



Target Setting Requirements & Guidelines for Company Members

Version 2. 2023-12-19

Background

To avoid the most serious outcomes from global warming, the scientific consensus is that society needs to limit the global temperature increase to no more than 1,5°C.

Using an easy rule of thumb, this means that countries and industries 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 absolute emissions by 4.2% annually to stay within an acceptable probability of a 1.5°C 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 1.5°C degree pathway. This means committing to absolute greenhouse gas reductions by 2030.

As there is no Sectoral Decarbonization Approach (SDA) for the apparel and footwear industry, STICA requires members to use the absolute contraction method when setting targets. The absolute contraction method is outlined in the [Science Based Targets foundations for target setting \(page 13-23\)](#).

Member companies are not required to have their targets validated by the SBTi. Companies submitting their targets for approval by the SBTi must complete a full Scope 3 screening. Other deviations in STICA's and SBTi's target requirements can be found in [STICA's reporting guidelines](#).

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.

While companies who are publicly setting GHG reduction targets in line with 1.5°C and are implementing a credible roadmap to achieve these targets 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.
- 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 set our membership target-setting criteria to include temporary targets aimed at encouraging companies that are not yet ready to make absolute commitments to support these companies 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 science-informed commitments.

Version 2 of STICA's target requirements includes some minor updates and clarifications, mainly following updates in the criteria and recommendations from the SBTi. Companies setting targets or updating their targets after the launch of version 2 must follow the updated requirements, but members that have their existing targets developed using version 1 do not need to revise their targets following this update.

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.

When setting climate targets, the reduction is expressed as a total ambition between a base year and a target year, either in absolute terms or in relative terms. The total reduction ambition is based on annual reductions and if nothing else is stated, this means linear annual reductions and not exponential year-on-year reductions. The annual reduction ambition should be multiplied by the number of years between the base year and the target year to get the total reduction ambition. For example, an annual 4.2% reduction between 2020 and 2030 equates to a 42% total reduction ambition between the base year and the target year.

STICA follows up on the targets set by the member companies annually to ensure that the target requirements are met. STICA members are also required to disclose their annual climate

impact for STICA to be able to follow up on the progress of the targets. The annual reporting of emissions and targets is done using STICA's reporting template.

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.²

Requirements – 2030 – Scope 1 and 2 Targets

STICA members are required to set targets for Scope 1 and 2 that represent the company's ambitions in the near term. These targets must comply with the following:

- Have a base year no earlier than 2017 for companies setting their targets prior to the publication of these updated guidelines. Companies setting targets using this version of the target requirements should not set a base year earlier than 2019.
- Have a target that stretches no longer than from 2017 to 2030 for companies setting their targets prior to the publication of these updated guidelines. Companies setting targets using this updated guidance must have a target year that stretches no more than 5-10 years from the base year.
 - STICA recommends member companies to set 2030 as the target year if this can be fitted into the 5-10-year interval criteria.
- Cover at least 95% of emissions in the company's Scope 1 and 2.
- Leads to an *absolute* reduction in emissions in line with the 1.5°C 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:

Example: Company X commits to reduce its absolute emissions in Scope 1 and 2 by 42% by 2030 from a 2020 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 10 years is about 48% higher than in the base year, meaning the per-unit reduction required to reach an absolute reduction of 42% is higher, about 60% per unit.

Example: Company X commits to reduce its emissions per unit in Scope 1 and 2 by 60% by 2030 from a 2020 base year.

- Where a 4% annual growth is taken into account, requiring a 60% per-unit reduction to achieve a 42% reduction in absolute terms over a 10-year period.

² STICA is considering whether to include FLAG targets or not. However, the impact of land-related GHG emissions in the textile sector is still uncertain and as the GHG Protocol has not yet launched its final version of the Land Sector and Removals guidance, these targets are currently not required by STICA.

Note that member companies setting physical intensity targets must choose a unit that is representative of the values created by the company, (e.g. number of sold products), and motivate why the unit has been chosen. Companies setting physical intensity targets must also disclose the assumed growth of their chosen unit from the base year to the target year for STICA to be able to verify if the underlying absolute ambition is in line with a -4.2% absolute reduction annually.

Requirements – 2030 – Scope 3 Target

STICA members are required to set near-term Scope 3 targets that represent the company's ambitions going forward. These targets must comply with the following:

- Have a base year no earlier than 2017 for companies setting their targets prior to the publication of these updated guidelines. Companies setting targets using this version of the target requirements should not set a base year earlier than 2019.
- Have a target that stretches no longer than from 2017 to 2030 for companies setting their targets prior to the publication of these updated guidelines. Companies setting targets using this updated guidance must have a target year that stretches no more than 5-10 years from the base year.
 - STICA recommends member companies to set 2030 as the target year if this can be fitted into the 5-10-year interval criteria.
- For targets with a base year more than 3 years prior to the year of target submission, the climate impact within the target boundary must also be submitted for the most recent year. The most recent year must not be more than 2 years prior to the year of target submission³.
- Cover at a minimum the required STICA Scope within Scope 3⁴.
- Follow Category 1 (1.5°C Aligned)
OR
- Follow Categories 2 or 3 below temporarily

Category 1. 1.5°C Aligned – Absolute Reduction

STICA strongly recommends its members to adopt a target that leads to an absolute reduction in emissions in line with the 1.5°C 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:

³ The climate impact in the most recent year is required by companies setting a target with a base year of 3 or more years prior to the year of submitting the target. This is to ensure that the forward-looking reduction ambition is ambitious enough.

