THE SCANDINAVIAN
TEXTILE INITIATIVE
FOR CLIMATE ACTION

Annual Reporting Guidelines for Company Members

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STICA members are required to report data and information on an annual basis. This will be used for several purposes, including tracking company progress, reporting on initiative-wide progress, analysing data trends and emissions trends, and quantifying impact of individual measures. More specifically, the annual report should include:

- GHG emissions for your company's most recent financial year;
- Changes in greenhouse gas emissions since the base year;
- Methodology used;
- Any exclusions of the company's operations or organisation (e.g. facilities or departments);
- Target information and progress;
- Status on roadmap and GHG reduction activities;

STICA will verify that company reports are accurate by requiring either 1) 3rd party certification (i.e. a reputable consultancy); 2) ensuring companies use a common tool that has built in parameters; and/or 3) by doing quality assurance checks.

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Guidelines

To ensure company reporting is robust, consistent, and comparable across companies, this document outlines the specific parameters for reporting GHG-emissions to STICA. These parameters specify the data that should be reported to STICA annually, as well as methodology choices, emission factor sources, quality assurance requirements and reporting format.

This document should be used when communicating with any GHG calculation tool provider or consultancy your company may use to carry out GHG emissions calculations.

When comparing results between members, keep in mind that within STICA there are companies with different backgrounds and sizes, variations in business models, how long companies have worked with these questions, in use of emission factor sources and in scope of calculations. Note also that the aim of the methodology of the GHG Protocol is not designed to compare results between companies but rather to the reporting company's own progress over time.

The requirements in these guidelines are subject to changes if there should be new developments in the field, such as new standards, or if STICA deems it valuable to require additional data to be reported or excluded.

Data points to be reported annually

1. General data

- Reporting period for which all reported data refers.
- Reporting company name.
- Organisational boundaries including geographies, subsidiaries, joint ventures etc. Exclusions should be motivated. For example, "*the operations of our US subsidiary are excluded from our figures, from an assessment made in 2021 it was estimated that the subsidiary only stood for 1% of the impact in Scope 1 and 2 and 3% in Scope 3.*"
- Operational boundaries including exclusions of product segments, departments etc. Exclusions should be motivated. For example, "*our beauty assortment is excluded from our figures, from an assessment made in 2020 it was estimated that the beauty assortment stood for 2% of our Scope 3 emissions and since then the relative share of the revenue from the beauty assortment decreased*."
- Major changes in company structure. For example, "*during 2022 we acquired a new company whose emissions are now included in our inventory, the base-year inventory was also recalculated to enable comparability over time.*"

- Any discrepancies to the determined consolidation approach for GHG inventory for STICA members (See accounting approach for STICA members).
- Net revenue in SEK.
- Number of employees (FTE).
- Number of net sold products.
- Number of purchased products.
- Share of total emissions which comes from actual data and estimates. Companies should further disclose how large share of emissions was calculated from average data in production, such as databases like the Higg MSI, EcoInvent etc.

2. Emissions reporting

STICA relies on the methodology of the GHG Protocol and the requirements from the Science Based Targets initiative (SBTi) in the companies' emissions reporting. In general companies committing to the SBTi should include emission sources where they have the potential to influence GHG reductions but are allowed to exclude activities that are not contributing significantly to their emissions. Specifically, SBTi requires companies to include 95% of Scope 1 and 2 emissions and 2/3 of the emissions in Scope 3. Currently indirect use-phase emissions in Scope 3 are exempt from the requirement for apparel and footwear companies in the Apparel and Footwear guidance from SBTi. Based on the inclusion criteria of the SBTi and the exclusion of the indirect use-phase emissions, the required STICA scope was developed.

The required STICA scope includes Scope 1 and 2 emissions and chosen parts of Scope 3. To cover 2/3 of emissions in Scope 3 excluding the indirect use-phase emissions, as required by the SBTi, the purchased goods and services must be included as the emissions in this category are too significant to be excluded. Note that in the required STICA scope only the direct material is required (i.e. excluding e.g. hangers, store interior and other). Furthermore, the categories upstream and downstream transportation and distribution are included to cover the members' transport emissions. Finally, emissions from fuel and energy related activities are also included in the required STICA scope as these emissions are strongly related to the emissions reported in Scope 1 and 2.

When looking at how the categories in the required STICA scope compares to the emissions within this scope for a few apparel and footwear reporting their figures in the 2022 CDP Climate Change Questionnaire and the 2/3 inclusion criteria, the required STICA scope is justified. For H&M Group, purchased goods and services alone accounted for 89% of total Scope 3 emissions excluding the use of sold products. For Nike Inc, Adidas AG and Inditex, the purchased goods and services stood for 89%, 92% and 79% of Scope 3 emissions excluding the use of sold products respectively.

STICA also defines an optional STICA scope which includes emissions from purchased goods and services (indirect material, e.g. hangers, store interior etc), business travel and use of sold products. For the H&M Group, Nike Inc, Adidas AG and Inditex, the emissions from use of sold products on average stands for 24% of total Scope 3 emissions based on the 2022 CDP Climate Change Questionnaire.

