

MUFG TRANSIT: SBTi Corporate Net-Zero Standard V2.0 – Beyond the Target

Sustainable Finance Department
Asian Investment Banking Division

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Overview of SBTi

Section I

Overview of SBTi – Science-based Target Setting

SBTi is a globally recognised framework that helps companies set science-based GHG reduction targets via clear, actionable path.



Launched **2015**, SBTi is a **global corporate climate action organisation** that enables businesses to set emissions reduction targets in line with **climate science** and the **Paris Agreement**.

Vision



By 2050, the world will have transitioned towards a **net-zero** and **equitable economy** that serves the needs of the population within the limits of the planet.

Mission



To drive **science-based climate action** in the **corporate sector** consistent with **limiting warming to 1.5°C**.

Key Statistics (as of June 2026)



13,562

Companies with targets or commitments



2,655

Companies with net-zero targets



11,389

Companies with validated targets



93

Territories are home to companies with validated targets, up from 60 in 2020



Industrials

Lead the way in targets by sector

Partners



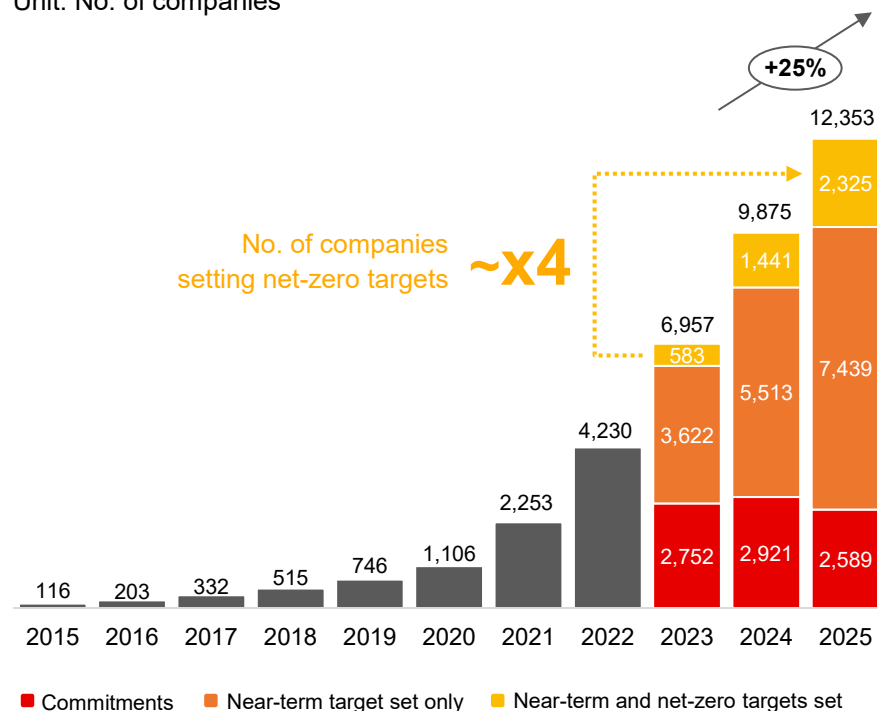
Source: MUFG compiled from SBTi and various public sources

Corporate Commitments – *Large Corporates Accelerate Net-Zero Target Setting*

SBTi adoption continues to accelerate, particularly among larger corporates, with the number of companies setting both near-term and net-zero targets increasing nearly sixfold between 2023 and 2025.

