Science-Based Targets (SBTs)
Supplier Training

KLA+

July 2025

Agenda

- Section 1: KLA's Supplier Engagement Program & Supplier Expectations

- Section 2: SBT Overview

- Section 3: SBTi Criteria Explained

- Section 4: SBTi Target Setting Process

- Section 5: Connecting SBTs and CDP

- Section 6: Next Steps

- Section 7: Q &A

- Section 8: Appendix

Learning Objectives

Understand:

- KLA's expectations for suppliers to set SBTs

- The importance and value of setting SBTs

- The process to set SBTs

- The connection between SBTs and CDP reporting

Please note that the SBTi and CDP resources are being provided for the training and general reference, but they are subject to change and suppliers should consult the linked pages maintained by the SBTi and CDP.

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KLA's Supplier Engagement Program & Supplier Expectations

KLA Climate Goals

KLA strives to reduce the carbon emissions from our operations and encourage emissions reductions in our supply chain.

In 2023, we submitted our climate goals to the Science Based Targets initiative (SBTi), including a quantifiable Scope 3 reduction target alongside our existing 2030 Scope 1 and Scope 2 emissions goals. In 2024, our near-term, science-based targets were approved by SBTi.

Below are our SBTi approved near-term science-based targets:

- Reduce absolute Scope 1 and 2 emissions by 50% by 2030 from our 2021 baseline
- Reduce Scope 3 GHG emissions from the use of sold products 52% per billion transistors inspected, measured, or processed within the same timeframe

In addition, we have established the following climate-related goals:

- Achieve net-zero Scope 1 and Scope 2 emissions by 2050
- Use 100% renewable electricity across our global operations by 2030
- Report climate-related governance, strategy, risk management, metrics and targets to our stakeholders annually, following recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

To address emissions in our supply chain, we work with suppliers representing the highest-impact emissions to set their own climate goals.

We will continue to disclose our progress toward these climate goals and will remain transparent about our energy consumption and carbon footprint.

"We're proud to announce our near-term, science-based targets are SBTi-approved. This milestone reinforces our commitment to climate and energy action, paving the way for a sustainable future."

— *Rick Wallace*
President and Chief Executive Officer

KLA Supplier Expectations
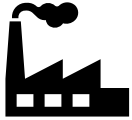
Step 1: Track emissions: Develop a greenhouse gas emissions (GHG) inventory of your annual emissions from across all your <u>owned</u> and <u>operated</u> facilities and fleet (representing scope 1 and 2). *Note: Tracking scope 3 value chain emissions is optional, but encouraged.*

Step 2: Set science-based reduction target(s): Establish a baseline for your annual emissions and set reduction target(s) in line with science-based criteria from SBTi. The target does not need to be verified by SBTi.

Step 3: Achieve reductions in line with your target: Start implementing projects and initiatives that reduce your emissions in line with your reduction goal (e.g. energy efficiency, sourcing renewable energy, electrifying fleet, etc.).

Step 4: Track progress annually: Report your progress through the CDP each year by responding to the priority questions KLA has requested.

Notes: Please refer to KLA's GHG Inventory training for more details about step 1, tracking your emissions and developing a GHG inventory.

KLA is requesting that suppliers take these steps because both our customers and theirs expect transparency and accountability from KLA to report our complete inventory and collaborate with our suppliers to reduce emissions across our operations.

KLA Supplier Climate Maturity Matrix (CMM)

A supplier's climate maturity score informs their performance and engagement. In this training we are focusing on Target Setting.

	GHG Inventory	Climate Reporting	Target setting
No Data - 0	• No emissions data	• No CDP reporting	• No climate commitments
Low - 1	• Scope 1 & 2 emissions only (no scope 3 or limited categories)	• Reported to CDP	• Some limited targets set (e.g., scope 2 only, or energy efficiency targets)
Medium - 2	• Scope 1 and 2 emissions + relevant scope 3 categories	• Partial response CDP SC* with some relevant data points	• Comprehensive scope 1 and 2 targets, and may include scope 3, but not aligned with SBT criteria**
High - 3	• 3rd party verified scope 1 and 2 emissions; + relevant scope 3 categories	• Complete CDP SC* response with all relevant data points	• Has set SBT-aligned goals or committed or set SBTi goals**

Weighted average score:
0= No Data
1 - 1.9 = Low
2 - 2.9 = Medium
3 = High

Methodology:
Suppliers are evaluated against the three categories GHG inventory, climate reporting and target setting and based on the three scores given a weighted average score.

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SBT Overview

Why Set Emissions Reduction Targets?

