

SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



**OTB S.p.A.**

**Target Validation Report**

May 2023

About the

# Science Based Targets initiative

The Science Based Targets initiative (SBTi) mobilizes companies to set science-based targets and boost their competitive advantage in the transition to the low-carbon economy. It is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi call to action is one of the We Mean Business Coalition commitments. The initiative defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.

The SBTi focuses on the following four key topics:

**Builds technical foundations**



**Scales-up adoption**



**Conducts independent assessments**



**Institutionalizes SBTs**



## Executive summary

This report presents the results and recommendations of the SBTi's independent validation for OTB S.p.A.'s GHG emission reduction targets. It provides an overview of the assessment of the company's submitted targets and emissions covered within the targets' boundaries, as well as some guidance on the next steps to implement the targets.

The SBTi has established a set of criteria that all targets must meet to be validated as science-based. The SBTi has assessed OTB S.p.A.'s submission against the SBTi's Criteria v5.0 and after careful review has approved the targets. A detailed overview of the criteria is provided in Appendix 2. The approved targets will be listed on the SBTi website as follows:

*OTB commits to reduce absolute scope 1 and 2 GHG emissions 51% by 2030 from a 2019 base year. OTB also commits to increase annual sourcing of renewable electricity from 0% in 2019 to 80% by 2025. OTB further commits to reduce scope 3 GHG emissions from purchased goods and services and upstream and downstream transportation and distribution 55% per ton of raw material purchased by 2030 from a 2019 base year.*



1.5°C

The SBTi classifies targets against the long-term temperature pathways of well-below 2°C and 1.5°C. The SBTi's Target Validation Team has classified your company's scope 1 and 2 target ambition and has determined that it is in line with a 1.5°C trajectory.\*

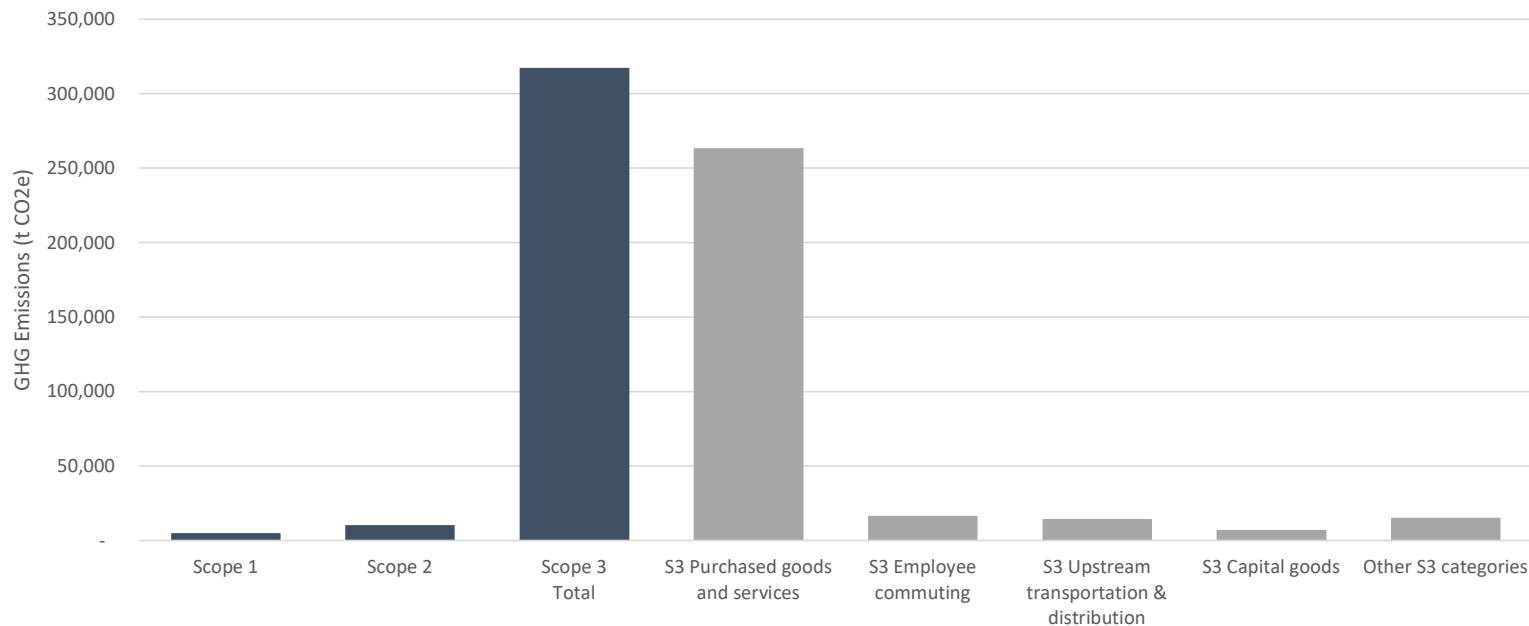
\*This assessment corresponds only to the scope 1 and scope 2 portion of the submitted targets, which may or may not cover the most relevant sources of value chain emissions within the company's organizational boundary. To communicate internally or externally about your target ambition level, please consult the messaging and guidance you receive from the SBTi communications team. The analysis that underpins this temperature assessment and classification of targets is presented in Chapter 6 of the SBTi's Target Validation Protocol. An approach to classify the ambition of scope 3 targets is still in development.