Since the above-mentioned four companies are large enterprises and STICA members in general are small and medium enterprises, STICA acknowledges that the significance of different emission sources could vary. Note that members are not required to report emissions in remaining Scope 3 categories unless these categories are included in their targets. However, since STICA members have a range of different business models it is possible that some members have relatively significant emissions in the optional categories. If a STICA member has a material impact coming from any of the remaining categories, it is strongly recommended that they measure and report these emissions too. To analyse the relative significance of Scope 3 categories companies can perform a complete Scope 3 screening (see more under *Gap analyses to other reporting frameworks*).

To calculate a company's emissions, different types of activity data are needed. Activity data is the consumption data that is used to calculate emissions, for example the amount of kWh of energy used. For instructions on where to find data and what data to collect in each of the required categories below, please refer to the STICA checklists and data collection sheets.

Below points A to G are all included in the required STICA scope and must be reported by the members annually at a minimum.

A. Total emissions in Scope 1.
    a. It is also recommended that Scope 1 emissions data is reported for all six GHGs separately (CO_2, CH_4, N_2O, HFCs, PFCs, SF_6) in metric tonnes and in tonnes of CO_2-equivalents.

B. Biogenic emissions in Scope 1 should be reported separately, i.e. emissions from biogenic CO_2 excluded from the company inventory.

C. Total emissions in Scope 2 (Market based).

D. Total emissions in Scope 2 (Location based).

E. Emissions in Scope 3 for Category 1 **purchased goods and services**, excluding indirect materials. Indirect materials include any materials not sold or transferred to the consumers, such as office materials, store interior, hangers or warehouse machinery. Indirect purchased goods and services further include various purchased services such as financial or insurance solutions, consultancy services and other types of services. All packaging (transportation-, intermediate- and consumer packaging) is considered direct for the purpose of this reporting, e.g. cardboard boxes for transportation and product specific packaging such as poly bags and wrapping material. Note that labels, buttons, zippers etc. have separate processes in Tier 2-4 and are added to the garment in the manufacturing process in Tier 1.

It is recommended, if possible, that companies also divide data into:

- Garment manufacturing (Tier 1).
- Fabric manufacturing (Tier 2).
- Yarn formation and treatment (Tier 3).
- Raw material extraction and preparation (Tier 4).
- Coloration, printing, laundry, and other processes that are not included in the above.
- Transports between factories, up until a finished garment.
- Packaging used in the production phase, and in e-commerce.

If companies are not able to divide their data into these categories, they can report their total Tier 1-4 emissions from Purchased goods and services. If a company uses the Higg MSI (see more in section 'Publicly Reporting Emission Data') the emissions can also be divided by Tier 1 and Tier 2-4. Members should clearly disclose which activities are included in each step of their production.

F. Emissions in Scope 3 for **upstream (Category 4) and downstream (Category 9) transportation and distribution**. All inbound transports[1], regardless of whether the transports are paid for or not by the reporting company, should be disclosed in GHG protocol's Scope 3 Category 4 – upstream transportation and distribution. Category 4 also includes other purchased transports paid for by the reporting company (even outbound transports) and any upstream transport-related activities, such as third-party

[1] Inbound transportation includes the transports from Tier 1 suppliers to the facilities of the reporting company. Outbound transportation and distribution include transports from the facilities of the reporting company to retail/wholesale/end customers etc. Intermediary transportation includes the transports between two of the reporting company's facilities.

warehousing solutions. If possible, companies could separate these emissions between inbound, intermediary and outbound.

Any outbound transports not paid for by the reporting company should be disclosed in the GHG protocol Scope 3 Category 9 – downstream transportation and distribution. For companies with business models where the products are sold in other companies' stores it is strongly recommended that the Scope 1 and 2 emissions from these stores are included in this category even though these emissions are generally small, e.g. emissions from concession stores. Category 9 could also include emissions from consumer transport to and from stores and other downstream transport-related activities but since these emissions are not included in the minimum boundary of the GHG Protocol it is not required by STICA.

All transport emissions should be calculated using a well-to-wheel (WTW) perspective to cover the life-cycle impact from transporting the reporting company's goods. STICA members should also require that their carriers report data in CO_2e as there are other greenhouse gases in conventional fuels than CO_2 that should be considered.

Note that any transports between two suppliers in the production not paid for by the reporting company should be included in purchased goods and services (direct material).

G. Emissions in Scope 3 for Category 3 **fuel and energy related activities** – emissions from the production and distribution of fuels before it reaches e.g. the furnaces, cars or power plants where the fuels are consumed. NOTE: this only applies for emissions not accounted for in Scope 1 and 2. For example, the upstream emissions of consumed electricity and fuels are reported here.

H. **(optional)** Emissions in Scope 3, Category 1.1 Purchased goods and services, indirect materials. For example, emissions from indirect materials such as hangers or office interior or from purchased services such as consultancy services.

I. **(optional)** Emissions in Scope 3, Category 6 Business travel. For example, business flights, hotel nights or train travel excluding everyday work commute. Although business travel is not a required category by STICA, a lot of the members are reporting emissions in this category. Business travel in general has a relatively small impact compared to

other categories for apparel and footwear companies, but at the same time it is a category that engages employees and companies in general have a high influence over these emissions. Further, it is a norm in other businesses to include this category.