Impacts of climate change are already occurring and are expected to be much worse at 2°C+ than if mitigated to lower warming.
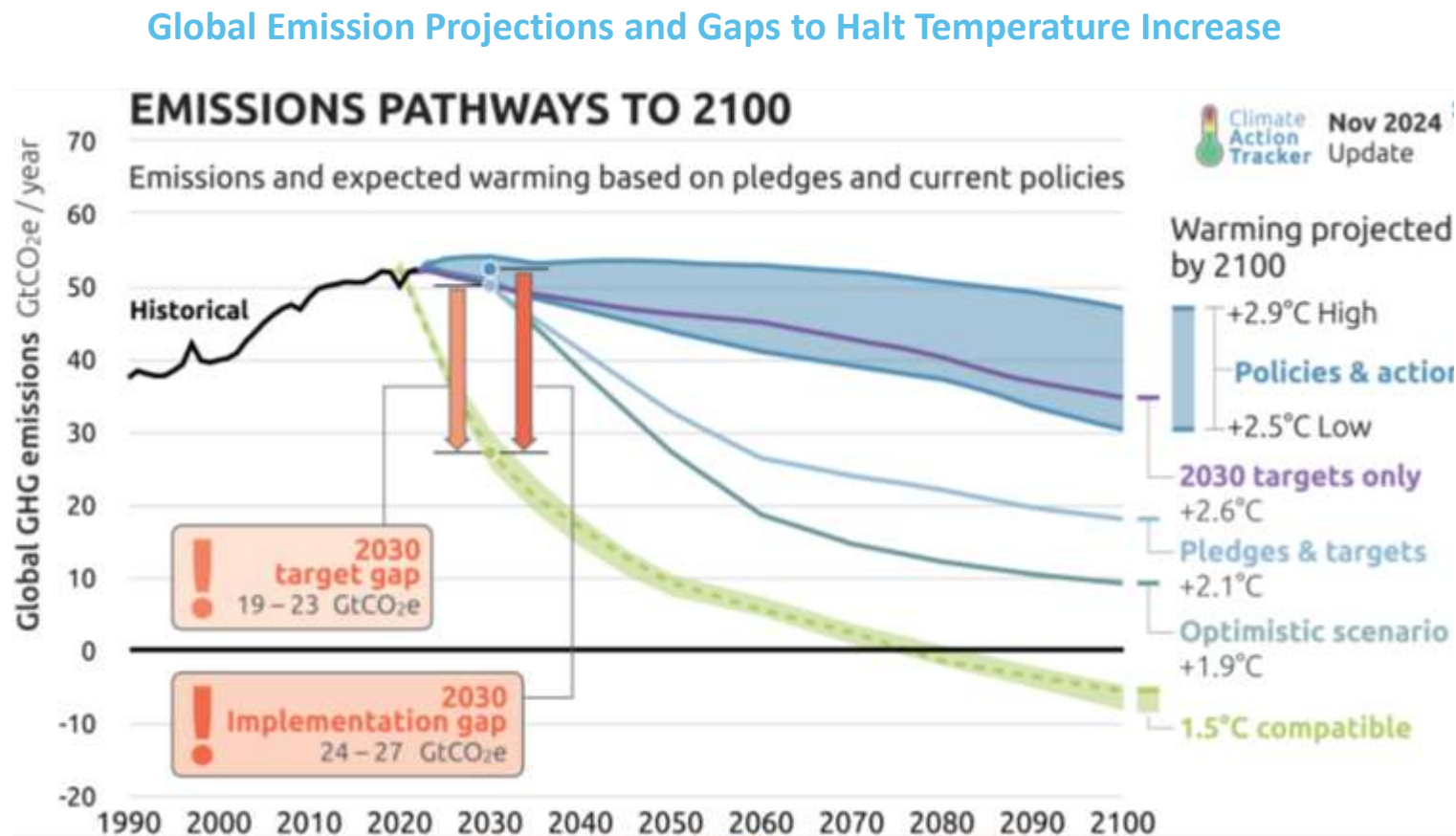
Current policies project a 2.7°C warming by 2100.

2015 Paris Agreement was the catalyst to pursue efforts to limit increases to 1.5°C.

Global Emission Projections and Gaps to Halt Temperature Increase

SBTi   Climate Action Tracker

Natural Resources at Risk from Climate Change

- Climate risks are unique as they are non-linear, interrelated, unprecedented and pervasive, extending into business, nature, and human health risks, influencing non-traditional risk management timelines.

- **Climate risks** are primarily classified into Physical and Transition risks:

- **Physical Risks** account for worsening of the climate and impacts to assets, the environment, and economy.

- **Transition Risks** are related to the transition to a low-carbon world.

- Opportunities are the beneficial possibilities for innovation, collaboration and growth that emerge from addressing climate challenges.

Extreme weather events experienced across the globe recently

California's record wildfires

January's wildfires killed 29 people and produced an economic impact 10 times larger than any prior wildfire in CA

Extreme flooding in Valencia, Spain

Valencia was hit with extreme precipitation, destroying retail inventory, homes and farms

Policies and consumer preferences are reflecting different region's climate goals

Increased regulations

In 2026, some industries in the EU will be subject to a carbon tax, impacting the prices of raw materials

Changing global demand

85% of global consumers say climate change concerns have changed the products and services they use

EPA Climate Risks

What is the Science Based Targets Initiative (SBTi)?

The **Science Based Targets Initiative (SBTi)** is a global corporate climate action organization that enables companies and financial institutions worldwide to set targets aligned with climate science to reduce and eliminate GHG emissions.

Established in 2015 in partnership with CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

SBTi develops and validates science-based targets for emissions reductions that are aligned with the Paris Agreement to hold global temperature increases below 1.5 degrees Celsius by 2050.

Key functions of SBTi include:

- Develop standards, tools and guidance to enable companies to set science-based targets in line with the latest climate science.

- Assess and validate companies' and financial institutions' targets.

- Define and promote best practices in emissions reductions and net-zero targets in line with climate science.

