Science-Based Targets (SBT): FAQ for Business Partners

In this document we answer questions that we are frequently asked by our business partners about science-based targets. Please note that we have also created the following helpful documents for our partners to assist you in setting up your own SBT.

- Info Hub: Overview and further information on SBT in German and Englisch
- SBT First Steps: Overview of the SBT process with sources of further information (e.g. emission sources, CO2 calculator)
- Webinar recording on SBT in German und Englisch

General questions

What are "Science Based Targets"?

„Science Based Targets" (SBT for short) are externally **validated climate targets.** They enable companies to set climate targets that are in line with **the 1.5 degree-target** of the 2015 Paris Climate Agreement.

What is the Science Based Target Initiative?

The Science Based Targets Initiative (SBTi) is a collaboration between the Carbon Disclosure Project, the United Nations Global Compact, The World Resources Institute and the Worldwide Fund for Nature (WWF). It has developed a standard that organizations can use to set science-based climate targets. These are validated by the SBTi. You can find more information here.

Why should I set myself an SBT?

- **Credibility** through externally validated climate targets with key stakeholders such as NGOs, customers and financial institutions
- **Financial incentives: commission reduction** of 0.5-1% point for platform partners with their own SBT. Further financial incentives that also affect third-party brands are being examined, such as increased visibility on otto.de for products from business partners with a validated SBT
- **Improved financing conditions** through better fulfillment of ESG criteria on the financial market
- (Partly) expected **assumption of responsibility** by **customers** in times of advancing climate change

Why is it in OTTO's interest that I set myself an SBT?

- OTTO has set itself ambitious SBT targets. One important target is the so-called Supplier Engagement Target, in which we want to increase the proportion of our marketplace partners who have an SBTi validated climate target from 6.4% in 2024/25 to 20% in 2027/28 (based on GMV) and for our external brands from just under 50% to 75% (based on purchasing volume).
- And apart from our targets: We can only achieve the 1.5° target if as many players as possible play their part!

How does OTTO support its business partners in setting a SBT?

- For an initial overview, we recommend the recording of our last SBT webinar (German) from April 2025 or in English from July 2025
- The document SBT First Steps provides concrete information for setting your own Science-Based Targets.
- If you are interested in exchanging ideas with other companies that are also looking to implement an SBT or are already in the validation process, we cordially invite you to take part in our **SBT Round Table**. We meet virtually every eight to ten weeks to discuss best practices and challenges, offer solutions and answer questions. We currently offer 3 different round tables:
    - Small businesses that meet the SME criteria (see below, German)
    - Large companies (German)
    - English speaking

To register, please send an email to ralf.leister@otto.de.

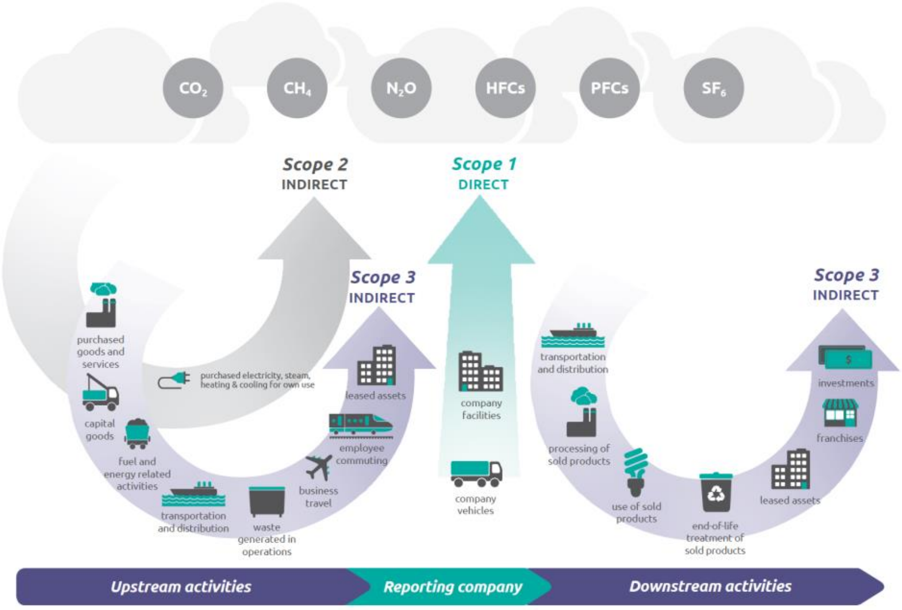
We already have another (ambitious) sustainability label. Does this also contribute to the Supplier Engagement target so that we receive a marketplace commission?

