

How do I set a climate target according to the Science Based Target Initiative (SBTi)?

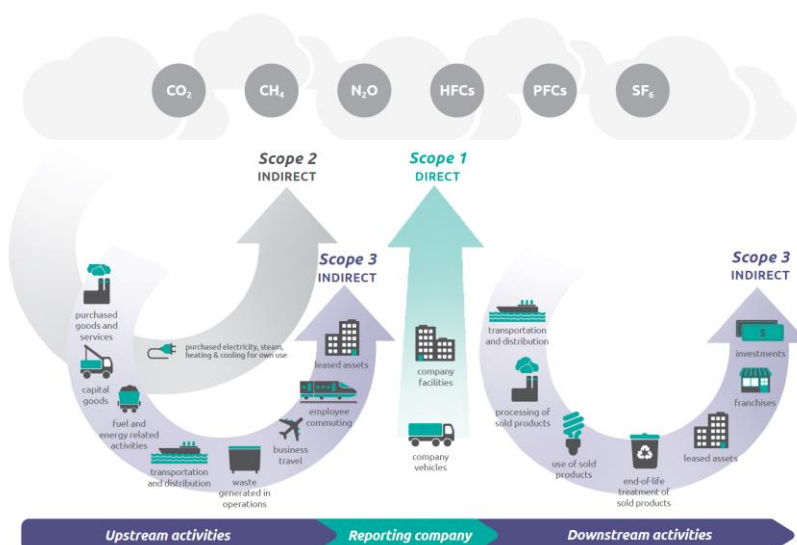
OTTO has set itself the [goal](#) of achieving 20% of marketplace sales and 75% of sales with external brands in its own retail business with partners who pursue their own SBTi target by 2027. In this document, we would like to give you, as our partner, an overview of how you can set yourself a science-based climate target. The aim is to give you a first impression of how you can design such a process and which sources you can use for further information.

General information

Climate change is one of the greatest challenges of our time, which companies must also address in their operational practice in order to meet the requirements of customers and other stakeholders, as well as legal obligations. The opportunities and risks of climate change should be taken into account in the corporate strategy and interlinked with other ESG criteria. Based on this, corporate climate management shows practical ways to implement climate targets. The [UN Global Compact website](#) provides a good insight into climate management. In the following, we will focus specifically on setting an SBT target.

Step 1: Initial estimate of your own CO emissions₂

The [GHG Protocol](#) is the established standard for drawing up a carbon footprint. This CO₂ 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 sites and vehicles, while Scope 2 depicts indirect emissions through grid-bound energy procurement. Scope 3 takes into account all other indirect emissions that arise in the upstream and downstream value chain, e.g. through the materials used, production conditions and / or the customer's use phase.



You create an emissions estimate in two steps:

1.1 Collection of activity data

To estimate emissions, you need activity data that is available in your controlling or in specialist departments (such as purchasing or logistics). The most common data by scope are

- **Scope 1:** Consumption of fossil fuels such as gas, oil, diesel, petrol, etc.
- **Scope 2:** Consumption of grid-bound energy such as electricity, district heating, etc.
- **Scope 3:** Activity data on emissions from the upstream and downstream value chain. For an initial assessment, it is advisable to use the expenditure in euros for a so-called "spend-based" analysis. In other words, how many euros the company spends on the purchase of goods or raw materials per category, how much is spent on services, transportation, business trips, etc.

1.2 Calculation of emissions

'Emission factors' are used to calculate CO₂ emissions. These translate your activity data into tons of CO₂ emissions. These emission factors are derived from physical calculations or statistical data. There are various sources, some of which are freely available and some of which are chargeable.

Emission factors for energy consumption in Scope 1 & 2 (usually in liters, cubic meters, joules or watt hours) are available free of charge e.g. from the [German Association of the Automotive Industry \(VDA\)](#).

For Scope 3 emissions, there are freely available, spend-based [emission factors from e.g. the Department for Environment, Food & Rural Affairs \(DEFRA\)](#).

These freely available sources and a spreadsheet are sufficient for an initial emissions estimate. However, more support is provided by CO₂-calculators, which query your activity data step by step and automate the emissions calculation. These tools are very structured, so unfortunately they do not always fit every individual setup and need. Here we provide links to CO₂-calculators that are available free of charge:

- [Systain scope3analyser](#)
- [CO₂ calculator tools on the GHG protocol website](#)

For integration into an annual accounting process, however, it is advisable to use one of the numerous carbon accounting software solutions, which minimize administrative effort and increase data quality.

Step 2: Deriving an SBT target

The [Science-Based Targets Initiative](#) (SBTi) has developed a standard that organizations can use to set science-based climate targets. A distinction is made between the Near-Term Target and the Long-Term Target (also known as Net Zero 2050). In the following, we focus on the near-term target, which lies 5-10 years in the future.

