

COMMITMENT TO THE SCIENCE BASED TARGETS INITIATIVE (SBTi) IN DENMARK

A PROGRESS REPORT IN THE LEAD-UP TO COP28

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Global Compact
Network Denmark

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Executive summary

Commitments to the Science Based Targets initiative (SBTi) in Denmark are increasing rapidly, with a growth rate of 170% from 2021 to 2022 and 51% from 2022 to September 30, 2023, the cutoff date for this report. Of the Danish SBTi-committed companies, 47% have committed to a near-term 1.5°C target, 3% to a well-below 2°C target, and 35% to a net-zero target, while 15% have not yet identified concrete near- or long-term targets. Sixty-nine percent of the companies have had targets validated by the SBTi¹. **Small and medium-sized enterprises (SMEs) make up 42% of SBTi-committed companies in Denmark which is the highest rate of committed SMEs in the world.**

The impact is tangible: **Danish companies with SBTi-validated targets have pledged to reduce their scope 1 and 2 greenhouse gas (GHG) emissions by at least 5.1 million metric tons by 2030 and to reduce their scope 3 emissions by more than 210 million metric tons by the same year**, or the equivalent of 4.7 times Denmark's national GHG emissions in 2022. This corresponds to an annual reduction of almost 20 million metric tons of GHG emissions. Moreover, the annual scope 3 GHG emission reductions of Danish SBTi-validated companies correspond to 1.3 times the amount of GHG emissions that Denmark must reduce by annually to meet its target of reducing domestic GHG emissions by 70% by 2030 compared to 1990. The residual emissions totaled 14.2 million metric tons of GHG in 2022.

The SBTi is growing globally as well, with Europe in the lead, accounting for 54% of all SBTi commitments. Of the European and global SBTi commitments, 66% are from large companies, 30% are from small and medium-sized enterprises (SMEs), and 4% are from financial institutions. **Net-zero commitments are also rapidly increasing across the world, accounting for 43% of the European companies and 40% of the companies worldwide committed to the SBTi.** Twenty-six percent and 18% of the companies' net-zero commitments have been validated by the SBTi in Europe and worldwide, respectively.

All companies with more than 500 employees are currently required to set scope 3 targets for at least two-thirds of their total scope 3 emissions. Of the Danish companies with SBTi-validated scope 3 targets, 27% target upstream emissions, 37% target upstream and downstream emissions, and 5% target downstream emissions only; 31% are not specified clearly enough to determine whether the target relates to upstream emissions, downstream, or both. This implies that **the supply chain will be increasingly more involved in the realization of SBTi-committed companies' scope 3 ambitions.**

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⁽¹⁾ Companies with over 500 employees first commit to setting GHG emissions reduction targets through the SBTi after which they have two years to submit targets for validation to the SBTi. When the SBTi has validated a company target, the target becomes publicly visible on the SBTi's website. Please see more about the SBTi at the end of this report.

The number of financial institutions that have committed to the SBTi is growing both in Denmark and globally. These institutions play a key role in GHG mitigation as they have the power to restrict access to capital or to increase rates for companies with no climate targets or targets that are not science-based. **Many financial institutions use the SBTi as a central framework for assessing companies** because it ensures access to annual GHG emissions data, it guarantees third party validation of targets, and most importantly, it ensures that the targets are science-based and that they align with the Paris Agreement.

The Corporate Sustainability Reporting Directive (CSRD)—the EU’s updated directive for companies’ non-financial reporting—was introduced this year, and its corresponding standard on climate change, **European Sustainability Reporting Standard (ESRS) E1, aligns well with SBTi criteria, guidelines, and standards.** ESRS E1 requires companies to track and report GHG emissions and targets if climate change is deemed a material issue. **The standard’s disclosure requirements, including the ambition and timeframe of the transition plan, correspond almost directly with SBTi guidelines.** Furthermore, the general E1 requirements for GHG emissions data disclosure are based on the same framework as CDP, a non-profit organization that manages a global disclosure system and a founding partner of the SBTi. Therefore, **companies that set targets and disclose GHG emissions data in accordance with SBTi guidelines are better prepared to meet the newly legislated climate change disclosure requirements of the CSRD.**

Considering the continued increase in SBTi commitments, the improved disclosures of scope 3 emissions from committed companies, and the SBTi-aligned CSRD, the future of the SBTi both in Denmark and globally looks promising. Indeed, the current momentum for the SBTi is expected to continue.