Companies with SBTi commitments or targets, cumulative

Unit: No. of companies

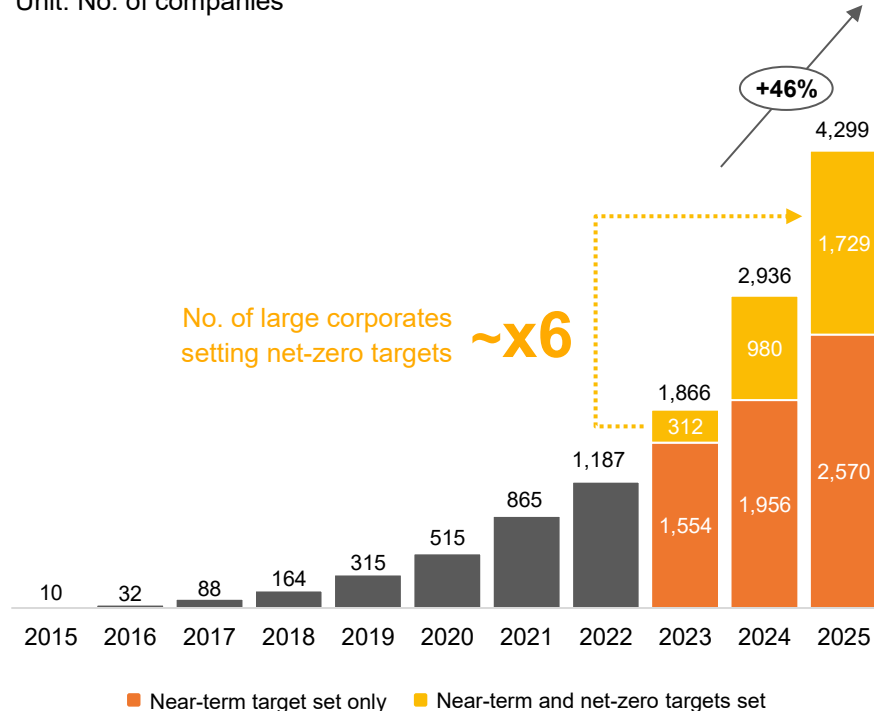


Note: Includes SMEs and financial institutions

Source: SBTi

Large Corporates with SBTi targets, cumulative, split by target type

Unit: No. of companies



Note: Excludes SMEs and financial institutions

Source: SBTi

Source: MUFG compiled from SBTi

Corporate Net-Zero Standard Version 2.0

Section II

Key Changes – *More Rigorous Target Setting and Reporting*

Non-Exhaustive



Version 1.3.1



Version 2.0

Company Categorisation

- Companies classified as either SMEs or Corporates.
- Requirements differentiated mainly between SMEs and Corporates, with Scope 1 and 2 generally covered through combined targets.
- Companies classified as Category A or Category B based on company size, emissions, resources and the geography of the ultimate parent company.
- Introduces differentiated requirements for Category A & B companies with 5-year near-term targets apply across Scope 1 & 2
 - Category A must also set Scope 3 near-term targets.
 - Long-term target requirements depend on the target-setting method
 - Net-zero targets remain optional

Ongoing emissions responsibility (OER)

- Beyond Value Chain Mitigation, or BVCM, recommended companies undertake mitigation beyond their value chains.
- BVCM was encouraged, but there was no formal tiered recognition structure under the Corporate Net-Zero Standard.
- No mandatory interim requirement to support carbon removals before the net-zero target year.
- BVCM is formalised into an Ongoing Emissions Responsibility, or OER, framework covering voluntary recognition, post-2035 responsibility and full neutralisation at net zero.
- Introduces three voluntary recognition levels: Engaged, Advanced and Leadership, based on the proportion of ongoing emissions covered and the applicable contribution budget.
- From 2035, Category A companies must support carbon dioxide removals starting from 1% of ongoing emissions, scaling toward 100% by the net-zero target year. An increasing share must be directed toward long-duration removals.

Carbon Credits

- Carbon credits were treated as a supplementary tool through BVCM, with no formal recognition framework. Credits could not count towards target achievement.
- Carbon credits are more formally integrated through the OER framework, with recognised contribution levels and enhanced integrity requirements.

Target Implementation

- No formal implementation hierarchy setting out how companies should prioritise different implementation actions.
- Introduces a best-efforts implementation hierarchy, requiring companies to prioritise actions closest to the emissions source before relying on broader actions or market instruments.

Key Operational Changes – *Thresholds for Different Corporate Sizes and Geographies*

Corporate Net-Zero Standard V2.0 categorises companies into Category A and Category B based on scale, resources and operating region.

Version 1.3.1

Under V1, companies were either categorised as 1) **Small and Medium-sized Enterprises (SMEs)** or 2) **Corporates**.

Version 2.0

Conditions	Geography ¹	Company Category
Meets at least one of the following: - Net turnover: ≥ €450 million - Full-time Equivalents (No. of Employees): ≥ 1,000	Any country	Category A
Scope 1 and 2 emissions are ≥ 10,000 tCO ₂ e, or at least two of the following: - Balance sheet: ≥ €25 million - Net turnover: ≥ €50 million - Full-time Equivalents (No. of Employees): ≥ 1,000	High-income countries	Category A
Does not meet any criteria	Any country	Category B

Implications on target setting

Type	Scope 1	Scope 2	Scope 3
Near-term Targets (5-year targets)	A B →		A
Long-term Targets (to reach residual emissions level latest by 2050)	Dependent on target-setting method	A B →	
Net-zero Targets	A B →		

● Mandatory ● Optional

Note¹: Based on jurisdiction of the ultimate parent company

Source: MUFG compiled from SBTi, Carbon Trust and various public sources

Ongoing Emissions Responsibility – *Three-phase Approach*

Under V2.0, the former Beyond Value Chain Mitigation (BVCM) recommendation is replaced by the Ongoing Emissions Responsibility framework.

Phase 1: Voluntary Recognition

01

Engaged



Total ongoing emissions covered: **1%**
Contribution budget¹: **US\$20/tCO₂e**
(Recommended minimum)

02

Advanced



Total ongoing emissions covered: **10%**
(Including all Scope 1 & 2)
Contribution budget: **US\$20/tCO₂e**

03

Leadership



Total ongoing emissions covered:
Category A – 100%
Category B – 10% (including all Scope 1 & 2)
Contribution budget: **US\$80/tCO₂e**

Phase 2: Mandatory Phase (Post 2035)



Starting in 2035, Category A companies **must support carbon dioxide removals starting at 1% of their ongoing emissions**

- **Linear ramp-up:** Companies must take responsibility for a mandatory baseline starting at 1% of ongoing emissions in 2035, scaling up linearly toward 100% by their target net-zero year.
- **Durability increase:** Increasing share of contributions must be directed toward long-term durable carbon dioxide removals (CDR), starting at a minimum of 10% durability compliance in 2035 and scaling over time.

Phase 3: Full Neutralization at Net-Zero Target Year



At the final net-zero target year (e.g., 2050), both category A and B companies must completely neutralize all remaining residual emissions.

Note¹: A financial commitment calculated by applying a specified price per tCO₂e to the volume of emissions covered under a selected Ongoing Emissions Responsibility recognition level, to be used to provide climate contributions in support of verified mitigation outcomes and other eligible climate actions.

