

CLIMATE CHANGE NAVIGATOR

The Science-Based Route to Net-Zero

WATCH &
JEWELLERY

INITIATIVE 2030

FOREWORD

We are almost halfway through the critical decade for climate action, and the need for collective action to drive the scale and depth of change required has never been more pressing. The Science-based Targets Initiative (SBTi), which plays a leading role in driving and supporting corporate best practice on decarbonisation, saw huge growth in commitments in 2023, with a 102% increase year-on-year, showing that businesses are stepping up. As WJI 2030, we have asked our members to make this commitment, as a requirement of membership, and we have been energised by the positive response we have witnessed from companies of all types and sizes.

Deep collaboration and cross-industry guidance and support will be vital in helping to drive and accelerate climate-focused actions across the watch and jewellery sector and, importantly, in supporting our business partners as they also navigate the complexities of an economy in transition. We estimate that around 85% of emissions are attributed to our supply chain partners – that is, are classified as Scope 3 emissions – in our sector, highlighting that we aren't going to deliver the scale of change needed through the actions of a few. Rather, progress is likely to come from collective and convergent actions and through the relationships, built on common understanding and commitments, we develop and nurture across our supply chains. We can't do this work in isolation; we need shared goals and collective efforts.

“Progress is likely to come from collective and convergent actions and through the relationships, built on common understanding and commitments, we develop and nurture across our supply chains.”

At the same time, we need to recognise that this work will likely require deep and substantial changes in the way we do business. It will also require us to look at the interconnectedness between different challenges, such as biodiversity, physical climate impacts, natural resources and waste management, and social development, inclusion and equity. Widening our awareness of these risks and impacts - and the scale of our ambitions for positive change - will, inevitably, be challenging but will also present significant opportunities. Focusing on decoupling potentially destructive resource usage from growth by embracing clean energy and expanding the role of the circular economy within our businesses, whilst building new partnerships to facilitate these changes, can also prompt new ways of thinking and operating. This will require creativity and innovation, but that is something that has always been at the heart of our sector.

We also need to be clear on what a *just transition* means for this industry. We need to accept a burden of responsibility that for many of us, as producers and purveyors of luxury goods operating mainly in developed economies and wealthy markets, may seem quite distant or remote. We can't shy away from the power differentials within our sector and across our supply chains. But there is value to be gained from examining and questioning how we approach our supplier and stakeholder relationships. Building long-term, resilient relationships with trusted suppliers will allow us to think beyond the short-term and enable us to move together in a more convergent direction towards our shared goals. Consumers, investors and wider society will value those suppliers and brands that have the integrity and confidence to demonstrate greater transparency as they consider how to work in tandem to develop solutions. And as the sector innovates and adapts, we expect that progress will be achieved via such mutually supportive business relationships, working together to help build the foundations needed to transition to a net-zero carbon economy.

Finally, there is an opportunity to advocate more strongly and more coherently. We encourage our members and industry leaders to advocate through their supply chains – locally, nationally, and globally – for greater and broader transparency, making the case for clearer, more consistent disclosures on climate actions and wider sustainability performance.

We are proud of the progress that WJI 2030 members have made already on this journey, and we are committed to continue working with them to maintain and accelerate that progress. As with all sectors of the economy, we need to acknowledge the impacts we have on the planet and take responsibility for driving the changes needed to deliver a 1.5°C pathway. We hope that this Climate Navigator, including practical tips and guidance, can help you get started or support you on your ongoing journey as your business strives to contribute to a decarbonised economy and a safer, cleaner, fairer world.



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About Watch & Jewellery Initiative 2030

Founded in 2022 by Kering and Cartier, delegated by Richemont, WJI 2030 is a multi-stakeholder action platform committed to uniting players across the watch and jewellery value chain to advance climate resilience, preserving resources and fostering inclusiveness. WJI 2030 enables companies of all sizes and maturity levels to action and lead progress, future-proofing their businesses in an ever-changing regulatory and stakeholder landscape.

WJI 2030 is a member of the UN Global Compact and signatory of the Women's Empowerment Principles. In May 2023, WJI 2030 was recognised by the Swiss authorities as an Association of Public Utility.

Today, our team is headquartered in Maison de La Paix in Geneva, Switzerland

For more information please visit www.wjinitiative2030.org

WJI 2030 resources are living documents and updated frequently. This is the second iteration of the Climate Change Navigator. Version 2 | April 2026

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1. INTRODUCTION

There is now widespread recognition that companies need to recognise the impact of their business operations on climate, as well as to ensure their operations, outputs and value remain robust in the context of physical, social and market changes driven by climate impacts. There is also a case for broad alignment and coherence across market participants to ensure sectoral progress on climate-focused actions. WJI 2030 member companies will need to remain mindful of both physical and transition risks. As an initial focus, there is a **need to define and implement corporate strategies to support decarbonisation in line with science-based climate targets.**

This is a core pillar of the WJI 2030's objectives to support the watch and jewellery industry in better managing its environmental impacts, and also reflective of the growing obligations of responsible businesses to comply with national and international regulatory changes.

The latest climate science tells us that, to have a good chance of limiting global warming close to 1.5°C above the pre-industrial average, we need to achieve net-zero GHG emissions by 2050 and to halve emissions by 2030. Simply put, in the immediate future we can no longer add to the greenhouse gases (GHGs) in the atmosphere beyond the levels that are removed from the atmosphere.

“The *Climate Change Navigator* aims to provide practical guidance, tools, and insights to help companies advance on their journey towards a net-zero economy.”

The challenge for watch and jewellery supply chains is to ensure that key market participants are increasingly aligned along a similar pathway and able to show they are committed to positive actions to decarbonise the global economy.

It is hoped that demonstrable and coordinated progress by WJI 2030 member companies may therefore have a catalysing effect on other participants along the value chain.

The *Climate Change Navigator* aims to provide practical guidance, tools, and insights to help companies advance on their journey towards a net-zero economy. It represents an actionable toolkit to enable watch and jewellery companies of all sizes to prepare and submit emissions reduction targets and take actions to align with SBTi guidance and requirements.

What does this Navigator cover?