8282 with science-based targets

10945 businesses with targets and commitments

1904 net-zero targets
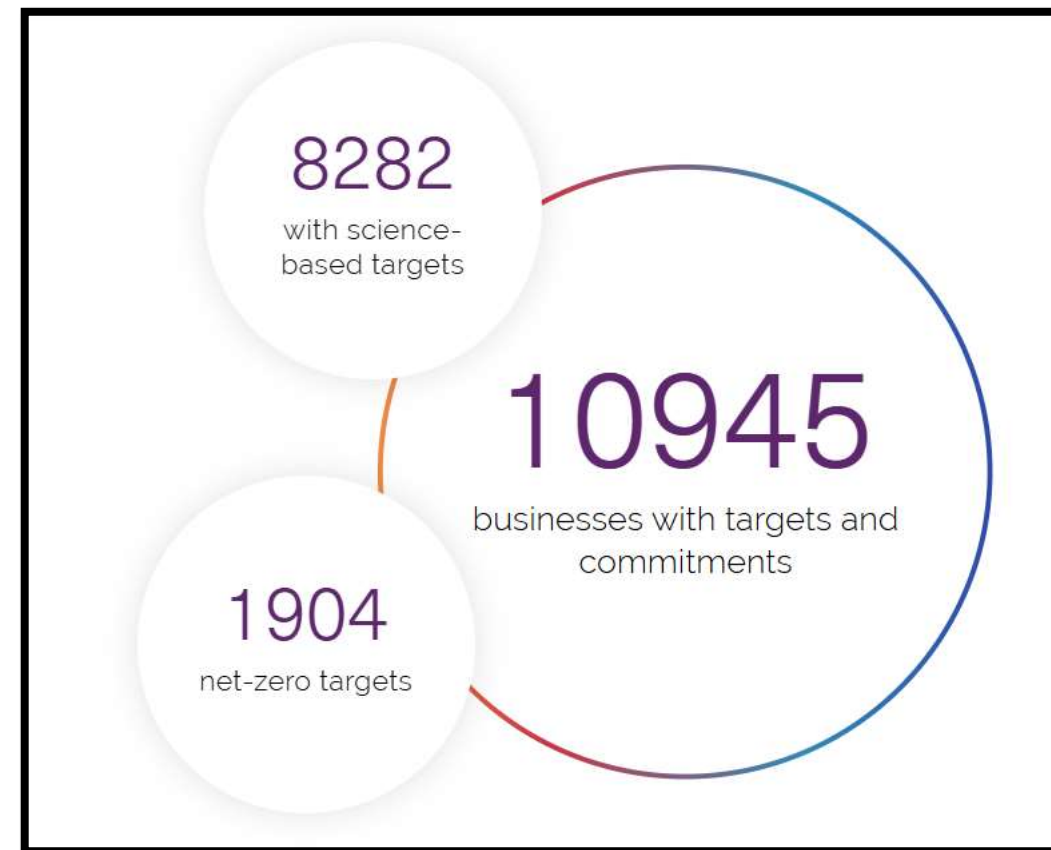
As of 7.2.25

SBTi

What are Science-Based-Targets (SBTs)?

Science-based targets (SBTs) are goals aimed at reducing greenhouse gas emissions in line with climate science. These targets specify how much emissions need to be cut, and the timeframe required to meet global climate objectives.

Benefits of setting an SBT:
- Increase brand reputation
- Increase in investor confidence and gain competitive advantage
- Drives innovation

Companies submit their targets to the Science-Based Targets Initiative for validation.

This is optional for KLA's suppliers but is recommended to get third party validation from SBTi as indicated in KLA's climate maturity matrix.

SBT Validation Process

A step-by-step process

COMMIT — Submit a letter establishing your intent to set a science-based target

DEVELOP — Work on an emissions reduction target in line with the SBTi's criteria

SUBMIT — Present your target to the SBTi for official validation

COMMUNICATE — Announce your target and inform your stakeholders

DISCLOSE — Report company-wide emissions and progress against targets on an annual basis

Benefits of SBTi validation:
- Detailed review, feedback, and support from SBTi technical experts
- Enhanced credibility of your goal
- Public recognition by external stakeholders (customers, investors, NGOs, etc.)

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SBT Criteria Explained

Develop a Target: SBTi Criteria for Science-Based Targets

Aspect	SBTi Criteria
Boundary	All company-wide Scope 1 and 2 GHG emissions must be covered (at least 95%).
Timeframe	5-15 years into the future; from date target is submitted to SBTi for official validation (long-term targets recommended).
Progress to date	Forward-looking ambition is measured from the year with the most recent completed GHG inventory and does not include progress already achieved.
Reporting	Disclose GHG emissions inventory on an annual basis.
Scope 3	A Scope 3 screening is required, and an ambitious, measurable Scope 3 target is **required** when Scope 3 emissions cover **more than 40% of total emissions**.
Level of Ambition	At a minimum – consistent with the level of decarbonization required to keep temperature increase to well-below 2°C while SBTi encourages efforts towards 1.5°C.
Absolute vs. Intensity	Intensity targets are only eligible when they lead to absolute emission reductions in line with climate scenarios for keeping warming well-below 2°C or when they are based on an approved sector pathway or method approved by the SBTi (e.g. the SDA).
Renewable Energy Targets	Targets to source renewable electricity at a rate that is consistent with 2°C scenarios are an acceptable alternative to scope 2 emission reduction targets (80% by 2025; 100% by 2030).

SBTi Criteria V 5.2

Please refer to the SBTi Criteria V 5.2 link to start developing your Scope 1 & 2 targets before moving onto scope 3. The scope 3 requirements and criteria are more complicated.

SBT Criteria: Further Details for Scope 1, 2 and 3

Some organizations build their science-based targets 100% in-house using online public tools and others work with 3rd parties to help them build their science-based targets for scope 1, 2, and 3.

Long-term temperature limit goal	Ambition	Target trajectory	2030 example
1.5°C	Minimum requirement for **scope 1 and 2**	**4.2%** Annual linear reduction rate over target timeframe	**42%** absolute reduction by 2030 from a 2020 baseline
Well-below-2°C	Minimum requirement for **scope 3**	**2.5%** Annual linear reduction rate over target timeframe	**25%** absolute reduction by 2030 from a 2020 baseline

For further details about what is included in scope 1, 2 and 3 please refer to KLA's GHG inventory training.

SBTi Criteria V 5.2

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Example: Components of an Emissions Target
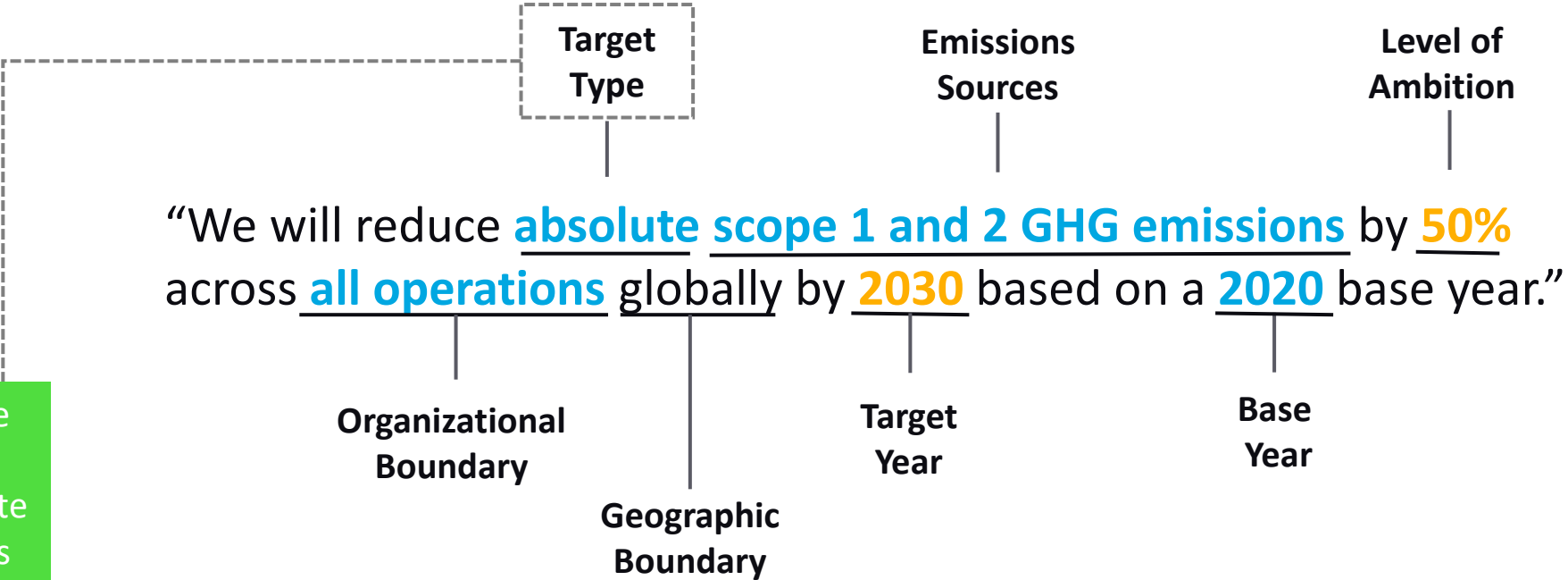
Target Type