Source: MUFG compiled from SBTi, Engie and various public sources

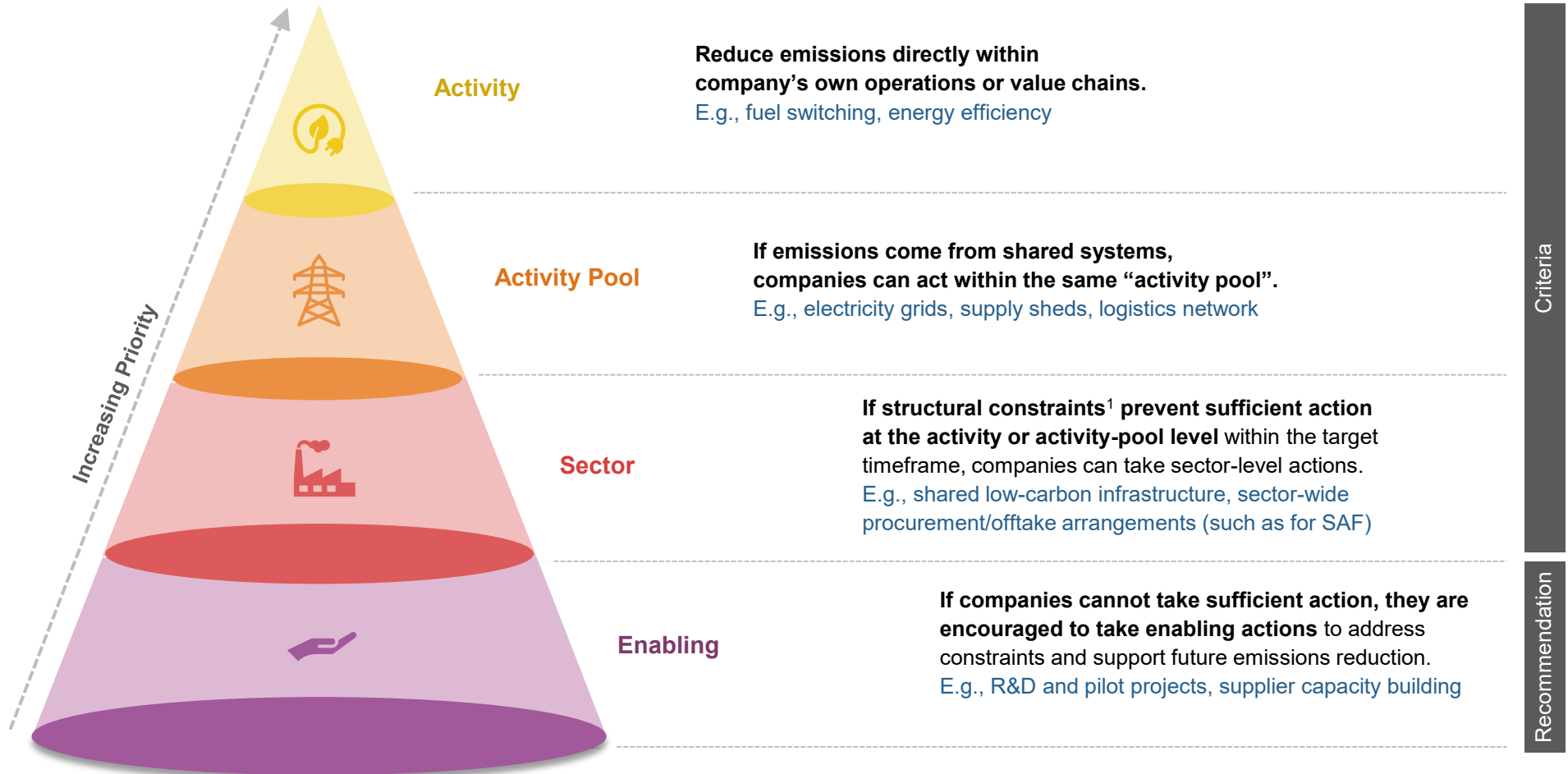
Role of Carbon Credits – *Formalising Carbon Market Action*

Carbon credits still cannot replace required emissions reductions under SBTi V2.0, but are now more formally integrated through the OER framework with enhanced recognition and integrity requirements.

	Version 1.3.1	Version 2.0
 Treatment of Carbon Credits	Treated as a supplementary tool to decarbonisation. Companies must reduce their own value-chain emissions; carbon credits cannot substitute for required reductions.	More formally integrated through the new Ongoing Emissions Responsibility (OER) framework with recognized contribution levels.
 Target Accounting	Carbon credits cannot be counted as emission reductions towards achieving targets.	OER mitigation outcomes remain outside SBT target accounting.
 Mitigation Beyond Targets	Beyond Value Chain Mitigation (BVCM) encouraged, but no prescribed contribution level .	Companies can be recognised for taking OER for their ongoing emissions. Recognition is structured into Engaged, Advanced and Leadership
 Residual Emissions	At net-zero, residual emissions (typically ≤10%) must be neutralised with permanent carbon removals .	OER recognition is initially voluntary , with Category A companies required to support eligible removals from 2035 ; at net-zero, residual emissions must be neutralised with eligible removals.
 Credit Integrity & Claims	Carbon credits were subject to broad quality principles (e.g., additionality, permanence, avoidance of double counting, etc.), with limited detailed integrity and reporting requirements under the Standard.	More explicit integrity requirements , including reversal risk safeguards, reporting and assurance requirements (be assured by an independent, accredited third party, etc.)