This tool covers the following elements:

- An overview of **corporate climate change mitigation and decarbonisation pathways**, as expressed through the processes and criteria of the Science Based Target Initiative (SBTi).
- An explanation of the **definitions and classifications** relevant to undertaking a commitment to reduce emissions aligned with SBTi expectations.
- A **roadmap of key steps and milestones** needed to ensure progress in defining and submitting emissions reduction targets and formulating transition plans.
- **Answers to common questions** and challenges.
- **Key resources and reference points** of relevance and value for companies striving to commit to decarbonisation targets and implement strategies to achieve them.

1. INTRODUCTION

What is Net Zero and what does it mean for businesses?

Simply put, 'net-zero' means cutting the GHG emissions from your company's outputs and activities to as close to zero as possible. More specifically, SBTi requires most companies to reduce emissions relative to their baseline by at least 90% by 2050 – science-based targets (SBTs) must cover at least 95% of company-wide Scope 1 and 2 emissions, and 90% of Scope 3 emissions.

To ultimately reach a net-zero target, any residual emissions that remain after the implementation of all feasible abatement measures within the business (Scopes 1 and 2) and its supply chain (typically Scope 3) will need to be removed, i.e. permanently neutralised through greenhouse gas removals or offsets. However, best practice is that this strategy should be considered once all 'in-value chain' emissions reduction actions (across Scopes 1, 2 and 3) have been completed or are firmly underway, with in-value-chain decarbonisation remaining the clear priority.

Nonetheless, companies are encouraged to plan ahead for the future neutralisation of residual emissions, in a way that does not detract from near- and medium-term emissions reduction efforts.

When setting a net-zero target, companies must also have a near-term SBT, which is in line with 1.5°C pathways and typically is at least a 50% reduction by 2030. For these targets, mitigation pathways inform the rate of emissions reduction, while for long-term SBTs, they inform the total level of required emissions reduction. This means a company's near-term reduction target will differ (and adapt) depending on the target year, but its long-term reduction target will not.

As such, a SBT covers the following:

- Defined **baseline year and emissions inventory**, as well as **target year**
- Defined **emissions reduction pathway** (with **near-term reduction targets**)

Set in line with what current climate science identifies as necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels (note that the earlier Paris-aligned target of 'well below 2°C' is no longer eligible for SBTi validation).

Companies should familiarise themselves with the information and tools in this document and the SBTi's accompanying online guidance. The following notes aim to assist you in navigating through that process by signposting key points and steps.

Why the SBTi route to Net Zero?

The SBTi is a global body enabling businesses and financial institutions to set ambitious emission reductions targets in line with climate science. It is focused on accelerating the pace at which companies across the world can halve emissions before 2030 and achieve net-zero emissions before 2050.

The initiative is a collaboration between four of the world's most respected environmental organisations: CDP, the *United Nations Global Compact*, *World Resources Institute (WRI)* and the *Worldwide Fund for Nature (WWF)* and is one of the *We Mean Business* coalition commitments.

The SBTi **defines and promotes best practice in science-based emissions reduction target setting**, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets. For many companies, the simplest way of expressing a corporate commitment to implementing emissions reduction actions is via compliance with the SBTi's *Corporate Net-Zero Standard*.

Surveys by We Mean Business have indicated that the majority of corporate leaders agree that science-based targets (SBTs) keep companies on track to specific timelines. Furthermore, transparent climate targets and aligned actions are seen as offering substantial risk reduction benefits, avoiding income loss (from supply chain disruption and a shifting customer base) and helping with the retention of talent.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

For an overview of the SBTi's *Corporate Net-Zero Standard*, see <https://sciencebasedtargets.org/net-zero>

1. INTRODUCTION

GHG Protocol Scope 1, 2 & 3 Emissions



Scope 1 emissions
GHG emissions that a company makes **directly** whilst operating (i.e. the emissions that it 'owns/controls')



Scope 2 emissions
Emissions a company makes **indirectly** from the **electricity it buys** to power its operations and for heating and cooling, etc.



Scope 3 emissions
Scope 3 emissions are all **indirect** emissions - not included in scope 2 - that occur in the value chain of the reporting company, including both **upstream** and **downstream** emissions. In other words, emissions are associated with a company's operations but indirectly, from its value chain - **the emissions created by its suppliers or how its products are used by consumers.**

The emission "scopes", developed by the Greenhouse Gas (GHG) Protocol, are the classifications used in the standard frameworks for carbon accounting:

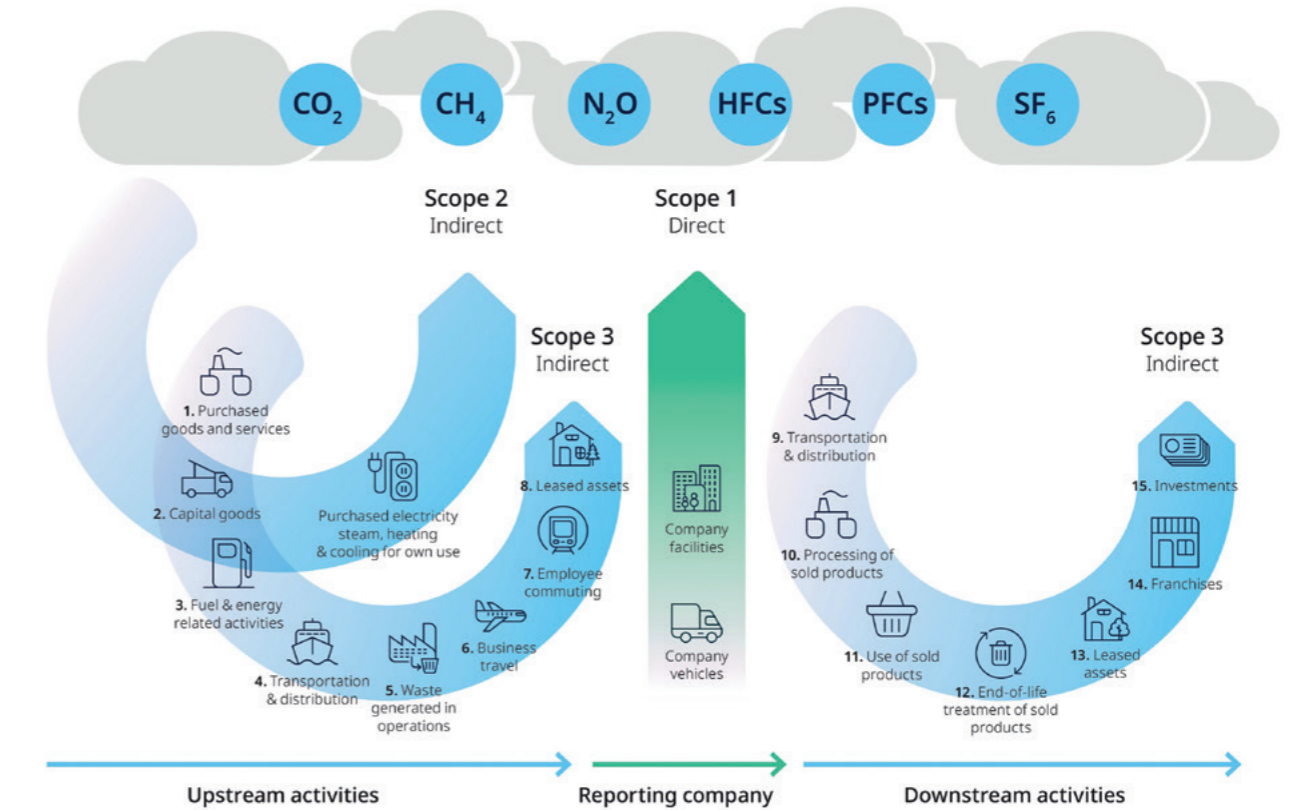
Analysis indicates that material emissions reduction across the watch and jewellery supply chain will largely depend on the actions of upstream (mining) companies. This makes consideration of Scope 3 (supply chain) emissions highly relevant.

Although many companies - particularly SMEs - may, for the sake of simplicity and practicality, initially focus on estimating their Scope 1 and 2 emissions, there is also specific guidance here on the challenges associated with Scope 3 emissions target setting.

GHG Protocol Scope 1, 2 and 3 Emissions

15 Scope 3 Category Emissions

Source: GHG Protocol



Upstream Scope 3 Category Emissions

1. Purchased goods and services
2. Capital goods
3. Fuel and energy use
4. Upstream transport and distribution
5. Waste generated in company operations
6. Business travel
7. Employee commuting
8. Upstream leased assets

Downstream Scope 3 Category Emissions

9. Downstream transport and distribution
10. Processing of sold products
11. End-use of sold goods and services
12. Waste disposal and treatment of products
13. Downstream leased assets
14. Operation of franchises
15. Operation of investment

2. THE SBTi ROUTE TO NET-ZERO THE BASICS

The Science Based Targets initiative (SBTi) Commitment is a pledge for organisations to align their emissions reduction targets with the latest climate science, ensuring that their goals are in line with the Paris Agreement's aim to limit global warming to well below 2°C above pre-industrial levels, and ideally to 1.5°C. This commitment requires organisations to develop specific, measurable, and time-bound targets based on rigorous carbon accounting and scientific methodologies. The importance of this commitment lies in its structured and credible approach to achieving net-zero emissions. By adhering to the SBTi framework, organisations not only demonstrate their dedication to combating climate change but also gain access to a clear roadmap for reducing their carbon footprint. This pathway is highly recommended because it provides a scientifically validated method for companies to contribute meaningfully to global sustainability efforts while enhancing their own resilience and competitiveness in a rapidly evolving market.

Committing to set net-zero targets is a crucial first step for any organisation aiming to align its operations with global efforts to combat climate change. By signing the Science Based Targets initiative (SBTi) Commitment Letter, your organisation publicly pledges to set a science-based target for reducing greenhouse gas emissions. This commitment is not just a symbolic gesture; it marks the beginning of a comprehensive journey toward measurable climate action.

The below steps summarize the key steps of the journey:

- Register on the [SBTi Services Validation Portal](#)
- Commit to set net-zero targets by signing an official [SBTi commitment](#) in the Portal
- Set science-based targets - in line with the [SBTi's steps](#):

SBTi resources



Detail of procedure for the registration before online Commitment or Targets submission for all entities wishing to set science-based targets through SBTi.

Detail to understand how to set a near-term targets aligned with climate science.

Detail to understand how to set a net-zero targets aligned with climate science.

How SBTi validates targets.

FAQ for SMEs looking to set an SBTi-validated target.

Provides details on the information SMEs need to set an SBTi target.



1. Register:

As described above, create an account on the [SBTi Services Validation Portal](#). This confirms eligibility to commit or submit targets and classifies the organisation (Corporate, Financial Institution or SME).

2. Commit

Formally notify your intention to set science-based targets (optional step as per SBTi), placing the company on the SBTi dashboard as "Committed" and starting the 24-month development window. This step is skipped for SMEs.

3. Develop

The key step that likely requires the most effort and resources: Calculate your GHG inventory and design targets aligned with SBTi criteria.

4. Submit

Submit targets, GHG inventory and supporting documentation on the online SBTi Validation Portal. For SMEs, a simplified validation route allows direct target setting without the commitment step and with streamlined documentation. (see The SME Route on page 14)

5. Communicate

Publicly communicate the validated targets within six months. Signal the company's engagement and explain intended actions to key stakeholders.

6. Disclose

Once targets are approved, companies must report emissions and progress towards achieving the targets annually.

Please refer to [appendix B](#) for more detailed information on the submission process.

2. THE SBTi ROUTE TO NET-ZERO: THE BASICS

Engaging your organisation for success

Delivering on your Science Based Targets

Conduct a Baseline Assessment:

Evaluate current greenhouse gas (GHG) emissions and environmental impact to establish a baseline for setting science-based targets.

Secure Executive Buy-in:

Engage and educate senior leadership on the importance and benefits of adopting SBTs, ensuring alignment with overall business strategy.

Monitor and Report Progress:

Establish a robust monitoring and reporting system to track progress towards SBTs, ensuring transparency and accountability through regular updates and disclosures.



