

SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) FAQs

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SCIENCE
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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



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ABOUT SBTi SERVICES

SBTi Services Limited is a wholly owned subsidiary of the Science Based Targets initiative, a corporate climate action organization and standard-setter that enables companies and financial institutions worldwide to play their part in combating the climate crisis. SBTi Services is a distinct legal entity and operates independently from the standard-setter, the Science Based Targets initiative.

SBTi Services checks and validates climate targets, validating the decarbonization goals of corporations, financial institutions and SMEs worldwide. By validating their climate targets, businesses demonstrate an understanding of their minimum decarbonization requirements by which customers and investors can measure them.

To be validated, companies must create greenhouse gas inventories and apply the Science Based Targets initiative's through methodologies for calculating decarbonization targets and submit these to SBTi Services for validation. Validators at SBTi Services check companies' and financial institutions' climate targets with standards developed by the Science Based Targets initiative.

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VERSION HISTORY

Version	Change/update description	Release date	Effective dates
Version 5	- Updated SME definition - Addition of FAQs to explain the definition	1 November 2023	1 January 2024
Version 5.1	- Updated revenue and total asset thresholds to align with latest CSRD definitions and thresholds for SMEs - Clarification that the power generation criterion only applies to non-renewable power generation assets	14 December 2023	1 January 2024
Version 5.2	- Removal of previous pricing - Grammatical edits to reflect that the definition has gone into effect - Clarification on Corporate services that SMEs are eligible for when updating targets	13 February 2024	13 February 2024
Version 5.3	Updated fee exemption/waiver to fee discount for eligible companies	4 June 2023	15 July 2024
Version 6	- Updated format - FAQs introduction related to Validation Portal options for the SMEs route and improvements	October 2024	June 2025
Version 6.1	- Correction to question 26 - Formatting and styling corrections	June 2025	June 2025
Version 6.2	- Correction to question 4 - Adjustments in question 6 - SBTi Criteria Assessment Indicator references - Included references to the Validation Portal	July 2026	July 2026

	• Adjustments based on updated ACA method		
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CONTENTS

ABOUT SBTi SERVICES	2
DISCLAIMER	3
VERSION HISTORY	4
CONTENTS	5
PART 1: SME DEFINITION, TARGET SETTING OPTIONS, AND PROCESS OVERVIEW	6
PART 2: BASE YEAR, RECALCULATIONS AND EMISSION INVENTORIES	16

PART 1: SME DEFINITION, TARGET SETTING OPTIONS, AND PROCESS OVERVIEW

1. What prompted the SBTi to create a tailored route for SMEs?

As SMEs start responding to climate change, a growing number are turning to the Science Based Targets initiative (SBTi) to demonstrate their commitment to reducing emissions, and to get help with setting robust, credible targets that are in line with climate science. But many SMEs remain concerned that they lack the skills or capacity to set these targets. In response, the SBTi introduced a tailored target-setting route for small and medium-sized companies.

2. How does the SME route differ from the corporate target validation route?

The SME route offers a tailored target-setting process specifically for small and medium-sized enterprises (SMEs). Unlike corporates and financial institutions (FIs), which have the option to go through a commitment stage, SMEs do not have this option and instead move directly to setting near-term or net-zero science-based targets. SMEs can choose from predefined validation options available in the [Validation Portal](#). While SMEs are not required to set near-term targets for scope 3 emissions, they must still commit to measuring and reducing them. SMEs also have the option to use the standard corporate target validation route if preferred, though the tailored SME route is exclusively available to entities classified as SMEs.

3. What has changed regarding the earliest base year for setting science-based targets with the launch of the Validation Portal?

With the launch of the Validation Portal, the earliest allowable base year for setting science-based targets through the tailored validation route for SMEs is now 2015, instead of 2018 as outlined in NT C13. This update ensures that SMEs' targets are more closely aligned with the latest climate science and more recent emissions data. Previously, the

earliest base year was limited to 2018, so this change gives SMEs more flexibility in target setting.

