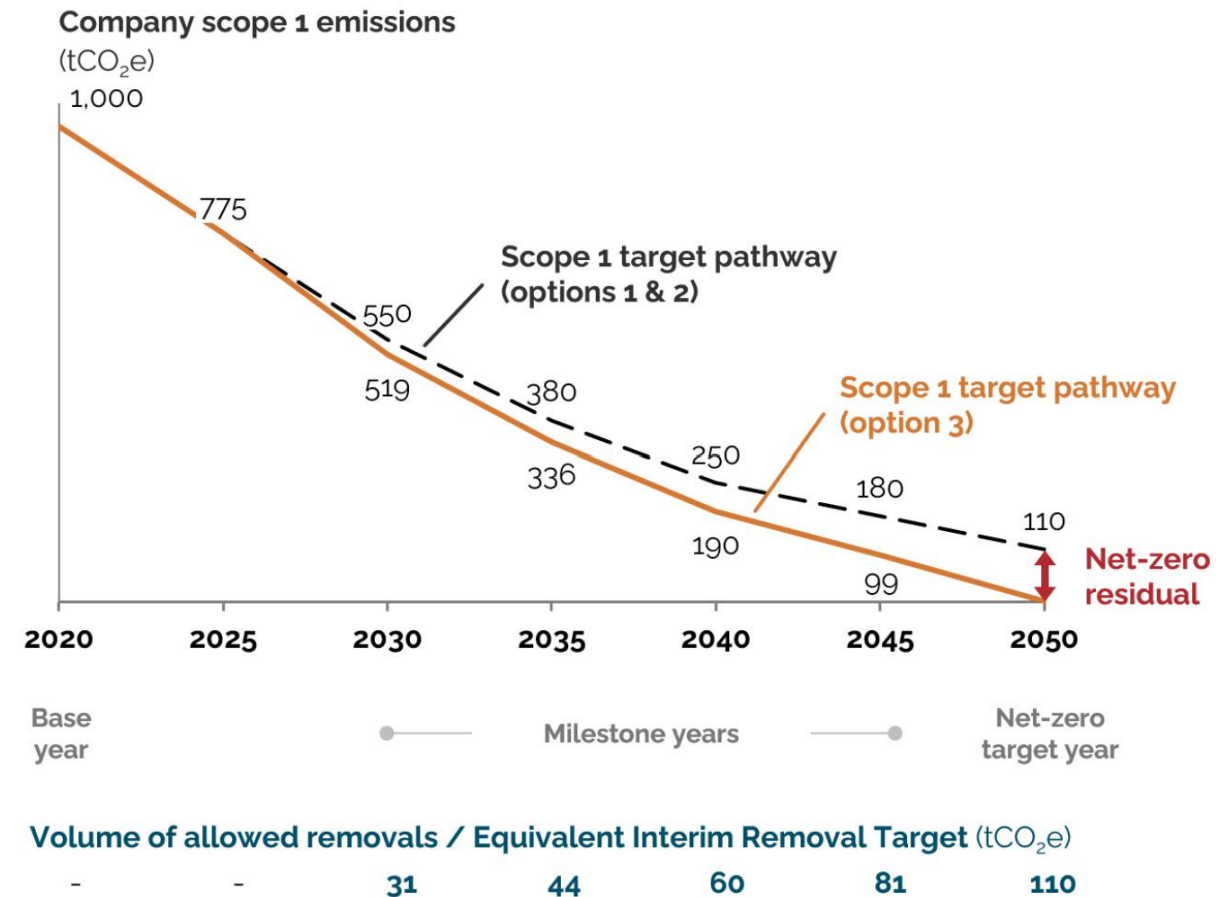
- Neutralization of Scope 3 emissions may be addressed by value chain partners or providing support to enable neutralization

Removals

- Role of removals in lead up to net-zero target year, three options (limited to Scope 1):
 - 1. Mandatory removal targets for residual emissions remaining at net-zero year
 - 2. Optional recognition for abatement targets for residual emissions remaining at net-zero year
 - 3. Flexible approach, removals not required but ongoing emissions can be addressed through additional abatement or removal (e.g., DAC)
- Minimum durability requirements: Requirement for either gradual transition to high-durability removals or matching durability of removals to residual GHGs (like-for-like). Removals require high-integrity standard

