Target Setting Requirements for Company Members

Version 1. 2022-02-21

Background
To avoid the most serious outcomes from global warming, the scientific consensus is that society needs to limit global temperature increase to no more than 1.5C.

Using an easy rule of thumb, this means that countries and industry need to reduce their greenhouse gas emissions by half - 50% - every decade until 2050.¹

Or, if applying the Science Based Targets initiative methodology (SBTi) as developed by the World Resources Institute and partners, companies are required to reduce emissions by 4.2% annually to stay within an acceptable probability of a 1.5C world, without relying on negative emission technology paid for by future generations.

Given what science is telling us and considering the global standard created by SBTi, for STICA the most credible approach for companies is to align their targets and greenhouse reduction pathways in line with the 1.5C degree pathway. And this means committing to absolute greenhouse gas reductions by 2030.

While companies who publicly set GHG reduction targets in line 1.5C and are implementing a credible roadmap to achieve this are demonstrating serious leadership and responsibility, we also acknowledge that:

- Many company members in STICA are just starting their journey and have not yet sufficiently assessed the implications of absolute reductions for their business and/or have not yet created company reduction roadmaps that are anchored internally.
- Absolute reduction requirements can place limits on the traditional business model and the growth ambitions of companies - both new, fast-growing challengers, and high-performing incumbents who want to take market share.

¹ In practice, applying this law across the board may be unfair, as responsibility for decreases should vary depending on whether your country or industry is currently a high emitter or a low emitter.
Absolute reductions based on previous year’s performance will mean that companies who have done significant reductions already will be disadvantaged, as the low hanging fruits of reduction actions may have been picked already – the last percentage reductions are often harder and more expensive than the first.

With these considerations in mind, we have updated our membership target setting criteria - aimed at encouraging companies that are not yet ready to make absolute commitments to continue serious climate action and to be transparent about their work, while also taking into consideration the importance of rewarding companies who have made more ambitious scienced-informed commitments.

These updated criteria will also ensure member companies in STICA do not use their membership for greenwashing, consciously or unconsciously, as these updated target setting requirements are designed to ensure the highest integrity for the STICA platform, which benefits all involved.

We hope, with our support, all STICA member companies will be able to upgrade their commitments to be in line with what science tells us is required as soon as possible.

**Requirements – 2030 - Scope 1 & 2 Targets**

STICA members are required to set targets for Scope 1&2 that represent the company’s ambitions toward 2030. These targets must comply with the following:

- Have a base year no earlier than 2017.
- Have a target year of no later than 2030.
- Cover at least 95% of emissions in the company’s Scope 1&2.
- leads to an absolute reduction in emissions in line with the 1.5C pathway.

This means a minimum absolute reduction of 4.2% per year in linear terms between the base-year and target year. The framing of such a target is:

*Company X commits to reduce its absolute emissions in Scope 1 & 2 by 50% by 2030 from a 2018 base year.*

- Where 12*4.2% is rounded to 50%

The absolute reduction may be expressed as a physical intensity target taking company growth into account. For a company expecting a 4% annual year-on-year growth, the output after 12 years is about 60% higher than in the base year, meaning the per-unit reduction required to reach an absolute reduction of 50% is higher, about 70% per unit.

*Company X commits to reduce its emissions per unit sold in Scope 1 & 2 by 70% by 2030 from a 2018 base year.*
● Where a 4% annual growth is taken into account, requiring a 70% per-unit reduction to achieve a 50% reduction in absolute terms.

Requirements – 2030 - Scope 3 Target
STICA members are required to set medium term targets that represent the company’s ambitions toward 2030. These targets must comply with the following:

● Have a base year no earlier than 2017 for targets set prior to the publication of these guidelines [2022-02-28]. For new targets, a base year no more than 2 years prior to the latest reported year.
● Have a target year of no later than 2030
● Cover at a minimum the required STICA scope within Scope 3 (see STICA Annual Reporting Guidelines).
● Follow Category 1 (1.5C Aligned)
  OR
● Follow Categories 2 or 3 below temporarily

Category 1. 1.5C Aligned – Absolute Reduction
STICA strongly recommends its members to adapt a target that leads to an absolute reduction in emissions in line with the 1.5C pathway.

This means a minimum absolute reduction of 4.2% per year in linear terms between the base-year and target year. The framing of such a target is:

*Company X commits to reduce its absolute emissions in Scope 3 by 50% by 2030 from a 2018 base year.*

  ● Where 12\*4.2% is rounded to 50%

The absolute reduction may be expressed as a physical intensity target taking company growth into account. For a company expecting a 4% annual year-on-year growth, the output after 12 years is about 60% higher than in the base year, meaning the per-unit reduction required to reach an absolute reduction of 50% is higher, about 70% per unit.