4. What new options are available for using a financial or fiscal year as a base year?

The Validation Portal introduces new flexibility for SMEs, allowing them to choose either a financial/fiscal year or a calendar year as their base year for target setting. If a fiscal year is selected, SMEs must provide the start and end dates in the format DD/MM/YYYY - DD/MM/YYYY.

5. How has the selection of near-term target years and ambition rates changed with the launch of the Validation Portal?

With the Validation Portal, SMEs can now select their near-term target year (within a 5 to 10 years range), rather than having it fixed at 2030, as was the case previously. This change also means that SMEs can now choose an ambition reduction rate that aligns with their selected target year, rather than the default minimum ambition rate, which was previously tied to a 2030 target year. This provides SMEs with more control and flexibility over their target-setting process, allowing them to choose a target year and ambition that suits their specific business needs while still meeting or exceeding minimum reduction requirements.

6. What specific criteria must a company meet to be eligible for the validation route for SMEs according to the new definition implemented by SBTi?

The SBTi exclusively considers the below criteria to classify an entity as an SME and only entities that fall within this organization type can use the target setting route tailored for SMEs.

SMEs may set targets through the validation route for SMEs if all criteria points are met:

- Have <10,000 tCO₂e across scope 1 and location-based scope 2
- Are not classified in the Financial Institutions (FIs) and Oil & Gas (O&G) Sectors
- Are not required to set targets using sector-specific criteria (such as the Sectoral Decarbonization Approaches) developed by the SBTi (see the [SBTi's sector guidance documents](#) for requirements)^a

- Are not a subsidiary of a parent company whose combined businesses fall into the corporate validation route

And three or more are true:

- Employ <250 employees^b
- Turnover of <€50 million^b
- Total assets of <€25 million^b
- Are not in a mandatory FLAG sector^c

Following the release of this definition, companies that are still classified as an SME may choose to set targets through the corporate validation route.

Entities identified as an SME can use either the target validation route for SMEs or the [SBTi Buildings Criteria](#).

^a Mandatory FLAG sector companies that meet all other criteria are not affected by this criterion. Please see sections 7 and 8 of the SME FAQs if the company operates in a FLAG sector. Similarly, entities identifying as an SME can use either the target validation route for SMEs or the SBTi Buildings Criteria, which requires companies to set targets through the corporate validation route.

^b CSRD alignment. These figures were updated in December 2023 in line with the latest CSRD definitions and thresholds for SMEs.

^c See Criterion 1 of the [FLAG Guidance](#)

7. Can you explain what a "mandatory FLAG sector" is and why it's relevant to the definition?

A "mandatory FLAG sector" refers to sectors that must adhere to specific sustainability standards. It's relevant because SMEs in these sectors must meet additional criteria, demonstrating their commitment to sustainability and compliance with sector-specific guidelines. The following are the concerning sectors:

- Forest and Paper Products–Forestry, Timber, Pulp, Paper, and Rubber
- Food Production–Agricultural Production
- Food Production–Animal Source
- Food and Beverage Processing
- Food and Staple Retailing

- Tobacco

8. Why are only some FLAG companies considered SMEs?

The Global Reporting Initiative's sector classification for Forest, Land and Agriculture (FLAG) companies is broad and includes many low-emitting, small businesses. That is why some FLAG companies of a certain size, by employee, turnover and asset values, can qualify as SMEs.

9. What is the process to confirm SME eligibility for the tailored target validation route?

SBTi Services conducts a due diligence process during which it reviews the registration information submitted by the SME. This process confirms the SME's eligibility for the tailored route based on employee numbers, net turnover, assets and sector criteria. Entities that do not qualify as an SME can set targets using the corporate validation route. For more information, please consult the [Standard Operating Procedure for Entities Registration](#)

10. How can I determine if my company meets the SME criteria?

To determine if the company meets the SME criteria, please assess the SME eligibility criteria described above on question 6. Consider the ownership stakes, voting rights, and financial relationships with other entities. Ensure that the company accounts for any relevant data as specified in the CSRD guidelines to determine the appropriate pathway for science-based target setting.