Implementation Hierarchy – A ‘best efforts’ Approach

As part of the hierarchy, companies prioritise actions closest to the emissions source, before moving on to actions / market instruments.



Note¹: These constraints may include technological, infrastructural, regulatory, or market limitations. Reporting wise, companies shall report the identified structural constraints, the supporting evidence, and the specific activity or activity pool for which sufficient action could not be taken.

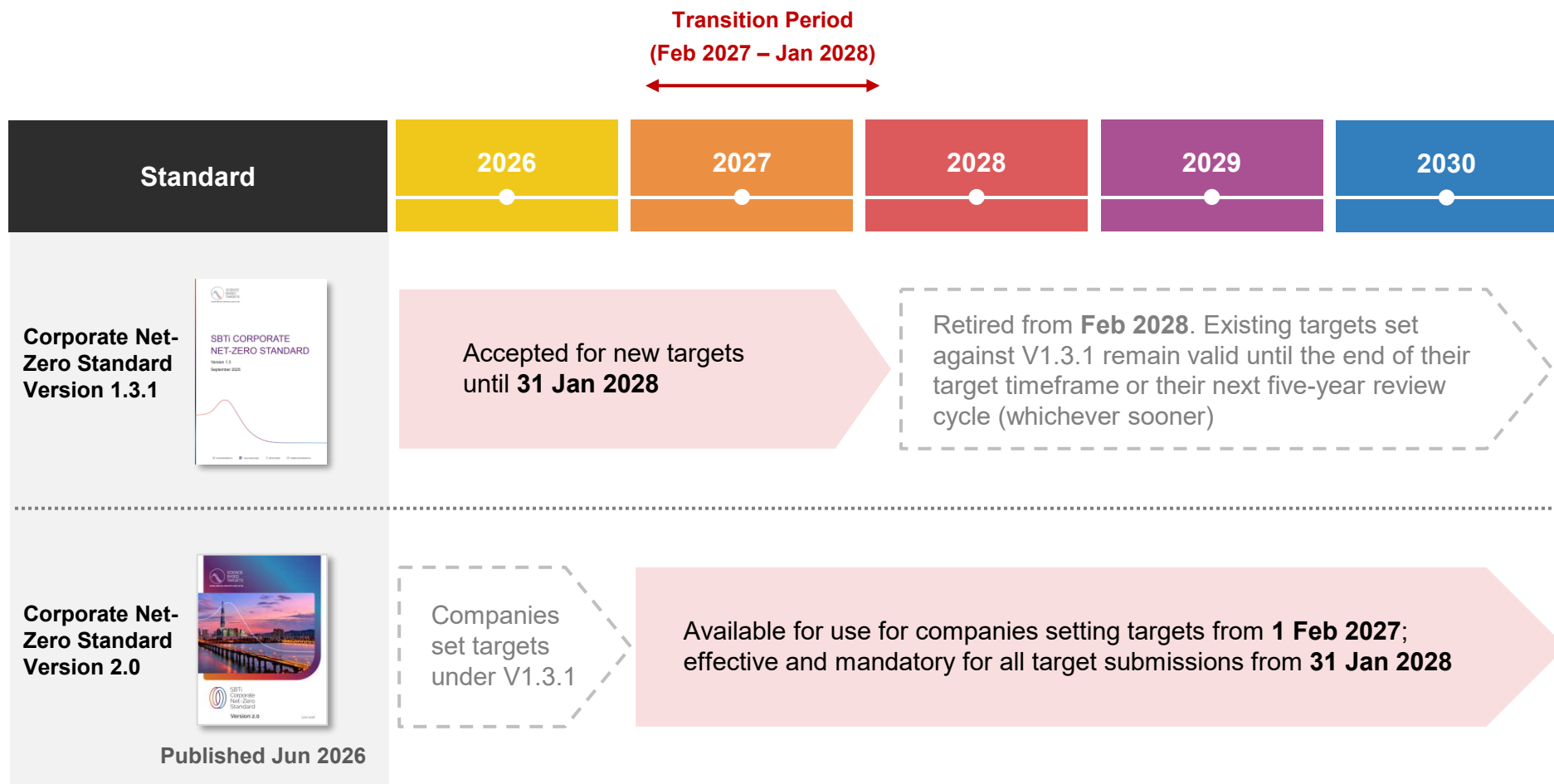
Source: MUFG compiled from SBTi and various public sources

Corporate Implications

Section III

Corporate Target Setting – *Transition Timeline to V2.0*

Companies setting targets in 2026 should leverage the current, well-established Corporate Net-Zero Standard V1.3.1, while those setting targets in 2027 can either continue using V1.3.1 or V2.0. All new target submissions must align with V2 from 2028.



Corporate Target Setting – *From Ambition to Accountability*

CSNZ V2.0 shifts SBTi from linear target setting toward credible delivery, recognising real-world asset cycles and structural constraints, demonstrating credible progress through implementation, transparency and value-chain action.

From Target Setting to Target Delivery

V1 focuses on **target setting**, while V2 emphasizes **delivery of targets** through a clear transition plan.