## GHG inventory overview

OTB S.p.A. submitted two annual GHG inventories for review by the SBTi. For the base year of 2019 total emissions are 332,537 t CO<sub>2</sub>e, with scope 1+2 representing 4.61% and scope 3 representing 95.39% of total emissions. The GHG emissions inventory covers all relevant GHG emissions, from all relevant sources and subsidiaries. The GHG inventory is composed exclusively of fossil based emissions, and no biogenic emissions have been reported alongside the GHG inventory. In addition to the mandatory GHG emissions, emissions from optional sources have also been reported alongside the GHG inventory and have been reviewed as part of the validation process.



In addition to the base year GHG inventory, a more recent inventory for 2021 was also disclosed and reviewed as part of the target validation. This inventory shows that the scope 1+2 emissions have reduced by 6.89%, with scope 3 GHG emissions having reduced by 1.02% between 2019 and 2021. Please see Appendix 1, which provides a full breakdown of the entire submitted GHG inventory.

## Overview of your science-based targets

OTB S.p.A. has submitted three targets for review by the SBTi. As scope 3 accounts for more than 40% of total emissions, both operational scope 1+2 and value chain scope 3 emissions are covered by targets. These targets have been assessed against the SBTi's quantitative and qualitative criteria, and have been validated in accordance with the SBTi validation protocol. For approval, a company's targets must comply with all applicable criteria.

After careful review, the three proposed targets were found to meet all criteria in terms of timeframe, emissions coverage, and ambition. The table below provides an overview of each approved target. Appendix 2 provides the complete assessment of how the targets were validated against all SBTi criteria.

### Scope 1+2 Targets

| Target ID | Scope Coverage | Type                  | Base Year | Target Year | Ambition | Boundary Coverage | Method               | Validation Result |
|-----------|----------------|-----------------------|-----------|-------------|----------|-------------------|----------------------|-------------------|
| ABS1      | Scope 1+2      | Absolute              | 2019      | 2030        | 51.0%    | 100.0%            | Absolute Contraction | Approved          |
| O1        | Scope 2        | Renewable Electricity | 2019      | 2025        | 80.0%    | 100.0%            | RE                   | Approved          |
|           |                |                       |           |             |          |                   |                      |                   |