11. What role does a parent company play in determining SME eligibility?

If the company is a subsidiary of a parent company, the eligibility for SME classification may be impacted. To qualify as an SME, the company must not be part of a parent entity whose combined businesses exceed the SME thresholds or belong to sectors requiring a corporate validation. Additionally, if its parent company is classified as a Financial Institution or operates in sectors deemed ineligible through the SME criteria, the company may not be eligible for SME classification and will need to follow the corporate validation route. For more information, please consult the [Standard Operating Procedure for Entities Registration](#).

12. How do partnerships and related entities impact SME eligibility?

If the company is involved in partnerships or related to other entities (such as parent companies, subsidiaries, or associates), this relationship will affect how its eligibility is assessed. For example, if the company is part of a group or associated entity, the financial and emissions data of the related entities will be considered in the SME eligibility calculation. This ensures that the SME classification reflects the company's full group or partnership data. For more information, please consult the [Standard Operating Procedure for Entities Registration](#).

13. What emission levels qualify an entity for the SME target validation route?

To be eligible for the SME route, the entity, along with its associated or related entities, must emit less than 10,000 tCO₂e annually across scope 1 and location-based scope 2 emissions. If the company's emissions exceed this threshold, it will need to follow the corporate validation route instead.

14. What are turnover, total assets, and other financial terms used in SME classification?

- **Turnover:** The net total revenue generated from the sale of products and the provision of services, after deducting sales rebates, value-added tax (VAT), and other taxes directly linked to turnover¹
- **Total assets:** The annual balance sheet total refers to the value of an entity's main assets. The total assets are determined by total equity + total liabilities. They can be found in an entity's annual balance sheet, which summarizes an organization's assets, liabilities and equity at the end of its latest financial year².
- **Employees:** The annual average number of individuals employed by the applicant entity and related businesses in facilities owned, operated or leased by the reporting company, where necessary, including full-time, part-time, and temporary staff. Companies may include employees of other relevant entities (e.g., franchises or outsourced operations) in this category, as well as consultants, contractors, and

¹ Directive 2013/34/EU, Article 2(6). Official Journal of the European Union, L 182, 29 June 2013

² The balance sheet total referred to in paragraphs 1 to 7 of Directive 2013/34/EU, Article 3(11), consisting of the total value of the assets listed in sections A to E under 'Assets' in the layout set out in Annex III, or the assets listed in sections A to E in Annex IV. *Official Journal of the European Union*, L 182, 29 June 2013.

flexible workers (amended from GHGP, 2013)³. For classification and eligibility purposes, this figure is often expressed in Full-Time Equivalents (FTEs), which standardizes the count by converting part-time and temporary staff into full-time employee equivalents.

These financial metrics are used to determine if the company meets the thresholds to be classified as an SME and to follow the SME target validation route.

15. Can Financial Institutions and Oil & Gas companies that are SMEs use the validation route for SMEs?

No, Financial Institutions and Oil & Gas companies are not allowed to use the SME route.

Financial Institutions have the option to set near-term targets under the [SBTi Financial Institutions Near-Term Criteria](#) or set net-zero targets under the [SBTi Financial Institutions Net-Zero Standard](#).

For Oil & Gas companies, the [SBTi's fossil fuel policy](#) prevents the validation of targets from these companies, and they are no longer permitted to make commitments, regardless of their SME status. The SBTi is currently developing sector-specific target setting guidance for the Oil & Gas sector. Once available, these companies will need to submit targets through the corporate validation route using the sector-specific guidance under the SBTi Oil and Gas Standard.

16. Why is being a subsidiary of a parent company relevant to whether a business falls into the corporate or the SME route?

The status of being a subsidiary of a larger parent company is important for SME eligibility because it ensures alignment with the combined business activities of the parent company. If the parent company's overall business falls into the standard validation route, the subsidiary is expected to adhere to the standard route. This approach maintains a uniform level of rigour and consistency in the target-setting process across the organization.