J. **(optional**) Emissions in Scope 3, Category 11 Use of sold products. For example, emissions from electricity used in sold home interior. Could also include indirect use from washing and drying of sold garments even though this is excluded from the minimum boundary of the GHG Protocol because this impact is usually substantial for apparel and footwear companies. For the H&M Group, Nike Inc, Adidas AG and Inditex, the emissions from use of sold products on average stands for 24% of total Scope 3 emissions based on the 2022 CDP Climate Change Questionnaire.

K. **(optional)** Any other emissions not included in the above that the company wishes to disclose. STICA refers to the GHG Protocol and the definition of the minimum boundary of each Scope 3 category, see more in table 5.4 in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Category 2 Capital goods. Emissions from purchased products listed as capital goods in the financial accounting, e.g. production machinery, vehicles and facilities.

Category 5 Waste generated in own operations. Emissions from waste management of waste generated in e.g. own operated warehouses, stores etc.

Category 7 Employee commuting. Emissions from the everyday commute of employees, excluding business travel.

Category 8 Upstream leased assets. As all STICA members should use an operational control approach no emissions should be reported in this category.

Category 10 Processing of sold goods. Emissions from further processing of a product before reaching the end consumer, e.g. printing.

Category 12 End-of-life treatment of sold products. Emissions from waste management in the end-of-life of the sold products of the company. In general emissions from Category 12 are relatively insignificant but looking at the overall industry these emissions are material. This category is also interesting from a circular perspective, but it is not required by STICA today.

Category 13 Downstream leased assets. Scope 1 and 2 emissions from assets leased to another company.

Category 14 Franchises. Scope 1 and 2 emissions from franchises, for example emissions from franchise stores' electricity and heat.

Category 15 Investments. For example, emissions from potential subsidiaries. The reporting company should account for the same share of emissions from a subsidiary as the ownership share for that subsidiary.

3. Methodological Data

For each reported data point (A-J above) companies must report:

- The activities included (and any exclusions) for the category (as an example, "*for business travel: flights, trains and taxis are included. Bus and ferry are excluded*".) Any exclusions need to contain a motivation for the exclusion (as an example: "*bus and ferry travel make up less than 1% of business travel emissions and are therefore omitted*").
- Any assumptions made to make calculations or fill data gaps (as an example, "*some flights have been booked outside of our travel agency. We have assumed that the emissions from these are the same per SEK spend, as for those booked with our agent. These flights account for 10% of spend with business travel.").*
- Any estimates made, and an explanation of the basis for these estimates (as an example, "*we estimate that there is an average cut waste of 10% in all our Tier 1 suppliers' operations, based on a survey covering 12 of our largest suppliers."*
- On a general level, the sources for emission factors used – i.e. not per data-point (as an example, "*For transports, emission factors used come from NTM Calc* (https://www.transportmeasures.org/ntmcalc/v4/basic/index.html#/) ").

4. Targets, Reduction Activities and Other Data

Companies must also disclose data on their targets, their progress and potential emission reductions:

- Companies should follow STICA's target requirements when setting their targets. These can be found here.
- Scope 1 and 2 emissions reduction targets, including base year, target year, reduction ambition (i.e. percentage reduction), any partial targets and any exclusions.
- Scope 3 emissions reduction target, including base year, target year, reduction ambition (i.e. percentage reduction), any partial targets and which categories are included in the target. Any exclusions should be reported, described and motivated for each Scope 3 category.

- When developing STICA's target requirements, which are informed by the criteria and recommendations from the SBTi, companies were able to set targets ranging from 5-15 years from base year to target year. SBTi's updated guidance only allows targets with a 5–10-year span. For STICA members this means that companies that developed targets before the new guidance came into effect a 5-15 year-span is accepted. However, companies that did not yet develop any targets should set targets with 5-10 years from base year to target year
- Change in emissions compared to the base year, for both Scope 1 and 2 and Scope 3. This should include a brief explanation of what the major drivers behind this change were. If companies reduce their emissions by 5% or more compared to the previous reporting year, they must clearly outline where these reductions stem from to ensure the credibility of the results.
- Any measures taken during the year to reduce emissions, and the impact of these.
- Any changes to assumptions, methodology, coverage, or other aspects other than emission reduction, during previous years' results, including the base year, including a brief explanation of why these changes were made.
- Any measures planned in the upcoming year to reduce emissions and the expected impact of these.
- Any carbon offsets or other measures that do not have a direct effect on the emission target (such as measures that are outside of the scope, like customer engagement).

5. Roadmap and emissions reductions

Finally, companies must report information regarding their emissions reduction strategies and emission reduction initiatives:

- The status of developing and implementing an emissions reduction strategy.
- Information relating to the reduction strategy such as base year and target year for the strategy and if there will be a peak in emissions before reduction actions start having an impact.
- Which actions have already been taken to reduce emissions.
- Top achievements and challenges in developing and/or implementing the reduction strategy.