No, unfortunately not. Only partners with a validated SBT benefit from the reduction in the marketplace commission.

SBT requirements and targets

What emission scopes are there?

The GHG Protocol is an established standard for drawing up a carbon footprint. This CO_2-Footprint of the company is essential as a starting point for risk assessment and target derivation. Emissions are divided into three categories (see figure below). Scope 1 describes direct emissions at locations and vehicles (e.g. vehicle fleet, company vehicles) while Scope 2 depicts indirect emissions through grid-bound energy procurement, such as electricity and gas that is sourced externally. Scope 3 considers all other indirect emissions that arise in the upstream and downstream value chain, e.g. through the materials used, production conditions, procurement and / or the use phase at the customer (applies to all products that require electricity during use; in simple terms, all products with a plug).



What goals do I need to set for a SBT?

Detailed information on the process and the requirements to be met can be found on the SBTi Services website.

- **Near-term target (5-10 years):**
    - Reduction of Scope 1 and 2 emissions by -42% by 2023 compared to the base year
    - Reduction of Scope 3 emissions by -25% (2° target) or -42% (1.5° target, this is recommended) by 2030 compared to the base year (Small and Medium Enterprises (SME) do not need a target for Scope 3)
- **Net zero target:** Reduction of scope 1-3 emissions by at least -90% by 2050 (without offsetting). A net zero target is recommended by the SBTi, but is not initially mandatory. It is also possible to start with a near-term target only.

Is there a prescribed base year for the reduction of emissions by 2030?

The base year can be selected from 2015 onwards. As a near-term target applies for a maximum of 10 years, a base year in 2015 is not appropriate though. In addition, the standard is being reviewed so that in future a base year can be considered for a maximum of three years in the past. This is also our recommendation. It is important to choose a representative year with a good and consistent data basis (no outlier year, e.g. during Corona).

How do I know if I meet the SBT criteria for a small business (SME)?

Small and medium-sized enterprises (SME) benefit from a simplified SBTi **validation process of the SBTi.** However, the following conditions must be met:

1. Less than 10,000t CO_2 emissions p.a. in Scope 1 & 2
2. Not part of a group for which the SBTi standard route is mandatory
3. Not active in a sector for which there are specific requirements, such as financial institutions or companies in the oil & gas industry, e.g.

In addition, at least **3 of the following 4 conditions** must be met:

1. Less than 250 employees
2. Annual turnover of less than 50 million euros
3. A balance sheet total of less than 25 million euros
4. The company is not active in the agriculture & forestry sector. And the emissions from land use and land use change do not exceed 20%

Further information on the simplified process for small companies can be found on the SBT website.

Do I have to report Scope 3 emissions in my near-term target?

If scope 3 emissions account for more than 40% of the company's total greenhouse gas balance, at least 67% of Scope 3 emissions must be addressed in the near-term target. To do this, all categories in Scope 3 should be looked at in order to find out which services/products are significant and need to be considered. Tools and databases help with modeling and calculation.

How expensive is it to set up a SBT?

- Companies that meet the SME criteria under the SBTi pay $1,250 for validation for a near term target
- All other companies that follow the standard validation path pay $9,500 to $14,500 for validation depending on the scope
- However, furhter costs may arise for the use of external data tolls or support from a management consultancy

What happens if we do not reach our target?

- **No automatic sanctions:** There are no automatic penalties or consequences if a company does not achieve its SBTs. The SBTi sees itself as a standard setter, not a controller.
- **Need do adapt:** Companies that fail to meet their targets should rethink their strategies and measures and adapt them, if necessary, in order to achieve their climate protection targets.
- **Transparent presentation:** The SBTi publicly presents the non-achievement of targets, which can exert pressure on companies to strengthen their climate protection measures.

Is CO_2 compensation permitted as a reduction measure?

No, CO_2 offsetting is not recognized by the SBTi as a reduction measure for the near-term target.

Do annual reductions have to be achieved continuously or is it sufficient if 2029 e.g. switch to biogas and thus achieve the target in 2030?