17. My business is considered an SME under the new definition. Do I need to use the SME target submission route?

³ As defined in the [SBTi Glossary Version 1.5](#) (June 2026), "Employees" (p.70).

Not necessarily. Businesses that qualify as an SME under the new definition can use either the SME route or the corporate route for target validation.

18. What happens to companies that were SMEs when their targets were validated, but are no longer SMEs under the new definition?

The SME definition update is forward-looking, and will not require immediate action from companies that have already used the SME target validation route. Instead, any business seeking to use either the SME or the corporate target validation route should adhere to the most recent SBTi criteria at the time of submitting its application.

19. What if my company is an SME with an approved SBT?

If the company is considered an SME (according to our latest criteria) with an approved science-based target (SBT), the approved target will remain valid. However, if the company wishes to resubmit or update its target, it must utilise the latest SME science-based target setting form. According to NT C26, targets should be recalculated as needed to ensure their relevance and consistency.

20. Are businesses that no longer qualify as an SME required to pay the corporate validation fee rates?

Yes, businesses that no longer qualify as an SME under our latest available eligibility criteria upon the mandatory target review (NT C26) or if a target recalculation is triggered (NT C27) should apply for a new target validation service through the corporate target validation route and pay the corresponding fee for that service. These businesses cannot update their previously validated SME targets via a 'target update.' The 'target update' service is only available to entities updating targets using the same validation route. Therefore, if a business has outgrown its SME status, it must follow the corporate validation process and fees if it wishes to validate targets or if target recalculation is triggered according to NT C27.

21. If my company already has a validated SME target, what should I do if I want or need to set, update, or upgrade targets through the corporate route?

Companies with current targets set through the SME route who will update or re-validate through the corporate route are not eligible for the Target Update Service. These validations require the level of in-depth review used for new near-term and net-zero target services.

22. How will the SBTi be checking turnover/asset data to confirm eligibility?

The Registration form found on the Validation Portal requires entities to submit financial statements that confirm turnover, employees and asset data. This will enable the SBTi to ensure that only eligible entities are able to use the SME route as they would be compliant with the SME definition.

23. How were the specific requirements related to employees, assets and turnover determined?

The SBTi performed detailed research into the trends and needs of SMEs in order to assess the parameters of the new definition. The initiative also took into account widely recognized standards, such as the corporate Sustainability Reporting Directive (CSRD), when considering requirements related to number of employees, annual revenue and total assets. The CSRD is a directive in the European Union that defines required disclosures for businesses related to environmental, social, and governance topics.

24. Why does the emissions criteria for the SME definition use location-based scope 2 as opposed to market-based scope 2?

Location-based scope 2 emissions capture the inventory of scope 2 emissions prior to the use of market-based instruments (such as Renewable Energy Certificates). This allows for a more accurate comparison to be made against the 10,000 tCO₂e limit in the SME definition. Companies and SMEs that use the corporate and SME target validation route, respectively, will be able to use either location- or market-based scope 2 emissions when setting targets.

25. What are the differences between near-term and long-term targets for SMEs?

The differences between near-term and long-term targets for SMEs are as follows:

Target Year:

- Near-term targets typically have a timeframe of 5 to 10 years, or 2030, meaning emissions reductions must be achieved within this period.
 - It is recommended that companies select a 2030 target year for all near-term targets. Applying this recommendation exempts a company from the 5-10 year timeframe requirement in NT C13.
- Long-term (net-zero) targets aim for a target year of 2050 at the latest, though some SMEs may achieve net-zero earlier if they have the capability. SMEs committing to net-zero must reduce their scope 1, 2, and 3 emissions by at least 90% by the target year, and neutralize any remaining unabated emissions. While net-zero is usually associated with long-term targets, SMEs with the capacity to achieve net-zero in a shorter period can choose this option in the near-term timeframe as well, offering flexibility based on company-specific circumstances.