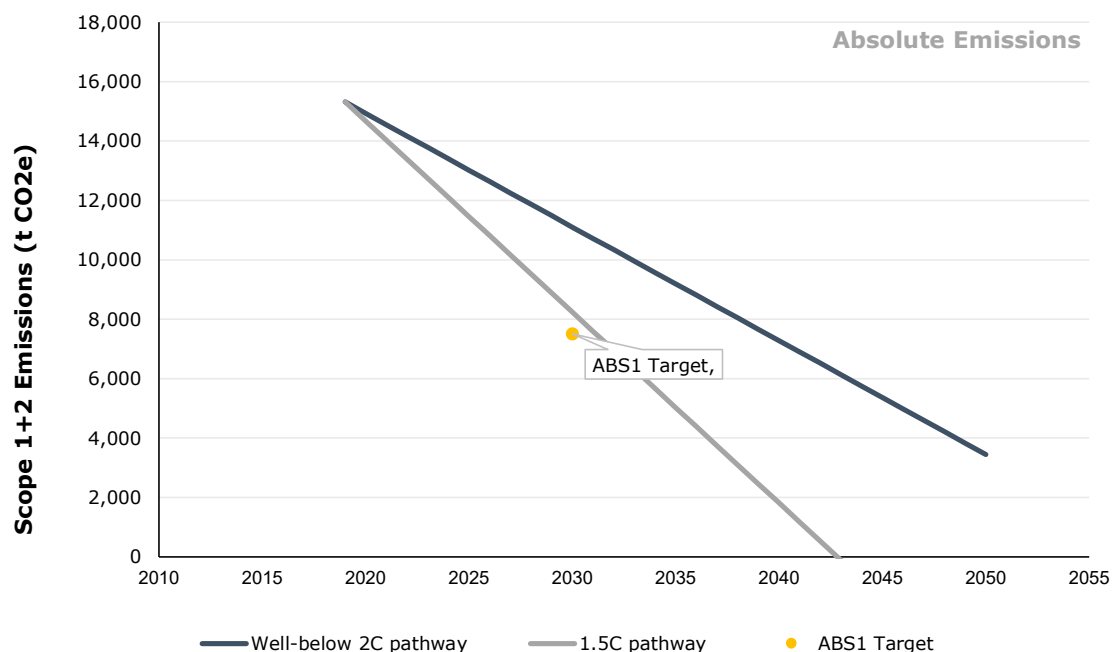
### Scope 3 Targets

| Target ID | Scope Coverage | Type      | Base Year | Target Year | Ambition | Boundary Coverage | Method             | Validation Result |
|-----------|----------------|-----------|-----------|-------------|----------|-------------------|--------------------|-------------------|
| INT1      | Scope 3        | Intensity | 2019      | 2030        | 55.0%    | 83.5%             | Physical Intensity | Approved          |
|           |                |           |           |             |          |                   |                    |                   |
|           |                |           |           |             |          |                   |                    |                   |

## Scope 1 and 2 targets overview

To address OTB S.p.A.'s scope 1+2 emissions, two targets have been set. The first proposed target intends to reduce absolute emissions 51.0% by 2030 from a 2019 base year, and is modelled using the Absolute Contraction approach.

The chart compares the target against two long term Absolute Contraction temperature pathways. The ambition of the proposed scope 1 and 2 target exceeds the minimum ambition for the 1.5°C pathway in the target year of 2030 and is therefore considered ambitious.