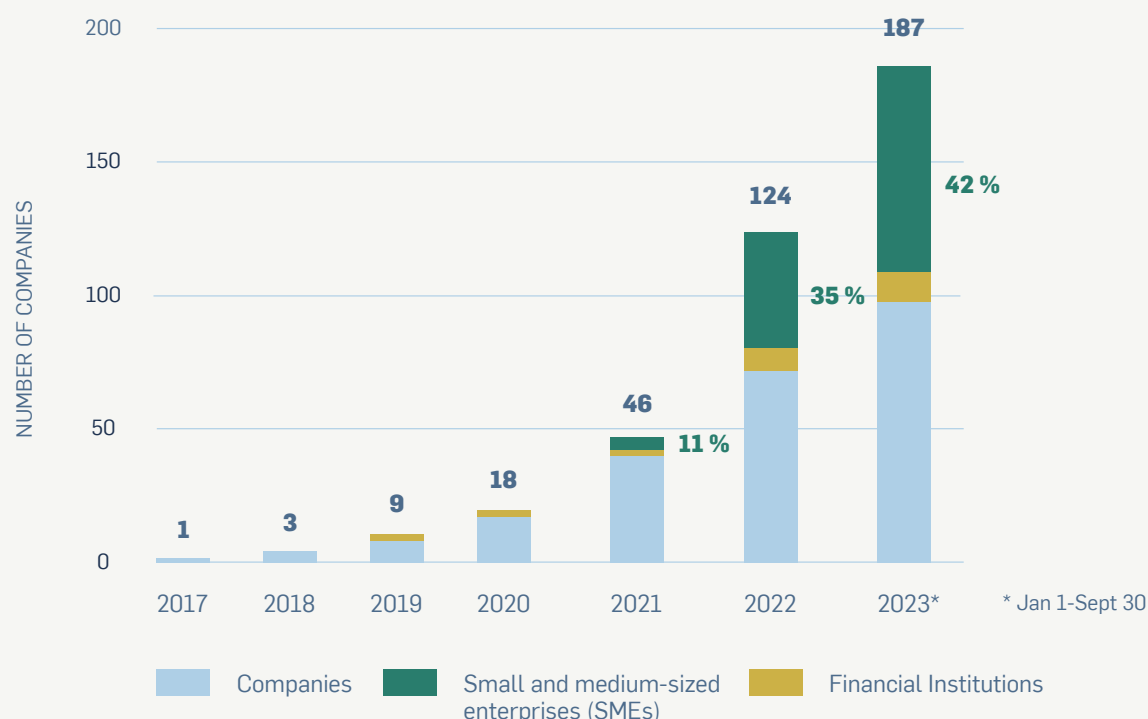


SBTi in Denmark: A momentum for commitments

As SBTi commitments continue to gain momentum worldwide, Denmark remains one of the frontrunners, with a rapid growth in the number of committed companies since the launch of the SBTi in 2015 (see Figure 1). More specifically, the number of SBTi-committed companies grew 156% from 2020 to 2021, 170% from 2021 to 2022, and rose 51% from 2022 through the third quarter of 2023.

Of the Danish companies currently committed, 42% are small and medium-sized enterprises (SMEs), a share that has risen sharply since the SBTi's introduction in 2020 of a so-called “streamlined target validation route” for independent companies with under 500 employees. This indicates that the SME route is becoming a popular way for smaller companies to take climate action.

FIGURE 1 SBTi-COMMITTED/VALIDATED COMPANIES IN DENMARK



Note 1: Companies have 500 or more employees; SMEs are independent companies with fewer than 500 employees.

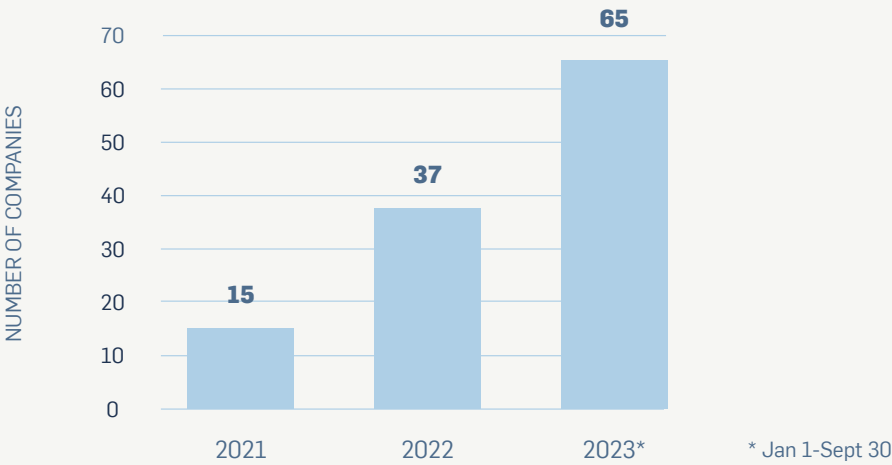
Note 2: The percentages shown represent the share of committed SMEs.

Note 3: Companies with withdrawn/removed SBTi commitments have been removed from this analysis.

Sources: The SBTi and Axcelfuture

Since 2021, companies have been able to set net-zero targets using the SBTi’s Corporate Net-Zero Standard. Consequently, the number of Danish net-zero-committed companies is increasing quickly and have almost doubled from 37 committed or validated companies in 2022 to 65 in 2023 so far, reflecting an increase of 76% (see Figure 2). While 75% of companies with validated net-zero targets have more than 500 employees, 15% are SMEs, and 10% are financial institutions. Furthermore, 28% of the total net-zero-committed companies have had their net-zero targets validated by the SBTi.

FIGURE 2 NET-ZERO-COMMITTED/VALIDATED DANISH COMPANIES



Sources: The SBTi and Axcelfuture

Most of the Danish SBTi-companies represent large revenue streams and large workforces. As such, all companies collectively earned a total revenue of at least 1,783 billion DKK (Danish Krone) in 2022 while employing at least 850,000 people².

Based on an assessment of the largest Danish companies, 54% of those in the C25 index³ have SBTi-validated targets, 21% are SBTi-committed, while 25% have not yet committed to the SBTi (see Figure 3). The 54% rate for C25 index companies with SBTi-validated targets reflects a slight improvement from 2022, when only 50% had SBTi-validated targets; however, the 25% of C25 companies with no SBTi commitment reflects an increase over last year’s 22%, which resulted from a company withdrawing its SBTi commitment.

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(2) Due to a lack of data, information from only 117 companies is considered in the total revenue calculations, while 176 companies’ data are considered in the total number of employees. As the data source is the Danish CVR-register, some data only reflect companies’ Danish activities, leading to underestimations of the economic size of the SBTi-committed companies.

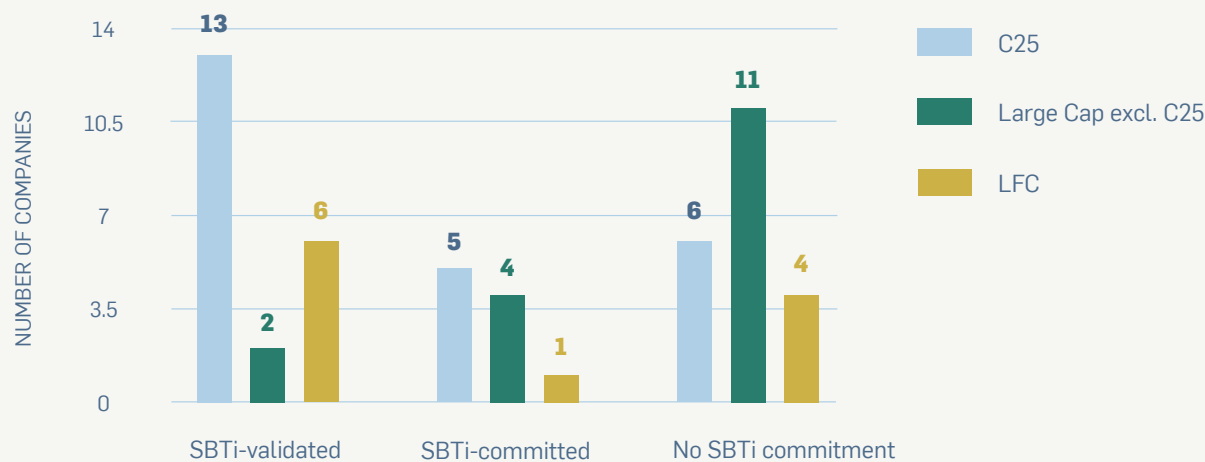
(3) C25 companies or the C25 index represents the 25 most traded stocks on the Danish stock exchange.