Emissions Sources

Level of Ambition

"We will reduce **absolute scope 1 and 2 GHG emissions** by **50%** across **all operations** globally by **2030** based on a **2020** base year."

Organizational Boundary

Geographic Boundary

Target Year

Base Year

Intensity targets are only eligible when they lead to absolute emission reductions in line with climate scenarios for keeping warming well-below 2°C or when they are based on an approved sector pathway or method approved by the SBTi (e.g. the SDA).

The type of target established – absolute or intensity – is a critical decision during target setting:	
Absolute Target	Reduction in total emissions, regardless of business growth
Intensity Target	Reduction in intensity, normalized by emissions per unit of activity (e.g., square footage, units of production, revenue)

Examples of Target Types: Absolute and Intensity

Please refer to the Appendix where it highlights what type of target your organization is eligible for and the pros and cons of each target type. The absolute target is more straightforward to calculate.

Example of an Absolute Target
Definition: An absolute target describes a reduction in actual emissions in the future when compared to a base year. **Example Target:** We commit to reducing our Scope 1 and 2 GHG emissions by 30% from 2020 to 2030.

Examples of an Intensity Target
Definition: An intensity target describes a future reduction in emissions that have been normalized to a business metric when compared to the same normalized business metric emissions in a base year. **Example Target:** We commit to reducing our Scope 1 and 2 GHG emissions (tCO_2e) per revenue(million USD) from 2020 to 2030.

Note: For further information on current organizational SBTi approved targets please see SBTi Dashboard.

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Base Year Calculation

Example

Base Year Emissions = Year Data Using

①

② **Near Term 1.5°C Pathway**
(absolute reduction of 4.2% from the base year, aiming for halving emissions by 2030 to avoid a climate crisis)

③ **Net Zero Long Term Target**
(net zero emissions must be achieved to avoid a climate crisis)

2020 **2030** **2040** **2050**
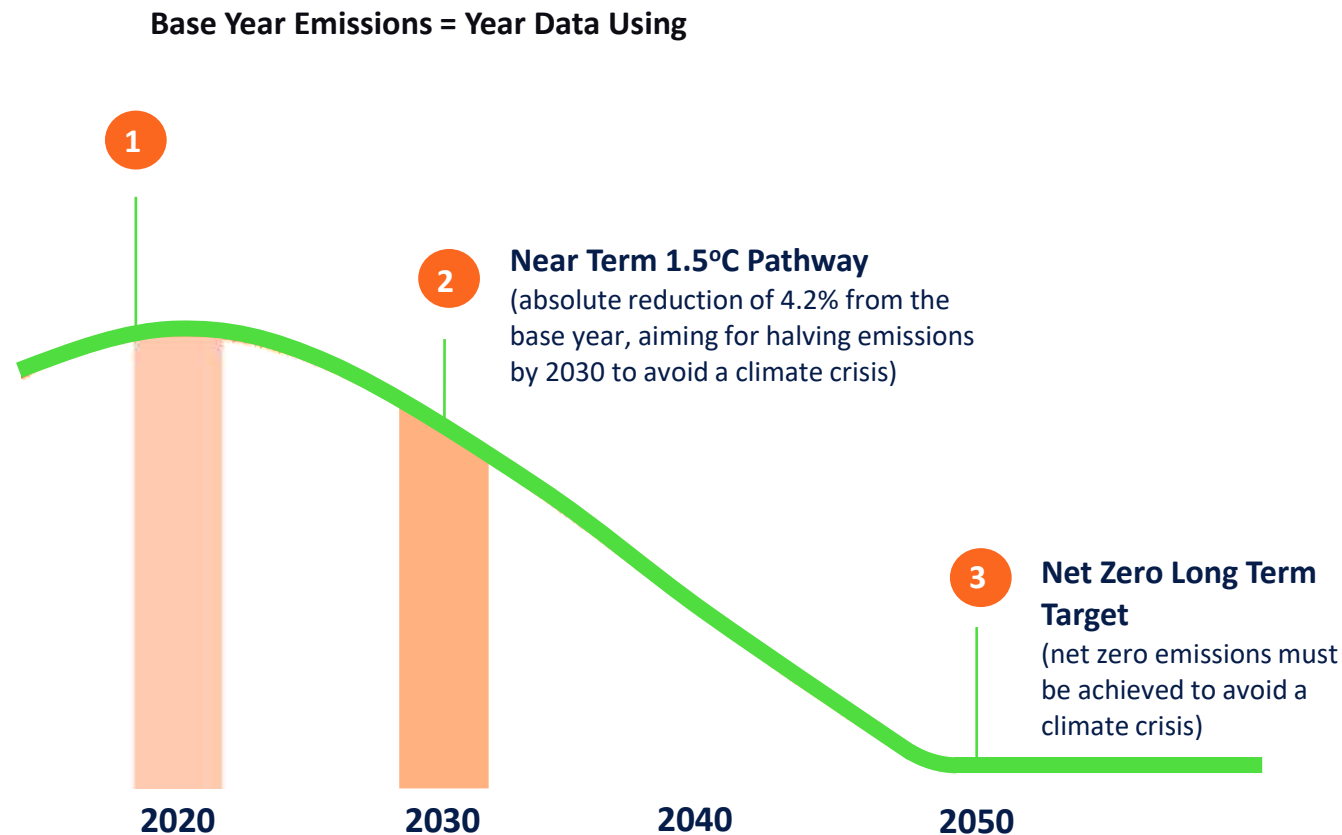
Reduction Scenario

As 2030 rapidly approaches, reduction targets set after 2020 must adjust their base year to meet the Near-Term Reduction goal.