Additional parameters: Methodological choices

Consolidation approach for STICA members

STICA members should use the operational control approach when reporting GHG emissions. Using the operational approach means that companies should account for emissions from leased assets under operational control as Scope 1 instead of Scope 3.

The reason for recommending the operational control approach is that if a company rents and operates an asset, the renting company should account for the emissions from the asset and not the owner of the asset. If the financial control approach was used, the owner of the asset would instead account for these emissions. The financial control approach is, for example, usually recommended for real estate businesses where the companies can affect the climate footprint of the facilities in terms of making the facilities more environmentally friendly. Within the apparel sector though the operational control approach is more relevant.

When it comes to company operated cars, the operational control approach accounts for rental and leased cars in Scope 1 since the employees have full operational control over the car, although the company does not own the cars. On the other hand, emissions from taxis are reported in Scope 3 since the taxi driver has control over the vehicle (the company buys a service from the taxi company).

Similarly, for transports – companies with employees operating trucks and buses should report these emissions in Scope 1. Companies that buy transport services from transport companies, like UPS or DHL, should report these emissions in Scope 3.

For more information about the operational approach, see the GHG Protocol Corporate Standard.

Market-based and location-based method for Scope 2 emissions

STICA members should use the market-based method when reporting GHG emissions from energy. Location-based emissions should also be accounted for and reported separately, but the market-based method is the primary method and should be used in all cases where nothing else is specified.

About Market and location-based methods, for information only

In Scope 2, emissions are calculated based on two separate calculation methods, 1) the market-based method and 2) the location-based method. Calculations using the market-based method account for market mechanisms, such as Guarantees of origin for the specific source of electricity generation (e.g. wind, solar, nuclear etc.). Calculations using the location-based

method are based on where electricity is used and the specific production mix of the location (e.g. the Nordic average electricity mix) and does not account for if a specific source of electricity generation is used.

One criterion for companies willing to set a science-based target is to choose one of these methods to calculate base year emissions and to track performance over time. The market-based method is recommended since companies can see direct effects in the total emissions if a company switches from fossil to renewable electricity sources.

For more information about the market-based and location-based methods, see the GHG Protocol Scope 2 Guidance.

Publicly reporting emission data

The importance of transparency in reporting emissions of greenhouse gases cannot be overstated. STICA requires that companies publicly disclose their emissions in Scope 1, 2 and per category in Scope 3 as well as the targets that the companies have committed to. STICA will publish members' greenhouse gas calculations and targets on an annual basis.

Emission factors

STICA recommends that the tools or consultancy you are engaging to help you with GHG calculations use the following sources for emission factors (see below). Keep in mind, this is not an exhaustive list - and other sources may be used. But any other sources used need to be disclosed and motivated - i.e. why have these been used instead of the recommended factors, under the methodological disclosure.

Companies must be willing and able to share all individual emission factor data points as part of a quality assurance check or other quality assurance work within STICA. This means any tools or commercial data providers, must be willing to share these for a limited time, to allow review. This list is expected to be updated continuously. If member companies want guidance on other sources of factors they can contact STICA directly.

Since most existing member companies are mainly based in Sweden there has historically been a local focus of the recommended emission factor sources. There are multiple references available and many of them are accepted by STICA, some examples of internationally used emission factor databases are Defra and the GHG Protocols own emission factor set.

- **For liquid and gas fuels:**
    - Biofuels – The Swedish Energy Agency
    - Fossil and other fuels – The Swedish Environmental Research Institute
    - Other fuels –The Swedish Environmental Protection Agency, “Emission Factors and Heating Values 2020”, source, Swedish Greenhouse Gas inventories for 1990-2018 years’ emissions to the UNFCCC.

- **For electricity renewable, residual and grid mixes:**
    - European residual mixes – Association of Issuing Bodies (AIB), “European Residual Mixes”
    - The Nordic residual mix – The Swedish Energy Markets Inspectorate, ”Ursprungsmärkning av el”, web page: www.ei.se
    - Guarantees of origin - Association of Issuing Bodies (AIB), “European Residual Mixes”
    - Average electricity mixes – The International Energy Agency, ”CO_2 emissions from fuel combustion”
    - District heating in Sweden – Swedenergy and Värmemarknadskommittén, ”fjarrvarmes-lokala-miljovarden-2021”

- **For transports:**
    - Emissions per tonne-kilometre (tonne km) for road transports – Network for Transport Measures (NTM), tool: NTMCalc Advanced OR Basic 4.0, webpage:
    - Fuel use per kilometre – The Swedish Energy Agency, “Drivmedel 2020”
    - Other fuels – The Swedish Environmental Protection Agency, ”Emission Factors and Heating Values 2020”, source: Swedish Greenhouse Gas inventories for 1990-2018 years’ emissions to the UNFCCC.
    - Ocean, rail, and air transports – Network for Transport Measures (NTM), tool: NTMCalc Advanced OR Basic 4.0
        - For air transports, the Radiative Forcing index (RFI) should be accounted for.
        - Members may choose from using an RFI of 1,9 or 2,7 if nothing else is stated. Companies can choose which RFI value is used but are recommended to follow the latest science.
        - If the reporting company changes from one RFI value to another, this should be stated clearly in the annual report to STICA, and the base year emissions should potentially be recalculated. Note that normally RFI factors are not included in data from suppliers.