Among the group of large-cap companies⁴, excluding the C25 companies, a considerable shift has occurred in SBTi commitments since last year. In 2022, no large-cap company outside of those on the C25 index had SBTi-validated targets, and just 19% were SBTi-committed, while 81% had not yet committed to the SBTi. To date in 2023, 13% have set targets through the SBTi, and 27% are SBTi-committed, while 60% remain uncommitted.

The reason for the difference in climate performance between the C25 and the remaining large-cap companies might be that the C25 companies are traded more often than the non-C25 large-cap companies. Therefore, they likely are able to utilize the capital markets that yield higher pressure from investors to perform well on environmental indicators, including the pressure to reduce GHG emissions.

The large family-, foundation-, or cooperatively owned (LFC) companies are also interesting to examine as they are comparable in size to the C25 and large-cap companies but represent different ownership structures. The LFC companies have either a few owners (family- and foundation-owned) or many owners, each with the same proportional ownership share (cooperatively owned). Fifty-five percent of LFC companies have set SBTi targets, 9% are SBTi-committed, and 36% are not yet committed. These numbers are similar to those from 2022, indicating a lack of development in SBTi commitments among the Danish LFC companies since last year.

FIGURE 3 SBTi STATUS AMONG LARGEST DANISH COMPANIES



Note 1: The C25 index lists only 24 companies as A. P. Møller Mærsk A/S is represented with two stocks.

Note 2: Boozt AB, SAS, and Össur HF are not included in Figure 3 because they are listed as Swedish and Icelandic companies in the SBTi database.

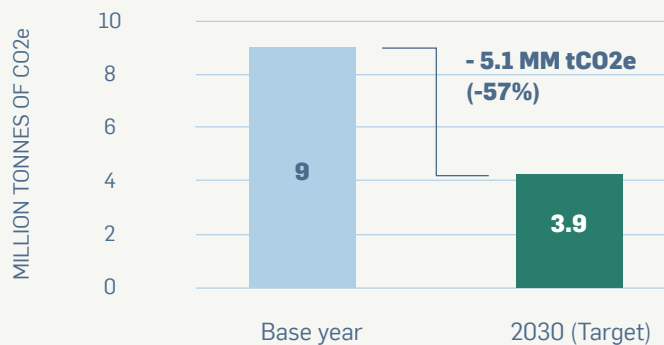
Sources: The SBTi, the Danish stock exchange and Axcelfuture

⁽⁴⁾ Large-cap companies are listed on the Danish stock exchange with a market valuation of 1 billion euros or more. This threshold means the number of large-cap companies may change over time.

INCREASED SBTi-VALIDATED TARGETS MEAN GREATER PROJECTED REDUCTIONS

With commitments to set 1.5°C and net-zero targets growing rapidly, the projected reductions from SBTi targets in Denmark are increasing. For example, the projected scope 1 and 2 emission reductions from SBTi-validated companies based on comparisons between each company’s respective base year and 2030 total at least 5.1 million metric tons (see Figure 4). This corresponds to a 57% reduction, which exceeds the SBTi 1.5°C requirement of a 50% reduction. The projected reductions amount to 0.7 million metric tons more than the amount that companies committed to reducing by September 30, 2022, which was 4.4 million metric tons based on their respective base years and 2030.

FIGURE 4 PROJECTED SCOPE 1 AND 2 REDUCTIONS FROM SBTi-VALIDATED DANISH COMPANIES



Note 1: The base year varies between 2015 and 2022. SBTi-validated targets are always set in accordance with the base years.

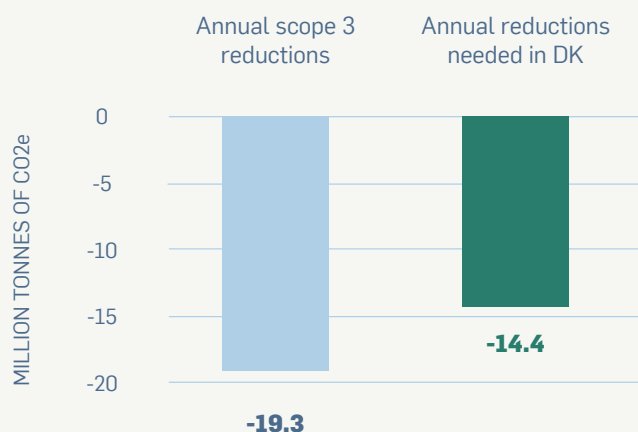
Note 2: Figure 4 contains data on 78 of the 131 SBTi-validated companies because available data on scope 1 and 2 emissions were limited.

Sources: The SBTi, Axcelfuture, and the companies' annual and sustainability reports

The impact of the Danish SBTi-validated scope 3 targets is even greater. For most companies, scope 3 emissions represent by far the largest category of emissions. They are also the most difficult to abate mainly due to complex value chains, limited access to data, and the large number of resources needed for reduction, such as on a product level.

The 44 Danish companies with SBTi-validated scope 3 targets have committed to reduce scope 3 emissions by at least 19.3 million metric tons per year based on their respective base year compared to 2030 (see Figure 5). This equates to 1.3 times the GHG emission reductions needed annually as of 2022⁵ to reach the Danish 2030 target of a 70% reduction according to a 1990 base year. These reductions amount to more than 210 million metric tons of GHG emissions based on each company's respective base year compared to 2030 performance (see Figure 6), which is the equivalent of 4.7 times the total Danish GHG emissions in 2022. However, the reductions from Danish SBTi-validated scope 3 targets are likely higher than the data show as access to some companies' emissions data was limited and, thus, those data are not reflected.

FIGURE 5 PROJECTED SCOPE 3 REDUCTIONS FROM DANISH SBTi -VALIDATED COMPANIES TOWARDS 2030 VS NECESSARY ANNUAL REDUCTIONS IN DENMARK TO REACH 2030-TARGET



Note 1: FLSmidth A/S, Lantmännen Unibake A/S, Leo Pharma A/S, and Norican Group have committed to reduce supply chain emissions by requiring a percentage of their suppliers or customers to set SBTi targets to be achieved by 2030. These reductions are not included in Figure 5.