Example:

- Introduces an **implementation hierarchy** in V2
- Prioritizes **direct reductions** at the emissions source
- Activity-pool and sector-level actions (where structural constraints exist) where direct action is exhausted

From Operational Control to Value Chain Influence

Companies are expected to focus on the **most material and influenceable sources** of Scope 3 emissions.

Example:

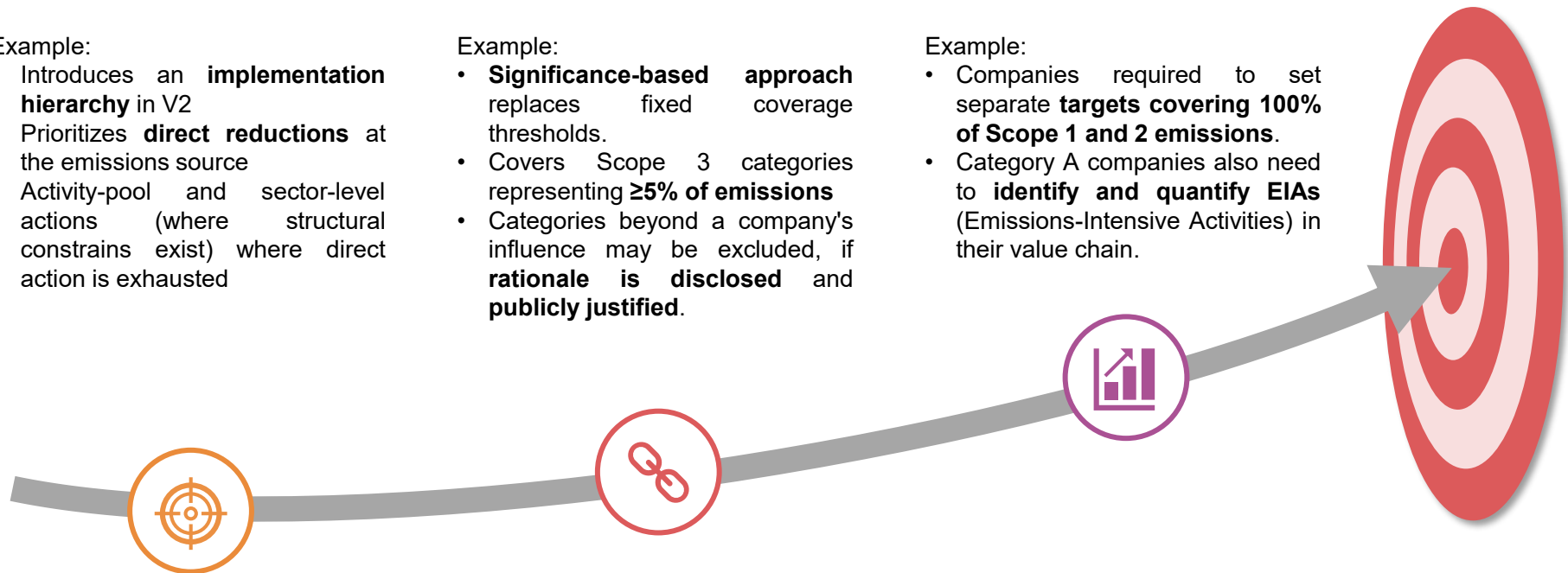
- **Significance-based approach** replaces fixed coverage thresholds.
- Covers Scope 3 categories representing **≥5% of emissions**
- Categories beyond a company's influence may be excluded, if **rationale is disclosed** and **publicly justified**.

From Reporting to Demonstrating Progress

Reporting is not just about disclosure. Measuring and reporting becomes more **structured and specific**.

Example:

- Companies required to set separate **targets covering 100% of Scope 1 and 2 emissions**.
- Category A companies also need to **identify and quantify EIAs** (Emissions-Intensive Activities) in their value chain.



Beyond Voluntary Target Setting – *Mandatory Disclosure Advances Across APAC*

While SBTi remains a voluntary target-setting framework, companies are increasingly operating within mandatory climate-disclosure regimes. Together, these developments increase expectations for credible emissions data, transition planning and demonstrable progress.



Mandatory Disclosure

ISSB-aligned climate disclosure is increasingly becoming a regulatory requirement across APAC markets.