- **For business travel:**
  - Fuel consumption in cars – The Swedish Transport Administration and Klimatbarometern
  - Fuel use per kilometre for cars – The Swedish Energy Agency, “Drivmedel 2020”
  - Taxis – Svenska Taxiförbundet, Branschläget 2018
  - Trains – Network for Transport Measures (NTM), tool: NTMCalc Advanced 4.0 OR Basic
  - Flights – Network for Transport Measures (NTM), tool: NTMCalc Advanced 4.0 OR Basic or the tool from ICAO (the International Civil Aviation Organization): ICAO Carbon Emissions Calculator
    - For air travel, the same reasoning regarding the RFI factor as for transports should be applied here.

- **Other:**
  - Refrigerant leakage – IPCC. The most recent Assessment report of the IPCC is recommended, currently this is the AR6 (p. 1831).

- **Materials and production:**
  - STICA recommends that companies follow the draft guidance developed by the UN Fashion Charter for Climate Action and SAC when calculating their climate impact from their production.
  - For calculations using material weights, the Higg MSI is the recommended platform by STICA. Read more about what the Higg MSI is, why it is recommended, and how to use it below. There are other databases available on the market too, e.g. EcoInvent and Kering, but as mentioned STICA recommends the Higg MSI.
  - For calculations using actual data from the suppliers’ electricity consumption and fuel use, above mentioned factors are recommended. If any tools are used for this type of data collection, such as the Higg Facility Environmental Module (FEM), the built-in emission factors in these tools can be used instead. Make sure you state clearly if you use a tool for these calculations.
  - If specific data on waste in the different production stages is not available, STICA suggests that you use an average of 5% of waste for each tier.

Target setting

STICA requires its members to set targets in line with the 1.5-degree warming pathway in accordance with the target requirements outlined by STICA, which are informed by the criteria and recommendations from the Science Based Targets initiative (SBTi). Members must set these targets within one year of joining STICA. The members are expected to set targets covering their Scope 1 and 2 emissions, and at a minimum, the required STICA scope in Scope 3 - which is described under E, F, G in the previous section.

Currently STICA does not require members to formally commit to the SBTi or apply to do so. Read more about the Science Based Targets initiative here.

Carbon offsets and avoided emissions

If members purchase carbon offsets this should be clearly stated in their annual reporting to STICA. Note that purchasing carbon offsets cannot be counted as emissions reductions toward the progress of the reported emissions reduction targets. Carbon offsets are only considered to be an option for companies wanting to finance additional measures beyond their emissions reduction targets.

If your target is to become “climate neutral” you should ensure that you follow the legislation and official recommendations for this claim and in the annual reporting describe how carbon offsets are, or will be, used to reach climate neutrality. STICA recommends using SBTi’s net-zero definition rather than a self-defined climate neutrality description.

Potential emission reductions that occur outside of a product’s life cycle, but as a result of the use of that product (i.e. “avoided emissions”) may not be counted as progress towards your emission reduction targets. However, it can be reported separately.

Base year

When setting a reduction target, companies must set a base year, from which all changes are measured. STICA recommends that companies set the most recent year for which they have representative data as their base year. Different base years can be used for the Scope 1 and 2 and Scope 3 targets, even if STICA recommends using the same base year. If companies want to set SBTi Net Zero targets, it is required that the company has the same base year for all scopes. More information about choosing a base year can be found in STICA’s target requirements document.

The inventory for the base year of the target should always be kept relevant. If any of the below mentioned (or similar) activities occur, companies should analyse if the base year inventory must be recalculated. If the emissions change caused by the activity is larger than 5% of the total emissions within the target boundary, the company must recalculate the base year inventory. For example, if a company decides to include a larger share of primary data from Tier 2 suppliers in their calculations and there is a reduction of more than 5% of total Scope 3 emissions compared to using the existing methodology, this is not a reduction in practice but only in theory and hence the company should recalculate the base year inventory.

- **A significant change in methodology**, e.g. going from using global average values (Swe: schabloner) for the whole supply chain, to starting to measure actual emissions from parts or the entire supply chain.
- **A significant change in operational boundary**, e.g. including previously excluded parts of the assortment.
- **Changing database**, e.g. going from using Kering or EcoInvent to using the Higg MSI.
- **Inorganic growth of the company or changes in organisational boundary**, i.e. mergers and acquisitions. If company A buys company B, it should add company B's emissions in the base year to its own inventory.
- **Calculation errors or data gaps**, i.e. if a company identifies an error or gap in their reporting for the base year, they should update their base year.

If members recalculate their base year this should be clearly stated and motivated in the annual reporting to STICA.