Note 2: A number of the SBTi-validated companies have an intensity target for their scope 3 emissions; thus, the reductions in Figure 5 represent a conservative estimate of the scope 3 reductions target for 2030.

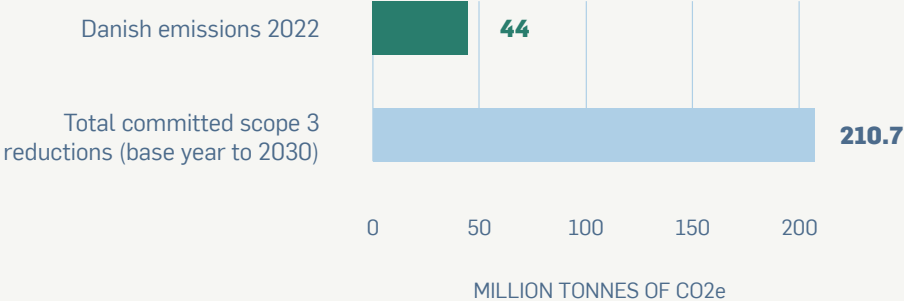
Note 3: Due to data limitations, Figure 5 reflects data from only 29 of the 44 SBTi-validated companies.

Sources: The SBTi, CDP, Axcelfuture, and the companies' annual and sustainability reports

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(5) The Danish GHG emissions total is published each year by the Ministry of Climate, Energy, and Utilities. The 2022 emissions information can be found at ens.dk

FIGURE 6 COMPARISON BETWEEN PROJECTED DANISH SCOPE 3 EMISSION REDUCTIONS AND TOTAL EMISSIONS IN DENMARK



Note 1: FLSmidth A/S, Lantmännen Unibake A/S, Leo Pharma A/S, and Norican Group have committed to reduce supply chain emissions by requiring a percentage of their suppliers or customers to set SBTi targets to be achieved by 2030. These reductions are not included in Figure 6.

Note 2: Some SBTi-validated companies have an intensity target for their scope 3 emissions; thus, the reductions in Figure 6 represent a conservative estimate of the scope 3 reductions target of 2030.

Note 3: Due to data limitations, Figure 6 includes data from only 29 of the 44 SBTi-validated companies.

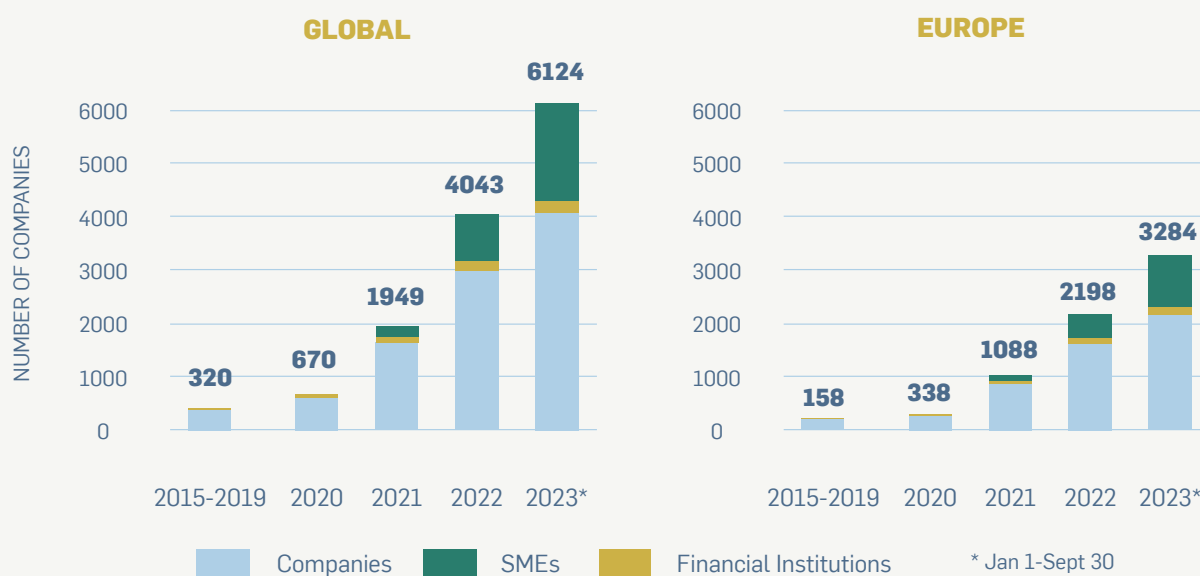
Sources: The SBTi, CDP, Axcelfuture and the companies' annual and sustainability reports



SBTi internationally: Continued progress and impact

Both in Europe and across the world, SBTi commitments have developed along a path similar to Denmark's, with the number of committed companies globally essentially doubling each year through 2023: the increase in the number of committed companies in 2023 as of September 30 was approximately 50%. Indeed, the number of European SBTi-committed companies increased by 104% from 2021 to 2022 and by an additional 50% from 2022 to September 30, 2023. Similarly, global commitments increased 109% from 2021 to 2022 and 51% from 2022 to September 30, 2023 (see Figure 7). European commitments constitute 54% of all SBTi commitments.

FIGURE 7 EUROPEAN AND GLOBAL DEVELOPMENT OF SBTi COMMITMENTS



Note 1: SMEs are independent companies with fewer than 500 employees.

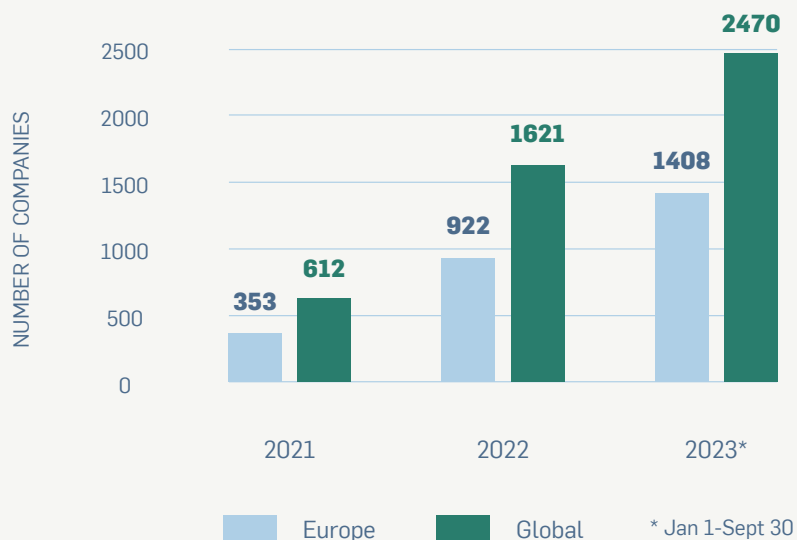
Note 2: Companies with withdrawn/removed SBTi commitments have been removed from this analysis.

