

About the SME Climate Commitment

Introduction

This document provides information about the SME Climate Commitment, and guidance on how to move from commitment to action. It will be updated regularly.

What is a Small and Medium-Sized Enterprise (SME)?

We define an SME as a company or an organization with up to 500 employees. The SME Climate Commitment has been designed specifically for small and medium-sized enterprises to align their goals and action with the latest climate science.¹

What is the SME Climate Commitment?

The SME Climate Commitment provides SMEs - no matter their sector or geography - with the opportunity to make an internationally recognised climate commitment aligned with the latest climate science and the United Nations Race to Zero criteria. SMEs that make the SME Climate Commitment will join the SME Climate Hub community and become members of the United Nations Race to Zero, an international campaign that brings together an unprecedented coalition of businesses, cities, financial institutions, governments and universities committed to achieving net-zero emissions by no later than 2050.

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 targets: halving emissions before 2030; achieving net zero emissions before 2050; and disclosing progress every year. These are the minimum levels of commitment and action. All enterprises are encouraged to take additional steps that reduce their emissions as fast as possible.

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 emissions² 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 to join governments, businesses, cities, regions, and universities around the world with the same mission.”

¹ The [1.5°C Business Playbook](#) summarizes the latest on climate science and what is required from companies to align with the Paris agreement and the ambition to keep global warming as close to 1.5°C as possible.

² Greenhouse gas emissions

Who should make the SME Climate Commitment?

The SME Climate Commitment should be signed by the CEO or any other person who has the authority to represent the company. After sharing 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.

Can larger enterprises join the United Nations Race to Zero campaign by making the SME Climate Commitment?

No, the SME Climate Commitment has been designed specifically for small and medium-sized enterprises (< 500 employees) to align their actions with the latest climate science. Organizations with more than 500 employees are encouraged to use the SME Climate Hub tools and resources to take action, and make a Race to Zero aligned commitment with another recognized track, such as:

[Business Ambition for 1.5°C](#) or

[The Exponential Roadmap Initiative](#)

Forward-thinking large companies who understand the need to work with their supply chain to halve emissions before 2030³ and achieve net zero emissions before 2050 should consider aligning with the [1.5°C Supply Chain Leaders Commitment](#) and use the [Supplier Engagement Guide](#).

Can any organization with up to 500 employees sign the SME Climate Commitment and join the United Nations Race to Zero campaign?

NGOs and associations can also make the SME Climate Commitment, start taking action and report progress through the SME Climate Hub.

Fossil fuel companies cannot currently join the SME Climate Hub and the UN Race to Zero.

³ This is further described in this article from HBR.

What does it mean in practice to commit to taking action immediately?

Once you have made the SME Climate Commitment, businesses should start taking immediate action. Your company is expected to take the following key steps within six months of making the commitment:

- Quantify your current greenhouse gas emissions, e.g. by using the [Business Carbon Calculator](#) on the SME Climate Hub or an external tool of comparable accuracy.
- Set short- and medium-term goals for emission reductions, such as switching to renewable energy and reducing business travel emissions, in line with the commitment to halve emissions by 2030 and reach net zero by 2050 at the latest.
- Develop a plan to achieve your emission reduction targets.
- Start taking concrete action to reduce emissions from the identified key areas.
- Encourage businesses within your network to take action.

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

To align with the SME Climate Commitment, enterprises will need to do their utmost to cut their greenhouse gas emissions by at least 50% before 2030, using 2019 or later as the base year.

This means that Scope 1 and Scope 2 emissions⁴, and emissions from business travel, must be cut in half by 2030 at the latest. Businesses should also aim to halve its most material Scope 3⁵ emissions by 2030.

Small companies with up to 50 employees can also decide to set the goal to halve carbon intensity before 2030 instead of absolute emissions. This means halving carbon emissions per economic unit which can be translated into: product or service or employee revenue (for example 1.5 ton CO₂e/employee or 2.3 ton CO₂e per million USD turnover).

If you are a company whose core business is to provide “climate solutions” (i.e. products or services which help your customer to avoid or remove emissions), you may also set a target to halve your carbon intensity, instead of halving absolute emissions. To apply this rule, such solutions should remove or avoid at least 50% of emissions compared to “business as usual” solutions and represent 90% of the company’s total sales.

⁴ Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles). Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

⁵ Scope 3 includes all other indirect emissions that occur in a company's value chain. Examples of scope 3 emissions are purchased goods and services, transport, use and disposal of products, business travel and employee commuting.

What are Scope 1, 2 and 3 emissions?

The Greenhouse Gas Protocol provides the leading standards on how to quantify and manage emissions. The Greenhouse Gas Protocol categorises emissions as follows:

Scope 1 - All direct greenhouse gas emissions. This includes emissions from sources that are owned or controlled by the business such as company vehicles and company facilities.

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

Scope 3 - Value chain emissions related to the business's suppliers, customers and employees. This includes emissions from purchased goods and services, transportation, the use and disposal of your sold products and business travel and employee commuting.

Please visit the [Greenhouse Gas Protocol](#) website for further information, specifically the Corporate Accounting and Reporting Standard, the Corporate Value Chain Standard and the Scope 3 Calculation Guidance.