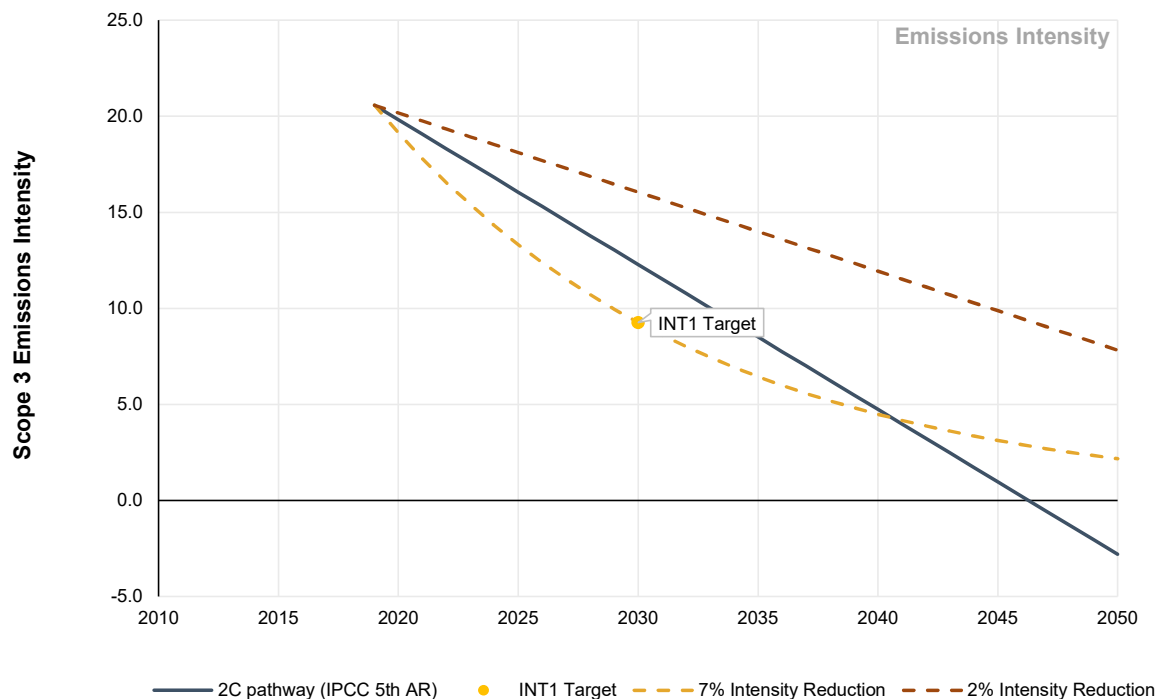


Another target has been set covering scope 2 emissions. The proposed target is a renewable electricity procurement target and also meets the SBTi criteria. Using the Absolute Contraction Approach, the targets covering scope 1+2 emissions are classified as 1.5°C aligned. The SBTi commends your ambitious 1.5°C aligned target, currently the most ambitious designation available through the SBTi process.

## Scope 3 targets overview

To address OTB S.p.A.'s scope 3 emissions, one target addressing 83.5% of base year scope 3 GHG emissions has been set.

The target intends to reduce emissions intensity 55.0% by 2030 from a 2019 base year, and is modelled using the physical intensity approach. As this target results in at least a 7% year-on-year reduction over the target period, the target is considered ambitious. The graph on the right compares the ambition of the scope 3 target against the minimum emission reductions pathway for the SBTi's physical intensity approach. The ambition of the target meets the minimum ambition requirements and is therefore considered ambitious.



### Scope 3 reduction levers

Despite the challenges of addressing indirect emissions, doing so not only has huge potential to prevent the worst impacts of climate change, but can also lead to substantial business benefits. Setting scope 3 targets enables companies to mitigate value chain risks, unlock new innovations and collaborations, and respond to mounting pressure from investors, customers, and civil society.

OTB S.p.A.'s GHG inventory highlighted that scope 3 emissions represented 95.39% of base year emissions. The table below highlights the activities that can be undertaken to best address the scope 3 emissions.

For further information, please see the SBTi's best practice guidance on S3 GHG management: [report](#)

| Scope 3 categories   | Scope 3 best practice activities   |
|--|--|
| Purchased goods and services; Capital goods                      | Supplier engagement, procurement policy and choices, product and service design, business model innovation |
| Fuel and energy related activities                               | Procurement policy and choices, product and service design, operational policies                           |
| Upstream transportation and distribution; Upstream leased assets | Supplier engagement, procurement policy and choices, product and service design                            |
| Waste generated in operations                                    | Product and service design, business model innovation, operational policies                                |
| Business travel; Employee commuting                              | Procurement policy and choices, operational policies   |
| Processing of sold products; Use of sold products                | Product and service design, customer engagement, business model innovation                                 |
| Franchises; Investments  | Product and service design, operational policies, investment strategy                                      |