Scope of Emissions:

- Near-term targets focus on absolute reductions in scope 1 and 2 GHG emissions, with SMEs also committing to measure and reduce their scope 3 emissions.
- Long-term (net-zero) targets require absolute reductions across scope 1, 2, and 3 GHG emissions, with a focus on near-complete decarbonization of all emissions sources by the target year.

26. What are the target options available for SMEs using the SMEs target-setting route?

SMEs have the following target options available through the SME target-setting route:

- **Near-term science-based targets:**
These targets involve setting near-term absolute reduction targets for scope 1 and 2 GHG emissions. This option allows SMEs to establish new targets or update existing ones.
- **Near-term maintenance targets:**
This option is designed for companies that have achieved zero scope 1 and/or scope 2 emissions. It enables them to maintain their progress and continuously improve their low-emission trajectory. SMEs selecting this option must adhere to GHG Protocol standards and report their progress annually. Additionally, they can choose a maintenance approach tailored to their specific emissions profile.
- **Net-zero targets:**

- **Long-term science-based targets:** These submissions require measuring and disclosing a complete scope 1, 2, and 3 GHG emissions inventory. Companies must set comprehensive, absolute reductions targets covering scope 1, 2, and 3 GHG emissions, with a goal to achieve net-zero emissions by 2050 at the latest. Companies must also set complementary near-term targets that align with 1.5°C pathways.
- **Near-term net-zero targets:** SMEs can opt for a dedicated Net-Zero only service for targets spanning a 5-10 year timeframe (or selecting a near-term target year of 2030). This option is also available for companies that already have existing 1.5°C-aligned near-term targets.

27. How do we count the number of employees?

Employee count is based on a headcount methodology that includes all individuals employed by the organization, such as full-time, part-time, and temporary staff. This count is often expressed in Full-Time Equivalents (FTEs) to standardize the figures.

For SMEs in a group structure, consider the total headcount of the entire group, not just the specific entity applying for target setting. This ensures accurate calculations for SME eligibility and target validation.

28. What if my company has a fluctuating number of employees on an annual cycle?

For companies with seasonal employees or employees whose numbers change on a regular basis, the average annual headcount of employees must be used to calculate employee numbers.

29. What is the process to validate my targets, and what information do I need to provide?

Please check our [Application Checklist for the SME Tailored Target Validation Route](#), [SME Criteria Assessment Indicators](#), and the [SBTi Services Offerings](#) to find out more about the price structure.

30. My company submitted a target using the tailored validation route for SMEs. When will it be published?

Targets submitted through the SME route will undergo a due diligence process by the Target Validation Team after payment is confirmed. Once the review is successfully completed, the targets will be published on the SBTi website. As part of this process, companies will receive a communications welcome pack and permission to use the SBTi logo in their official communications and on their websites. The time from application submission to publication can vary based on individual circumstances, but it typically takes around 60 business days to complete the entire process.

31. Does my SME need to pay for the target validation service?

Yes, from July 15, 2024 all SMEs will pay a fee for the target validation service. Companies can refer to the [Target Validation Service Offerings](#) for further information on SME validation fees and discounts.

PART 2: BASE YEAR, RECALCULATIONS AND EMISSION INVENTORIES

32. What is the earliest allowable base year for setting science-based targets?

The base year must be no earlier than 2015. This applies to both near-term and long-term science-based targets.

33. Can I use different base years for scope 1 and scope 2 targets?

No, both scope 1 and scope 2 targets must use the same base year.

34. Can I use a multi-year average as a base year?

No, the SBTi does not accept multi-year average base years.

35. Can my company use a financial or fiscal year as a base year?

Yes, SMEs may use either a calendar year or a financial/fiscal year as their base year for target setting. If a financial year is used, the SME must provide start and end dates for that year in the format DD/MM/YYYY - DD/MM/YYYY. According to NT C15, when a company uses fiscal years in its GHG accounting, the SBTi assesses minimum ambition based on the

calendar year (CY) where the majority of the months occur. E.g. FY2025 with a date range of April 2024 - March 2025 would be assessed as CY2024. In the rare case where a FY is evenly split across a CY (i.e. FY ends on 30th June), ambition is assessed using the later year in the date range. This approach is applicable to all targets.

