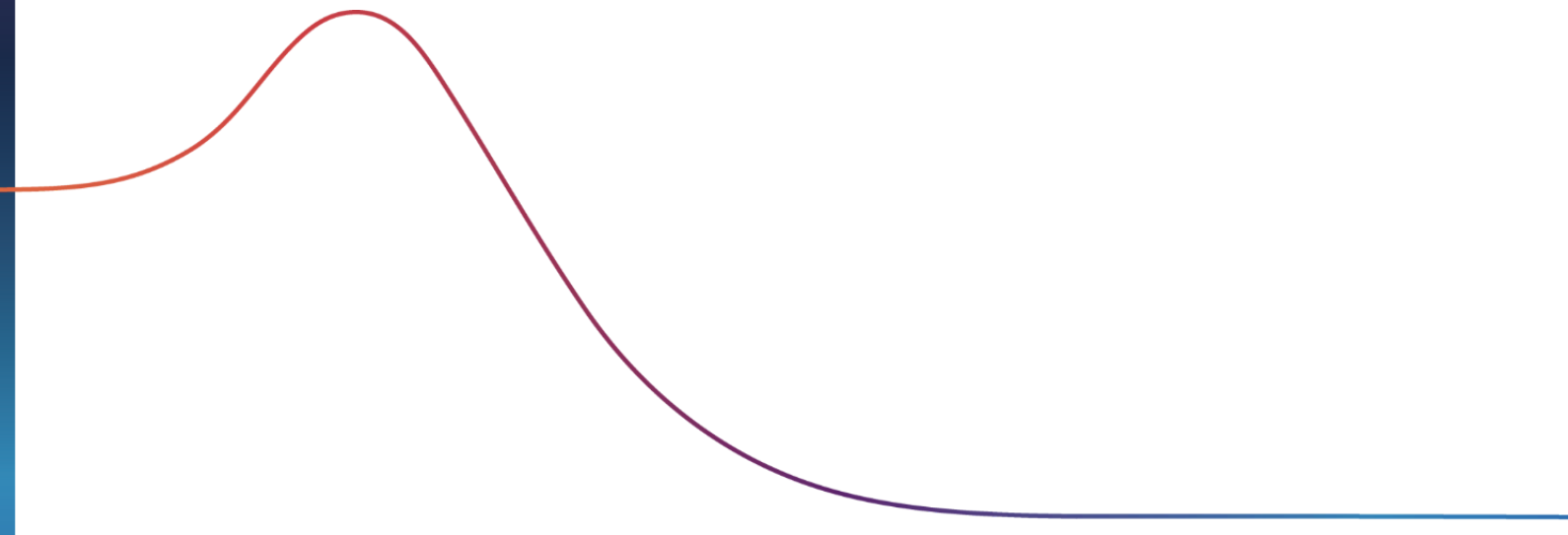
SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi AUTOMOTIVE STANDARD TERMS OF REFERENCE

Version 1.2

December 2024



ABOUT SBTi

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at latest.

The SBTi is incorporated as a charity, with a subsidiary which will host our target validation services. Our partners are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

VERSION HISTORY

Version	Change/update description	Release date
Version 1.0	• SBTi Automotive Standard Terms of Reference V1.0.	May 29, 2024
Version 1.1	• Launch timeline updated to Q1 2026	September 23, 2024
Version 1.2	• Timeline format update	December 16, 2024

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INTRODUCTION

About this Terms of Reference

This Terms of Reference describes the key information related to the Automotive Standard project. The project will be carried out according to the Standard Operating Procedure (SOP) for Development of SBTi Standards.

OBJECTIVES

The objective of this project is to develop a target-setting standard for the automotive sector, which would include revising or superseding existing guidance for the automotive sector currently contained in the Land Transport Guidance. This will apply to producers of all newly manufactured road vehicles classified as: new light duty passenger vehicles, new light commercial vehicles, new medium freight trucks and new heavy freight trucks, as well as relevant companies in the value chain, such as autoparts manufacturers.

SCOPE

The aim of the Automotive Standard project is to develop an updated sector-specific target-setting guidance and criteria for companies in the automotive sector by the development and publication of the following:

1. Updated and expanded the current guidance to a target-setting SBTi standard.
2. 1.5°C-aligned sector-specific pathways.
3. Target-setting tool.

The scope of this sector update project is to:

1. Enable an SDA target-setting option that allows companies in the automotive sector to decarbonize in line with 1.5°C-aligned scenarios.
2. Transition from a target-setting guidance towards an Automotive Standard aligning with the SBTi Corporate Net-Zero Standard and incorporating best available practices for the sector.