Engage Stakeholders:

Communicate the goals, progress, and benefits of SBTs to internal and external stakeholders, including employees, investors, customers, and suppliers, to garner support and collaboration.



Set Science-Based Targets:

Develop and commit to specific, measurable, achievable, relevant, and time-bound (SMART) targets that align with the latest climate science and international frameworks such as the Paris Agreement.



Integrate into Business Strategy:

Embed the SBTs into the core business strategy, ensuring they are considered in decision-making processes and long-term planning.



Implement Emission Reduction Initiatives:

Identify and execute projects and initiatives across operations, supply chains, and products that reduce GHG emissions in line with the set targets.



Continuous Improvement:

Regularly review and update targets and strategies based on new scientific findings, technological advancements, and feedback from stakeholders to ensure ongoing relevance and effectiveness in reducing environmental impact.

The SME route

Please note that the SBTi states that the first step – joining SBTi by submitting a Commitment Letter – is not applicable to Small-to-Medium Enterprises (SMEs). Instead, SMEs are requested to immediately set science-based targets using the [SME Streamlined Target Validation Route](#) available via the SBTi Services Validation Portal.

Under this route, SMEs submit targets directly through a simplified online form, choosing from one of the predefined 1.5°C-aligned target options, as outlined in the SBTi's Target Validation Application Checklist for SMEs.

SBTi defines an SME as a non-subsidiary, independent company that is neither classified in the Financial Institutions (FI) nor the Oil & Gas (O&G) sectors, and has scope 1 and 2 GHG emissions below 10,000 tCO₂e (location-based approach). Furthermore, it must meet at least three of the following criteria:

- <250 employees
- Turnover <€50 million
- Assets <€25 million
- Not operating in a mandatory FLAG sector

See the [SBTi SME guidance](#) and FAQs for additional definition criteria and explanations.

3. CARBON ACCOUNTING & TARGET SETTING

While the overall process is typically described as sequential, initiated by a public corporate commitment or target submission, it might be helpful to consider the early steps in parallel. That is, a commitment is easier to make if an organisation already has a solid understanding of its emissions profile (carbon footprint) and therefore has greater confidence in its ability to meet its emissions reduction targets.

Once a commitment (from larger companies) has been made, the most significant processes involve those associated with defining baseline emissions levels and the corresponding emission reduction targets.



The basic process

- 1** Defining **material** emission sources across Scopes 1, 2 and 3. (Scope 3 emissions are defined as material if 40% or more of a company's total emissions.)
- 2** Define your carbon accounting **'boundaries'**. These boundaries determine the parameters and extent of the business that your carbon accounting relates to and needs to be consistent over time.
- 3** Collecting, organising, and reviewing emissions and other **carbon accounting input data**.
- 4** Performing greenhouse gas emissions calculations by combining activity and input data with appropriate emissions factors to quantify emissions in CO₂e.
- 5** Set **near- and long-term targets** based on a rate / level of emissions reduction that is consistent with keeping the increase in global temperature below or at 1.5 °C compared to pre-industrial temperatures. The SBTi's documented **criteria for setting near-term targets** is a key reference when seeking to ensure methodologies are aligned with the organisation's expectations.

The 5 Principles of GHG/Carbon Accounting

Companies should base their emissions accounting processes on the following principles:

- 1. Relevance** - Ensure the GHG inventory appropriately reflects the GHG emissions of the company and serves the decision-making needs of users – both internal and external to the company
- 2. Completeness** - Account for and report on all GHG emission sources and activities within the chosen inventory boundary. Disclose and justify any specific exclusions.
- 3. Consistency** - Use consistent methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series

4. Transparency - Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting and calculation methodologies and data sources used

5. Accuracy - Ensure that the quantification of GHG emissions is systematically neither over nor under actual emissions, as far as can be judged, and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information.

(Source: GHG Protocol)

3. CARBON ACCOUNTING & TARGET SETTING

Quantifying emissions

A key step for all companies – pre-requisite to target setting – is the **calculation and quantification of company GHG emissions** in accordance with the [GHG Protocol's Corporate Accounting and Reporting Standard](#).

The basic equation for the calculation of emissions is as follows:

GHG Emission = Activity Data x Emission Factor

Activity Data: data indicating the level or quantity of an activity that generates (or impacts) GHG emissions.

Emission Factor: a metric or coefficient that specifies the quantity of GHG (in CO₂e.) that is emitted per unit of (GHG-producing) activity.

There are a number of commercial digital carbon accounting systems on the market to assist with carbon inventory estimations. And for companies, particularly smaller SMEs, that lack internal capacity, and are not able to commission an external consultancy, **the SME Climate Hub offers free tools and resources**, including a [Business Carbon Calculator](#) (powered by the established [Normative](#) software).

Companies might also consider the GHG Protocol's [calculation and emissions factor tools](#) to assist with the process of quantifying emissions, and there are additional freely available tools such as the US Environmental Protection Agency (EPA)'s useful [simplified calculation tool](#) to help SMEs estimate and inventory their annual GHG emissions.

Scope 3 emissions

The bulk of watch and jewellery companies' emissions are likely to fall under the Scope 3 emission category and, specifically, the upstream items (mined materials) associated with suppliers of purchased goods and services (that is, *Category 1 and 2* Scope 3 emissions). This can pose substantial challenges when seeking to obtain accurate and consistent data on emissions from sources over which a company may have little control or influence (or from suppliers that have little understanding of the nature of the emissions data being requested).

While in recent years more granular data has become available to assist in quantifying these emissions, the challenges in obtaining sufficient and accurate data on indirect emissions can also inhibit the confidence companies have when striving to set credible reduction targets.

Primary data sources (supplier-specific data) are typically preferred as likely offering greater accuracy and consistency, and the [GHG Protocol's Supplier Engagement Guidance](#) suggests how the process of obtaining enhanced data might be managed. However, in instances and locations where suppliers and customers may be less able to measure and report emissions, secondary reference sources – industry averages and/or emissions factor databases – may represent the best available data.



4. CARBON ACCOUNTING

KEY CONSIDERATIONS

Boundary definitions

Companies need to set boundaries to accurately report on their GHG emissions. These boundaries determine their responsibility for different types or sources of emissions.