36. Once a base year is chosen, can it be changed for future target setting?

No, once the company selects a base year, it must be used consistently for both near-term and long-term target setting for targets within the same scope. However, if the company opts for a new near-term target service rather than selecting the 'net-zero only' service, adjustments to the base year may be considered.

37. Does the base year need to cover a full year?

Yes, base years must cover a complete past calendar year or financial year.

38. How long must near-term targets cover?

Near-term absolute reduction targets must cover a minimum of 5 years and a maximum of 10 years from the date the target is submitted for validation (NT C13). It is recommended that companies select a 2030 target for near-term targets. Applying this recommendation exempts a company from the 5-10 year timeframe requirement in NT C13 (NT R7).

39. How long must long-term targets cover?

Long-term targets must cover a minimum of 10 years and can extend up to 2050, depending on the company's specific commitments and strategies.

40. What is the minimum level of ambition for scope 1 and 2 targets?

At a minimum, scope 1 and scope 2 targets must align with the level of decarbonization necessary to limit global temperature increase to 1.5°C compared to pre-industrial levels. This requirement applies to both near-term and long-term targets. Meeting the minimum level of ambition is essential to ensure that companies contribute effectively to global efforts to limit climate change and to achieve the decarbonization goals necessary for a sustainable future.

41. How is the minimum reduction value calculated for SMEs?

Under the [SBTi Corporate Near-Term Criteria Version 5.3.1](#) and [SBTi Corporate Net-Zero Standard V1.3](#), SMEs setting targets using the Absolute Contraction Approach must meet or exceed the minimum reduction value calculated as follows:

Minimum value for absolute reduction target = 4.2% x (Target year - Base year).

It is recommended that companies use the [Corporate target setting tool](#) to calculate bespoke minimum ambition for their absolute contraction targets, taking into consideration the base year and most recent year emissions, as well as the SME's targeted net-zero year, where relevant. If the company chooses this approach, it is necessary for them to upload the tool to their submission form in the supporting document question (S4375).

42. How often should an SME review and update its targets?

SMEs should review their targets at least every five years to ensure consistency with the latest climate science and best practices. Any significant changes in the company's structure or emissions should also trigger a target review and recalibration.

43. When should a company consider recalculating its science-based targets based on changes to its operations and emissions profile?

If the company acquires a new business or divests from a business line, it can keep its target, as absolute reduction targets are unaffected by organizational changes. However, if the company needs to adjust its base year to reflect the new organizational boundary, it shall consider updating its targets to maintain consistency when tracking progress.

Targets should be recalculated when necessary to ensure relevance and consistency. Recalculation may be triggered by the following (NT C27):

- Scope 3 emissions becoming 40% or more of total scope 1, 2, and 3 emissions.
- Significant changes in emissions from previously excluded activities.
- Major structural changes, such as acquisitions, divestitures, mergers, or shifts in product offerings.
- Significant adjustments to the base year inventory, data sources, or methodologies, or changes in data used to set targets.

- A base year emissions recalculation policy with a significance threshold of 5% or less for emission recalculations. If no policy exists, the company must apply a 5% threshold.
- Other significant changes to projections or assumptions used in setting targets.

For further guidance, consult the [GHG Protocol Corporate Accounting and Reporting Standard](#).

44. If my company is an SME that does not have scope 1 or scope 2 emissions, can it still use the SME tailored target validation options?

Yes, even if the company is an SME without scope 1 or scope 2 emissions, it can still use the options available in the SME target submission form including the maintenance target option which is exclusive for companies accounting with “0” scope 1 and/or 2 emissions. The maintenance options are designed to accommodate different scenarios and to align with specific target setting criteria, including for SMEs with varying emission profiles. When reporting progress against its target, the company must indicate that it does not emit scope 1 emissions and/or scope 2 emissions, and provide documentation that confirms it has 0 emissions in scope 1 and/or 2. Companies setting maintenance targets must report scope 1 or scope 2 emissions as part of their annual progress reporting if these emissions start being generated during the target period.