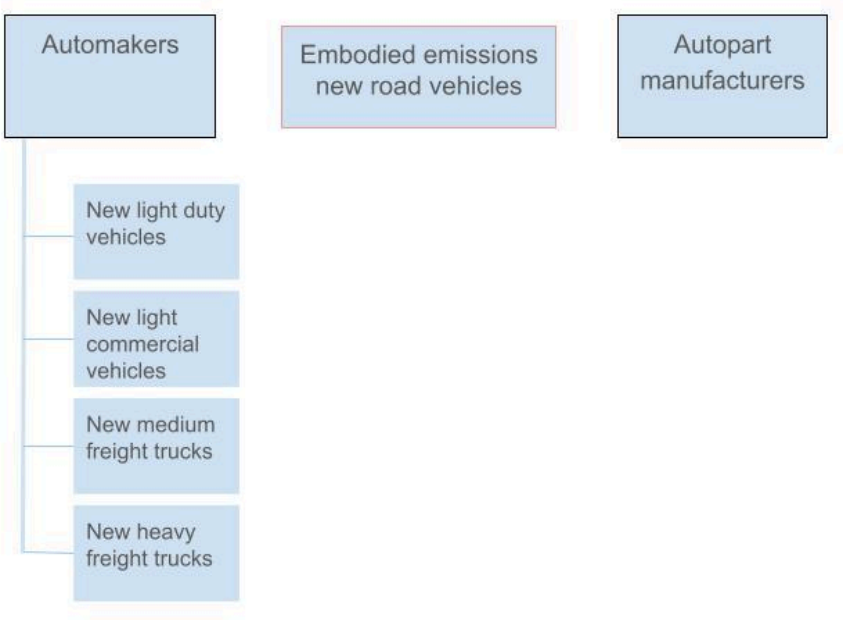
This updated Standard will address the following:

1. Near- and long-term target-setting standard for direct use phase from new road vehicles.
2. Near- and long-term target-setting standard for embodied emissions of new road vehicles.
3. High-level near- and long-term target-setting guidance for direct emissions from autoparts.
4. Main projections and assumptions embedded in the decarbonization models to be used by companies in the development of their carbon strategies.

5. Best practices for transport GHG accounting and reporting.

The updated tool will enable target setting aligned with 1.5°C for Well-to-Wheel emissions. The updated target-setting tool will help users with:

1. Passenger and freight road transport activities.
2. Use-phase emissions from new road vehicles.
3. Cover at the following transport and vehicle categories:



Exclusions

The SBTi will focus initially on developing the Automotive Standard. Standards for road, rail, and logistics will be considered later as part of a broader Land Transport Standards suite. When developed and fully implemented, the Land Transport Standards will address a gap in the SBTi's 1.5°C sector-specific standards by encouraging companies in this highly impactful sector to set targets.

Geographic application

The Automotive Standard will be open for use by organizations headquartered and with emissions and activities anywhere in the world that are active within the automotive sectors.

NEED FOR THE AUTOMOTIVE STANDARD

The SBTi is undertaking the Automotive Standard because in response to the urgency and scale of the climate emergency it has ratcheted its expectations for businesses by ensuring all targets align with a 1.5°C future. The current land transport tools are not aligned to the 1.5°C ambition, and the method for automakers to set 1.5°C emissions reduction targets is only applicable to scope 3 category 11 for automakers. When implemented, the Automotive Standard will update and expand the current guidance to a target-setting SBTi Standard by ensuring 1.5°C aligned sector-specific pathways and a target-setting tool.

RELATED STANDARDS AND INITIATIVES

The SBTi is part of a growing ecosystem of standards and initiatives addressing corporate climate action from different angles. The SBTi recognizes the value of working harmonizing with other actors in this ecosystem.

There are a range of initiatives which map out the business model transitions that corporates will need to undertake to achieve their science-based targets, such as the Assessing low-Carbon Transition (ACT) initiative, Race to Zero, the Transition Planning Taskforce (TPT) and the Transition Pathway Initiative (TPI). The Greenhouse Gas Protocol's (GHGP) corporate standards provide global frameworks for corporations to calculate base-year GHG inventories and annual inventories thereafter, as they monitor performance against their science-based targets.

Within the scope of the Automotive Standard development, the following organizations are relevant to the extent of the project. This list is not intended to be exhaustive of all initiatives in this subject area.

- International Organization for Standardization ISO 14083: The World Economic Forum's Annual Meeting held in 2023 saw the launch of new guidance to support the logistics industry on its journey to net-zero emissions. Released by Smart Freight Centre and the World Business Council for Sustainable Development, the guidance sets out to help businesses in the implementation of their decarbonization strategies. This publication highlights the usefulness and benefits of ISO 14083, the international standard offers the first universal method for logistics emissions accounting.

