WORLD RESOURCES INSTITUTE

REQUEST FOR PROPOSALS:
SBTi-Finance Temperature Alignment Tool Development

SUMMARY OF PROCUREMENT

On behalf of the SBTi-Finance project, WRI intends to award a Fixed Price type contract for technical support in developing a software tool that companies and financial institutions can use to assess the temperature alignment of current targets, commitments, and investment and lending portfolios, and to use this information to develop targets for official validation by the SBTi. This open-source tool will be the preliminary public release of a new method and corresponding tool for financial institutions to set Paris Agreement-aligned targets. This request covers near-term development of a beta tool that can be expanded in subsequent work. The **proposal deadline is April 17** for development of an actionable, tested tool by September.

About the World Resources Institute
Founded in 1982, the World Resources Institute (WRI) is a global environmental think tank that goes beyond research to put ideas into action. We work with governments, companies, and civil society to build solutions to urgent environmental challenges. WRI's transformative ideas protect the earth and promote development because sustainability is essential to meeting human needs and fulfilling human aspirations in the future. Along with CDP, the UN Global Compact, and WWF, WRI founded the Science Based Targets initiative in 2015; WRI is managing partner of the SBTi-Finance project.

About the SBTi-Finance Project
The SBTi-Finance project enables financial institutions to set targets for their investment and lending portfolios that are aligned with the reductions needed to stay in line with well-below 2°C and 1.5°C climate scenarios. The goal of the initiative is to make science-based target setting standard practice and for these targets to result in emissions reductions in the real economy. This project is a financial-sector portion of the broader SBT initiative.

SBTi-Finance intends to raise the ambition of the finance sector by defining and promoting best practice in science-based target setting and providing methods, criteria, guidance and tools to reduce the barriers to adoption and implementation (i.e. actions that lead to atmospheric reductions of GHG concentrations). Within the broad ecosystem of organizations and value chains that link financial institutions with GHG emissions in the real economy, SBTi-Finance is focused on *ex ante* targets at the asset class level. This tool development project builds on previous SBTi company target research that is used to differentiate between 1.5°, well-below-2°, and 2° approved company SBTs. Selected tool developer(s) will work closely with SBTi-Finance core team members, financial institutions, and data providers in an open multi-stakeholder process.

SCOPE OF WORK AND OUTPUTS/DELIVERABLES

This project includes the following range of elements: climate and financial data compilation and analysis, method refinement, code development, tool testing, implementation, and dissemination. Applicants do not need to perform all aspects of the project and are requested to identify in their proposals which aspects of the project they will cover. Collaborative and/or consortia applications are acceptable.

Code Development

The SBTi-Finance target setting tool (the tool) should provide Paris Climate Agreement alignment assessment and GHG emissions reduction target setting capabilities for companies and portfolios using two different methodologies: **SBT Portfolio Coverage** and **SBT Temperature Alignment.** The tool and methodology will be open source and input and output agnostic.

Target audience

The tool's primary users are likely to be ESG (environmental, social and governance) teams and risk-, compliance- and portfolio managers at financial institutions as well as service providers to these institutions (e.g. financial index providers, ESG data providers).

The SBTi Target Validation Team (the team that validates targets submitted to the SBTi) will be a secondary audience. The tool must be able to produce a standardized output (e.g. a sector-level results table) to be refined iteratively with SBTi-Finance core team.

Method Refinement

Two methods are presently expected to be included in the tool: SBT Portfolio Coverage and SBT Temperature Alignment.