45. Can SMEs exclude emissions from their GHG inventory?

SMEs are allowed to exclude up to 5% of total combined scope 1 and 2 emissions from the GHG inventory. Any exclusions must be quantified, justified, and disclosed during the target validation process. Find out more in NT C5.

46. Can an SME set scope 3 targets?

The SBTi does not require companies using the SME’s route to set scope 3 targets for near-term targets; however, they must commit to measure and reduce their scope 3 emissions. SMEs can set ambitious scope 3 targets and communicate them on their website or other public channels; however, these will not be validated by SBTi Services.

If choosing to set net-zero targets, scope 3 GHG emissions will have to be described and reported on the target validation submission form. Net-zero targets for SMEs include absolute reductions in scope 1, scope 2, and scope 3 GHG emissions. This allows SMEs to address and reduce emissions associated with their value chain and indirect activities to align with the SBTi's Standard and global climate objectives. SBTi Services encourages companies to use SBTi resources to set ambitious scope 3 targets.

47. Can you explain what " tCO₂e" means and why it's relevant to the criteria?

"tCO₂e" stands for metric tons of carbon dioxide equivalent. This unit is essential because it serves as a standardized measurement for quantifying greenhouse gas emissions. Its significance in the criteria lies in its role in defining the maximum allowable emissions across specific scopes (scope 1 and location-based scope 2) to determine eligibility for the streamlined route.

48. What's the significance of scope 1 and location-based scope 2 emissions in the criteria?

Scope 1 emissions typically refer to direct emissions from sources that a company owns or controls, while location-based scope 2 emissions are related to purchased energy (e.g. electricity and heat) consumed by a company. These criteria set specific limits on emissions to ensure that SMEs have a relatively low carbon footprint to qualify for the SME route. For more information, consult the [GHG Protocol Corporate Accounting and Reporting Standard](#).

49. Can an SME use carbon credits to meet its science-based target?

No, the use of carbon credits or avoided emissions does not count toward meeting near-term or long-term science-based targets. Carbon credits can only be considered for neutralizing residual emissions when aiming for net-zero targets.

50. Do the SME target validation options mean SMEs cannot use other science-based target methods, such as the Sectoral Decarbonization Approach (SDA)?

The SME route focuses exclusively on absolute reduction targets, offering simplicity and ease of use. This predefined approach streamlines target setting for SMEs, removing the

need for complex methodologies or extensive data input. It emphasizes the need to decouple emissions from growth, as highlighted by climate science.

While the Sectoral Decarbonization Approach (SDA) accounts for a company's initial intensity and projected growth to calculate targets, it still requires absolute emissions reductions across all sectors.

However, SMEs still have the option to set targets through the corporate validation route if they wish to use the SDA or other target-setting methods. For more information, please consult the submit section of the [SBTi step-by-step](#) process page.

51. What are the next steps after setting targets? Is there specific guidance on how to report progress annually?

After setting targets, SMEs are required to track and report progress annually, just like larger companies. This includes completing a recent, comprehensive GHG emissions inventory in line with the [Greenhouse Gas Protocol's Corporate Standard](#), [Scope 2 Guidance](#), and the [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#). SMEs must publicly disclose scope 1, 2, and 3 GHG emissions and their progress against their validated targets.

While it is recommended to report through standardized platforms like CDP's annual questionnaire, SMEs can also use annual reports, sustainability reports, or their company's website.

52. Is there guidance on how to implement set targets and how to achieve emissions reductions?

The SBTi does not provide detailed resources on emissions reduction measures to achieve the set targets. Those measures will differ from sector to sector and company to company. We recommend referring to the toolbox of the [SME Climate Hub](#) for guidance on how to reduce SMEs own emissions as well as value chain emissions.

For the most comprehensive and specific information, we recommend referring to the official SBTi resources or reaching out to us directly at info@sbtiservices.com.



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