- Smart Freight Centre (SFC) GLEC Framework:The GLEC Framework serves as the primary industry guideline on how to implement ISO 14083**.** As of March 2023, in collaboration with the German Institute for Certification (DIN), and members of an ISO working group, SFC was instrumental in setting up the process for a new ISO 14083 standard, marking its foray into a new phase of global standardization. The GLEC Framework was a core element used to develop the content for the new standard, with Alan Lewis, SFC's Technical Director, leading the project.

- International Energy Agency (IEA) Net Zero Roadmap: In 2023 the IEA updated its Net Zero Roadmap and set out an updated pathway to net zero by 2050, taking

account of the key developments that have occurred since 2021.

- International Transport Forum: The development of strong linkages between transport models and climate change mitigation measures is critical to the successful reduction of global carbon emissions. The International Transport Forum has developed modeling tools that will help countries to achieve their national decarbonization commitments.

SUSTAINABILITY OUTCOMES

In 2018, the Intergovernmental Panel on Climate Change (IPCC) warned that global warming must not exceed 1.5°C above pre-industrial temperatures to avoid the catastrophic impacts of climate change. Businesses have a vital role to play in driving down GHG emissions and building the resilient, zero-emissions economy we urgently need. This action must be grounded in science. Science-based targets show companies and financial institutions how much and how quickly they must decarbonize to prevent the worst impacts of climate change.

The SBTi's theory of change identifies that the corporate emissions reductions needed to achieve our global climate goals can be achieved through the '*diffusion of innovations*' theory. This posits that 10 to 25% of a system's members must adopt an innovation to trigger rapid adoption by the other members. The SBTi works with the assumption that 20% – one fifth – of businesses setting science-based targets in a particular territory or sector equals critical mass. That's the tipping point at which it becomes increasingly difficult for other businesses to do nothing, and more and more join the race to the top.

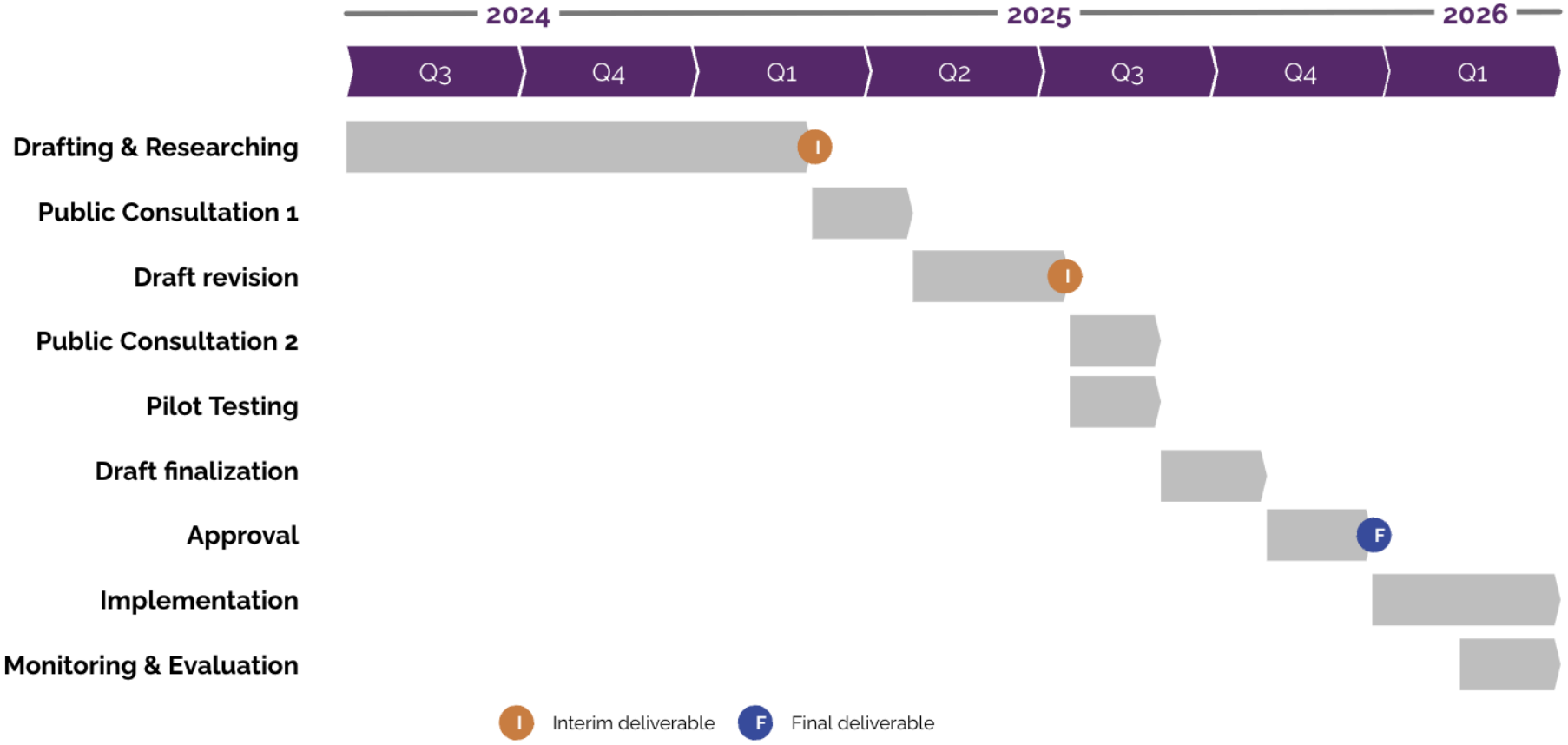
A key criterion the SBTi uses in prioritizing projects is the impact the project will have in addressing GHG emissions from key sectors or activities. To that end, the SBTi is prioritizing the work of aligning a 1.5°C target-setting pathway for the automotive sector, including the production and operation of the internal combustion engines (ICE), which are among the largest contributors of global GHG emissions. The most important sustainability issues within the scope of the Automotives Standard development are the GHG emissions associated with the continued operation of ICE vehicles and their subsequent products. The Automotive Standard will establish criteria for companies operating in the sector to follow to allow them to set credible, robust, and science-based climate targets.