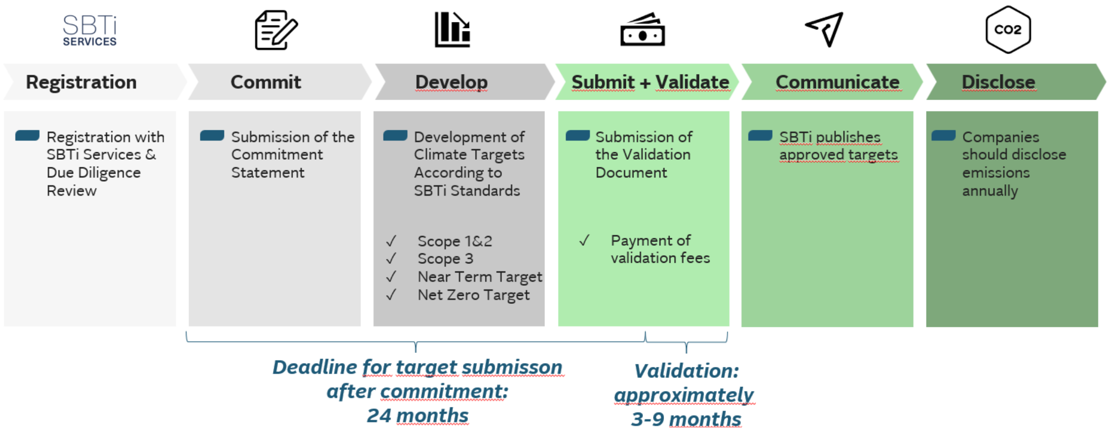
According to the SBTi standard, the corresponding target must be achieved in the target year. From a physical point of view, however, it is relevant that a reduction takes place every year.

We will probably continue to grow in the coming years, which means that our CO_2 emissions will also increase. Will growth be considered when reaching the target (adjusted) or do we have to reduce CO_2 emissions in absolute terms?

The CO_2 emissions in Scope 1 and Scope 2 must be reduced in absolute terms. For Scope 3, in addition to an absolute reduction target, there is also the option of setting an intensity target, i.e. a reduction in greenhouse gas emissions per unit of a specific activity or service. With an intensity target, company growth can therefore lead to the targets being achieved but absolute emissions increasing. Absolute reduction targets are therefore preferable (from climate and our point of view) and correspondingly more credible.

How long does it take to set a SBT?

- The validation process by the SBTi usually takes around 3-9 months
- However, a great deal of effort is usually involved in the preparation (determining which Scope 3 categories are relevant, drawing up da greenhouse gas balance sheet, setting targets and identifying areas for action, e.g.). Depending on the available capacity and expertise in the company, the complexity of the business model and support from an external consultancy, this process can take several months.
- The standard process is structured as follows:



- SMEs, on the other hand, which initially only focus on Scope 1 and 2 in the Near-Term Objective, can usually go through the process quite quickly and without further, external help.

Does the expenditure-based method make sense for the emissions in 3.1 and 3.2?

Yes, especially for complex structures, the expenditure-based method is helpful for an initial calculation of the greenhouse gas balance. However, this results in certain limitations for the management of measures, which is why the gradual development of primary data should be sought.

In the SBT First Steps info paper, the following is recommended for the collection of Scope 1 and Scope 2 emissions and for Scope 3 emissions to different calculation tools. Do CO_2 calculators for the individual scopes often differ in what they calculate? Or would Ecocockpit, for example, be a good „all-in-one" alternative to calculate Scope 1, 2 & 3 together?

- The CO_2 calculators will make slightly different assumptions in the background. The selection of a calculator with transparent and as realistic as possible assumptions is recommended.
- There are countless tools that map the CO_2 emissions of scopes 1 to 3. Which tool is most suitable varies from company to company. Initial calculations of Scope 1 and 2 emissions can still be carried out in Excel.

The company is a subsidiary of a corporate group/holding company. Can we set an SBT as a subsidiary or does this have to be done at group level?

The SBTi recommends that an SBT is set at group level. In exceptional cases, however, it is also possible for only one subsidiary to set up an SBT.

How to contact the SBTi:

- If you have any questions during the registration and validation process, you can contact SBTi Service at this e-mails address: info@sbtiservices.com
- For questions about science Based Target initiative and its standards: https://sciencebasedtargets.org/contact
- For questions about validation: https://sbtiservices.com/contactus

If you have any further questions or comments, we look forward to hearing from you.

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