The framing of such a target is:

*Company X commits to reduce its emissions per unit sold in Scope 3 by 70% by 2030 from a 2018 base year.*

  ● Where a 4% annual growth is taken into account, requiring a 70% per-unit reduction to achieve a 50% reduction in absolute terms.
This is based on the absolute contraction method outlined in the Science Based targets foundations for target setting (page 13-23).

This follows the updated (2021) requirements within the UN Fashion Charter as well.

**Category 2. Below 2C Aligned – Absolute Reduction - Temporary Target**

STICA allows its members to adapt a Scope 3 target that leads to an *absolute* reduction in emissions in line with the well-below 2C pathway. This means a minimum absolute reduction of **2.5%** per year in linear terms between the base-year and target year. The framing of such a target is:

*Company X commits to reduce its absolute emissions in Scope 3 by 30% by 2030 from a 2018 base year.*

The absolute reduction *may* be expressed as a physical intensity target taking company growth into account. For a company expecting a 4% annual year-on-year growth, the output after 12 years is about 60% higher than in the base year, meaning the per-unit reduction required to reach an absolute reduction of 30% is higher, about 58% per unit.

*Company X commits to reduce its emissions per unit sold in Scope 3 by 58% by 2030 from a 2018 base year.*

- Where a 4% annual growth is taken into account, requiring a 58% per-unit reduction to achieve a 30% reduction in absolute terms.

This is based on the absolute contraction method outlined in the Science Based targets foundations for target setting (page 13-23).

Companies choosing a Category 2 target must motivate in writing to STICA why they have not set a Category 1 target. This motivation will be made public together with the target.
Category 3. Minimum Level – Temporary Target

As outlined previously, STICA acknowledges that the target requirements outlined in Categories 1 and 2 may be challenging to commit to this time for various reasons. Therefore, STICA will temporarily allow targets in line with at least one of the following:

A. Physical Intensity Target

Companies may set an intensity-target based on a physical unit (such as number of sold products) with a reduction of at least: 5% per year.

Example: “Company X commits to reduce emissions by 50% per unit sold by 2030 from a 2020 base-year”

Note: A physical intensity target without an absolute reduction requirement would allow companies to grow while decreasing the emissions from each product – such as a company just entering the market. The risk with such a target is that the absolute emissions would not be limited, and aspects such as quality vs quantity may not be addressed.

B. Economic Intensity Target

Companies may set an intensity-based target built on an economic intensity unit “value added” as a representation of the value the company adds to the product. The reduction must be at least 7% per year. For the definition of value added, STICA refers to Science Based Targets manual.

Example: “Company X commits to reduce emissions by 70% per value added by 2030 from a 2020 base-year”

Note: An economic intensity target provides much of the same advantages and disadvantages as a physical intensity target, while allowing for other business models to make a bigger impact as it focuses on the economic value created rather than selling more products. Commonly cited disadvantages are that they are difficult to communicate and understand, and like the intensity targets offer no guarantees on absolute reductions.

C. Target Approved by Science Based Targets Initiative

Companies who have a target that is approved by the Science Based Targets initiative but do not fulfil the criteria for Category 1 or 2 are temporarily approved by STICA, with the exception of the following target types:

- Supplier or customer engagement targets.
- SME-target.

Annual Review of Category 3 Targets
Category 3 targets will be temporarily approved, but this approval is subject to review on an annual basis and companies may be required to update their targets in accordance with new criteria from STICA. Category 3 targets are also reviewed by STICA, to ensure they do not misrepresent the ambition of the company or STICA (i.e., communicate misleading claims). Companies choosing a Category 3 target must provide in writing to STICA the following:

- a motivation why they have not set a Category 1 or 2 target. This motivation is made public together with the target.
- what the company would need to able to set a Category 1 or 2 target, and how STICA can help.
- the impact on the company’s total absolute emission in the target year to the closest +/- 5% (e.g. “this target means that company x will increase absolute emissions by 10-15% (for an estimated impact of 12%) in 2030 compared to the 2018 base year”).

**Additional Short-term Targets – 2025**

STICA also recommends setting one or more short-term targets to guide internal decision making. Short term targets may be both results oriented (i.e., 30% reductions per product by 2025) or process oriented (more 30% of our suppliers will have committed to a science-based target). There is no requirement to set short term targets from STICA, although STICA does require that companies submit action plans on a yearly basis as well.