Ex 1: 10-year Target

➢ Target Set=2020

➢ Base Year[1] = 2019

➢ Target Year = 2030

• Total Reduction = (2030-2019) * 4.2% = 46%

• Resulting YoY Reduction: 46%/ 10 yrs. = 4.6%

Ex 2: 10-year Target

➢ Target Set= 2025

➢ Base Year[2] = 2024

➢ Target Year = 2035

• Total Reduction: (2035-2020) * 4.2% = 63%

• Resulting YoY Reduction: 63% / 10 yrs. = 6.3%

Base Year = Most recent year of collected data, used to set target

Note: Further details about choosing a base year and a target year can be found in the Appendix.

SBTi Standards and Guidance

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SBT Resources to Review

SBTi has a range of resources on its website to get you started in setting your science-based target. This includes the SBTi criteria and guidance, FAQs, e-learning resources and tool kits.

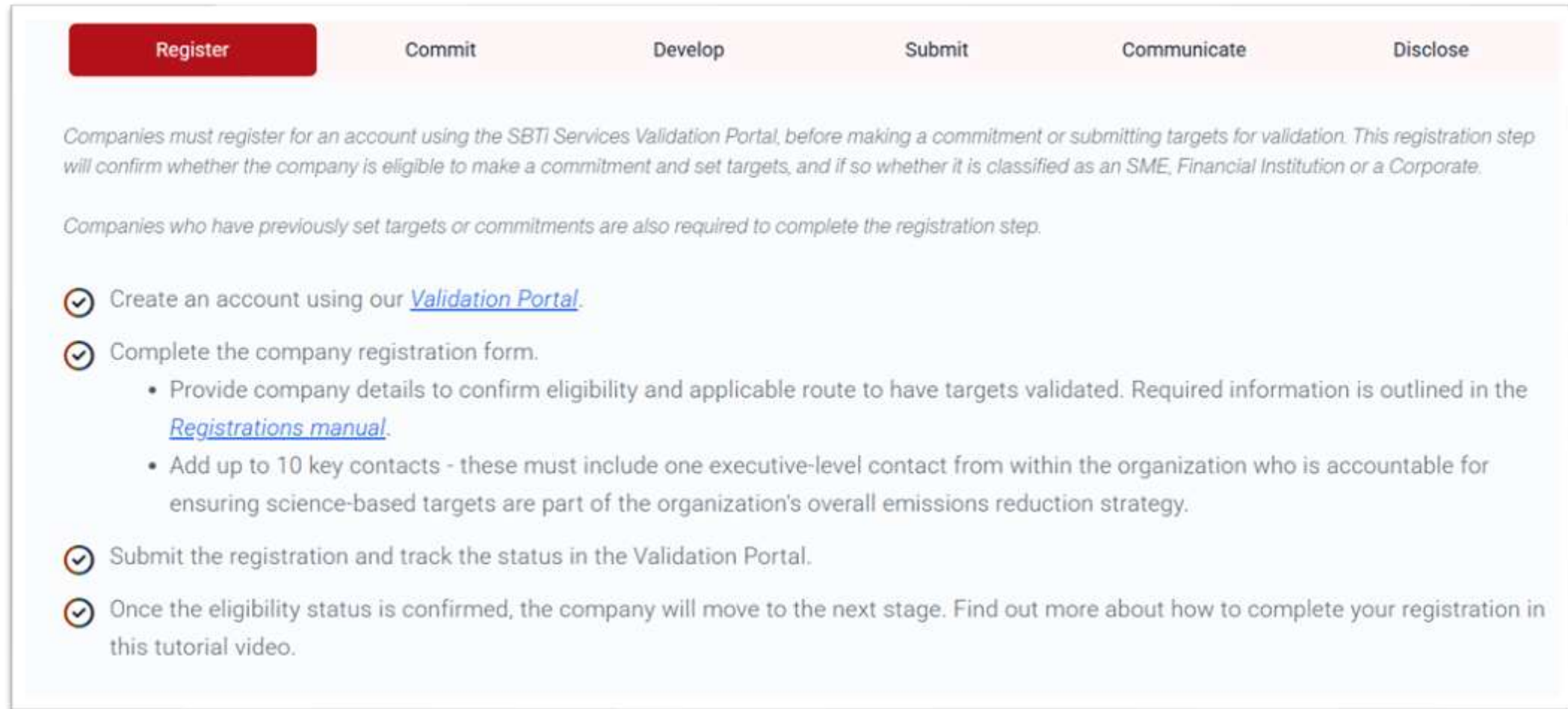| Source	Resource Links		
Science-Based Targets Initiative (SBTI)	SBTi	Science-Based Targets e-learning	SBTi Criteria (v5.2)
	SBTI Getting Started Guide	Science-based target setting tool (v2)	The value of setting an SBT
	SBTi Companies Taking Action	SBTi FAQs	SBTi Standards and Guidance

Science-Based Targets Initiative (SBTi) Target Setting Process

SBTi Registration Process

| Register | Commit | Develop | Submit | Communicate | Disclose |

Companies must register for an account using the SBTi Services Validation Portal, before making a commitment or submitting targets for validation. This registration step will confirm whether the company is eligible to make a commitment and set targets, and if so whether it is classified as an SME, Financial Institution or a Corporate.

Companies who have previously set targets or commitments are also required to complete the registration step.

✓ Create an account using our *Validation Portal*.