The SBTi introduces itself in the following link:



There are different validation paths to meet the individual requirements of companies. The first step is to identify the appropriate one. In the following, we will only discuss the standard path and give you the opportunity to check whether you can benefit from the simplified requirements for smaller companies.

2.1 Selecting the appropriate validation path

There are mandatory, sector-specific SBTi requirements for some industries. An industry standard is currently being developed for the apparel sector. An overview of all sector-specific pathways can be found on the [SBT website](#).

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

1. Less than 10,000t CO₂ emissions p.a. in Scope 1 & 2.
2. Not part of a group for which the SBTi standard route is mandatory.
3. Not working in a sector for which there are specific requirements, such as financial institutions or companies in the oil & gas industry, etc.

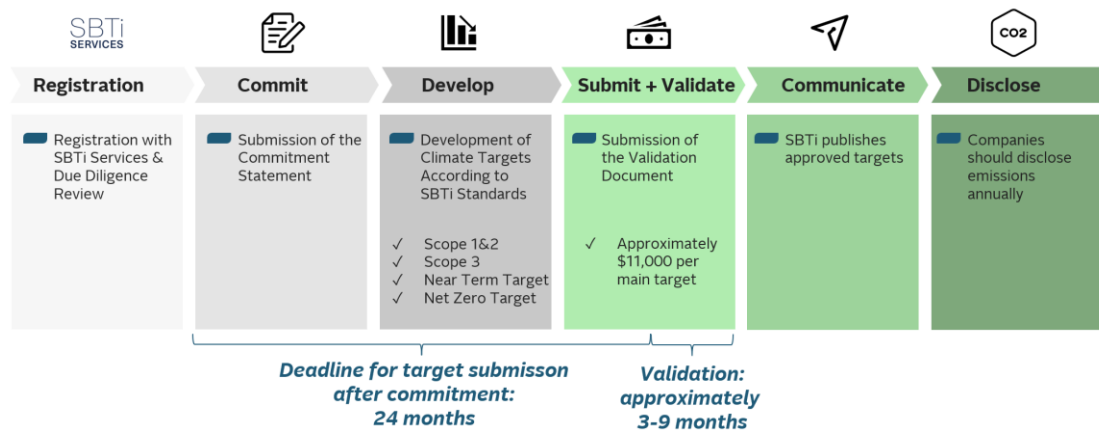
In addition, at least 3 of the following 4 conditions must be met:

1. Less than 250 employees
2. Under 50 million EUR annual turnover
3. A balance sheet total of less than EUR 25 million
4. The company is not active in agriculture and forestry. And 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. In the following, we will take a closer look at the standard process.

2.2 The standard validation process

Detailed information on the process and the requirements to be met can be found on the [SBTi Services](#) website. The process takes several months in total and is structured as follows:



According to the current standard reduction path, an emissions reduction of 4.2% per year is expected in Scope 1, 2 and 3. Note: However, you can exclude up to 1/3 of Scope 3 emissions. This option is especially suitable for emission areas over which you have no influence.

After submitting a commitment, your company will be listed on the SBTi website. After successful validation by the SBTi, the wording of the target formulation is also listed on the [SBTi target dashboard](#). Using the Otto Group as an example, this looks as follows:

Otto Group

Germany, Europe

TARGETS SET

-

Company

View less ^

Organization type: Company

Sector: Retailing

Company temperature alignment: 1.5°C

Business Ambition for 1.5°C commitment: ✖

Target language:

Otto Group commits to reduce absolute scope 1 and 2 GHG emissions 42% by FY2030 from a FY2021 base year. Otto Group also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, fuel and energy related activities, upstream transportation and distribution, employee commuting, business travel, use of sold products and end of life treatment for sold products 42% by FY2031 from a FY2021 base year. Otto Group further commits that 75% of its suppliers by spend, covering purchased goods and services, will have science-based targets by FY2027. Otto Group further commits to reduce optional absolute scope 3 GHG emissions from use of sold products and end of life treatment of sold products of the platform business 42% by FY2031 from a FY2021 base year. Otto Group finally commits that 20% of its platform partners by revenue, covering optional purchased goods and services emissions from platform partners, will have science-based targets by FY2027.

DOWNLOAD ALL DATA +

TARGETS / COMMITMENTS

ACTION	STATUS	TARGET	SCOPE	TARGET CLASSIFICATION	BASE YEAR	TARGET YEAR	DATE PUBLISHED
Target	NA	Engagement	3	NA	2021	2027	2024-03-28
Target	NA	Absolute	3	NA	2021	2031	2024-03-28
Target	NA	Engagement	3	NA	2021	2027	2024-03-28
Target	NA	Absolute	3	NA	2021	2031	2024-03-28
Target	NA	Absolute	1+2	1.5°C	2021	2030	2024-03-28
Commitment	Target set	NA	NA	NA	NA	NA	2022-05-19

We hope to have given you a first impression and helpful links for your "SBTi-Journey".
If you have any questions or comments, we look forward to hearing from you...



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