



About the SME Climate Commitment

Introduction

This FAQ document for small and medium-sized enterprises (SMEs) provides information about the SME Climate Commitment, and provides guidance on how to move from climate commitment to climate action. It will be updated regularly to ensure that all topics of interest are covered.

What is the SME Climate Commitment?

The SME Climate Commitment is one of the three pillars¹ of the SME Climate Hub and provides SMEs - no matter their sector or geography - with the opportunity to make an internationally recognised climate commitment which is aligned with the latest climate science. SMEs that make the SME Climate Commitment will be recognised by the United Nations Race to Zero campaign and join a wide range of governments, businesses, cities, regions, and universities around the world that are committed to achieving net zero carbon emissions.

What is included in the SME Climate Commitment?

SME business leaders that make the SME Climate Commitment agree to start taking action immediately toward three core aims: halving emissions before 2030; achieving net zero emissions before 2050 and disclosing progress every year. These are intended to be the minimum level of commitment and action - we of course encourage your business to go as far as you can, as fast as you can.

What is the exact wording of the SME Climate Commitment?

“Recognising that climate change poses a threat to the economy, nature and society-at-large, our company commits to take action immediately in order to:

- 1. Halve our greenhouse gas emissions before 2030*
- 2. Achieve net zero emissions before 2050*
- 3. Disclose our progress on a yearly basis*

In doing so, we are proud to be recognised by the United Nations Race to Zero campaign, and join governments, businesses, cities, regions, and universities around the world with the same mission.”

¹ The other two pillars are tools and incentives



Who should sign the SME Climate Commitment?

The SME Climate Commitment should be signed by an SME CEO or another person in the organisation who has the authority to represent the company. By sharing the company details on the SME Climate Hub and clicking 'Commit', the company will be expected to do its utmost to deliver on the SME Climate Commitment. The SME Climate Hub tools and resources will help you to integrate your commitment into your business strategy, plans and actions.

What is an SME and can other companies join the SME Climate Commitment?

The SME Climate Commitment has been designed specifically for small and medium-sized enterprises to align their operations with the latest climate science. We define an SME as a company with up to 500 employees. Companies with more than 500 employees cannot participate but are encouraged to make a commitment and take action using one of the other recognised Race to Zero business tracks:

[Business Ambition for 1.5°C](#)

[The Climate Pledge](#)

[The Exponential Roadmap Initiative](#) (The 1.5°C Business Playbook)

[B Corp Climate Collective](#)

Forward-thinking large companies who understand the need to work with their supply chain to halve emissions before 2030 and achieve net zero emissions before 2050 should consider to align with the 1.5°C Supply Chain Leaders commitment.

What does net zero emissions mean and why do we have to reach this state by 2050?

In 2015, the landmark Paris Agreement was signed by 196 countries with the overarching objective of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change."

In 2018, the Intergovernmental Panel on Climate Change - the leading scientific body for climate change - issued a major report called the IPCC Special Report on Global Warming of 1.5°C, in which over 6000 climate scientists stated that to avoid the worst effects of climate change, we must limit global warming to



1.5°C. Current estimates suggest that we have already reached global warming of approximately 1°C and if we continue on the current trajectory, we will reach global warming of 1.5°C between 2030 and 2052.

As long as we keep emissions above zero, the planet will continue to heat and that is why it is also important to reach a state where the greenhouse gases going into the atmosphere are balanced by permanent removal out of the atmosphere (net zero) as quickly as possible and by no later than 2050.

This objective can only be met if everyone contributes to a global collaborative effort - and that means every business of every size, sector and geography, including SMEs, must do its part.

What does it mean to commit to take action immediately?

Once you have made the SME Climate Commitment, you should start to take action immediately, This includes the following key steps which should be addressed within three to six months after making the commitment:

- Measure and estimate your current greenhouse gas emissions
- Set short and medium term targets for your emission reductions in line with the commitment
- Develop a plan to achieve your emission reduction targets
- Start to take concrete action to reduce your key emission sources and move toward the net zero target date you have selected
- Encourage other SMEs to do the same!

What does it mean to halve our greenhouse gas emissions before 2030?

To align with the SME Climate Commitment, your business will need to cut its absolute greenhouse gas emissions by at least 50% before 2030, from a base year not more than 2 years back in time.

This means that your own emissions (both scope 1 and scope 2 emissions), as well as those emissions related to business travel must be cut in half this decade.

Where your value chain emissions (scope 3) are material to your total emissions and where data allows you to measure it, your company should also aim to cut scope 3 emissions in half this decade.



What are scope 1, 2 and 3 emissions?