There are two main ways to define these boundaries:

1. Equity Share:

Here, a company's GHG emissions are accounted for based on its percentage of ownership in the operation. If ownership is complex or unclear, the company's actual economic interest in the business is considered more important than the formal ownership structure.

2. Control:

This approach considers a company to 'own' the GHG emissions from operations it controls. It doesn't include emissions from operations it has a financial stake in but doesn't control (these could be counted as Scope 3 emissions). Control can be either financial or operational:

- Financial Control: Companies take responsibility for emissions from assets or activities where they bear most of the risk and benefit financially. This is about more than just owning more than half of a business; it's about having the power to direct its financial and operating policies and profit from its operations.

- Operational Control: Companies take

responsibility for emissions from assets or activities over which they have the authority to create and implement operating policies. This is often the most common way to set boundaries.

However, having operational control doesn't always mean a company can make all decisions about an operation, especially if other partners share financial control. So, a company can have joint financial control over an operation but not exercise operational control.

The operational control approach is often preferred because it focuses on a company's ability to take decisive action. Even if a company owns something, if it doesn't have operational control, it may not be able to reduce the carbon emissions it produces.

Boundary definitions can be applied at different levels of the reporting process, but they should be applied consistently at the highest level. Any changes in boundary definitions should be clearly flagged and explained, as they can significantly impact the scale and importance of certain category emissions.

Baseline definitions

Companies need to set a baseline or reference point to track their emissions – and the impacts of their associated reduction actions – over time. This baseline is usually the year they started reporting their emissions or when reliable data became available. It's important to choose a baseline year that accurately reflects the company's operations and emissions, not a year that was unusual or exceptional.

Companies might set different baselines for their Scope 3 emissions, which are emissions they don't directly control, compared to their Scope 1 and 2 emissions, which they do control. Setting a baseline can be tricky, especially for Scope 3 emissions, but it's more practical to have a representative baseline than to strive for perfect accuracy. A baseline also shows a company's commitment to reducing emissions and allows progress to be measured.

Revising baselines and 'significance thresholds'

Companies should also set a **significance threshold** for when they will recalculate their baseline emissions. This threshold is a set of criteria that, if met, will trigger a recalculation. Common triggers include structural changes to business operations, mergers and acquisitions, outsourcing of activities, or adopting a new method to calculate emissions.

Under SBTi requirements, a cumulative change of 5% or more in total base year emissions is considered significant and would trigger a recalculation and a review of target validity (see [SBTi FAQ](#)).

However, normal operational fluctuations in the company's emissions, even large ones, usually do not require a recalculation.

If a company recalculates its baseline, it should clearly explain the reason for the recalculation and the methodology applied. It should also disclose the impact of the recalculation on its total emissions and on specific Scope 3 categories, and confirm whether its targets remain valid.

4. CARBON ACCOUNTING – KEY CONSIDERATIONS

Materiality

When considering Scope 3 emissions, companies need to understand the different significance of the 15 categories of Scope 3 emissions. This requires an evaluation of the size, relevance, and risks of each category. This is known as determining their materiality. Materiality is a key concept in accounting, legal decisions, and now in environmental, social, and governance (ESG) and GHG emissions disclosures. It's assessed using a mix of quantitative and qualitative factors.

Although we have suggested that upstream (e.g. category 1 and 2) emissions may be more material to most watch and jewellery companies, there is an argument for initially assuming all 15 Scope 3 categories are significant. Then, a structured process is used to determine the materiality of each type or source of 'category emissions'. This process considers several factors:

- **Size:** The emissions of the category as a percentage of Scope 3 and overall emissions.
- **Influence:** The potential to reduce emissions in the category or to obtain data on these emissions to track progress.
- **Risk:** How the emissions in the category relate to potential financial, regulatory, supply chain, product and customer, legal, or reputational risks.
- **Stakeholders:** How the emissions in the category align with the expectations and priorities of consumers, suppliers, investors, and society.
- **Sectoral Guidance:** How the emissions in the category align with the objectives and priorities identified in existing sector-specific guidance.

Most guidance suggests 5% of the total as a starting point for determining materiality. This aligns with the SBTi guidance for Scope 1 and 2 emissions. However, materiality estimates will also likely reflect more qualitative factors.

Companies should also disclose and justify any **exclusions** and periodically reassess the materiality of excluded Scope 3 categories. This ensures their accounting and reporting reflects their evolving emissions profile.

Decisions on materiality may also be based on the 'reasonable person' standard from tort law. This means material information is what a reasonable investor would consider important in making an investment decision. If the volume of emissions is substantial, the materiality threshold might need to be reduced. Variations in threshold levels can be explained with reference to the criteria listed above.

Regarding total Scope 3 emissions, however, if the sum of all category emissions is a smaller portion (less than 40%) of total company emissions, as is the case for at least some gold miners, then the weight and priority given to Scope 3 emissions reduction targets, at least in the near term, are diminished.



5. TARGET VALIDATION

The **target validation** process requires larger companies to submit science-based targets **within 2 years of submitting their commitment letter** (although WJI 2030 members should strive for validation at the earliest opportunity).

Targets should include both:

- **Near-term (5-10 year) emissions reductions** in line with a 1.5°C pathway
- **Long-term emissions reductions** to reach net-zero by/before 2050

As described above, SMEs benefit from a streamlined process for target validation, allowing them to choose from one of several predefined target options.

The basic process is now as follows:

- Complete and submit all required information online within the SBTi Services Validation Portal (all tools and forms are integrated)
- Formalise the contractual agreement with SBTi (this step is integrated within the Validation Portal), including payment information
- Finalise and submit the targets for validation
- SBTi assigns a Validation Team and confirms the official validation start date

The validation process then follows the official [Validation Schedule](#) which takes up to 30 business days from the confirmed validation start date following contractual agreement.



Timing and costs

When a company submits its targets for validation, the SBTi strives to review and approve or reject the targets in line with the Validation Services schedule (e.g. approximately 30 business days from the review start date), depending on the selected validation service. If targets are not approved, there is no defined deadline by which a company must revise and resubmit its targets.

