

Understanding the impact and reach of the Science-Based Targets Initiative



Thought leadership: **Sustainability**

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Protect. Transform. Sustain.

The private sector is facing increasing pressure from regulators, investors, and the public to take immediate measures to tackle the climate crisis. The Science-Based Target Initiative (SBTi) should be on the radar of businesses of all sizes across all sectors. SBTi mobilises the private sector to take urgent climate action by following a clearly defined pathway and setting targets to reduce greenhouse gas (GHG) emissions in line with climate science to meet the goals of the 2015 Paris Agreement.

The Intergovernmental Panel on Climate Change (IPCC) has stated that drastic cuts in carbon emissions are now urgently required to help prevent an environmental disaster. There are main emission reduction milestones on the horizon, firstly halving greenhouse gas (GHG) emissions by 2030, followed by achieving net zero by 2050. To date, more than 3,000 companies have pledged to set science-based targets or have had their targets approved by SBTi. But what are the requirements, and how do these targets influence the wider value chain?

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Emission Scopes

Emission scopes categorise the carbon emissions a company creates in both its own operations and the wider value chain. Scope 1 covers direct GHG emissions from sources that are owned or controlled by the company, for example emissions from boilers, furnaces, vehicles, field emissions or leaks of refrigerant gases. Scope 2 refers to the indirect GHG emissions from energy that is purchased from a network, such as heat, steam, and electricity. Scope 3 covers everything else in the company's value chain – suppliers and the production of raw material, the products a company purchases, travel, business commutes, waste disposal and the distribution, use and end-of-life of sold products.

SBTi targets cover at least emission scopes 1 and 2, and when more than 40% of a company's emissions are within scope 3, then SBTi targets need to be set for all emission scopes. Scope 3 is often the biggest part of company scopes – this means that the science-based targets trickle down from large companies to SMEs in their supply chain, increasing the urgency for suppliers to understand science-based targets and pro-actively develop their carbon emission reduction roadmap, too.

Companies need to adopt a risk-based approach and accept that varying levels of organisational transformation will be part of the process not only across sustainability, but operations, and even safety.

Measure to Manage

Quantitative measurements are central to SBTi, enabling businesses to measure where they are and the improvement scenarios they should aim to achieve. It is not possible to implement a climate strategy without an accurate baseline to start the journey, whereas if you can measure, then you can see the progress, track changes, and continually improve. It is important to recognise that climate action is a continuous journey and that year-on-year there are ambitious targets that need to be achieved dependant on the sector, company, and capabilities. dss+ supports businesses throughout the SBTi process which requires companies to calculate baseline emissions according to international best practice, set science-based targets aligned to SBTi criteria and, if applicable, sector-specific guidance. Once validated independently by SBTi, businesses can measure and track their progress, and will soon be able to use the new guidance to Measure, Report and Verify (MRV) in 2023.

Corporate Reputation

Driving climate change is a race against time. It is also a race to the top, with innovative and forward-thinking companies gaining a competitive advantage. The pressure from investors and stakeholders will only increase, asking pertinent lifecycle questions and expecting answers that are backed by science-based data, as well as visible and impactful actions. Similarly, businesses need to be asking themselves fundamental questions about the sustainability of their practices: Are we credible? Are we challenging the status quo enough? A clear benefit of the SBTi approach is that it demonstrates credibility and transparency. In that respect, carbon accounting and lifecycle assessment provide complementary standardised frameworks that are widely recognised for their reliability to quantify the impacts of companies, products and services throughout their supply chain. In order to adhere to the best practice standards, these studies require a review by one or several independent third parties before external communication, the same way that a company's targets are reviewed by the SBTi. This transparency is a first necessary step to compare and improve practices; if companies are truly committed, then they need to be credible. Being backed by science and data is a powerful enabler for businesses to ensure full transparency with their customers, consumers, investors, and regulators.

Company Transformation

Tackling the climate crisis requires input and action from all individuals and organisations to achieve economy wide net-zero emissions. To do this, companies need to adopt a risk-based approach and accept that varying levels of organisational transformation will be part of the process not only across sustainability, but operations, and even safety.

In practice, this transformation can be divided into two parts: technological innovation and company capabilities and culture. Technological advances will inevitably play a key role in shaping reductions in the energy that is consumed and produced. By gaining a better understanding of CO₂ impacts and where key emissions are generated, opportunities for new business models and product improvements can be explored. Working in parallel, organisational capability transformation should be coordinated, including leadership commitment, process alignment, and training.

The dss+ Bradley Curve™ is a proven framework to help clients understand how to achieve a shift from a reactive to a pro-active resilient organisational culture. Resilience is a key word when considering the benefits of integrating SBTi, as it prepares for regulations relating to transitioning to a low-carbon economy.

Finding alternative energy sources and opportunities is also an important means to reduce exposure to geopolitical turbulence and price instability, which are predicted to cause major risks for the economy in the coming years. Increasing this resiliency requires leadership buy-in from the top, which is then filtered down to middle management and beyond. dss+ works with leadership at all levels to secure mindset change within a company, whereby an organisation that needs to learn, can become a leader and drive momentum.

Key learnings: the 3 C's

1

Confidence

Your climate journey needs to start. Do not put it off and don't be discouraged by the data needed for SBTi. Start by measuring your impact and develop a roadmap, even when there may be uncertainties. It will be an iterative process and continuous learning journey. Take the step (or leap!) wherever you are in your journey!



2

Collaboration and partnerships

SBTi is not about one company. It needs to be a collective and constructive action that supports the entire value chain. Explore how resources can be shared, boost confidence and share the risk to facilitate implementation. Don't forget that your scope 1 is someone else's scope 3, and vice-versa.

3

Capabilities

Empower your people and organisation to support this low-carbon transition. Make it a priority by building awareness and understanding beyond 'business as usual' ambitions. Lead by example, invest in training where and when necessary, and view change as a positive opportunity to harness innovation to get ahead of the curve.

At dss⁺, we help organisations unlock the maximum value from an ESG or Sustainability strategies through a risk-based integrated approach, leveraging operational excellence and risk management to protect, transform and sustain business impact.

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About dss⁺

dss⁺ is a leading provider of operations management consulting services with a purpose of saving lives and creating a sustainable future. dss⁺ enables companies to build organisational and human capabilities, manage risk, improve operations, achieve sustainability goals and operate more responsibly.

By leveraging its DuPont heritage, deep industry and management expertise and diverse team, dss⁺ consultants are on the ground and in the boardroom helping clients work safer, smarter and with purpose.

Additional information is available at www.consultdss.com



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