Sources: The SBTi and Axcelfuture

Figure 7 shows that the share of SMEs committed to the SBTi is expanding rapidly, increasing from only a few companies before 2020 to approximately 12% in 2021, 20% in 2022, and 30% in 2023 globally. Denmark's 42% share of SMEs committed to the SBTi is the highest in the world of all SBTi commitments. Corresponding shares are 28% in the EU, 21% in Switzerland, 11% in Luxembourg, 33% in the United Kingdom, 36% in Sweden, and 22% in Norway. Overall, the rapid increase must be due to the streamlined target validation route for SMEs.

Net-zero commitments are growing even faster, increasing by 161% and 165% in Europe and globally, respectively, from 2021 to 2022 (see Figure 8). The European net-zero commitments currently account for 59% of the global net-zero commitments. Of the European net-zero commitments, 23% have been validated by the SBTi.

FIGURE 8 NET-ZERO COMMITMENTS IN EUROPE AND GLOBALLY

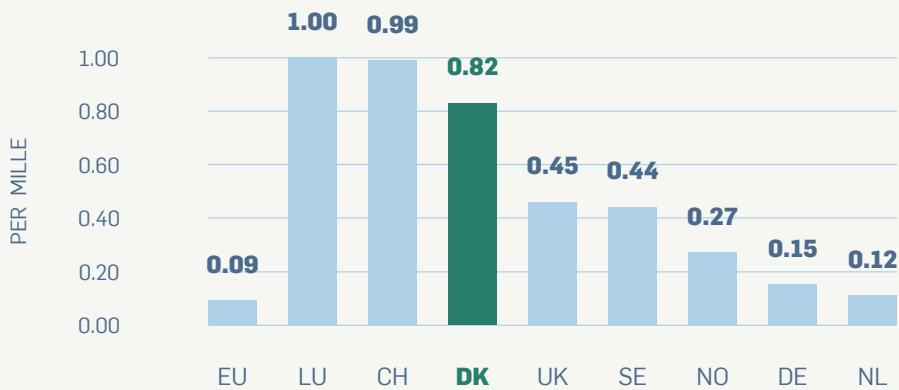


Note 1: Companies with withdrawn/removed SBTi commitments have been removed from this analysis.

Sources: The SBTi and Axcelfuture

A comparison of Denmark’s SBTi commitments with those of other EU countries places Denmark far ahead of most of them. In fact, 0.83 per mille of Danish companies are SBTi-committed, while the EU average is 0.09 per mille (see Figure 9). Only Switzerland and Luxembourg have higher shares of SBTi-committed companies, with 1 and 0.99 per mille committed companies, respectively.

FIGURE 9 COMPANIES WITH SBTi VALIDATION COMPARED TO TOTAL NUMBER OF COMPANIES IN DENMARK AND THE EU COUNTRIES



Note 1: Data on financial institutions are omitted from Figure 9.

Sources: The SBTi, Axcelfuture and OECD

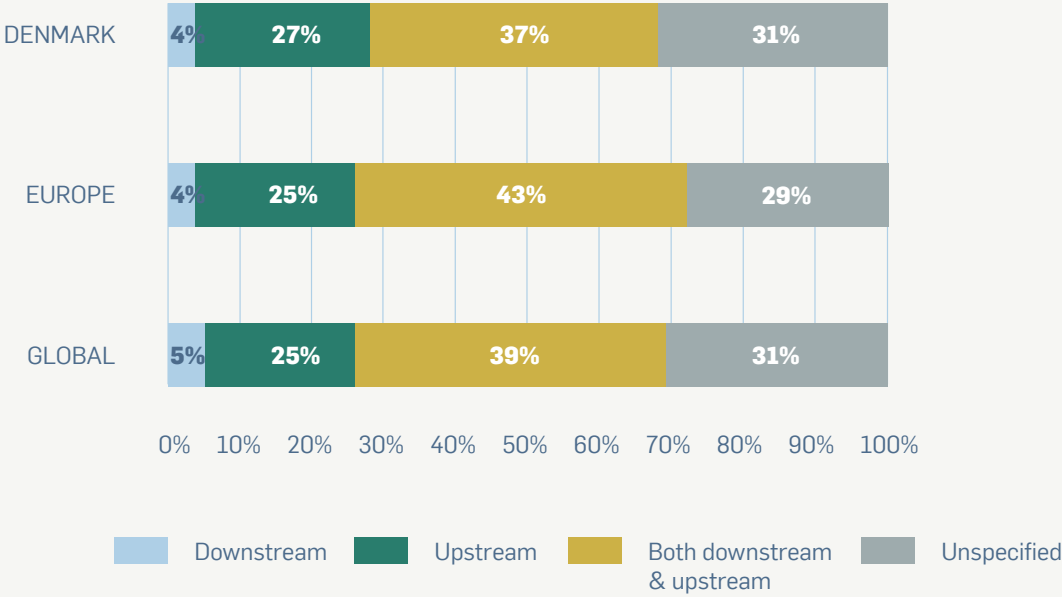
TYPES OF SCOPE 3 TARGETS AND THE NEED FOR MORE TRANSPARENCY

All companies with more than 500 employees are required to set targets for all three scopes that cover at least two-thirds of their total scope 3 emissions, while SMEs are only required to set targets for scope 1 and 2 emissions. As 15 categories exist for scope 3, and as the emissions profile varies greatly from company to company, the targets understandably also vary.

Most companies that are required to set scope 3 targets, which amounts to 37% of the Danish SBTi-committed companies, 43% of European companies, and 39% of companies internationally, have set reduction targets for both their upstream and downstream emissions (see Figure 10). At the same time, 27% of Danish companies and 25% of European and global companies have set upstream targets only, while 4-5% of the companies have only set downstream targets. The remaining 31% of Danish companies, 29% of European companies, and 31% of companies globally are associated with unspecified scope 3 targets, meaning that exactly which scope 3 emissions they are targeting cannot be deduced.