✓ Complete the company registration form.
  - Provide company details to confirm eligibility and applicable route to have targets validated. Required information is outlined in the *Registrations manual*.
  - Add up to 10 key contacts - these must include one executive-level contact from within the organization who is accountable for ensuring science-based targets are part of the organization's overall emissions reduction strategy.

✓ Submit the registration and track the status in the Validation Portal.

✓ Once the eligibility status is confirmed, the company will move to the next stage. Find out more about how to complete your registration in this tutorial video.

Important Links on SBTi website:
- Validation Portal
- Registration Manual

These are Third Party Charts

SBTi Commitment Process

Register	Commit	Develop	Submit	Communicate	Disclose

*Corporates or financial institutions that are ready to proceed to validation can **skip the commitment stage**.*

Is the company an SME? SMEs are not eligible to set commitments, so please proceed straight to the Develop stage. Find out more about SME eligibility here.
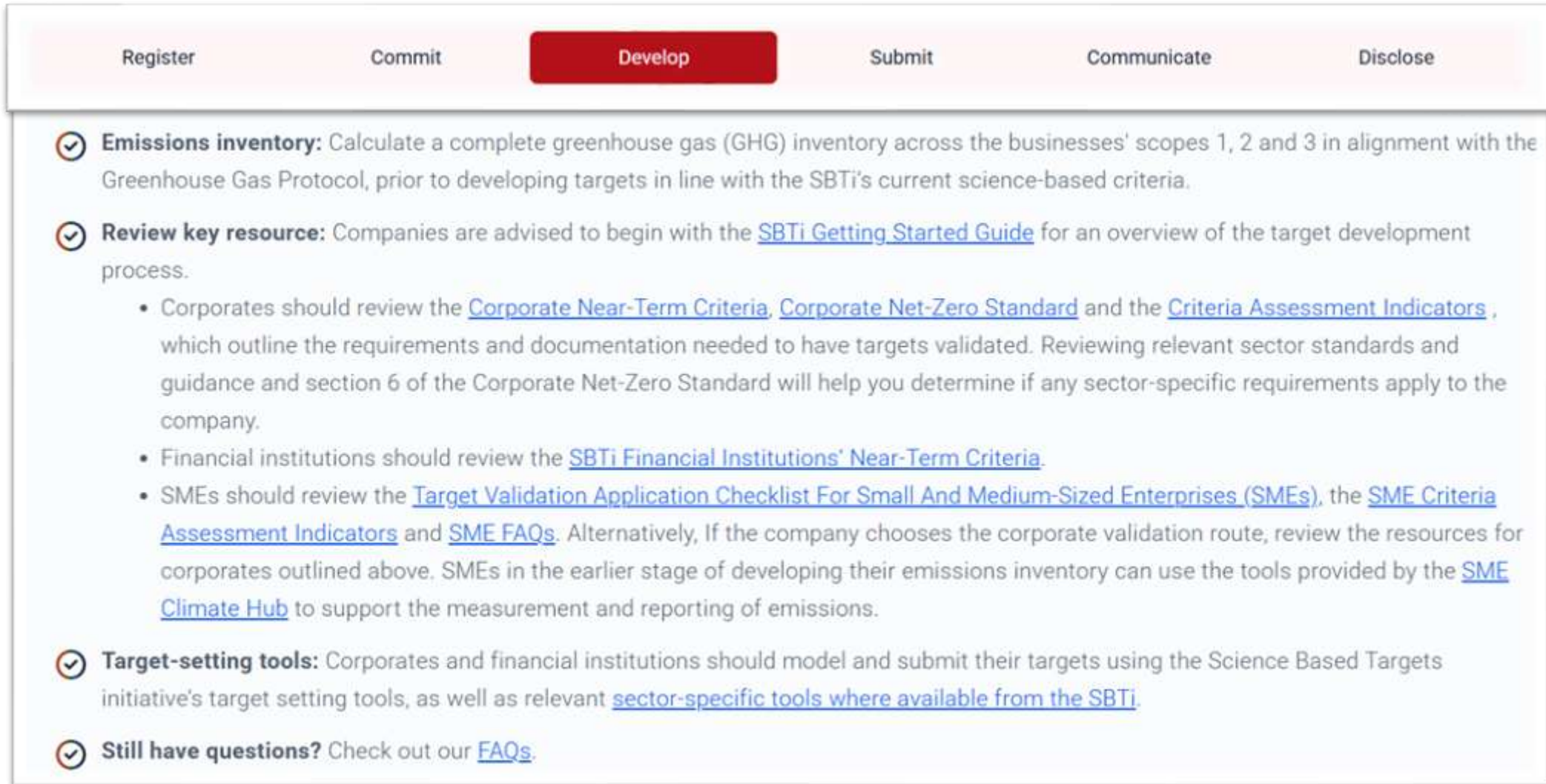
✓ Before making a commitment, the company needs a **registered account on our Validation Portal** - see the *Register* step above. Navigate to the 'commitment' section in the Portal, and click "Make a commitment".

✓ Companies are encouraged to pursue the highest ambition in their emission reduction targets by committing to develop long- term targets to achieve net-zero greenhouse gas emissions in the value chain by 2050.

✓ **Review and agree to the *Commitment Compliance Policy*.** This expresses the company's intent to set a science-based emission reduction target that aligns with the Science Based Targets initiative (SBTi) criteria. Once committed, the company has 24 months to develop and submit targets to SBTi Services for validation, but is advised to submit targets as soon as possible.

✓ Gain recognition: Once the commitment has been submitted and reviewed, the company will be recognized as "Committed" on the *Target Dashboard*, and partner sites including the *We Mean Business Coalition.* Companies committing to net-zero targets will automatically join the **Race to Zero** campaign and if the company participates in the UN Global Compact, it will also be recognized under its Forward Faster initiative.

Important Links on SBTi website:
- SME Eligibility
- Commitment Compliance Policy

These are Third Party Charts

SBTi Developing Targets Process

Register	Commit	**Develop**	Submit	Communicate	Disclose

✓ **Emissions inventory:** Calculate a complete greenhouse gas (GHG) inventory across the businesses' scopes 1, 2 and 3 in alignment with the Greenhouse Gas Protocol, prior to developing targets in line with the SBTi's current science-based criteria.