Data Credibility

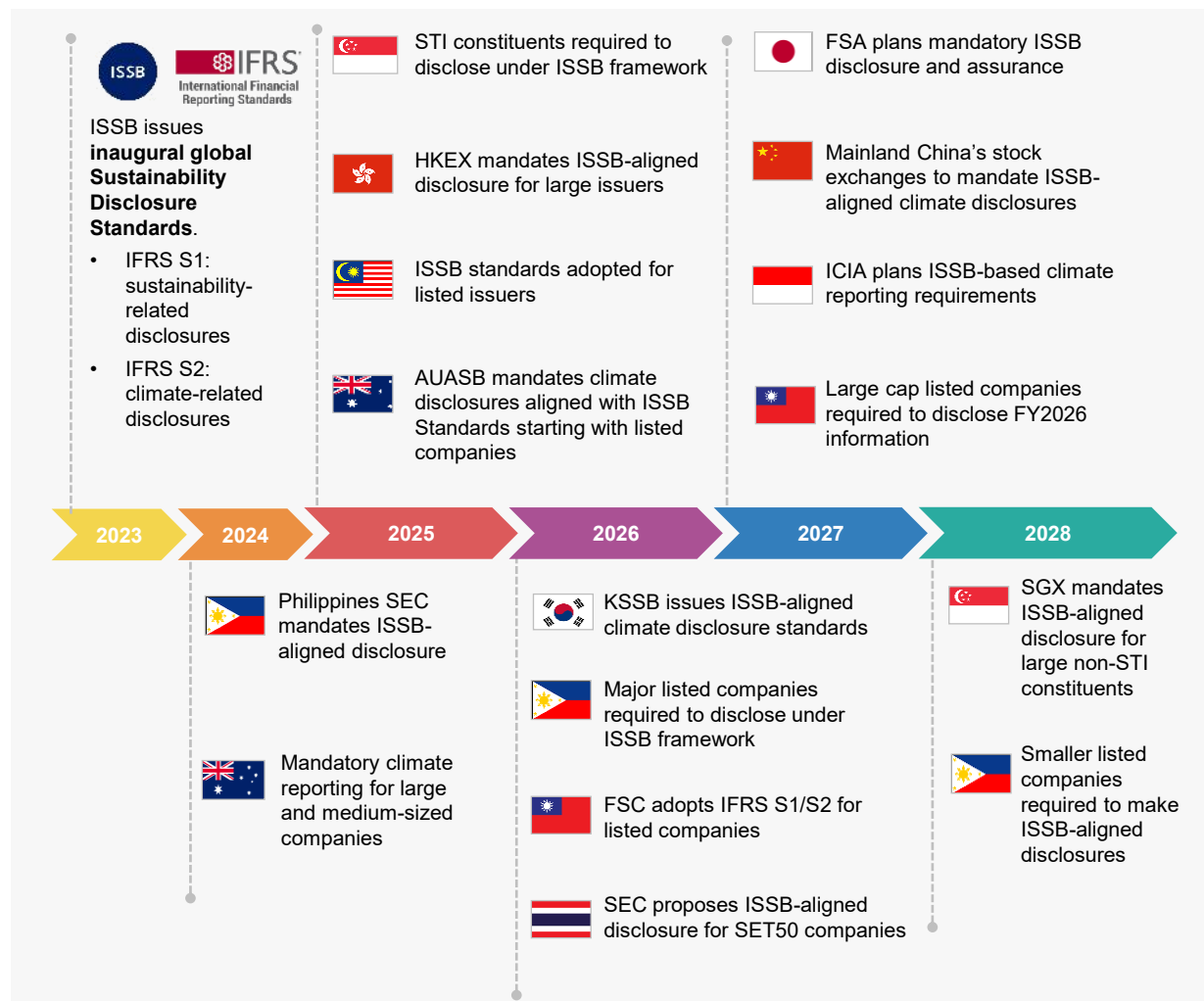
Companies will require more robust emissions data, governance and internal controls to support both regulatory reporting and credible voluntary targets.



Proportionate Implementation

While disclosure requirements continue to expand, regulators are also managing compliance burdens.

- Aug 2026 – Australia: Proposed reforms to simplify reporting requirements.
- Jun 2026 – Taiwan: Delayed Scope 3 reporting and streamlined carbon accounting requirements.



Source: MUFG compiled from various public sources

Hard-to-Abate Industries – Steel

Voluntary – SBTi

Sector	SBTi CSNZ V2	Implications
 Hard-to-Abate Industries <i>Steel, Cement, Chemicals, Maritime</i>	- Scope 1 and 2 set as separate targets. Scope 1 emissions require 100% coverage under net-zero targets, direct operational emissions reductions become more difficult to achieve with this update.	- Increased focus on fuel switching, electrification, CCUS and retirement of high-emitting assets. Transition planning and decarbonisation capex become more critical.

Mandatory – Market-level Policy & Regulations

China, India, Japan, South Korea and Vietnam are **Asia's largest steel producing markets**. Asia dominates global steel manufacturing, producing ~73% (1,324.5 million tonnes) of the world's total crude steel output in 2025.

Market	National Climate Target	Steel-specific Policies/ Roadmaps	Steel-specific Target/ Requirement
 China	CN 2060	Carbon peaking and neutrality framework supports steel-sector decarbonisation through EAF expansion, hydrogen and CCUS deployment.	Steel sector expected to achieve carbon peak before 2030 .
 India	NZ 2070	Green Steel Mission (under development); National Green Hydrogen Mission; Green Steel Taxonomy	Reduce emissions intensity to 2.2 tCO ₂ /t steel by FY2029/30 from a baseline of 2.55 tCO ₂ /t steel.
 Japan	CN 2050	GX and COURSE50 programmes support hydrogen-based steelmaking and other low-carbon production technologies.	Steel industry targets 30% CO₂ reduction by FY2030 (vs FY2013).
 South Korea	CN 2050	K-GX and K-Steel initiatives promote hydrogen-based DRI, green steel certification and industrial decarbonisation.	Steel sector targets a 95% reduction in GHG emissions by 2050 versus 2018 levels.
 Vietnam	NZ 2050	Net-Zero Roadmap for Vietnam's Steel Industry outlines strategies for decarbonization the steel industry.	Steel industry aims to achieve carbon neutrality by 2050 in line with national climate commitments.