⁴ The STICA Scope and the justification of the inclusion criteria is explained further in the reporting guidelines. Note that companies submitting their Scope 3 targets for validation by the SBTi must perform a complete Scope 3 screening

Example: *Company X commits to reduce its absolute emissions in Scope 3 by 42% by 2030 from a 2020 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 10 years is about 48% higher than in the base year, meaning the per-unit reduction required to reach an absolute reduction of 42% is higher, about 60% per unit.

The framing of such a target is:

Example: *Company X commits to reduce its emissions per unit in Scope 3 by 60% by 2030 from a 2020 base year.*

- Where a 4% annual growth is accounted for, requiring a 60% per-unit reduction to achieve a 42% reduction in absolute terms over a 10-year period.

This follows the [updated \(2021\) requirements within the UN Fashion Charter](#).

Note that member companies setting physical intensity targets must choose a unit that is representative of the values created by the company, (e.g. number of sold products), and motivate why the unit has been chosen. Companies setting physical intensity targets must also disclose the assumed growth of their chosen unit from the base year to the target year for STICA to be able to verify if the underlying absolute ambition is in line with a -4.2% absolute reduction.

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

STICA allows its members to adopt a Scope 3 target that leads to an absolute reduction in emissions in line with the well-below 2°C pathway. This means a minimum absolute reduction of 2.5% per year in linear terms between the base year and target year. These targets are Category 2 targets as they are not aligned with a 1.5°C scenario, but it should be noted that Scope 3 targets with a reduction ambition of -2.5% per year in linear terms are currently approved by the SBTi. The framing of such a target is:

Example: *Company X commits to reduce its absolute emissions in Scope 3 by 25% by 2030 from a 2020 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 10 years is about 48% higher than in the base year, meaning the per-unit reduction required to reach an absolute reduction of 25% is higher, about 51% per unit.

Example: *Company X commits to reduce its emissions per unit in Scope 3 by 51% by 2030 from a 2020 base year.*

- Where a 4% annual growth is taken into account, requiring a 51% per-unit reduction to achieve a 25% reduction in absolute terms over a 10-year period.

Companies choosing a Category 2 target must motivate in writing to STICA why they have not set a Category 1 target.

Note that member companies setting physical intensity targets must choose a unit that is representative of the values created by the company, (e.g. number of sold products), and motivate why the unit has been chosen. Companies setting physical intensity targets must also disclose the assumed growth of their chosen unit from the base year to the target year for STICA to be able to verify if the underlying absolute ambition is in line with a -4.2% absolute reduction.

Category 3. Minimum Level – Temporary Target

As outlined previously, STICA acknowledges that the target descriptions 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 linear 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 that 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 initiative’s manual](#).

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

Note that 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 physical intensity targets offers no guarantees on absolute reductions. Further, these targets are sensitive to inflation and other currency variations.

C. Target Approved by Science Based Targets Initiative

Companies that have a target that is approved by the Science Based Targets initiative but do not fulfil the criteria for Categories 1 or 2 are approved by STICA on a case-by-case basis, 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.
- What the company would need to be able to set a Category 1 or 2 target, and how STICA can help.
- The impact on the company's total absolute emissions 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 2020 base year").

Targets Beyond 2030 – Net Zero

STICA also recommends setting a long-term net-zero target to communicate the long-term commitments of the 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 1 and 2 and 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 neutralization actions taken. Net-zero targets are framed as a year in which the company considers itself to be net-zero – for example the below target from H&M:

Long-Term Targets

H&M Group commits to reduce Scope 1 and 2 GHG emissions 90% by FY2040 from a FY2019 base year.* H&M Group also commits to reduce absolute Scope 3 GHG emissions 90% within the same timeframe.

*The target boundary includes biogenic land-related emissions and removals from bioenergy feedstocks.

STICA does not currently require companies to commit to a long-term net-zero target but might consider this going forward.

Other Optional Target Types

Companies that 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, e.g. RE100
- Fossil-free targets
- Supplier/customer engagement 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 1.5°C alignment. RE100-initiative includes useful criteria for market boundaries and other 'rules' for sourcing/verification.
- **Scope 3: No coal-fired boilers from Tier 1 suppliers.**
- **Scope 3: Emissions per purchased product** – emissions per purchased product is generally a good KPI for apparel and footwear companies to keep track of.
- **Scope 3: Share of suppliers setting SBTs** – this is of particular interest for retailers purchasing products from external brands as they do not have direct contact with the suppliers that produce these products, but this is also of interest for brands.

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 companies communicate their current level of commitment, according to the levels outlined above. More specifically, the following sentences and phrases should be used:

Category 1. 1.5°C Aligned – Absolute Reduction

Company X is a member of the Swedish 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 1,5°C warming pathway. To learn more about our commitments and progress, visit sustainablefashionacademy.org/stica.

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

Company X is a member of the Swedish 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 within the Well-Below 2°C warming pathway. To learn more about our commitments and progress, visit sustainablefashionacademy.org/stica.

Category 3. Minimum Level – Temporary Target

A. Physical Intensity Target

Company X is a member of the Swedish Textile Initiative for Climate Action (STICA). We have committed to reducing our greenhouse gas emissions by X% per [physical unit] by 20XX from a 20XX base year. This commitment is aligned with what is minimally required by STICA and means that Company X 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 sustainablefashionacademy.org/stica.

B. Economic Intensity Target

Company X is a member of the Swedish 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 Company X 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 sustainablefashionacademy.org/stica.

C. Target Approved by Science Based Targets initiative

Company X is a member of the Swedish Textile Initiative for Climate Action (STICA).
Company X 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 Company X 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 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 does not guarantee that companies take the necessary actions to achieve this. Therefore, STICA also requires companies to report what reduction actions are being taken, present their climate transition plans for reaching the set targets, as well as the actual reductions being achieved.