BVCM

- Option to obtain recognition for BVCM-activities (i.e., claims on offsets)





04

Time for discussion

Cristina Mendoza, Director, Sustainserv





05

SBTi Big Picture

Fernando Villasana, Senior Advisor

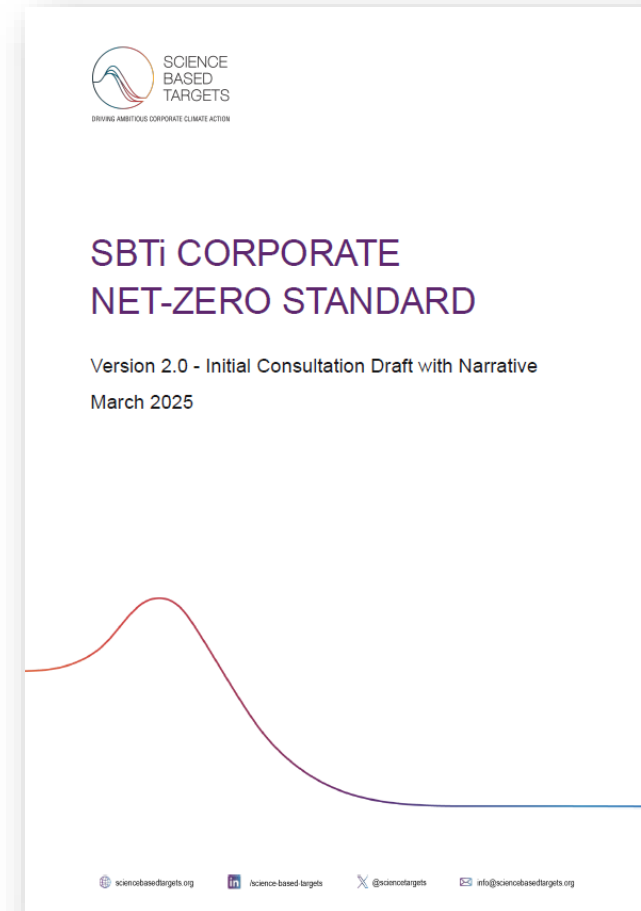


Why CNZS 2.0 Matters: More Than Just Targets



- Net-zero targets are no longer enough — companies must show how they'll deliver on them.
- CNZS v2.0 introduces a Renewal Validation cycle — companies will be reassessed based on real progress.
- It embeds new expectations for value chain decarbonization, transition planning, and residual emissions.
- Targets must now be backed by a strategy — not just a number.

SBTi CNZS 2.0 shifts SBTs from goalposts to governance



Ambitious, Rigorous... and Not for Everyone?



- Designed for companies with clear net-zero intent.
- Requires advanced planning, governance, and disclosures.
- Sets a high bar for credibility: residuals, removals, and renewal validation.
- Offers a roadmap to climate strategy integrity and highlights valuable elements for all companies such as climate contribution guidance, performance monitoring and transition plan expectations.
- But short renewal validation cycles, third party assurance and additional resources/effort required could prove to be an operational and financial burden for companies.

Companies should integrate these elements in their climate strategies... even if not adopting CNZS v2.0

Beyond Scope 3 Emissions Accounting



- The introduction of alignment metrics is a strategic lever for addressing Scope 3.
- Scope 3 data is often incomplete, outdated or assumption-based and hard to verify.
- CNZS v2.0 encourages forward-looking indicators (ask not just “how much?” but “where are they going?”). In practice, this alignment indicators serve as proxy KPIs of value chain decarbonization.
- Track climate alignment across your value chain and use it to prioritize supplier engagement, shape procurement strategy and encourage behavior change.

Instead of just estimating emissions, start tracking behaviors

Unpacking carbon credits in SBTi 2.0



THE WALL STREET JOURNAL.