The Greenhouse Gas Protocol is the leading authority on how to measure and manage emissions. The Greenhouse Gas Protocol categorises emissions as follows:

Scope 1 - All direct greenhouse gas emissions

Scope 2 - All indirect greenhouse gas emissions arising from electricity, heat or steam consumption

Scope 3 - All other indirect emissions

The Greenhouse Gas Protocol further defines direct and indirect emissions as follows:

- Direct greenhouse gas emissions - emissions from sources that are owned or controlled by the business.
- Indirect greenhouse gas emissions - emissions that are due to the activities of the business, but occur at sources owned or controlled by another entity.

Please visit the Greenhouse Gas Protocol for further information in this regard: <https://ghgprotocol.org/>

What does it mean to achieve net zero emissions before 2050?

To reach net-zero emissions for your company means to enter a state in which the activities within the value-chain of your company result in no net impact on the climate from greenhouse gas emissions. Any remaining emissions which cannot be removed (residual emissions) should be counterbalanced with an appropriate amount of carbon removals which are permanent. As a rule of thumb, such residual emissions should not exceed 10% of the base year emissions. In other words, you have to take steps to reduce your emissions to as close to zero emissions as possible before 2050 (but preferably before that point) and you can off-set for up to a maximum of 10% of the total emissions that you first measured as a baseline for your journey to take climate action.



Why can companies choose between 2030, 2040 and 2050 for their net zero commitments?

The SME Climate Commitment has been specifically designed to streamline the path to climate action for SMEs and work with the tools, resources and incentives that will be available on the SME Climate Hub. As decarbonisation prerequisites differ between companies the SME Climate Commitment requires companies to aim for 2050, but encourages companies to take on the boldest possible commitments to climate action and select the earliest possible target date for their net zero commitments.

- By selecting 2030, you would be closely aligned with the [B Corp Climate Collective](#) companies that have made a commitment to reaching net zero emissions by 2030.
- By selecting 2040, you would be closely aligned with companies that have signed [The Climate Pledge](#).
- By selecting 2050, you will be closely aligned with companies that have made the [Business Ambition for 1.5°C pledge](#).

With large supply chain leaders increasingly looking to ensure that their entire value chain is working in unison toward the ambitious climate-related targets that they have set, and many now formalising climate action in their procurement policies, you will want to ensure that you have a competitive advantage and stay ahead of the curve.

What does it mean to disclose progress on a yearly basis?

In addition to making a commitment and taking action to halve emissions before 2030 and achieve net zero emissions before 2050, your company should also communicate its progress on an annual basis, in a manner that is transparent, but without it becoming a burden on your business.

The SME Climate Hub will provide key tools for tracking progress and we seek to work with a broad coalition of stakeholders to streamline and simplify the reporting process for SMEs. We expect to be able to provide a standard format to simplify reporting for SMEs in 2021. This format will also provide a reporting opportunity for those that provide green solutions to help customers to cut emissions (also referred to as avoided emissions solutions), which to date have not been sufficiently acknowledged.



What if my company is fast growing and provides solutions which helps avoid or remove emissions (“green solutions”)

Fast growing SMEs that provide solutions which avoid or remove emissions as their core business do not have to halve their absolute emissions, but should halve their intensity (e.g. CO₂e/net revenue) as a minimum and show that their growth is aligned with the 1.5°C ambition.

Do you recommend offsetting?

Emissions that cannot presently be removed should preferably be directly counterbalanced by funding high-quality projects which remove carbon from the atmosphere, or alternatively, avoid emissions. At net zero, any remaining emissions should be counterbalanced with an appropriate amount of carbon removals which are permanent.

Funding carbon credit projects (off-setting) is a solution that you should only use as a **complement** to halve emissions before 2030 towards net zero, and should never be a substitute for reducing emissions and creating green solutions to reduce global warming. To ensure impact, it is important to carefully decide where to purchase carbon credits from. We recommend using certified, relatively new carbon credit projects, which should be aligned with the Sustainable Development Goals.

What is in it for my business?

Every SME that makes the SME Climate Commitment will have its name/logo featured on the SME Climate Hub and be recognised by the United Nations Race to Zero campaign. You will also be able to download the SME Climate Hub logo to include on your storefront, website or other marketing materials.

In this way, you will be sending a message to your clients and your community that you are taking steps to do your part to address the climate emergency. Clients, investors, and supply chain leaders, investors, shareholders, consumers and employees will also know where to find you when they are looking for products or services from a climate-responsible business.

This is just one business advantage but there is so much more!



What is required to maintain recognition on the SME Climate Hub and by the United Nations Race to Zero campaign?

To maintain recognition on the SME Climate Hub and by the United Nations Race to Zero campaign, you will be asked to confirm annually that you have a) disclosed your progress and b) provide a link to where the progress has been disclosed. You must provide your first progress report within 18 months of making the SME Climate Commitment.

Where can I find more information?

Please read the [1.5°C Business Playbook](#) which introduces the scientific background, how to set targets aligned with the 1.5°C ambition and key actions that you can start to take today.