✓ **Review key resource:** Companies are advised to begin with the SBTi Getting Started Guide for an overview of the target development process.

- Corporates should review the Corporate Near-Term Criteria, Corporate Net-Zero Standard and the Criteria Assessment Indicators, which outline the requirements and documentation needed to have targets validated. Reviewing relevant sector standards and guidance and section 6 of the Corporate Net-Zero Standard will help you determine if any sector-specific requirements apply to the company.
- Financial institutions should review the SBTi Financial Institutions' Near-Term Criteria.
- SMEs should review the Target Validation Application Checklist For Small And Medium-Sized Enterprises (SMEs), the SME Criteria Assessment Indicators and SME FAQs. Alternatively, If the company chooses the corporate validation route, review the resources for corporates outlined above. SMEs in the earlier stage of developing their emissions inventory can use the tools provided by the SME Climate Hub to support the measurement and reporting of emissions.

✓ **Target-setting tools:** Corporates and financial institutions should model and submit their targets using the Science Based Targets initiative's target setting tools, as well as relevant sector-specific tools where available from the SBTi.

✓ **Still have questions?** Check out our FAQs.

Important Links on SBTi website:
- Getting Started Guide
- Corporate Near-Term Criteria

These are Third Party Charts

SBTi Submitting Targets Process

Register	Commit	Develop	**Submit**	Communicate	Disclose

To submit targets for validation, companies will need a registered account on the SBTi Services Validation Portal - see the Register step above.

Prepare the target submission forms and submit them to SBTi Services to start the validation.

✓ **Target submission:** To have science-based targets validated and published on the Science Based Targets initiative's website:
- Select the relevant validation services. You can view details and fees here.
- SMEs or corporates using the corporate route can complete their submission directly in the Validation Portal. For companies setting sectoral targets, relevant target-setting tools must be uploaded into the Portal as supporting evidence for the submission.
- Financial institutions must complete and upload the Financial Institutions Target Submission Form, as well as the Buildings Annex (if relevant), and target-setting tools and calculation documents for their temperature rating or portfolio coverage targets (as relevant) as supporting evidence for the submission
- All relevant tools and forms are accessible via the Validation Portal as well as the Resources page of this website.
- All companies must provide invoice details, and sign our terms & conditions
- Financial institutions target submissions are screened prior to official validation. If the screening is approved, the validation start date will be confirmed. Our team may also contact SMEs regarding the submission before confirming if the targets are approved.
- You will receive updates on the target submission and validation process via email as well as in the Validation Portal.
- Please review the Procedure for Validation of SBTi Targets and Validation Schedule for more information on the validation process and timelines.

Important Links on SBTi website:
- Details and Fees
- Procedure for Validation of SBTi Targets

SBTi Communication and Disclosure Steps

Register	Commit	Develop	Submit	**Communicate**	Disclose

Announce the target and inform stakeholders.

- ✓ Once the targets are approved, they will be published on the Science Based Targets initiative website.
- ✓ Targets are usually published on a weekly basis one month after their validation, unless otherwise agreed. The target must be made public within six months of validation, or it will require revalidation to ensure it is in line with the latest science-based criteria.
- ✓ Companies receive a welcome pack with important guidelines on how to communicate the new target.

Register	Commit	Develop	Submit	Communicate	**Disclose**

Annually disclose progress & greenhouse gas emissions.

- ✓ Once targets are approved, companies must disclose emissions annually and monitor progress towards achieving the targets.
- ✓ Recommendations for reporting include through annual reports, sustainability reports, your company's website, disclosure via CDP or CSRD, or any other publicly available statement.
- ✓ Refer to Annex D of the Corporate Net-Zero Standard for guidance.
- ✓ Ready to get started? Create an account
- ✓ Want to find out more? Browse our FAQs

These are Third Party Charts

Connecting SBTs and CDP

Comparing Platforms- CDP vs. SBTi

	What does KLA use it for?	What is required for submission?	How often do we submit?	Is our response public?
CDP DISCLOSURE INSIGHT ACTION	• CDP is used to collect KLA's supplier emissions data and track annual progress.	• Companies to complete the CDP priority questions KLA has requested.	• CDP is an **annual reporting** process typically open April-July. • In 2025 CDP runs from June- September. • KLA's expectation is for all suppliers to annually respond to KLA's CDP priority questions by the deadline.	• No, your CDP response is only submitted to KLA and not reported publicly.
SCIENCE BASED TARGETS	• SBTi is an optional way for companies to get their science-based targets (SBTs) validated.	• It is optional to get your science-based target 3rd party validated by the SBTi. • Please set a science-based target and share with KLA via the CDP priority questions using the science-based criteria.	• Validation process has an initial one-time submission • Requires an annual report on target process. • Commits to review, and if necessary, recalculate and revalidate targets at a minimum of every 5 years.	• If you chose to go through SBTi validation, your commitment and target information will be publicly available on SBTi's website. • When you report your science-based targets in CDP to KLA, it will **not** be public.

KLA'S CDP Priority Questions for 2025

If your CDP contact has changed since last year, please email **Lilit.Hovhannisyan@kla.com** so that we can ensure you receive all emails. Please see the KLA CDP Supplier training recording for more details about the 2025 CDP program.

CDP 2025 Supplier Questions
Disclose to CDP (Track complete response vs. partial response)
5.11.7 (18.3*) Reporting on supplier engagement
5.12 (18.4*) Suggest collaboration ideas for emissions reduction with KLA
5.13.1 (18.5.1*) Reporting on KLA's influence on emissions
7.6, 7.7 (20.4, 20.5*) Reporting scope 1 and 2 emissions
7.8 (20.7*) Reporting scope 3 emissions
7.9-7.9.3 Emissions verification
7.26 (20.12*) Allocated emissions
7.30 Reporting energy related activities
7.30.1 (2.15.2*) Reporting total energy consumption
7.30.9 Reporting electricity, steam, and cooling consumption and production

CDP 2025 Supplier Questions
7.30.16 (20.15, 20.15.1*) Reporting electricity, steam, and cooling by country
7.53-7.54.3 (20.16-20.16.3*) Emission reduction targets (GHG emissions reduction target, SBT, and planning to set an SBT within 2 years)
7.55.2 Reporting emissions reduction activity

Note: KLA continues to increase the number of CDP questions it asks suppliers as the program matures.
This helps KLA understand suppliers' goals, challenge areas and how KLA can support suppliers in building a GHG inventory and setting an SBT.