Hence, obtaining a detailed emissions inventory for scope 3 emissions from most companies can be difficult. This presents even more challenges to key stakeholders, such as financial institutions, that seek to assess a company's climate strategies and its progress in reducing emissions on a scope 3 level.

FIGURE 10 CHARACTERISTICS OF SCOPE 3 TARGETS



Note: Figure 10 contains data from SBTi-validated companies only.
Sources: The SBTi and Axcelfuture



CASE: **AKADEMIKERPENSION**

AkademikerPension is a Danish pension fund that manages approximately 130 billion DKK in financial assets. The company maintains approximately 150,000 members, all of whom hold academic degrees. Its members are primarily employed in the public sector in academic institutions, such as upper secondary schools, that offer pension scheme coverage according to collective agreements.

AkademikerPension has been committed to the SBTi since 2019. The organization's near-term targets were validated by the SBTi in June 2023⁶. Moreover, the company plans to achieve net-zero emissions through the United Nations-convened Net-Zero Asset Owner Alliance's Target-Setting Protocol. These ambitions are driven by both AkademikerPension's members and its overarching goal to maximize investment returns from a responsibly managed portfolio. Its SBTi target consists of three elements:

1. Reduce scope 1 and 2 emissions by 70% by 2030
2. Scope 3: Reduce Scope 3 portfolio emissions by 73.4% per m2 from directly owned real estate.
3. Scope 3: Require 32% of its listed equity, corporate bond, and long-term corporate loan portfolio by invested value to have SBTi-validated targets by 2025, and 100% by 2030 from a 2019 base year.

Accomplishing these ambitious targets requires perseverance, strategy, and resource allocation. To achieve them, AkademikerPension employs two key strategies: exclude companies that lack ambitions to support the Paris Agreement and utilize the influence gained through ownership shares. The latter is exercised through voting rights, which allow AkademikerPension to vote, for instance, against electing a board chairperson who has shown a lack of willingness to align the company's actions with the Paris Agreement. In this context, the SBTi serves as a valuable tool for assessing whether a potential investee is aligned with the Paris Agreement, based on a science-based approach.

To obtain the data necessary to implement these strategies, AkademikerPension employs one of two methods:

1. Data are collected from portfolio companies with access to high-quality GHG emissions data that typically require minimal or no processing after collection for use in its sustainability strategy and reports.

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(6) The description of target-setting for financial institutions can be found at sciencebasedtargets.org

2. GHG emissions data are calculated based on estimates for those companies with a lack GHG emissions data or with poor quality data. Many companies, especially those outside of Europe, lack sufficient or reliable GHG emissions data, preventing them from providing such information for AkademikerPension's GHG accounting.

SBTi-committed companies generally maintain emissions data of a superior quality, so AkademikerPension can obtain data reported by these companies via data provider specialists rather than calculating estimates.

As a financial institution, AkademikerPension faces various challenges when addressing GHG emissions in unlisted portfolio companies. Firstly, unlisted companies are often less mature in terms of climate action compared to listed companies. In collaboration with ATP, another Danish pension fund, AkademikerPension is seeking to collect ESG data from a large number of companies to obtain the necessary information. Secondly, banks frequently lack truly Paris Agreement-aligned transition strategies. Thirdly, companies in low-emission sectors tend to neglect taking climate action and setting science-based targets.

Therefore, the SBTi proves to be invaluable for financial institutions when evaluating potential investments. It confirms that the investee aligns climate-related actions with the Paris Agreement and establishes GHG reduction targets based on scientific methodologies. Moreover, the initiative works to enhance data availability and promote increased transparency regarding companies' emissions reduction progress.

The SBTi and the Corporate Sustainability Reporting Directive (CSRD)

Until now, no government regulation has existed that requires companies to report GHG emissions; indeed, all company GHG disclosures to date have addressed recommendations from reporting and target-setting initiatives, such as the SBTi, rather than regulatory requirements. For some European companies, this changed in 2023, when the *Corporate Sustainability Reporting Directive (CSRD)* went into effect.

The CSRD requires companies that are subject to the legislation to account for and disclose non-financial subjects encompassing climate, biodiversity, environmental impact, social impact, and governance throughout the companies' value chains. However, companies are only required to disclose data when a category has been identified as material to the company. The first companies required to report with respect to the CSRD must start disclosing their information for fiscal year 2024. The emissions that must be accounted for are identified through a double materiality assessment. Therefore, the CSRD also impacts suppliers, meaning that the regulation impacts a much wider group than just the companies it initially directly affects.

The CSRD reporting standards consist of the 12 *European Sustainability Reporting Standards (ESRS)*, with the first, E1, focused on climate change. ESRS E1 is based on the Greenhouse Gas (GHG) Protocol, that is, scopes 1, 2, and 3. However, while the GHG Protocol specifies the steps in GHG emissions accounting, it does not provide guidelines for disclosing the emissions and targets. Therefore, the CSRD aligns its accounting principles with recommendations from the *Task Force on Climate-Related Financial Disclosures (TCFD)* and the SBTi regarding target disclosures.

TARGET DISCLOSURES AND TRANSITION PLANS IN ACCORDANCE WITH THE SBTi

ESRS E1 requires companies to disclose not only their GHG emissions data but also their climate targets. However, ESRS E1 follows the SBTi framework with respect to target disclosures. For example, the ESRS E1 requires companies (for which climate change is deemed material) to⁷ :

- Disclose GHG emission reduction targets in absolute value (either in tons of CO₂e or as a percentage of the emissions of a base year) and in intensity value, if relevant.
- Disclose GHG emission reduction targets for scope 1, 2, and 3 GHG emissions, either separately or combined. If combined, companies must specify which scopes are covered by the target, the share of the GHG emissions in each scope covered, and the type of GHGs covered.
- Not consider GHG removals, carbon credits, and avoided emissions as a means of achieving GHG emission reduction targets.
- Establish and disclose a base year for their target, which beginning in 2030 must be updated every five years.
- Include target values for their GHG emission reduction targets for at least the year 2030 and, if available, for the year 2050. From 2030, target values shall be set after every 5 years thereafter.
- Note if the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C.
- Identify the framework and methodology used to determine these targets, including e.g. whether they were derived using a sectoral decarbonization pathway, whether the targets were externally assured, etc.
- Disclose expected decarbonization levers to reach their targets, such as energy saving or fuel switching.