Source: MUFG compiled from SBTi, Quantis, Terrascope, government websites and various public sources

Heavy Electricity Users – Semiconductor

Voluntary – SBTi

Sector	SBTi CSNZ V2	Implications
 Heavy Electricity Users <i>Data Centres, Semiconductors, Manufacturing</i>	Scope 2 targets are expected to align more closely with electricity-sector decarbonisation pathways, covering 100% of purchased electricity, heat, steam and cooling. - Scope 2 emissions reduction targets are anchored to the company's physical, location-based inventory.	- Reduced reliance on market-based instruments, stronger electricity procurement integrity requirements - Shift away from loose, unbundled certificate purchases, to higher-integrity electricity procurement – PPAs, on-site renewables, energy efficiency and storage solutions, etc.

Mandatory – Market-level Policy & Regulations

Taiwan, South Korea, China and Japan account for **~75% of global semiconductor production capacity**, alongside Singapore (produces ~ 10% of the world's chips and 20% of global semiconductor equipment) as a major Southeast Asian semiconductor manufacturing hub.

Market	National Climate Target	Semiconductor-specific Policies/ Roadmaps	Semiconductor-specific Target/ Requirement
 Taiwan	NZ 2050	National Net-Zero Transition Pathway ; prioritises semiconductors, with focus on renewable power, supply-chain decarbonisation and RE100 alignment.	Manufacturing sector targets 18% emissions reduction by 2030 (vs 2005).
 South Korea	CN 2050	K-Semiconductor Strategy ; K-Chips Act; K-ETS coverage; emerging "Clean Chip" initiatives.	No sector-specific target ; growing focus on RE100 participation and renewable electricity sourcing.
 China	CN 2060	Green manufacturing initiatives; industrial carbon peak and carbon neutrality framework ; energy efficiency and low-carbon manufacturing programs.	No sector-specific target ; requirements mainly driven by industrial decarbonisation and energy-efficiency policies.
 Japan	CN 2050	GX Strategy and transition finance initiatives support low-carbon semiconductor manufacturing.	Semiconductor and information communication industries achieve complete carbon neutralisation by 2040.
 Singapore	NZ 2050	Carbon tax , energy-efficiency programmes and green manufacturing initiatives support sector transition.	No sector-specific target ; focus on efficiency improvements, emissions management and renewable energy adoption.

Source: MUFG compiled from SBTi, Quantis, Terrascope, government websites and various public sources

Diversified Upstream Scope 3 Sectors – Consumer Goods

Voluntary – SBTi

Sector	SBTi CSNZ V2	Implications
 Diversified Upstream Scope 3 Sectors <i>Retail, Apparel, Consumer Goods</i>	Under V2, a company must cover each Scope 3 category representing at least 5% of its total emissions across Categories 1 to 14. This replaces the previous fixed-percentage coverage approach with a category-level significance test.	Stronger supplier engagement, particularly for high-emitting inputs and suppliers. - Enhanced emissions data collection and procurement-led decarbonisation.

Mandatory – Market-level Policy & Regulations

Selected markets combine consumer scale and growth potential, with China and India representing **Asia's largest consumption markets**, Indonesia as the **largest consumer market in ASEAN**, and Vietnam and Thailand among the region's fastest-growing consumer markets, supported by rising incomes, urbanisation and digital commerce.

Market	National Climate Target	Consumer goods-specific Policies/ Roadmaps	Consumer goods-specific Target/ Requirement
 China	CN 2060	Green Consumption Promotion Action Plan (2026) ; green supply chain development; carbon footprint assessments.	No sector-specific target ; focus on green consumption, product footprints and sustainable packaging.
 India	NZ 2070	Extended Producer Responsibility (EPR) framework , Plastic Waste Management Rules and circular packaging initiatives.	100% reusable, recyclable or compostable packaging and 50% effective recycling by 2030.
 Vietnam	NZ 2050	National Action Plan on Circular Economy , EPR framework and plastic waste reduction initiatives.	No sector-specific target ; producers subject to EPR requirements and increasing circularity, recycling/ packaging sustainability obligations.
 Thailand	NZ 2050	Roadmap on Plastic Waste Management (2018-2030) , Circular Economy Action Plan and EPR-related policy developments.	100% plastic waste recycled or reused by 2027 ; focus on reducing single-use plastics and increasing sustainable packaging adoption.
 Indonesia	NZ 2060 (or sooner)	National Plastic Waste Reduction Strategy and EPR roadmap for producers.	Producers expected to implement waste-reduction roadmaps , supporting a 30% waste reduction target .

Source: MUFG compiled from SBTi, Quantis, Terrascope, government websites and various public sources

Product Use Emissions Sectors – Automotives

Voluntary – SBTi

Sector	SBTi CSNZ V2	Implications
 Product-Use Emissions Sectors <i>Automotives, Electronics, Appliances</i>	- V2 expands the available target-setting methods for Scope 3, including product-use alignment targets. - If product-use emissions are material, Category 11 (use of sold products) must generally be included within Scope 3 targets.	Increased focus on product efficiency, electrification, circularity and low-carbon product design e.g., electric vehicles, energy efficient appliances.

Mandatory – Market-level Policy & Regulations

China, India, Japan, South Korea and Thailand produced **55 Mn vehicles in 2025, accounting for ~57% of global and ~93% of APAC vehicle production**, representing the region's key automotive manufacturing hubs.