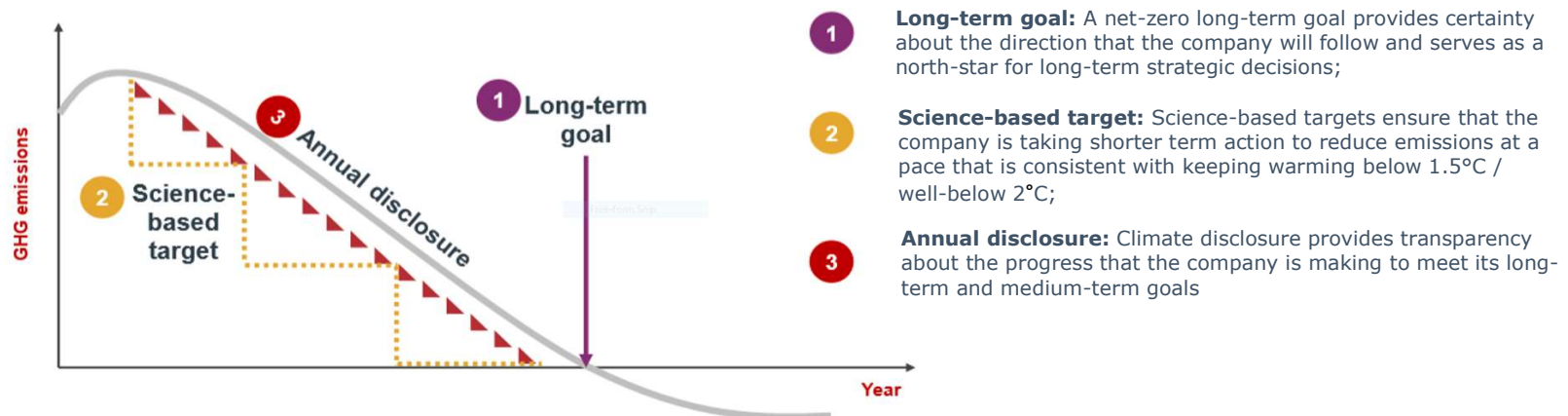


## Science-based target recalculation and announcement

Congratulations on your approved science-based targets (SBTs). The IPCC special report on 1.5°C highlighted the necessity to reach net-zero emissions by mid-century. Your SBTs are a key element in setting out on this net-zero decarbonization trajectory while maximizing transparency and accountability throughout.

The next step is for OTB S.p.A. to publicly announce these targets within six months of receiving this approval. Failure to publish within this timeline will require the targets to be resubmitted for validation. In line with SBTi Criteria, OTB S.p.A. must review its target(s) against the latest criteria and guidance in five years, and if necessary, recalculate and revalidate for continued recognition by the SBTi.

As multi-decade planning is typically beyond the traditional corporate planning time horizon, setting SBTs is a critical activity to set companies on a net-zero decarbonization trajectory. Together with annual disclosure of GHG emissions and progress against the targets, SBTs ensure maximum transparency, accountability and corporate leadership to align with a long-term goal toward net-zero.



## Target temperature alignment

The SBTi assesses submitted targets against three temperature pathways: 2°C, well-below 2°C, and 1.5°C alignment. The most ambitious designation available through the SBTi process is a 1.5°C aligned target. Your company can choose to voluntarily update the ambition of your target if not already in line with 1.5°C.

## Voluntary target update process

As your scope 1 and 2 targets have been classified as 1.5°C aligned, the SBTi voluntary ambition process is not relevant. We encourage 1.5°C aligned companies to also strive for the highest ambition possible in scope 3. The Business Ambition for 1.5°C campaign provides another opportunity for companies to demonstrate ambition by extending the 1.5°C classification across all scopes and/or setting ambitious net-zero targets.

*The SBTi temperature classification corresponds only to the scope 1 and scope 2 portion of your targets, which may or may not cover the most relevant sources of value chain emissions within your organizational boundary. To communicate internally or externally about your target ambition level, please consult the messaging and guidance you receive from the SBTi communications team.*





# Stay up to date with our latest resources, including:

- The SBTi criteria;
- Target Validation Protocol;
- Target Setting Manual;
- Scope 3 GHG management





## **Connect**

---

Join us at our upcoming SBTi events [here](#)

Connect with us on our social media platforms:



## **Learn**

---

- Review the latest updates from us with the [SBTi blog](#)
- Read our latest [resources](#)

## **Publish**

---

Let our communications team know when you would like your target to be made public on our website.\* Browse our communications pack for assets and tips to announce your target.

*\*All targets must be made public within six months of receiving this report*

View our package [here](#)

## **Feedback or questions?**

---

Contact: [info@sciencebasedtargets.org](mailto:info@sciencebasedtargets.org)