World Business U.S. Politics Economy Tech Markets & Finance Opinion Arts Lifestyle

SUSTAINABLE BUSINESS

Net-Zero Push Is Still On at Many Companies, Standard Setter Says

The SBTi's new CEO says he wants be pragmatic in working with firms to reduce their emissions; 'We're not in the shaming business'

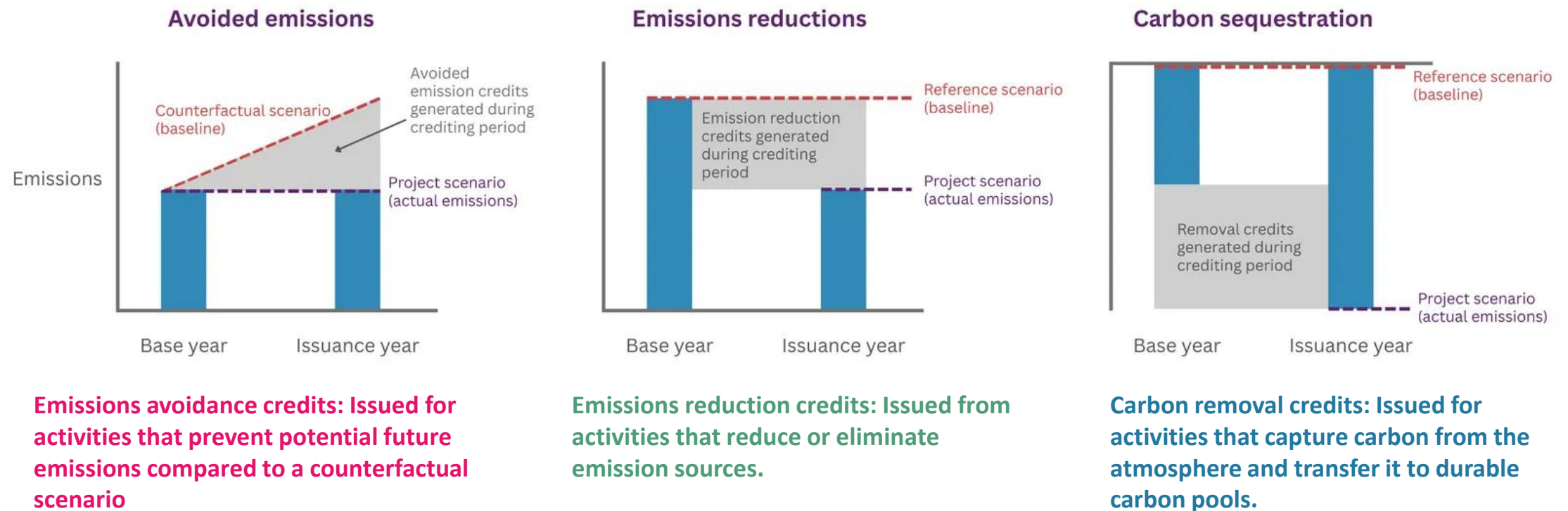
By *Yusuf Khan*

"First, companies that fall short of targets should be able to purchase high-integrity credits to fulfill goals. Second, credits should play a part in negating ongoing emissions. Finally, credits should play a role in mitigating residual emissions in hard-to-abate sectors, those emissions that are almost impossible to cut through conventional means like switching energy sources."
David Kennedy, SBTi CEO.

Unpacking carbon credits in SBTi 2.0



Three broad categories:



Source: SBTi Deep dive: The role of carbon credits in SBTi Corporate Net-Zero Standard V2 ([Jul 8th 2025](#))

Unpacking carbon credits in SBTi 2.0



Three specific cases:

Target shortfalls

The draft CNZS v2.0 states that, at the point of “renewal validation” (applicable to companies adopting CNZS v2.0 and subject to the newly proposed recurrent validation cycle), companies could have the option of addressing Scope 1 target underperformance through “permanent removals of carbon”.

Only carbon removal credits are allowed (current proposal)

Ongoing emissions

Companies may purchase high-quality credits for emissions outside their target — so-called 'ongoing emissions' — but those credits do not count toward official target progress. This is consistent with the SBTi official position on offsets since 2016 (ie. only counting above and beyond SBTs).

All types of carbon credits originating from outside the value chain are allowed

Residual emissions

As per CNZS, to achieve net-zero, residual emissions must be neutralized with actual removals (and/or through “removal credits”). There are no provisions for other types of instruments (e.g. avoidance or reduction credits).