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

To reach a state of net zero emissions, a company must reduce its emissions by at least 90% and counterbalance the remaining residual emissions with durable or permanent carbon removals. The term "residual" refers to emissions that cannot technically be eliminated. Such residual emissions shall not exceed 10% of baseline emissions. For a more precise definition, see below.⁶

Why can companies choose between 2030, 2040 and 2050 for their net zero commitments on the SME Climate Hub?

As decarbonisation opportunities and challenges vary between companies, the SME Climate Hub encourages companies to make the boldest possible commitments to climate action and to select the earliest possible target date for their net zero commitments.

With large companies and buyers 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, businesses can set a nearer term target to ensure they have a competitive advantage as a supplier and stay ahead of the curve.

⁶ Net Zero Definition from [1.5°C Business Playbook](#): State reached by an organization that has reduced its value chain emissions (scope 1, scope 2 and scope 3 emissions) following science-based pathways, with any remaining residual greenhouse gas (GHG) emissions being fully neutralized by permanent or like-for-like removals exclusively claimed by that organization. The term "residual" refers to emissions that remain technically infeasible to be eliminated. Such residual emissions shall not exceed 10% of baseline emissions.

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, businesses should also transparently communicate their progress on an annual basis. A dedicated [reporting tool](#) is available on the SME Climate Hub for all committed businesses. SME Climate Hub committed businesses are also encouraged to publicly report their progress annually by including this data into their annual reports and their sustainability reports. Please read our [Rules for Reporting](#) document for further details.

Do you recommend investments in carbon credits, “compensation” or “offsetting”?

If we do not protect and restore nature for it to become a carbon sink, we are unlikely to keep global warming at even 2 degrees Celsius.⁷ Therefore, corporate leaders have an additional imperative to contribute to nature-positive goals. This can be accomplished today by purchasing high quality carbon credits on the voluntary carbon markets to support nature-based solutions and by investing in carbon removals. Carbon credits should be used to “counterbalance” emissions which cannot currently be removed. However, these credits should not be considered as “offsets” or “compensation”. Purchasing carbon credits should only be used as a **complement** to halving emissions before 2030 towards net zero, and should never be substituted for reducing emissions or developing and scaling climate solutions to reduce global warming.

To ensure impact, it is important to select carbon credit projects carefully. We recommend using certified, relatively new carbon credits, which should come from projects aligned with the Sustainable Development Goals.

At net zero, any residual emissions that cannot technically be removed, should be counterbalanced by durable carbon removals.⁸ Until this state is reached, companies cannot claim to be net zero.

What’s in it for my company in making the SME Climate Commitment?

Every SME that makes the SME Climate Commitment will have its name and 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 badge to include on your website, social media channels and other marketing materials.

Making the SME Climate Commitment will signify to your clients and your community that you are taking steps to do your part in addressing the climate emergency. Clients, investors, supply chain leaders, shareholders, consumers and employees will also know that you’re committed to achieving net zero when they are looking to work with or purchase from a climate-responsible business.

⁷ Please read these [guidance principles](#) for corporations for more details.

⁸ Examples of such technologies are DAC, Biochar, /Bio-oil and mineralisation.

The SME Climate Hub offers communication opportunities for businesses taking robust action to reduce their emissions. This includes opportunities to be featured as a climate-leading company across social media and thought leadership content, and spokesperson opportunities in events and media.

What are the reporting requirements for companies that have joined the SME Climate Hub and UN Race to Zero?

An important part of the SME Climate Commitment is to ***disclose progress on a yearly basis***. To continue as an SME Climate Hub committed company and a member of the United Nations Race to Zero campaign, SMEs are required to publicly report on progress against short-term and long-term targets as well as actions taken, through an annual climate report. Read the [Rules for Reporting](#) for further guidance.

What are the implications if SMEs don't manage to halve emissions by 2030 and become net zero by their target date?

The SME Climate Commitment requires companies to do their utmost to halve emissions by 2030, address deviations, disclose corrective actions if they are not delivering according to their commitment, and raise issues in advance, specifying the support needed to meet their commitment. If SMEs fulfill these requirements, they will not be removed from the SME Climate Hub.

If a committed business is growing in size, and eventually surpasses 500 employees, how should this be addressed?

Companies growing beyond 500 employees are requested to inform the SME Climate Hub and to join one of the other United Nations Race to Zero accredited partners. These businesses will still be able to access their profile on the SME Climate Hub but will no longer be highlighted as a committed SME on the SME Climate Hub website. Please send an email to info@smeclimatehub.org to inform the SME Climate Hub if your company grows beyond 500 employees.

Can SMEs make the SME Climate Commitment if they are part of a larger group?

Yes. An SME which is a separate legal entity but part of a larger group can make its own commitment and join the SME Climate Hub. Subsidiaries of a larger company cannot join.

How does our company retract its commitment and/or leave the SME Climate Hub?

In cases where the company would like to be removed from the initiative, please send an email to info@smeclimatehub.org.

SME Climate Hub reserved rights

The SME Climate Hub reserves the right to remove an SME from its list of committed businesses and from partner websites at its discretion, for reasons including but not limited to reputational concerns, non-compliance with commitment requirements, or failure to update the SME Climate Hub on relevant business changes.

In cases where an SME ceases to exist (e.g., through a merger or an acquisition), we kindly ask you to inform the SME Climate Hub of this change to ensure the public list of committed companies stays up to date. Please send an email to info@smclimatehub.org to inform the SME Climate Hub of any changes.