When recalculating their base year, companies should optimally collect comparable data for the base year although this is usually difficult. For instance, collecting primary data from suppliers multiple years back in time can be a complex task, both in terms of resources and in terms of data availability as companies likely do not use the exact same supplier setup over time. Another option is to extrapolate data from the most recent year to the base year. This potentially disables the impact of any actions implemented between the base year and the current year as the base year inventory is now based on the current year data. To mitigate this, companies can collect information about changes made during this period of time, for example if suppliers have changed energy sources from fossil to renewable ones. Note that this information cannot be used to account for potential energy efficiency measures but only in identifying improvements in energy sources.

STICA acknowledges these challenges and should there be a case where the comparability is actually not improved when performing this type of recalculation, this should be further discussed case-by-case.

Reporting format

Use the reporting template for STICA for reporting in accordance with these guidelines. The template is in an Excel-format, and contains fields to report the required, recommended, and optional data points. Reporting will be designed to be manageable for both small and larger members.

Reporting deadlines

Member companies are free to submit the report of their most recent reporting year when it best fits their reporting timelines during the year. However, all reports must be received by the STICA secretariat *no later than November 1 each year.* The reporting template should be submitted to support-stica@2050.se.

First year reporters

Although the general requirements listed in this document are deemed relevant and necessary for STICA's work in limiting the climate impact, STICA is aware that there is a fair amount of work required by the member companies. For new STICA members to get a smooth start with their work, STICA has eased up the demands for first year reporters.

During the first year as a member of STICA members are required to:

1. Calculate their climate impact in Scope 1 and 2.
2. Set a reduction target for their Scope 1 and 2 emissions in line with STICA's target requirements.
3. Submit their report to STICA in line with the timeline requested by STICA.

However, as the STICA members have come a long way in their climate work, new members are strongly recommended to calculate their Scope 3 impact within the required STICA scope and set a reduction target also for their Scope 3 emissions. Even though this is not a requirement until the second year of being a STICA member, doing this work the first year of becoming a STICA member would give the company a jump start in managing their climate impact.

Quality assurance process and requirements

The reported data and calculations will be subject to a quality assurance process. Annually, a predetermined number of randomly selected companies will be requested to submit

all their activity data for a quality assurance check. This check could be done in company specific reporting tools, documents, or other data sources. The purpose of this quality assurance process is to ensure credibility and that the reporting guidelines are being understood, followed and acted upon as intended across companies in STICA.

The relevant data needs to be made available so that the following can be checked:

- Calculation process.
- Emission factors, sources, and relevance for each data point (more detailed information about emission factors is noted below).
- Completeness check, i.e. a check that all facilities, products, and areas that should be disclosed are included.
- Reasonability-check, that the activity data reports is within reasonable limits, such as energy use per square metre. This will be done where possible.
- Any significant reductions should be described and motivated to ensure the credibility of the companies' reporting.

Companies that need to go through a quality assurance check will need to be able to provide this data in an accessible format and in a timely manner. Companies that are not checked should take measures to do these quality assurances, either themselves or together with a reputable consultancy.

Quality assurance checks are conducted over the year and member companies can submit this data to STICA after finalising the current year's calculations.

Considerations regarding databases

The Higg MSI is an LCA tool containing LCA impact factors for various materials commonly used in products for companies within the fashion, footwear, and home textiles industry. The purpose of using the Higg MSI is to identify hot spots and larger emission sources in the supply chain of a company on a high level rather than support in creating detailed climate disclosures. The Higg MSI contains emission factors for raw materials and production processes that are

useful as generic values when calculating emissions from fibre to finished fabric, or part of that supply chain.

Currently, the Higg MSI is an industry standard when it comes to using average values to perform climate calculations and is used by textile companies globally. Factors used in the tool are retrieved from well-known databases such as GaBi. STICA currently recommends that member companies use the Higg MSI database. If the Higg MSI is not used, please state so clearly in the annual reporting.

STICA acknowledges the criticism pointed towards the use of Higg MSI and are following the on-going discussions closely. Members are recommended to collect as much primary data from suppliers as possible. Primary data not only helps members get as much details as possible in their calculations, but it also supports developing reduction roadmaps and prioritising reduction measures in the supply chain. STICA's goal for its members is ultimately to collect as much primary data from their supply chain as possible, but for first time reporters and for filling data gaps, the Higg MSI is the recommended database and is likely needed for the foreseeable future.

Due to uncertainties regarding the validity and representativeness of the LCAs and factors in the Higg MSI database, member companies are not recommended to base their reduction analyses solely on the factors listed in the database. Instead, members are recommended to do their due diligence when making process or fibre substitutions in their products.

STICA has access to the Higg MSI for all its members, but the members are not permitted to enter the platform themselves unless they are members of the SAC and can use their own login credentials. However, member companies can utilise the functions of the Higg MSI in different ways:

1. Member companies signing up for the Scope 1-3 offer currently provided by the consultancy 2050 will provide their weights and materials using the basic collection sheet, and necessary calculations will be made on Higg MSI's platform.
2. If a member company is a member of the SAC, they also get access to the Higg MSI and can browse the website using their own login credentials.
3. Member companies that want to make use of the Higg MSI to calculate their environmental impact but are not members of the SAC and have not signed up for the Scope 1-3 offer, can purchase this service from STICA through a separate agreement.