GOVERNANCE STRUCTURE AND DECISION MAKING

The Standard Operating Procedure (SOP) for Development of SBTi Standards sets out in detail the governance and decision making processes that apply to standards development and revisions.

PROVISIONAL TIMELINE

The proposed timeline for the Automotive Standard is shown below. This includes project deliverable milestones and dates for engagement.



Please note that these timelines are tentative and may be subject to adjustments. Changes can occur due to a variety of factors including but not limited to stakeholder feedback, consensus building process and operational constraints. Significant modifications will be communicated transparently to relevant stakeholders.

RISK MANAGEMENT

a) Factors that could have a negative impact on the ability of the Automotive Standard to achieve its outcomes.

RISK	MITIGATION MEASURE
Internal discussions among the Automotive Expert Advisory Group (EAG) members (i.e. a group or community of experts the Technical Department can consult with) about fundamental principles and definitions delaying the project's launch.	Whilst frequent communication with stakeholders is paramount, the core SBTi stakeholder team must be completely aligned with the science-based modeling and 1.5°C pathway and methods.
Significant stakeholder debate to proposed standards and criteria.	It is anticipated there will be several issues that will generate considerable discussions among different factions. This includes the phase out of the internal combustion engine and limitations in some geographies to be able to transition to electric vehicles (EVs) by 2040. The SBTi will follow a robust stakeholder engagement process to ensure the standard is credible, ambitious, and adequate to ensure it leads to actual emissions reductions.

b) Unintended consequences that could arise from the implementation of the Automotive Standard.

RISK	MITIGATION MEASURE
No unintentional consequences identified	

ENGAGEMENT

How to engage?

The SBTi values stakeholder input to inform the development of its technical outputs.There are a variety of channels through which stakeholders can engage with and input into the development of the Automotives Standard.

The Automotives Standard development will go through a minimum of two rounds of public consultation and a period of pilot testing. The first consultation will last the duration of 60 days and the second consultation will last the duration of 45 days. During the consultation period, stakeholders will have the opportunity to submit feedback to the consultation questionnaire via a survey. These resources will be available on the sector webpage. A summary of the feedback results will be publicly available. The pilot testing phase will involve volunteer organizations utilizing the draft standard to identify challenges for implementation, gather practical feedback, and to inform the development of clear and applicable criteria, target-setting tool, and guidance.

Through the Automotives Standard development process, the Project Team will host webinars to update stakeholders on the development process and provide a detailed overview of the standard once complete. Planned dates for webinars are to be determined. Stakeholders can stay up to date with the Automotives Standard development process and planned events by monitoring the SBTi's website for updates, signing up for the SBTi newsletter, and following the SBTi on X and LinkedIn. For general queries relating to the Automotives Standard development and how to engage please contact transport@sciencebasedtargets.org.

Who should engage?

The Automotive Standard Project Team welcomes input from the following stakeholders:

- Corporates and financial institutions.
- Governments and regulators.
- Civil society organizations.
- Associations and technical experts.
- Academic and research institutions.
- All other stakeholders with an interest in this project development.

LANGUAGES

All documents relating to the Automotive Standard, including consultation drafts, will be published in English (this is the SBTi working language). Translations into other languages may be considered.

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