The SBTi provides a range of fees for target validation services (SBTi target validation service offerings). Since January 2026, pricing is tiered according to a company's annual turnover, meaning validation costs vary by company size.

The services most commonly relevant to companies include:

- **Near-term science-based target validation:** \$13,000–\$26,000 (depending on tier)
- **Long-term (net-zero) target validation:** \$11,000–\$18,000
- **Near-term and long-term (net-zero) package:** \$17,000–\$34,000
- **Near-term and/or long-term (net-zero) update:** \$5,500–\$10,000
- **Near-term update and long-term (net-zero) package:** \$15,000–\$25,000
- **FLAG and/or Buildings validation (if applicable):** \$9,000–\$16,000

As for the validation process, SMEs continue to benefit from advantageous service fees (also tiered):

- **SME near-term target submission:** \$1,250–\$2,000
- **SME long-term (net-zero) target submission:** \$1,250–\$2,000
- **SME near-term and long-term (net-zero) package:** \$2,500–\$3,500

For full details, refer to the latest [SBTi Services Target Validation Services Offerings](#) document.



As per the SBTi, corporations headquartered in **developing countries** and economies in transition, as defined by the United Nations Secretariat's Department of Economic and Social Affairs, may apply for fee discounts according to demonstrated need. Companies must request a discount during registration via the SBTi Services Validation Portal in order to be considered; fee discount requests will not be assessed outside of the registration process.

However, the process of developing a science-based target for the reduction of corporate emissions can be initiated — in alignment with SBTi processes and criteria — prior to entering the SBTi's fee-based validation route. Given the expectations of investors, consumers, and regulators, a prompt start is recommended, regardless of the time and cost considerations associated with the SBTi validation services.

Note: The conditions for eligibility to request a fee discount are defined in the [SBTi Services Target Validation Services Offerings](#) document (Table 2, p.7).

6. REPORTING AND DISCLOSURE

Companies should report company-wide emissions and progress against their targets on an annual basis. Companies with approved (validated) SBTs are required to publicly disclose their GHG emissions inventory and progress against targets each year. Companies are encouraged to disclose via established reporting frameworks and platforms (with CDP, an SBTi 'partner' organisation, often singled out – albeit it is more tailored to capturing the climate actions of larger corporations).

Reports should be based on GHG Protocol standards, be publicly available and easily located on the company website. This enables customers, investors and other stakeholders to see a transparent view of your decarbonisation pathway.

The SBTi Net-Zero Standard (Annex D – Reporting Guidance) provides further detail on how companies should report emissions, targets and progress annually, including illustrative examples. Companies with validated targets are also required to review their targets at least every five years to ensure continued alignment with the latest SBTi criteria.

The [Taskforce for Climate-related Financial Disclosures](#) (TCFD) established four key recommendations to encourage coherence and consistency in corporate climate reporting. Although the TCFD has now concluded its mandate, its recommendations remain widely used and have been incorporated into the IFRS ISSB sustainability standards (IFRS S1 and IFRS S2), which are built on the TCFD framework and follow its four-pillar structure.

These four pillars are as follows:

Governance The business' governance around climate-related risks and opportunities.

Strategy The actual and potential impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk Management The processes used by the organisation to identify, assess and manage climate-related risks.

Metrics & Targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The ISSB also recently published its inaugural standards, [IFRS S1](#) and [IFRS S2](#), which fully incorporate the TCFD recommendations. The four pillars of the TCFD recommendations can be used to guide companies in how to arrive at (and communicate) credible corporate climate change transition plans.

Your sustainability report, will as a minimum provide an overview of:

- Current emissions mapped against the baseline year, split out according to scopes and ideally using the GHG Protocol categorisation.
- Emissions abatement targets and progress against them.
- Summary of actions that have delivered results in the previous 12 months.
- Planned actions for the coming 12 months and significant initiatives in the medium term.
- Climate related risks, opportunities and strategies in line with the 4 pillars above.

See [Pandora's sustainability report](#) as a good practice example.

Key European legislation

There are a number of key EU regulations that have entered into force in recent years and that will continue to shape the landscape for sustainability reporting in the future. The 3 key Initiatives to be aware of are:

- The EU's Corporate Sustainability Reporting Directive (CSRD) is driving greater transparency and standardisation in reporting by setting out reporting requirements and obligations. See the [EU Commission page](#) to stay on top of developments and for further information.
- The European Sustainability Reporting Standards (ESRS) sets the framework and methodology for reporting for all CSRD eligible businesses. See [EFRAG's guidance](#) on ESRS and to stay on top of updates.
- The [Corporate Sustainability Due Diligence Directive](#) (CSDDD) - CSDDD and CSRD sit alongside each other with CSDDD focusing on expectations on businesses for human rights and environmental issues within their operations. The EU defines due diligence as '*identifying and addressing potential and actual adverse human rights and environmental impacts in the company's own operations, their subsidiaries and, where related to their value chain(s), those of their business partners.*' For more information on the relationship between CSDDD and CSRD see [CDP's overview](#).

Setting a science-based target is a core tenet of both CSRD and CSDDD, with CSDDD for example requiring, '*a transition plan for climate change mitigation aligned with the 2050 climate neutrality objective of the Paris Agreement as well as intermediate targets under the European Climate Law.*'

Eligibility

Under the CSRD as amended by the Omnibus package, only very large companies are required to comply from financial year 2027 (reporting in 2028). CSRD applies to EU companies that meet both of the following conditions:

- More than 1,000 employees.
- More than €450 million in net turnover.

In addition, non-EU companies with more than €450 million in turnover generated in the EU and an EU subsidiary or branch generating more than €200 million will be required to comply from financial year 2028 (reporting in 2029).

Small and medium-sized enterprises (SMEs), including listed SMEs, are not subject to mandatory CSRD reporting under the Omnibus amendments. SMEs may report on a voluntary basis, using proportionate voluntary sustainability reporting standards.



SME CASE STUDY:

TOM WOOD

Tom Wood is based in Norway and has been operating for over 10 years. The company has grown to approximately 70 employees and has historically been a B2C business with a focus on premium retail and direct-to-consumer channels. Responsibility has been embedded in the business since inception, and the company has been externally reporting on climate through its Responsibility Report since 2021 - with an increasing emphasis on transparency, traceability and evidence-based progress.