There are some further limitations to how the Higg MSI can be utilised, listed below:

Permitted:

- STICA may access the MSI on platform and create custom materials for STICA members.
- STICA may access the process documentation and meta-data (on platform) and provide this information to STICA members.
- STICA may export MSI custom materials and provide the export to STICA members.
- STICA member companies can create company level footprints from this data.

Not permitted:

- STICA members may not access the underlying process-level data.
- STICA members may not deconstruct the material-level data to any further level of detail.
- STICA members may not communicate any material or process-level information publicly. Any communications must be aggregated at company footprint level and in compliance with the Higg Index Communication Guidelines.

Kering and EcoInvent

As mentioned, there are various databases covering emission factors on material and process level. Higg MSI is the recommended database for these calculations, but EcoInvent and Kering's databases might also be used. A mixed use of these databases is not recommended.

EcoInvent is an established and credible database for all types of emission factors and covers various material and process level factors for many different industries.

Kering Group has an open database with emission factors of materials and processes used in the production of the products for the brands in Kering Group. This database contains factors per country, which the Higg MSI does not, but does not split emissions on the same level of process detail as the Higg MSI does. Kering Group's database is not as well-established as the Higg MSI or EcoInvent and is therefore not the recommended choice of database for these calculations.

In the case where a company changes database from e.g. EcoInvent or Kering to the Higg MSI, and it results in a significant difference in the resulting climate footprint of the company, the base-year inventory should be recalculated using factors from the new database. See more above in the section called "Base year".

Specific considerations

As there are a lot of different types of companies in STICA, there are some specific considerations to account for when reporting emissions. In this section, we have tried to outline some of these, that might be useful comments to your reporting.

Considerations on second-hand and rental sales

Products that are sold through second-hand are products that are being sold for a second time to prolong the life-length of the product. Since the products have already been sold once in this case, the emissions from the production of the products have already been accounted for and should therefore not be accounted for again. However, if the products have been processed (e.g. repaired, refurbished or washed), the emissions from the energy use from these processes should be accounted for. If there is any transportation and distribution related to the sales of second-hand products, these should also be accounted for in your reporting. If the company is reporting emissions in the use of sold products category (which is optional), the impact of the products sold through the second-hand platform are strongly recommended to be included there too.

The same reasoning can be made for rental services. If a product is rented by multiple consumers, the upstream production emissions should only be counted once. Should the company report emissions in the use of sold products category, the company is strongly recommended to include the user-phase impact for all consumers renting the product. Emissions from any additional transports, washing or other processes performed by the reporting company should also be included.

If these processes are performed under the operational control of the company, the emissions should be reported in Scope 1 and 2. If these processes are outsourced, the emissions should be reported in Scope 3.

Considerations on reporting for retailers

In general, STICA members should cover as much as possible of the emissions from their purchased products. This means that the member companies should not just account for the emissions from the production of their own products, but also for the emissions from the production of their external brands' products. This is especially important for retailers to account for, as retailers in general have a larger share of external brands' products in their product portfolio. Retailers should account for the emissions in the same way as a brand would, but the availability of data could be more complex as retailers commonly do not have direct contact with these suppliers.

To support retailers in their data collection from external brands, the External brands questionnaire has been developed.

Gap analyses to other reporting frameworks

This section outlines gaps in the STICA reporting guidelines compared to other reporting frameworks, such as the GHG Protocol and the SBTi guidance for Apparel and Footwear companies as well as the SBTi Criteria and Recommendations version 5.0. Going forward, this section will be updated with any new guidance or legislation relevant for the member companies.

For companies aiming to commit to SBTi

STICA does not currently require members to formally commit to SBTi although some members have done so nonetheless. As the STICA requirements are informed by the criteria and recommendations of the SBTi but do not follow these to 100%, the aim in this section is to provide support for the members committing to SBTi. Before committing to the SBTi, members are advised to read through the SBTi Corporate Manual and the SBTi Criteria and Recommendations version 5.0 documents as well as the Guidance for the Apparel and Footwear Sector.

1. Submitting targets for validation through the SBTi comes with a fee that varies depending on what type of target companies submit for validation, e.g. a near-term target or a net-zero target. The fee is paid when submitting the targets and not at the committing stage. More information about the fees can be found here.
2. STICA requires companies to set targets based on certain criteria but if companies are not mature or ready to do so, they must set *temporary* targets. If temporary targets are set, the companies must motivate this in writing to STICA. The SBTi requires that the companies' targets are final but that they must revalidate their targets every five years to ensure the relevance of the targets, both in terms of target ambition and in terms of staying up to date with the latest methodology.
3. STICA requires that member companies use the operational control approach and the market-based method. The SBTi allows companies to choose other consolidation approaches and use the location-based method if desired.
4. STICA requires members to calculate the impact from four Scope 3 categories: Purchased goods and services (direct material), Upstream and downstream transportation and distribution and Fuel and energy related activities, but the SBTi requires companies to conduct a complete Scope 3 screening. A complete Scope 3 screening means calculating the impact of all 15 Scope 3 categories that are relevant

for the company. A screening can be made by estimating emissions to understand the materiality of each category for the SBTi to be able to ensure that 2/3 of Scope 3 emissions are covered in the target. This analysis should be made for all Scope 3 categories including the remaining part of Purchased goods and services (i.e. the indirect material such as hangers, store interior and such). Should a category not be relevant for the applying company, this should be motivated to the SBTi.