These disclosure requirements, which are almost identical to those of the SBTi, call for companies subject to the CSRD to align with the SBTi if they must establish GHG emission reduction targets. Therefore, a commitment to the SBTi aligns with the ESRS E1 requirements of the CSRD. The SBTi does not currently have a framework for accounting and disclosing GHG emissions data. Instead, they strongly recommend that committed companies disclose GHG emissions data via CDP, which is also one of the founding partners of the SBTi. CDP, in turn, has aligned its reporting framework with the principles of the TCFD on which the ESRS E1 is based.

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(7) Please note that the listed requirements merely paraphrase the [ESRS E1 target disclosure requirements \(page 72\)](#)

The future of the SBTi in Denmark

The future of the SBTi in Denmark is promising, as the rapid growth in SBTi commitments continues. Currently, many companies are in line for their targets to be approved by the SBTi.

Many of the scope 3 targets set through the SBTi are associated with purchased goods and services. Achieving those targets requires direct engagement with suppliers to ensure both reductions and the transfer of reliable GHG emissions data. Many Danish companies are ramping up their efforts on supplier engagement, as demonstrated by [a case collection released by UN Global Compact Network Denmark earlier this year](#). As part of their efforts, some companies have also set supplier engagement targets through the SBTi, by which they require certain high-emitting suppliers to set targets through the SBTi. This increased focus on suppliers is likely to influence SBTi commitments positively over the coming years.

The climate reporting standard ESRS E1 of the CSRD is also likely to increase commitments to the SBTi due to the standard's alignment with the initiative.

Since September 2022, companies have been able to set targets in accordance with Forest, Land, and Agriculture (FLAG) Guidance. The FLAG sectors account for approximately 22% of all GHG emissions globally (as per the SBTi). With intensive agriculture on 60% and timber production on 14% of the country's total land area, Danish companies in the FLAG sectors must commit to the SBTi to help decarbonize these land-intensive industries.

Some countries require or have proposed requiring publicly owned companies and suppliers to public authorities to set science-based targets (e.g., Norway and the US). In addition, earlier this year, UN Global Compact Network Denmark sent a letter to the Danish Minister of Finance recommending that all Danish publicly owned companies set targets through the SBTi.

Changes in the SBTi to accommodate challenges and soaring interest

The SBTi is becoming renowned and respected as the golden standard for setting GHG emission reduction targets. Its science-based approach has fueled momentum, resulting in an exponential growth in the number of companies committing to the SBTi. However, this rapid development has introduced challenges that need to be addressed, especially those related to prolonged target validation time due to SBTi staff shortages and the insufficient accountability of companies with approved targets, many of which fail to report annually on their progress.

The SBTi has approached emission reduction targets through a transformation program comprising five key pillars⁸:

1. **Incorporation:** The development of the SBTi as an independent legal entity with its own board of trustees, aiming to become a charity regulated by the UK Charity Commission.
2. **New Chair plus independent Trustees:** The establishment of a legal board of trustees, expanded to include the new chair, Francesco Starace, former president of Colombia; Iván Duque; and Ester Baiget, Novozymes CEO, with more appointments to follow.
3. **Creation of separate entities for standard-setting and validation:** In line with recognized best practice for assurance bodies, initially, both standard-setting and target validation entities will remain closely linked, and the transformation process is already underway.
4. **Strengthened standard-setting:** The SBTi is strengthening its standard-setting practices by redrawing its technical governance and standard-setting processes in line with internationally recognized best practice. Following the appointment of the Technical Council, the SBTi is finalizing and will publish its standard-setting procedures.
5. **Validation service provider:** The validation service provider will be structured so it can be upscaled to meet growing demands.

These five key pillars have already cut the wait time for receiving target validation in half. They also anchor the initiatives at the executive level. Furthermore, the SBTi is working on a measurement, reporting, and verification (MRV) project that will result in more accountability and transparency in companies' climate targets.

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⁽⁸⁾ More information can be found at sciencebasedtargets.org

About the SBTi

The Science Based Targets initiative (SBTi) is a global body that enables companies and financial institutions to set ambitious emission reduction targets in accordance with the latest climate science. It is focused on accelerating corporate climate action in line with cutting global emissions in half by 2030 and achieving net-zero emissions by 2050.

The initiative represents a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI), the World Wide Fund for Nature, or the World Wildlife Fund (WWF), and one of the We Mean Business Coalition commitments. The SBTi defines and promotes best practice in science-based target setting, offers resources and guidance for reducing barriers to adoption, and independently assesses and approves organizations' targets.

All methodologies align with the Paris Agreement and with the goal of limiting the global average temperature to 1.5°C above a pre-industrial level by 2100.

THE SBTI GUIDANCE AND METHODOLOGIES

The foundation of the SBTi methodologies is the Greenhouse Gas Protocol, which classifies emissions into three scopes: scopes 1, 2, and 3 (described in Box 1). Scope 1 emissions represent direct emissions from, for example, factory boilers or company vehicles. Scope 2 emissions are indirect emissions related to cooling, heating, and electricity use, and scope 3 emissions cover all other indirect emissions in a company's value chain, such as those produced with respect to raw materials and the transportation of goods.

The SBTi operates with “near-term” and “long-term” targets. Companies must achieve their near-term targets, which for many companies amount to a 50% emissions reduction, by 2030 at the latest⁹. A long-term target entails achieving net-zero emissions by 2050. Currently, companies can choose a baseline year (the point of departure for measuring achievement of the climate target) from 2015 to 2022, while near-term targets must be achieved within a 5-10 year period. Importantly, the near-term SBTi targets of large companies (non-financial companies with over 500 employees) must cover 95% of their total scope 1 and 2 emissions and two thirds of their total scope 3 emissions.