**Targets Beyond 2030 – Net Zero**

STICA also recommends setting a long-term net-zero target, to communicate the long-term commitments of your company. STICA recommends that these types of targets are set in line with the recommendations from the Science Based Targets initiative – Net-Zero standard. In summary these require companies to set targets covering 95% of the company’s emissions in Scope 3 (all categories) and a reduction of absolute emissions by a minimum of 90% in addition to any carbon removal used. Net-zero targets are framed as a year in which the company considers itself to be net-zero – for example wind-power producer, Ørsted:

**Long-Term Targets**

Ørsted commits to reduce Scope 1 and 2 GHG emissions 99.8% per kWh by 2040 from a 2006 base year, and to reduce Scope 1, 2 and 3 GHG emissions (excluding from use of sold products) 99% per kWh by 2040 from a 2018 base year.* Ørsted also commits to reduce absolute Scope 3 GHG emissions from use of sold products 90% by 2040 from a 2018 base year.

*The target boundary includes land-related emissions and removals
STICA does not currently require companies to commit to a long-term Net-Zero target but expects companies to evaluate and commit to a net-zero target no later than October 31, 2023.

Other Target Types
Companies who have approved targets under Categories 1-3 are free to have additional climate-related targets to help advance and clarify their ambition. Some examples of these types of targets include:

- Renewable energy targets
- Fossil-free targets
- Supplier/customer engagement targets
- Carbon-neutral or carbon-positive targets

Here are some examples:

- **Scope 1: No fossil fuels are used by 2030** - meaning that fuels purchased by the company for 'burning' within their facilities for heating buildings or generating electricity would have to be replaced. It would also include company cars which would need to use alternative fuels or electricity

- **Scope 2: Renewable electricity sourcing** - 80% by 2025 and 100% by 2030 for 1.5C alignment. RE100-initiative includes useful criteria for market boundaries and other 'rules' for sourcing/verification.

- **Scope 2: 100% Purchased heat from renewable sources**, such as district heating contracts using only renewable fuels.

- **Scope 3: No coal fired boilers from Tier 1 suppliers.**

Communicating Your Targets and Commitments
Companies that are members of STICA are required to communicate their targets and progress publicly. When doing this, STICA also requires that you communicate your current level of commitment, according to the levels outlined above. More specifically, please use the following sentences and phrases:

**Category 1. 1.5C Aligned – Absolute Reduction**

X Company is a member of the Scandinavian Textile Initiative for Climate Action (STICA). We have committed to reducing our absolute greenhouse gas emissions by X% by 20XX from a 20XX base year. This commitment is aligned with what is required by scientific consensus regarding what is required to stay within the 1.5C warming pathway. To learn more about our commitments and progress, visit [www.sustainablefashionacademy.org/stica](http://www.sustainablefashionacademy.org/stica)
Category 2. Below 2C Aligned – Absolute Reduction - Temporary Target

X Company is a member of the Scandinavian Textile Initiative for Climate Action (STICA). We have committed to reducing our absolute greenhouse gas emissions by X% by 20XX. This commitment is aligned with what is required by scientific consensus regarding what is required to stay below 2C warming pathway. To learn more about our commitments and progress, visit www.sustainablefashionacademy.org/stica

Category 3. Minimum Level – Temporary Target

A. Physical Intensity Target

X Company is a member of the Scandinavian Textile Initiative for Climate Action (STICA). We have committed to reducing our greenhouse gas emissions by X% per unit sold [or other physical unit] by 20XX from a 20XX base year. This commitment is aligned with what is minimally required by STICA and means that X Company will increase/decrease absolute emissions by X-Y% in 20XX compared to the 20XX base year. To learn more about our commitments and progress, visit www.sustainablefashionacademy.org/stica

B. Economic Intensity Target

X Company is a member of the Scandinavian Textile Initiative for Climate Action (STICA). We have committed to reducing our greenhouse gas emissions by X% per value added by 20XX from a 20XX base year. This commitment is aligned with what is minimally required by STICA and means that X Company will increase/decrease absolute emissions by X-Y% in 20XX compared to the 20XX base year. To learn more about our commitments and progress, visit www.sustainablefashionacademy.org/stica

C. Target Approved by Science Based Targets Initiative

X Company is a member of the Scandinavian Textile Initiative for Climate Action (STICA). X company has a target approved by the Science Based Targets initiative:

[Insert exact SBTi target formulation]

This commitment is aligned with what is minimally required by STICA and means that X Company will increase/decrease absolute emissions by X-Y% in 20XX compared to the 20XX base year. To learn more about our commitments and progress, visit www.sustainablefashionacademy.org/stica
STICA will communicate company targets and any relevant details in STICA’s annual progress report, on the STICA website, and in other relevant reports and communication channels when appropriate.

**Requirements for Reducing Emissions in Line with Targets**

Setting targets is a crucial part of a company’s work towards reducing emissions, but a target in-itself does not guarantee companies actually take the necessary actions to achieve this. Therefore, STICA will also require companies to report what reduction actions are being taken, present their roadmaps for reaching the set targets, as well as the actual reductions being achieved. The reporting requirements for this will be presented once the guidelines are in place.