   a. When performing a screening, the SBTi relies on the minimum boundary as defined in the GHG Protocol while for STICA the minimum boundary of certain Scope 3 categories is not clearly described. STICA instead refers to the GHG Protocol and the definition of the minimum boundary of each Scope 3 category, see more in table 5.4 in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

5. If the results from the screening shows that the categories within the required STICA scope does not cover 2/3 of total Scope 3 emissions, companies must include more categories to reach the 2/3 threshold in their Scope 3 targets when committing to the SBTi. This is not required by STICA although the required STICA scope is based on categories that *in general* cover 2/3 of Scope 3 emissions for the member companies. However, if STICA members have significant emission sources in other Scope 3 categories they are strongly recommended to measure and set targets on these categories too.
6. STICA member companies are not required to mention what approach or method was used in their calculations specifically, but they are required to list any assumptions and estimates used in their calculations. When submitting their targets for validation by the SBTi companies must report whether their emissions have been calculated using an inventory (more detailed) or a screening (more general) approach.
7. When it comes to long-term targets, STICA follows the SBTi net-zero guidance. Note that neither STICA members nor companies committing to the SBTi are currently required to set net-zero targets.
8. STICA does not require companies to report biogenic emissions in Scope 3 which is required by the SBTi. This goes hand-in-hand with the new Forest, Land and Agriculture Guidance (FLAG) from the SBTi which STICA currently has not yet translated this into requirements for its members.
9. Members of STICA are required to set a base year no further back than 2017 and to set target years no further ahead than 2030. Companies submitting their targets to SBTi must not set base years earlier than 2015 and must set target years no longer than 5-10 years from the base year.
10. STICA requires all member companies, regardless of size, to follow the same criteria and set ambitious Scope 3 reduction targets. Companies setting targets through the

SBTi with no more than 500 employees must follow the SME route. This implies that these companies cannot set Scope 3 reduction targets, but only commit to calculate and reduce Scope 3 emissions.

11. SBTi requires companies to at least have a reduction ambition of -2.5% annually in linear terms if they set absolute targets in Scope 3[2]. The -2.5% threshold is based on a Well-Below 2 °C scenario. The same criteria are applied to STICA members, but for STICA members this ambition is considered a temporary target. Therefore, it is strongly recommended that STICA members commit to this ambition from the start.
12. If companies want to set intensity targets in Scope 3, the minimum threshold is a reduction of 7% year-on-year[3]. The difference from the SBTi is that STICA considers intensity targets not based on an absolute reduction as temporary as it does not explicitly mean that the companies must reduce their absolute emissions.
13. If companies want to set an intensity target in Scope 3, the SBTi requires that the emissions reduction is 7% year-on-year for both physical (e.g. per unit sold) and economic intensity targets (per value added). STICA requires that member companies set targets that are based on an absolute reduction of 4.2% unless they choose to set temporary targets.
14. For member companies that are not yet ready to commit to a -4.2% or -2.5% absolute reduction nor want to commit to an intensity target, STICA allows a third option where companies can get their targets approved by the SBTi. Note that companies are not allowed to set supplier or customer engagement targets only. This third option is not accepted for companies taking the SME route in SBTi.

[2] It should be noted that a -2.5% linear, or 7% year-on-year, reduction annually is required, it is not implied that companies must reduce emissions by 2.5% or 7% each and every year. We rather mean that from the base year to the target year, this must be the average reduction pace of the target. In the case of the annual -2.5% linear reduction, this would mean that the company would need to reduce its emissions by 25% over a ten-year period, or 12,5% over a five-year period, to be in line with the required minimum ambitions for Scope 3.
[3] Ibid

Scope	Target type	STICA	SBTi
Scope 1 and 2	Absolute	-4.2% annual linear reduction.	-4.2% annual linear reduction.
	Physical intensity	Accepted if based on -4.2% annual linear reduction.	Accepted if based on -4.2% annual linear reduction.
	Economic intensity	Not accepted.	Accepted if based on -4.2% annual linear reduction.
Scope 3	Absolute	-4.2% annual linear reduction. Temporary target of -2.5% annual linear reduction is accepted.	-2.5% annual linear reduction.
	Physical intensity	Accepted if based on -4.2% annual linear reduction. Temporary target is accepted if a, based on -2.5% annual linear reduction, or b, there is a 7% reduction per unit (e.g. sold pair of shoes) year-on-year i.e. with no absolute emissions cap.	Accepted if based on -2.5% annual linear reduction. Also accepted if there is a linear decrease of 2% per year with an absolute emissions cap at the base year level.
	Economic intensity	7% year-on-year with no absolute emission cap.	-7% year-on-year with no absolute emissions cap.
	Other	Targets approved by the SBTi, except for two target types; a, targets using the SME route and b, supplier or customer engagement targets.	Not accepted.

Contact

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