SBT Portfolio Coverage

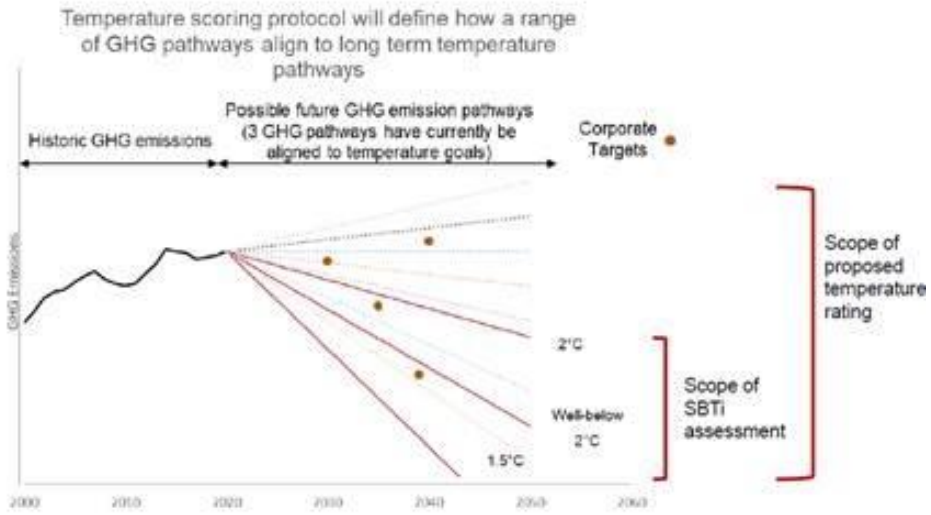
SBT portfolio coverage is a method whereby financial institutions commit to having a portion of their investees set their own SBTi approved science-based targets or equivalent, such that the financial institution is on a linear path to 100% portfolio coverage by 2050 (in consistent monetary terms). The SBT portfolio coverage method is a financial sector analogue to supplier engagement targets for 'real economy' scope 3 emissions.

1) Input data
    a) Portfolio companies
        i) Emissions (or other economic units) of total companies in the portfolio
        ii) Emissions (or other economic units) of companies with commitment to set a Science Based Target (SBT)
        iii) Emissions (or other economic units) of companies with SBTi approved SBTs
2) Aggregation/weighting methodology for portfolio
3) Output data
    a) Percentage of portfolio by emissions or other economic metrics
        i) With companies committed to set SBTs
        ii) With companies with validated SBTs

SBT Temperature Alignment

The launch of the IPCC 1.5°C report led the SBTi to classify all corporate GHG emissions reduction targets against long term temperature goals to determine relative ambition of approved targets. So far, GHG pathways aligned to three specific temperature pathways: 2°C, well below 2°C, 1.5°C have been determined by SBTi.

The SBT-Finance team is currently developing the company temperature classification to develop a portfolio-level temperature alignment method for financial institutions to assess and rate corporate ambition against a wider range of temperature outcomes (e.g. including 2.1°C and 3.1°C). This approach would enable financial institutions to understand the overall temperature alignment of their portfolios and take actions to move portfolio companies towards better temperature alignment. The method will be open source and will go through a separate peer review process. As illustrated in the figure below, the temperature alignment method would cover a broader group of companies than the SBT portfolio coverage method.



These are the expected basic tool building blocks:

1) Input data
    a) Target ambition
    b) Scope coverage
    c) Base & target year
    d) Regression models
    e) Basic financial information such as company market capitalisation, revenue, total assets, country, region
2) Protocol for selecting/interpreting company targets and conversion to temperature score
3) Default temperature score methodology for non-disclosing companies
4) Aggregation/weighting methodology for company and portfolio scores
5) Output data
    a) Temperature scores for individual companies and entire portfolios
    b) Portfolio- and company-level emission reduction targets