From Figure 1 we can see that the vast majority of Tom Wood's emissions continue to come from Scope 3, representing over 90% of total emissions. The largest contributors in 2025 were business travel (33%) and transportation and distribution (27%), followed by purchased goods and services (23%). This reflects the structural reality of the jewellery industry, where the majority of impact sits in the value chain.

Tom Wood's progress should be understood over several years rather than a single reporting cycle. Since beginning emissions tracking in 2021, the company has consistently reduced its footprint year-on-year while continuing to grow. A key structural shift occurred between 2021 and 2023, where the transition from virgin to 100% recycled precious metals resulted in a major reduction in emissions per unit produced. Jewellery today accounts for only a small share of their total emissions - approximately 4-5%.

This highlights the importance of early material decisions, which have structurally reduced the impact of one of the company's core product categories.

Building on this, Tom Wood reduced total emissions by 22% from 2022 to 2023, followed by a further 6% reduction in 2024 while continuing to scale the business. In 2025, the company achieved an additional 8.5% reduction in total emissions, alongside a 28% reduction in intensity-based emissions, demonstrating early success in decoupling emissions from growth. Key drivers to continued reduction in 2025 included reductions in transportation and business travel, and continued optimisation of packaging and materials.

A key milestone in 2025 was the validation of Tom Wood's climate targets by the Science Based Targets initiative (SBTi), aligning the company's decarbonisation pathway with a 1.5°C trajectory. This represents an important shift from voluntary action to externally validated climate ambition, strengthening credibility and accountability in the company's long-term strategy.

"On a strategic level, Tom Wood is increasingly focused on earning its "license to grow" - ensuring that expansion does not simply scale climate impact. As the company continues to grow its retail footprint and global presence, this requires sustained focus on decoupling emissions from growth."

Figure 1. Tom Wood 2025 emissions

SCOPE	Emissions (tCO2e)	Proportion of total emissions	SCOPE 3 BY CATEGORY	Emissions (tCO2e)	Proportion of total emissions
Scope 1	0	0%	Purchased goods and services total	69 ↑	23%
Scope 2	27 ↑	9%	Business travel	98 ↓	33%
Scope 3	270 ↓	91%	Transportation and distribution total	80 ↓	27%
Total	297 ↓		Employee commuting	10 ↓	3%
			Fuel-and-energy related activities	8 ↑	3%
			End-of-life-treatment	5 ↑	2%
			Total	270 ↓	91%

You can read more about their climate accounting and initiatives, as well as find their annual reports [here](#).

SUPPLIER ENGAGEMENT CASE STUDY:

KERING

Kering has developed an Environmental Profit & Loss methodology which aims to measure and quantify environmental impacts and use the data to guide decision-making, but also to engage with suppliers and stakeholders. It converts what can often feel like difficult concepts into something that the entire business understands. In this case, it is monetary values that enable comparison across the business on new initiatives and decisions. All brands in the group are now using this strategy to formulate their strategies.

Kering has taken the decision to open up this methodology to suppliers and peers for them to utilise. This is a demonstration of leadership from Kering, highlighting that this work requires collaboration and partnership to drive the scale of change needed. It also makes it easier for suppliers to feel that they can be open and transparent about data, without fear of negative impacts on the trading relationship, knowing that all other suppliers are doing the same.

The jewellery sector needs suppliers and brands to open up their data to make sure that all actors across the value chain can report as accurately and consistently as possible. This will also help the industry collaborate and develop solutions together to achieve the scale of change we all need.

"This is a demonstration of leadership from Kering, highlighting that this work requires collaboration and partnership to drive the scale of change needed."

What is an EP&L?

<https://www.kering.com/en/sustainability/measuring-our-impact/our-ep-l/>



APPENDIX A

ACTION CHECKLIST

Prepare

- Gain leadership buy-in** You need leaders to understand the intentions, the targets and the interactions you will need across teams, as well as to champion the targets internally at the outset.
- Discuss with operational leads** Gather insights from across the business to understand where leaders are in their thinking and knowledge of climate action. Work with them to understand how to engage their teams effectively.
- Complete carbon accounting** Depending on the size of your business this is going to be either through an external consultant or through a platform such as the SME Small business hub. Identify hotspots and communicate with leadership. Refer to p.10-19 for guidance, review the [GHG Protocol Standard](#) and for SMEs get started through the [SME Business Carbon Calculator](#).
- Life cycle assessment (LCA)** If resource and capacity allows, explore conducting a product LCA on key products to refine data collection and target decarbonisation efforts.

Submit

- Submit targets through SBTi**
See [Appendix B](#) for full details
- Governance system** Establish a formal system to ensure accountability for goals and to monitor progress.
- Build your climate action roadmap**
Work cross-functionally to develop your decarbonisation plan and ensure governance and budget requirements are in place. Review data monitoring and analysis requirements.
- Double materiality assessment** For large businesses that are impacted by the EU's Corporate Sustainability Reporting Directive (CSRD), an assessment that reviews both the impact of your business on environmental and social factors, as well as the impact of these factors on your business is required. [EFRAG](#) is a key resource for all EU-related sustainability updates and provides more information on the process.

Engage

- Stakeholder mapping** Use your hotspots analysis to identify which teams and individuals have the power to drive the changes you need to deliver on the plan and set up a regular meeting cadence.
- Communication narrative** Understanding your narrative for different parts of the business is key, and identifying how to integrate climate goals within the strategic goals of different parts of the business.
- Leadership engagement** Continue to generate internal consensus around the targets and the roadmap to achieve them.
- Materiality assessment** A materiality assessment is a stakeholder engagement exercise to understand the issues that are material to your stakeholders. It helps to ensure that you are providing stakeholders with what they need to make decisions and assess impact. There are some useful materials on the [SBTN site](#) to support this.
- Review your emissions inventory** Collect and review the reliability of emissions inventory data from across the business on a periodic basis.
- Celebrate wins** Communicate about your goals and progress externally and internally. This can create a virtuous cycle, through which increased engagement leads to increased action.