Market	National Climate Target	Automotives-specific Policies/ Roadmaps	Automotives-specific Target/ Requirement
 China	CN 2060	New Energy Vehicle (NEV) Industry Development Plan (2021-2035); support for EVs, fuel-cell vehicles, battery recycling and low-carbon mobility ecosystems.	>85% NEV penetration by 2040 , with BEVs forming the majority of sales.
 India	NZ 2070	FAME scheme, PM E-DRIVE, PLI Scheme and National EV Mission supporting EV adoption, charging infrastructure and domestic manufacturing.	EVs targeted to reach 30% of vehicle sales by 2030 , with higher targets for commercial and two-/three-wheel vehicles.
 Japan	CN 2050	GX Strategy and electrification roadmap support batteries, fuel cells and next-generation mobility.	Japanese automakers target 100% electrified vehicle sales by 2035 and achieve substantial lifecycle GHG reductions by 2050.
 South Korea	CN 2050	Carbon Neutrality Roadmap , battery strategy and EV infrastructure expansion support sector decarbonisation.	Zero-emission vehicles (electric and hydrogen) targeted to reach 40% of new sales by 2030 and 70% by 2035 .
 Thailand	CN 2065	EV 3.0/3.5 incentives and national EV roadmap aim to establish Thailand as a regional EV hub.	30@30 policy targets 30% ZEV production by 2030 , supported by charging infrastructure expansion.

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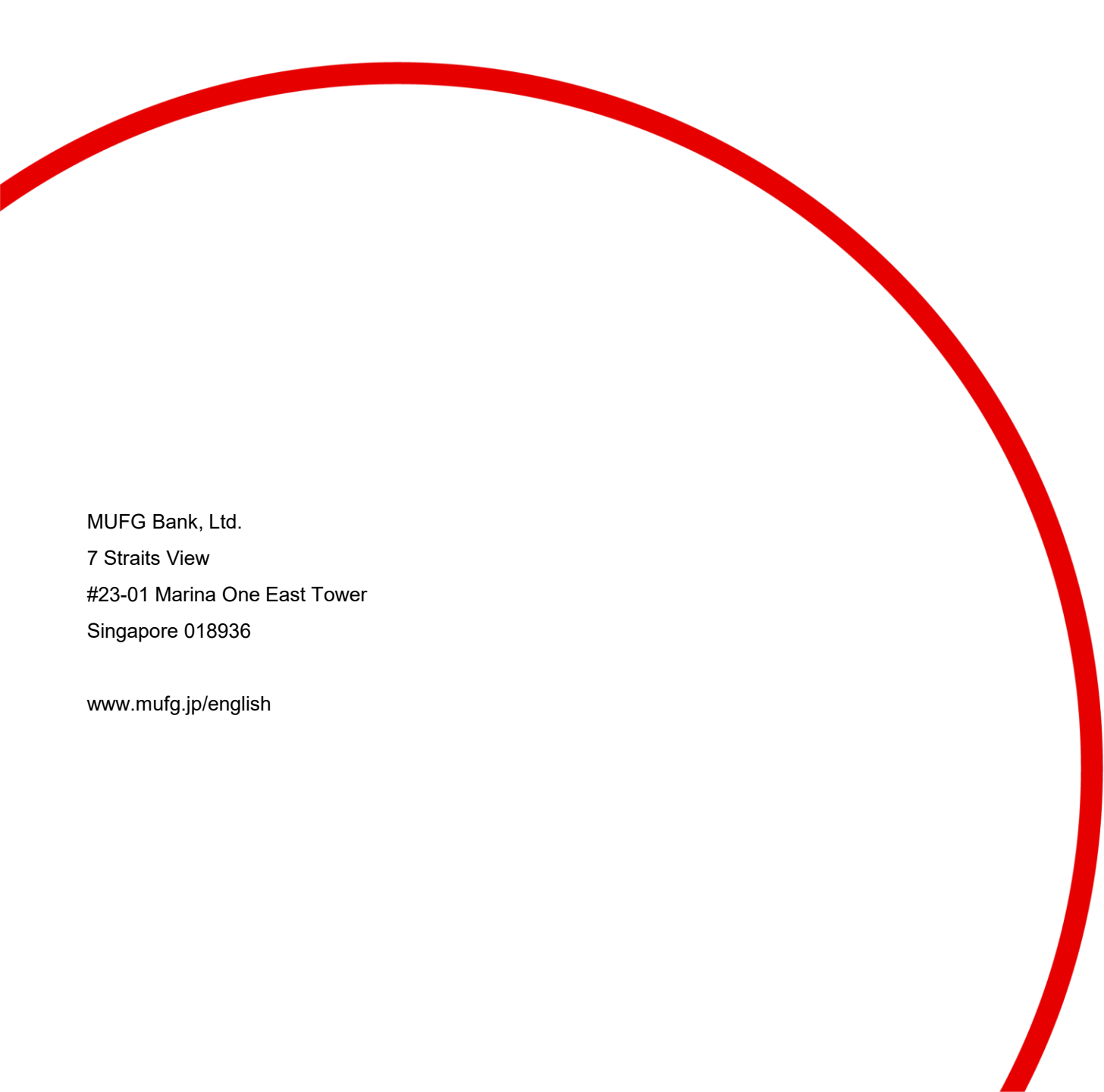
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