Only carbon removal credits are allowed

SBTi 2.0's Climate Transition Plan requirements



- Detailed CTP **outlines** the **governance, actions, policies and resources** necessary to achieve SBT's and reach net-zero.
- Develop a publicly available CTP **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**.
- Formally **approve** and adopt CTP **by the highest level of governance** within the company (e.g., BoD).
- Review and update CTP, if necessary, at least every **five years**.
- Align CTP with guidelines and frameworks: **Transition Plan Taskforce (TPT) Disclosure Framework**, UN High-Level Expert Group (UN HLEG), the UN Race to Zero and the Climate Action 100 Framework.

**CNZS v2.0
makes climate
transition
planning a core
business
function**

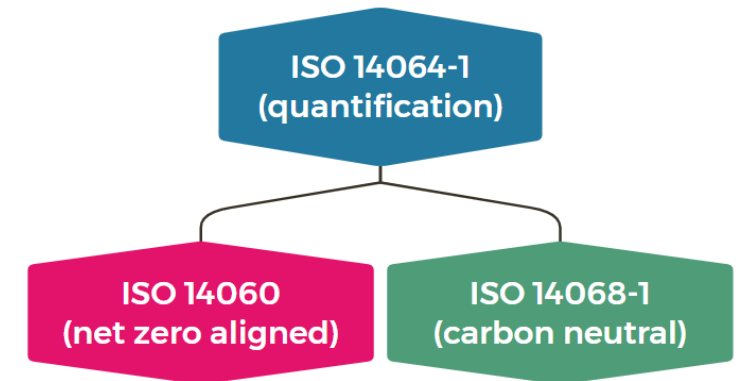
An upcoming alternative to SBTi 2.0



ISO 14060 Net Zero Aligned Organizations

The upcoming ISO NZ standard will provide guiding principles and specifies requirements for organizations, aligned with the Paris Agreement and the latest climate science, to establish ambitious and credible net zero pathways, driving organizations to achieve organizational net zero as rapidly as possible and by 2050 at the latest.

- Builds upon existing GHG quantification, reporting, validation and verification standards such as ISO 14064-1 and GHGP.
- Common reference for all types of organizations. Additional guidance for small and medium-sized enterprises (SMEs).
- Establishes requirements for validation and verification, which may be undertaken on a first, second or third-party basis.
- Requires: long-term target to reach net zero by the date required by chosen pathway (2050 at the latest) & interim targets aligned with the long term target. First interim target < 5 years from the target setting year, subsequent interim targets at intervals < 10 years.
- Expected release: Jan-2027





06

Time for discussion

Cristina Mendoza, Director, Sustainserv





07

Paths forwards

Dr. Matthew Gardner, Managing Partner, Sustainserve



What could companies do next?



Adopt SBTi CNZS 2.0

- Start assessing your company's readiness for Renewal Validation and third-party assurance requirements for your GHG inventory.

Stay with SBTi CNZS 1.2

- **SBT approved:**
Prepare for the mandatory five-year target review.
Explore CNZS 2.0 section on claims.
- **SBT not approved:**
Submit your targets for validation by Q2 2026

Explore other NZ platforms

- Explore ISO Net Zero (ISO 14060) – expected for January 2027.
- Benchmark with the Transition Pathway Initiative (TPI) Net Zero Assessment Framework.
- Race to Zero.

For all options

- Prepare a climate transition plan aligned with TCFD's recommendations
Keep the focus on real reductions (not offsets) and clarify your use of credits:
- Voluntary contributions
 - Target compliance (unless removals)

Taking Action



- » **Evaluate** your current climate strategies **against SBTi 2.0** requirements.
- » **Leverage expertise** to navigate the complexities of SBTi 2.0.
- » **Evaluate emerging frameworks** for Net Zero target-setting and recognition.
- » Establish **mechanisms for monitoring progress** and updating strategies.
- » **Develop a roadmap** for target-setting, validation, and implementation.

Partnering with Sustainerv for SBTi Success

- **Comprehensive Support:** From initial commitment to target validation and progress reporting.
- **Customized Strategies:** Tailored approaches for companies of all sizes and sectors.
- **Technical Proficiency:** Expertise in GHG accounting, Scope 3 emissions, and climate transition planning.
- **Regulatory Insight:** Guidance on aligning with evolving standards and regulatory requirements.

Thank you!

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Inspiring Meaningful Change