Operate - Ongoing

- Mapping against other goals** Understand intersections between climate goals and biodiversity, human rights, waste and other ESG goals. Review [SBTN's guidance on SBTs for Nature](#) and [SBTi's FLAG guidance](#).
- Integrate into business planning process** Where possible integrate into new project development, innovation plan or business case processes to assess emissions impact of new initiatives before committed. See [Kering's Environmental Profit & Loss](#) as an example.
- Engage suppliers** Share your ambition with suppliers, where possible gather primary data and work with them to target low-carbon innovation.
- Manage** data collection systems, processes, technologies and other operational requirements
- Disclosure and reporting** Review progress with leadership on at least a quarterly basis and then externally report on an annual basis. Obtain external assurance over disclosure and reporting and update key stakeholders. Review the [WWF review of the Watch and Jewellery sector](#) for insight on expectations around transparency and reporting
- Communicate progress to customers** Engage your customers in your journey. Review [EU Green Claims Directive](#) and [UK Green Claims code](#) for how to communicate effectively
- Identify best practice** Conduct ROI assessments against emissions reduction initiatives and communicate across the business
- Review targets** consistently through your governance structure and update where relevant.

APPENDIX B

SME SBTI GUIDANCE

After registering on the Validation Portal and validating the SME status, the SME company can use the streamlined [SME validation route](#) to set targets.

Before you start the process you need to have the following to hand:

- Company details including employee headcount.
- Company accounts for the previous financial year.
- Your carbon accounting report, including information on your organisational boundaries, base year, and information on whether you have used market or location based data¹ for your scope 2 reporting.

Target setting

Near term targets are pre-populated by SBTi and are dependent on your base year as to which you will select. You will be committing your business to the following:

'Our company commits to reduce absolute scope 1 and scope 2 GHG emissions 50.4% from a 2018 base year by 2030 / 46.2% from a 2018 base year by 2030 / 42% thereafter by 2030, and to measure and reduce its scope 3 emissions.'

Note that there is no requirement for SMEs to set a scope 3 emissions reduction target for near-term targets. SMEs may choose to set ambitious scope 3 targets and communicate them on their website or other public channels. However, these targets will not be validated by the initiative.

- **Direct Action, not offsets** - As a reminder the SBTi *'requires that companies set targets based on emissions reductions through direct action within their own boundaries or their value chains... Offsets are only considered to be an option for companies wanting to finance additional emissions reductions beyond their science-based target.'*

- **Absolute reductions** - Note the focus on absolute emissions reduction targets, rather than intensity targets. The reason for this is that *'Intensity targets do not necessarily lead to reductions in absolute emissions. This is because increases in business output can cause absolute emissions to rise even if efficiency improves on a per unit basis.'* Read [SBTi's Target Setting Manual](#) for more guidance.

- **For net-zero targets** - SMEs need to have a near-term target in place aligned to a 1.5°C pathway, in order to subsequently set a net-zero target. To set a net-zero target, the ambition of the business needs to be at least a 90% reduction by 2050. However, SBTi also provides the option for businesses to set their net-zero target for up to 100% and within a closer time horizon.

Corporate SBTi process note

Scope 2 target setting - Targets to actively source renewable electricity at a rate consistent with 1.5°C scenarios are an acceptable alternative to scope 2 emission reduction targets over emissions from the generation of procured electricity. The SBTi has identified 80% renewable electricity procurement by 2025 and 100% by 2030 as thresholds (portion of renewable electricity over total electricity use) for this approach. Read the [SBTi Corporate Net-Zero Standard](#) for more guidance.

Scope 3 target setting - If a company's relevant scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, they shall be included in near-term science-based targets.

¹Market based and location based reporting:

A location-based method - *'reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).'*

A market-based method - *'reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims.'* https://ghgprotocol.org/sites/default/files/2022-12/Scope2_ExecSum_Final.pdf

RESOURCES

Carbon accounting:

- [GHG Protocol Standard](#) For full guidance on aligning carbon accounting with the GHG Protocol.
- [GHG Protocol Scope 2 guidance](#) How to measure and report on Scope 2 emissions.
- [GHG Protocol Scope 3 guidance](#) How to measure and report on Scope 3 emissions and how to focus value chain emissions reduction efforts.
- [GHG Protocol collection of tools and guidance](#)
- [GHG Protocol Product Life Cycle Standard](#) - Guidance on LCA reporting at a product level and how to utilise it to target decarbonisation efforts.
- [The Business Carbon Calculator](#) Through the SME Climate Hub. Particularly useful for small businesses doing carbon accounting for the first time.
- [WEF net-zero value chain hub](#) Support and guidance on Scope 3 value chain decarbonisation planning.

Setting Science-based targets:

- [SBTi Corporate near term criteria](#) Provides an overview of all criteria for setting near term targets.
- [SBTi assessment indicators](#) List of the criteria SBTi assesses targets against and required documentation.
- [SBTi target validation checklist for SMEs](#)
- [SBTi SME target setting application link](#)
- [SBTi SME FAQs](#)
- [SME Climate Hub](#) Non-profit global initiative to support SMEs on their decarbonisation journey. Includes lots of helpful resources and guidance to get started.

Additional inspiration / follow up reading

- [SBTi Business case studies](#) A list of different businesses and how they are approaching decarbonisation, as well as processes such as supplier engagement.
- [WBCSD Circular Transition Indicators](#) Guidance on measuring circularity within businesses
- [Science Based Targets Network](#) Additional guidance and inspiration on a variety of accounting, decarbonisation planning and sustainability engagement.
- [EFRAG](#) Key resource for all EU-related sustainability legislation updates.
- [EU Green Claims Directive](#) and [UK Green Claims code](#) Guidance on how and what you should be communicating.
- [SBTs for Nature](#) Guidance on the new Science-based Targets for Nature
- [SBTi Forest, Land and Agriculture](#) Guidance on implementing science-based targets in FLAG sectors.
- [WWF Time for Change](#) NGO review of standards and expectations for the sector to drive transparency.
- [International Sustainability Standards Board \(ISSB\)](#) Further reading from the primary international body established to drive alignment around sustainability reporting standards.

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