## Appendix 1. GHG Inventory

| Emission Category                           | Baseline Year      | Share of total emissions | Most Recent Year   | Share of total emissions |
|---|--------------------|--------------------------|--------------------|--------------------------|
|   | 2019               |                          | 2021               |                          |
|   | Emissions (t CO2e) |                          | Emissions (t CO2e) |                          |
| <b>Scope 1</b>                              | 4,984              | 1.5%                     | 7,678              | 2.3%                     |
| <b>Scope 2</b>                              | 10,330             | 3.1%                     | 6,581              | 2.0%                     |
| <b>Scope 1+2</b>                            | 15,314             |                          | 14,259             |                          |
| <b>Scope 3</b>                              | 317,223            | 95.4%                    | 313,984            | 95.7%                    |
| 1. Purchased goods and services             | 263,443            | 83.0%                    | 252,109            | 80.3%                    |
| 2. Capital goods                            | 7,216              | 2.3%                     | 8,789              | 2.8%                     |
| 3. Fuel and energy related activities       | 2,508              | 0.8%                     | 2,188              | 0.7%                     |
| 4. Upstream transportation & distribution   | 14,505             | 4.6%                     | 16,910             | 5.4%                     |
| 5. Waste generated in operations            | 424                | 0.1%                     | 611                | 0.2%                     |
| 6. Business travel                          | 1,796              | 0.6%                     | 390                | 0.1%                     |
| 7. Employee commuting                       | 16,722             | 5.3%                     | 12,345             | 3.9%                     |
| 8. Upstream leased assets                   | NA                 | NA                       | NA                 | NA                       |
| 9. Downstream transportation & distribution | 0                  | 0.0%                     | 0                  | 0.0%                     |
| 10. Processing of sold products             | NA                 | NA                       | NA                 | NA                       |
| 11. Use of sold products                    | NA                 | NA                       | NA                 | NA                       |
| 12. End-of-life treatment of sold products  | 5,211              | 1.6%                     | 8,065              | 2.6%                     |
| 13. Downstream leased assets                | NA                 | NA                       | NA                 | NA                       |
| 14. Franchises                              | 2,419              | 0.8%                     | 2,374              | 0.8%                     |
| 15. Investments                             | 2,979              | 0.9%                     | 10,203             | 3.2%                     |
| <b>Scope 1+2+3</b>                          | 332,537            |                          | 328,243            |                          |



## Appendix 2. SBTi Criteria Overview

Appendix 2 presents an overview of SBTi's assessment of OTB S.p.A.'s targets against the SBTi target validation criteria, as well as additional recommendations, key questions resolved, or updates made to the submission that occurred during the validation process.

| GHG Inventory |   | Scope 1+2 Targets  |   | Scope 3 Targets  |   | Reporting        |   |
|---------------|---|--------------------|---|------------------|---|------------------|---|
| Scopes        | ✓ | Target Boundary    | ✓ | Required Target  | ✓ | Sector Guidance  | ✓ |
| Significance  | ✓ | Target Timeframe   | ✓ | Target Boundary  | ✓ | Annual Reporting | ✓ |
| GHG Inventory | ✓ | Target Ambition    | ✓ | Target Timeframe | ✓ | Recalculation    | ✓ |
| Bioenergy     | ✓ | Methods            | ✓ | Target Ambition  | ✓ |                  |   |
|               |   | Scope 2 Approaches | ✓ | Methods          | ✓ |                  |   |

### Additional recommendations and notes

Optional emissions: indirect use-phase from washing clothes. 31,284 tCO<sub>2</sub>e in the base year and 58,409 in the most recent year.

Exclusions are 4.7% of total scope 3 emissions (not including optional emissions). Exclusions are from categories 4 and 9 of the Viktor & Rolf brand.

## GHG Emissions Inventory and Target Boundary Criteria

| Criteria                    | Result of the Assessment   | Compliance       |
|-----------------------------|--|------------------|
| C1. Scopes                  | The target(s) cover all scope 1 and 2 emissions in the company's GHG inventory, developed in line with the GHG Protocol Corporate Standard, and therefore complies with Criterion 1. | <b>Compliant</b> |
| C2. Significance thresholds | Targets for scope 1 and 2 emissions cover 100.0% of the company's scope 1 and 2 emissions. The target submission therefore complies with Criterion 2.                                | <b>Compliant</b> |
| C3. Greenhouse gases        | The GHG inventory and scope 1 and 2 target covers all relevant GHGs and therefore complies with Criterion 3.   | <b>Compliant</b> |
| C4. Bioenergy accounting    | The company did not report any biogenic emissions from biomass, thus Criterion 4 is not applicable.  | <b>N/A</b>       |
| C5. Subsidiaries            | The company included all relevant subsidiary emissions in GHG inventory and target boundary and therefore complies with Criterion 5.   | <b>Compliant</b> |

### Scope 1+2 Timeframe Criteria

| Criteria                  | Result of the Assessment  | Compliance       |
|---------------------------|---|------------------|
| C6. Base and target years | The target year of 2030 is between 5 and 15 years from the submission date. The target submission therefore complies with Criterion 6.  | <b>Compliant</b> |
| C7. Progress to date      | The required reduction between the most recent year that a GHG inventory is available and the scope 1 and 2 target year is sufficiently ambitious. The target submission therefore complies with Criterion 7. | <b>Compliant</b> |