Requirements

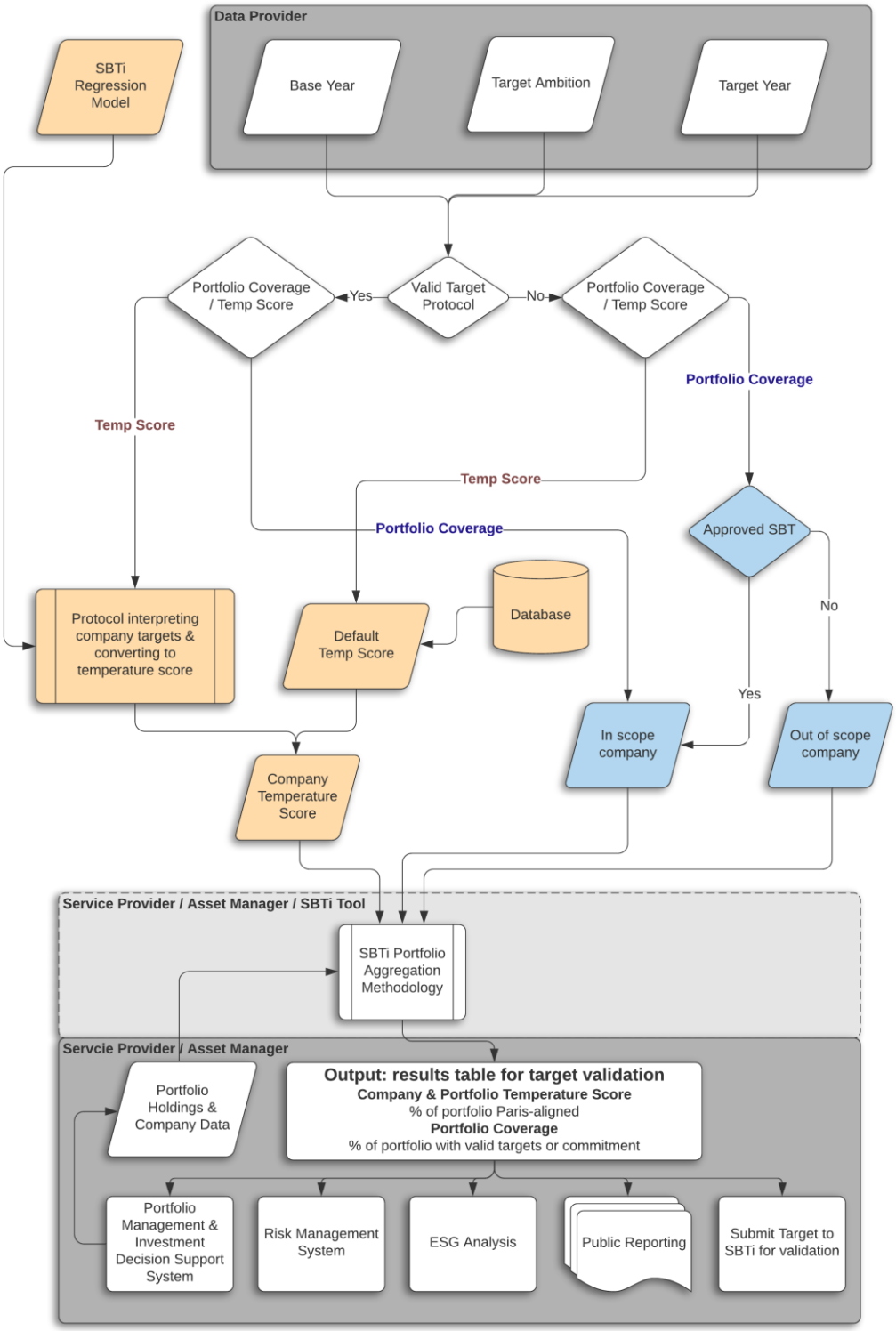
The tool should be data-agnostic, accepting input data from financial- and ESG-data providers such as CDP, ISS, Bloomberg and MSCI.

Output data must be able to be integrated into solutions that present the data in a variety of different ways, including but not limited to online/printed reports and software solutions such as portfolio/risk management tools, from all major services providers, such as Bloomberg, MSCI, Refinitive, Facset, ISS, CDP. The resulting output should also be in a format accessible to the SBTi target validation team for validation of targets.

The solution needs to be flexible enough to allow the integrating organization to use a variety of input data providers and services providers for output presentation and analysis.

The tool should include a codebase, which could be a Python package, taking input data from various resources, calculates company and portfolio scores, coverage measures and other output and then delivers that to the user's preferred interface.

SBTi-Finance Tool



Testing

During the development process, SBT-Finance project also needs help with testing the software solution. These tests include, but are not limited to:

- Back-end and compatibility testing, that the tool can:
    - Use and interpret a wide variety of input data sources and fields correctly such as:
        - GHG Emissions, target and base year, emissions reduction ambition, fundamental financial data from data providers such as:
            - CDP, ISS, MSCI, Bloomberg and other providers of ESG and financial data.
            - Some interpretation may involve machine reading, hence involving quality checks of the machine reading process
    - Be integrated with service providers infrastructure and end-user interface such as:
        - CDP, ISS, MSCI, Bloomberg and other service providers.
- Functional testing, that the tool can:
    - Be used for various types of portfolios including
        - Equity and corporate bonds
        - All regions and countries
        - Companies from all sectors and industries
        - Major investment strategies
            - Regional, sector, market capitalization, investment style (growth, value, quality, earnings revision, etc.), passive, active, smart beta, equity- and corporate bond-based hedge funds strategies
        - All portfolio sizes from the most concentrated to the most diversified portfolios
- Performance/load testing that the tool can:
    - Handle all major equity and corporate bond indices with no restriction on portfolio size (number of instruments).
    - Deliver results within a reasonable time frame regardless of data source and output interface.
- Acceptance testing, to ensure:
    - That the tool can be integrated into the end users' (asset managers/managers, index providers) workflow.
    - Service providers can integrate the tool into their end-user solutions.

Deliverables

• Kick-off call or webinar with SBTi-Finance team at project outset
• Weekly check-in with SBTi-Finance team on work progress, or as necessary

Tool design and testing

- Technical and information architecture design proposal
- Multiple design iterations of the tool, including wireframes and mockups
- Alpha version completion
- Testing as described above
- Beta version completion
- Revised beta version completion by September 1, 2020
- Technical tool deployment support through project completion on September 30, 2020
-

Deployment and conclusion

• Transfer of the tool, codebase, and related intellectual property to SBTi.

TIMING

The proposal deadline is **April 17**.

Milestones include alpha tool version, a completed beta version, and a completed revised version September 1, 2020. Successful proposals will specify milestones and processes used to produce a completed, tested, and revised version of the tool by September 1. Selected technical developer(s) are expected to support the functioning of the tool from deployment to the completion of this project on September 30, 2020. Additional work may follow with additional funding.

BUDGET

The maximum budget for this iteration of the project is $130,000.

Please note that WRI is an IRS-registered 501(c)3, tax-exempt organization. WRI is not VAT exempt. All prices or quotes should include VAT and tax, as applicable.

GUIDELINES FOR PROPOSAL SUBMISSION

Requirements

The selected Technical Developer(s) will be able to demonstrate capacity in similar work, particularly:

- Cost
- Short-term availability
- Technical capacity

Scope of proposal

The proposal shall include code development and/or testing. Bidders are encouraged to include components that may not be mentioned in this RFP but that will facilitate successful project completion.

Proposal content

A successful proposal will:

• Describe in detail the technical developer's proposal to address the requirements outlined in this RFP, including details such as technologies and data to be used.
• Describe the project process and methodology including sample deliverables from past projects of similar size and scope. Document examples of the firm's experience in designing/developing each of the project requirements.
• Provide a timeline for the completion of the work.
• Describe the fee structure and how WRI will be charged.

Proposals should set out how the activities and deliverables will be undertaken. A simple budget table should also be included, highlighting person time and associated cost per activity / deliverable. Proposals should no longer than 10 pages including CVs, citations and the budget table.

Expression of Interest, Deadline for Questions, and Proposal

Questions are welcome until the proposal deadline. Answers to project questions will be shared with all parties who have asked questions or otherwise expressed interest.

All proposals should be in PDF format and should be e-mailed to Nate Aden at naden@wri.org.

EVALUATION AND SELECTION

Evaluation Criteria

The following elements will be the primary considerations in evaluating all submitted proposals:

- Completion of identified required elements;
- The extent to which the technical developer's proposal fulfills the stated requirements as set out in this RFP;
- Experience with similar finance- and climate-related projects
- Overall cost of the technical developer's proposal;

The bidder offering the best overall value will be selected. For this procurement, price and non-price aspects are of approximately equal importance.

Selection Process

No proposal development costs shall be charged to WRI / all expenses are to be borne by the bidders. WRI may award to the bidder offering best value without discussions. However, WRI reserves the right to seek bidder clarifications and to negotiate with those bidders deemed to be within a competitive range.

WRI may, at its discretion and without explanation to the prospective technical developers, choose to discontinue this RFP without obligation to such prospective technical developers or make multiple awards under this RFP.

Contact

Firms may request an interview with SBTi-Finance prior to submitting a proposal. Please direct all responses to this RFP and/or any questions to Nate Aden naden@wri.org.