1. CDP 2023-14 questions requested
2. CDP 2024- 21 questions requested
3. CDP 2025- 26 questions requested

(*) SME questionnaire equivalent

Next Steps

Next Steps Recap

Start with developing a GHG inventory, then move onto setting your science-based targets and then begin taking action to reduce your emissions to reach your targets. Please report your progress for all steps through CDP annually even if they are not complete.

Step 1: Develop a GHG Inventory	Step 2: Setting Science-Based Targets		Step 3: Implement Reductions
Measure your carbon footprint (See KLA's GHG inventory training for more details)	Internal buy-in from key internal stakeholders	Develop targets (Scope 1,2,3)	Develop a reduction plan (See KLA's GHG inventory training for more details)
Identify company assets	Stakeholder Interviews	Define baseline and target year	Energy efficiency and onsite renewables
Obtain energy data	Assess current projects	Chose target type	Renewable energy procurement
Convert energy data to emissions data	Develop a vision	Set level of ambition	Supply chain engagement

Ongoing step: Organizations must report to CDP annually so KLA can track and measure progress including in 2025.
Please see KLA's CDP 2025 training for more details.

TIME →

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Questions?

Appendix

Why Should Your Company Set A Science Based Target?

1. **Science & Moral Imperative** – tie to personal values, corporate values, and company impacts (existing + future)

2. **Risk Reduction** – mitigating climate impacts can benefit the corporation through reduced risk physical and transition risks, including extreme heat, flooding, brand deterioration, and regulatory requirements, as noted above

3. **Peer Benchmarking** – demonstrate how competitors and peers are showing up in the marketplace

4. **Expectations Mapping** – conduct materiality assessment and gain an understanding of expectations from employees, customers, investors, and others

5. **Compliance Preparation** – engaging in early voluntary action can help prepare your company for compliance obligations & carbon pricing schemes

6. **Cost Savings** – when done well, sustainability initiatives can often result in long-term cost savings (e.g., energy efficiency programs, renewable energy, lightweighting, etc.)

7. **Innovation** – sustainability programs often lead to innovation yielding product and brand differentiation in a crowded market

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SBTi Base Years and Target Years

Additional Details

<u>Base years</u>

- When selecting a base year, there are two important considerations.

- The first is ensuring your business has verifiable scope 1, 2 and 3 emissions data for this year. That's because to develop an adequate benchmark, businesses need to provide a clear and accurate greenhouse gas inventory.

- The year must also be representative of typical business activity. An unusual year of business activity that does not represent business as usual should not be used.

    - For example, if a business underwent a merger or acquisition, or if an expected extreme weather event or pandemic significantly impacted a company's usual operations in any given year, then it should not use that base year.

- Selecting the right base year helps ensure emissions reduction targets are both ambitious and achievable, which is why it's important to use the SBTi's resources to help you pick the right year when setting your targets.

<u>Target years</u>

- Near-term targets must have a target year of 5-10 years from the date the target is submitted to the SBTi. Long-term targets must have a target year of 2050 or before.

- Only targets submitted in the first half of a calendar year can include the current year in the threshold. For example, companies submitting a near-target by the end of June 2024 can have a target year between 2028 and 2033. Near-targets submitted from July to December 2024 must have a target year between 2029 and 2034.

- When selecting target years, it's important to remember that our guidance outlines the minimum ambition to align with climate science. Many companies go beyond this to choose more ambitious target **SBTi Criteria V 5.2**

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Pros and Cons of Absolute vs Intensity Targets

Method	Minimum Requirements	Scopes	Example	Benefits	Challenges
Absolute Contraction	• 1.5°C pathway • 4.2% annual linear reduction rate	1 + 2	25% reduction by 2030	• Straightforward • Easy to communicate • Majority of companies use this method	• Rapidly growing businesses may find absolute reductions challenging
	• Well-below 2°C pathway • 2.5% annual linear reduction rate	3			
Physical Intensity	• Uses a physical unity representative of company (e.g., tCO2/product sold)	3	51.6% intensity reduction per product by 2030	• Useful for rapidly growing companies	• More data required, projections into the future (less accurate) • Metric selection can be challenging – wafer vs transistor vs product sold
Economic Intensity	• Uses emissions per unit value added • 7% year-on-year reduction	3	51.6% intensity reduction per value added by 2030	• Useful for rapidly growing companies	• Dependent on macroeconomic trends • More data required and projections into the future can be less accurate
Engagement	• Suppliers or customers representing a certain percentage of emissions to set their own SBTs • Must be achieved in 5 years	3	80% of suppliers by emissions will have SBTs by 2028	• Efforts are focused on suppliers with the largest footprint • Can be a helpful stepping stone to setting an absolute reduction target	• Shorter timeframe • Influence on suppliers is variable • Resources required for tracking supplier progress

SBTi

SBTi Validation is Optional for KLA Suppliers, but Encouraged

A step-by-step process

COMMIT
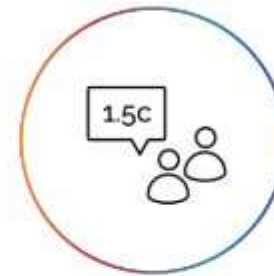Submit a letter establishing your intent to set a science-based target

DEVELOP
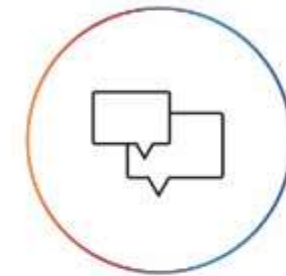Work on an emissions reduction target in line with the SBTi's criteria

SUBMIT
Present your target to the SBTi for official validation

COMMUNICATE
Announce your target and inform your stakeholders

DISCLOSE
Report company-wide emissions and progress against targets on an annual basis

Benefits of SBTi validation*:

- Detailed review, feedback, and support from SBTi technical experts
- Enhanced credibility of your goal
- Public recognition by external stakeholders (customers, investors, NGOs, etc.)