### Scope 1+2 Ambition Criteria

|                            |   |                  |
|----------------------------|---|------------------|
| C8. Level of ambition      | The proposed reduction in scope 1 and 2 emissions is aligned with a rate of decarbonization consistent to keep global temperature increase to 1.5°C compared to pre-industrial temperatures. The target submission therefore complies with Criterion 8. | <b>Compliant</b> |
| C9. Absolute vs. intensity | No scope 1 and 2 intensity targets were submitted, thus Criterion 9 is not applicable.  | <b>N/A</b>       |
| C10. Method validity       | The target has been assessed against the Absolute Contraction approach endorsed by the SBTi and therefore complies with Criterion 10.   | <b>Compliant</b> |

## Scope 1+2 Ambition Criteria Continued

| Criteria                    | Result of the Assessment   | Compliance       |
|-----------------------------|--|------------------|
| C11. Combined scope targets | No combined scope 1+2+3 targets have been submitted, thus Criterion 11 is not applicable.  | <b>N/A</b>       |
| C12. Offsets                | The submitted targets do not include offsets, and therefore comply with Criterion 12.  | <b>Compliant</b> |
| C13. Avoided emissions      | The submitted targets do not include avoided emissions, and therefore comply with Criterion 13.  | <b>Compliant</b> |
| C14. Approaches             | A market-based approach is used to account for scope 2 emissions and to track performance. The target submission therefore complies with Criterion 14. | <b>Compliant</b> |
| C15. Renewable electricity  | The proposed renewable electricity target meets all relevant ambition and timeframe criteria, thus Criterion 15 is met.                                | <b>Compliant</b> |

## Scope 3 Target Criteria

| Criteria                                  | Result of the Assessment   | Compliance       |
|---|--|------------------|
| C16. Scope 3 screening                    | A complete screening has been carried out with scope 3 GHG emissions accounting for 95.4% of the total emissions, and a scope 3 target has been set. The target submission therefore complies with Criterion 16. | <b>Compliant</b> |
| C17. Requirement to have a scope 3 target | Relevant scope 3 emissions are 40% or more of total emissions and a scope 3 target has been set, therefore the submission complies with Criterion 17.  | <b>Compliant</b> |
| C18. Boundary                             | The proposed scope 3 target(s) cover 87.6% of scope 3 emissions and therefore comply with Criterion 18.  | <b>Compliant</b> |
| C19. Timeframe                            | The target year of 2030 is between 5 and 15 years from the submission date. The target submission therefore complies with Criterion 19.  | <b>Compliant</b> |
| C20. Ambition                             | The target addressing 83.5% of base year scope 3 emissions meets the minimum ambition requirements of the physical intensity approach, and is therefore considered ambitious.                                    | <b>Compliant</b> |
| C20.1. Supplier or Customer Engagement    | No supplier or customer engagement target was submitted for validation, thus Criterion 20.1 is not applicable.   | <b>N/A</b>       |



### Scope 3 Target Criteria

| Criteria   | Result of the Assessment   | Compliance |
|--|--|------------|
| C20.2. Fossil fuel sale, transmission and distribution | The company is not involved in the distribution of natural gas or other fossil fuel products, thus Criterion 20.2 is not applicable. | N/A        |
| C21. Requirements from sector-specific guidance        | All relevant sector guidance has been followed and therefore the submission complies with Criterion 21.                              | Compliant  |

### Reporting, Recalculation, and Target Validity Criteria

|                                     |  |           |
|-------------------------------------|--|-----------|
| C22. Frequency                      | The company has committed to publicly reporting its company-wide GHG emissions as well as progress against its targets and therefore complies with Criterion 22. | Compliant |
| C23. Mandatory target recalculation | In five years, OTB S.p.A. must review the approved target(s) and, if necessary, recalculate and revalidate for continued science-based recognition.              | Compliant |
| C24. Target validity                | OTB S.p.A. must publicly announce these targets by November 2023 or must revalidate its targets for continued science-based recognition.                         | Compliant |



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



[www.sciencebasedtargets.org](http://www.sciencebasedtargets.org)



[info@sciencebasedtargets.org](mailto:info@sciencebasedtargets.org)