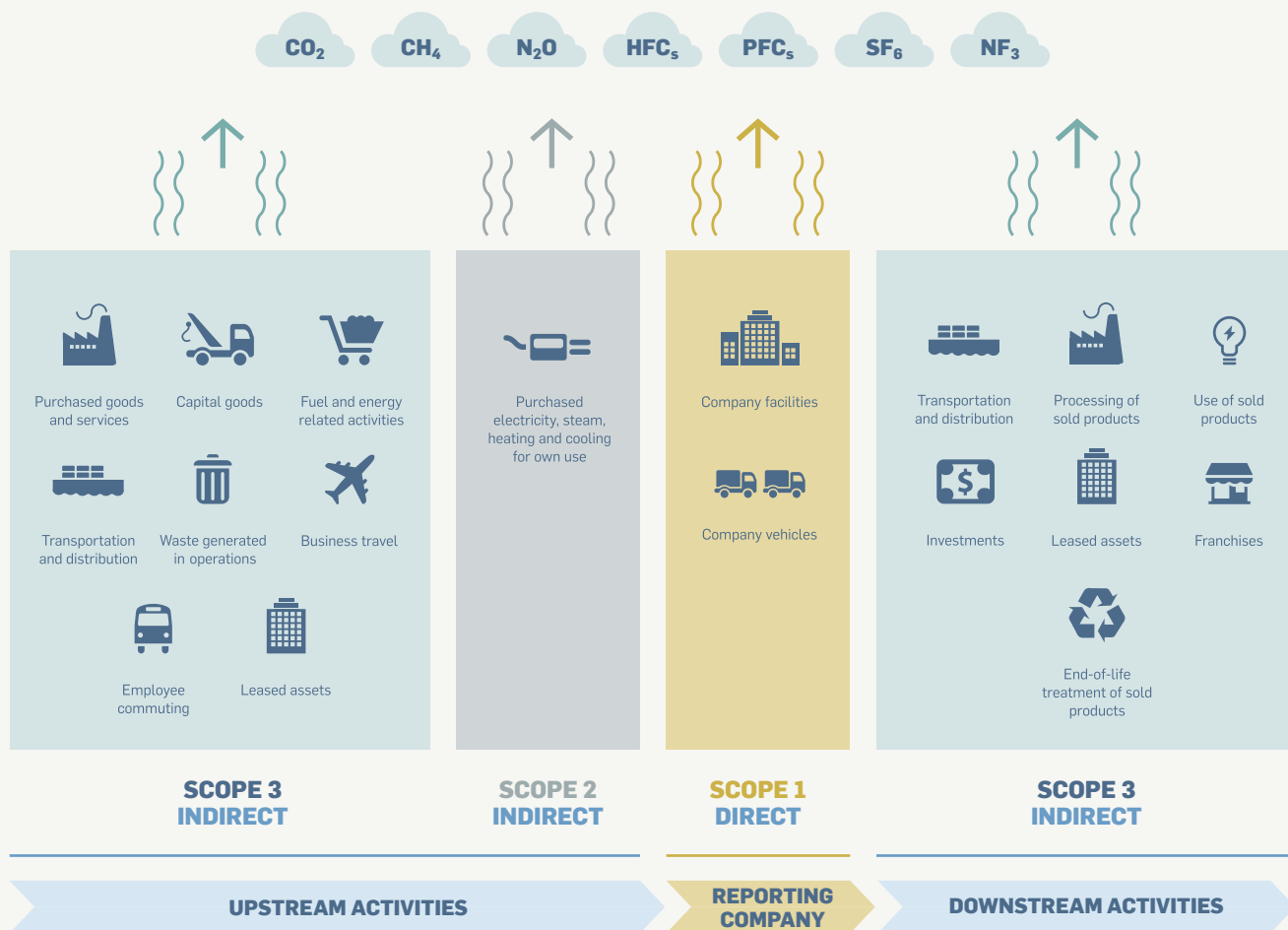
In 2021, the SBTi introduced the Corporate Net-Zero Standard, the world's first of its kind. This standard defines a scientific pathway for companies to achieve net-zero emissions by 2050, requiring companies to reduce 90% of total emissions while allowing a maximum of 10% reductions using offsetting/compensation¹⁰.

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⁽⁹⁾ Before July 15, 2022, companies could also receive a SBTi validation of targets limiting the rise in global temperatures to well below 2°C.

⁽¹⁰⁾ Read more about the Corporate Net-Zero Standard at sciencebasedtargets.org/net-zero

FIGURE 11 SCOPES 1, 2, AND 3



Source: The Greenhouse Gas Protocol

Companies' GHG emissions can generally be divided into three scopes:

SCOPE 1

Direct emissions from company-owned or controlled sources, e.g. production facilities or vehicles.

SCOPE 2

Indirect emissions from the use of electricity, district heating, and district cooling.

SCOPE 3

All other indirect emissions neither directly owned nor controlled by the company. Scope 3 is divided into upstream and downstream.

Upstream emissions are associated with activities prior to the company getting a good or service into possession, e.g., raw materials used in production.

Downstream emissions are associated with activities after the good or service leaves the company, e.g., transportation or use of sold products.

FIGURE 12 THE PROCESS OF RECEIVING A SBTI-VALIDATION

A STEP-BY-STEP PROCESS



Source: The SBTi

The process of receiving SBTi validation involves five steps. First, a company commits to setting a target through the SBTi. Next, the company develops a target and submits it to the SBTi within two years of making the commitment. The SBTi then begins the validation process in close dialogue with the company. Finally, once the target is validated, the company must publicly communicate the target and report on its progress in meeting the target annually going forward¹¹. The five steps are shown in Figure 12.

Due to the scientifically founded methods and the comprehensive assessment process involved, the credibility of SBTi validations is high.

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(11) To learn more about how to set SBTi targets as an SME, please visit sciencebasedtargets.org

Data and methodology in this report

This report is based solely on publicly available data. The primary data sources were the SBTi website, the CDP database, and the surveyed companies' annual reports, sustainability reports, and websites. From these sources, Danish companies' annual scope 1, 2, and 3 emissions and abatement targets were mapped and analyzed, along with financial data on Danish SBTi-committed companies and large-cap companies. Footnotes are used throughout the report to provide clarification on the process followed for some of the analyses.

Some companies with remarkable strategies or sector benchmarks have been used as case studies. Data on these companies' strategies and challenges were obtained through various data sources, such as newspapers and the companies' websites. Data on companies outside Denmark were obtained solely from the SBTi website.

The cutoff date for data used in this report was September 30, 2023. Please note that by the time of this report's release, more companies may have committed to and received validations from the SBTi. See the full dynamic list of committed and validated companies at sciencebasedtargets.org.



RESOURCES

[Science Based Targets initiative's official website](#)

[Measurement, reporting and verification \(MRV\) - Science Based Targets](#)

[Ansvarlighedsrapport 2021-2022 \(akademikerpension.dk\)](#)

[Annex to the Commission Delegated Regulation \(EU\) supplementing the ESRS \(November 2023\)](#)

[Task Force on Climate-Related Financial Disclosures | TCFD\) \(fsb-tcfid.org\)](#)

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