



Supporting Document 1: Information on the net zero commitment criteria for SME Climate Hub's signatory entities aligned with the 1.5C pathway under the Paris Agreement.

This document includes the following information regarding the net zero commitment criteria applied by the SME Climate Hub to its signatory entities:

a. Alignment of the criteria with the long-term goal of the Paris Agreement, and the resolve to limit the temperature increase to 1.5 °C, clearly outlining approaches to interim targets

The SME Climate Commitment asks SME signatories to set 1.5°C aligned targets. The full language of this commitment is as follows:

Recognizing that climate change poses a threat to the economy, nature and society at large, and that immediate action can ensure business competitiveness and resilience, our company commits to:

- *Halve our greenhouse gas emissions within ten years*
- *Achieve net zero emissions before 2050*
- *Disclose our progress on a yearly basis*

By committing to reduce our emissions through the SME Climate Hub, we will be recognized by the global Race to Zero campaign and the UN Climate Change's Global Climate Action portal, joining governments, businesses, cities, regions, and universities around the world that share the same mission.

Our commitment was reviewed and has been promoted by key independent third parties such as the Race to Zero, SBTi and the UK Government. Since its launch in 2021, the commitment has evolved to ensure it remains accessible, relevant as the original 2030 target horizon approaches.

b. Follow-up approaches taken by the SME Climate Hub to its signatories regarding their net zero commitments;

Once an SME has made the commitment they are manually approved by the SME Climate Hub team and acknowledged on [SME database](#). They also receive a "badge" that they can highlight on their website and comms. We have clear recommendation for SMEs signatories to report on a yearly basis. We review who has and has not reported via our [SME Database](#). SMEs who have not reported are given a 6-month extension and followed up with via email and are also nudged via their SME Climate Hub Dashboard.

We will also begin asking SMEs to renew their commitment every 5 years.

c. Compliance mechanism applied by the SME Climate Hub to its signatories, including the removal of non-compliant signatories;

Now that we have refreshed the commitment, we are currently deciding on a clear approach to handling non-compliant SMEs, including their removal in as a last resort. There will be prior consequences for signatories that fail to report over a sustained period. For example, an SME may be marked as “not reported” within the public database after a certain number of consecutive years without disclosure.

SMEs operate within a very different context to larger non-state entities, often facing greater constraints in terms of time, resources, technical knowledge, and influence over their value chains. As such, it is appropriate to provide additional consideration and flexibility when evaluating cases where SMEs have not met their targets.

d. Established standards, and/or methodologies required to be applied by SME Climate Hub signatories for their net zero commitments, GHG accounting and/or climate action disclosure;

Given the global scope of our platform and signatories, we encourage SMEs to use standards that are most relevant to their sector and regional context. To support this, we have developed a range of in-house tools, including GHG Protocol-aligned carbon calculators and a reporting tool, to help SMEs apply standardised methodologies when measuring and disclosing their emissions. Additionally, we have included a feature in our Small Business Carbon Calculator that enables SMEs to upload their results directly into the VSME template, helping to streamline their reporting process. We also plan to expand this functionality to support additional reporting pathways in the future. Our own reporting tool was also designed jointly with CDP, based off their initial disclosure framework regularly updated to ensure it aligns with other reporting pathways.

e. Frequency of disclosure of relevant data, including GHG inventories, required by the SME Climate Hub to its signatories;

We communicate that we expect signatories to report on a yearly basis. This reporting includes GHG inventories (Scopes 1 and 2 mandatory, scope 3 optional). However, recognizing the capacity constraints faced by many SMEs, we also accept disclosures on a biennial basis.

f. Source and origin of GHG emissions from the entity required to be covered in the net zero commitment;

When reporting their progress, we ask SMEs to disclose their scope 1, scope 2 and scope 3 (optional) emissions. We do not require SMEs to publicly disclose the detailed sources or origins of their GHG emissions. However, we do provide tools, such as our carbon calculators, to help SMEs gain a better understanding of how they can meet their commitments.

Many SMEs do not yet fully understand the sources of their emissions. While we provide free-to-use emissions measurement tools to help them identify and assess their emissions, it can still be

challenging for them to gain a complete understanding of all emission sources across their operations.

Despite this, many SMEs still want to make a public commitment, even if they do not yet have full visibility of their emissions profile. We do not want a lack of detailed emissions data to become a barrier that discourages them from making such a commitment.

g. Types of GHG required to be covered in the net zero commitment;

We do not ask SMEs for a breakdown in the exact types of GHGs captured in their commitment, as initially most SMEs do not have a sufficiently strong understanding of the different types of greenhouse gases (GHGs). To avoid unnecessary complexity (which could otherwise discourage participation) we instead focus on a simpler, more accessible commitment: an overall reduction in total GHG emissions. We ask that SMEs use methodologies aligned with the GHG Protocol when disclosing their emissions. To support this, we offer free tools that help SMEs better understand and measure their greenhouse gas emissions as they develop reduction strategies to meet their commitments. These tools are fully aligned with GHG Protocol standards.

h. Timeframe of the net zero commitment;

Signatories are asked to:

- Halve greenhouse gas emissions within the next 10 years
- Achieve net zero emissions before 2050

We will also begin asking SMEs to renew their commitment every 5 years, to ensure it captures their current circumstances and progress.

i. Interim targets required to be established along with the net zero commitment;

Signatories are asked to halve greenhouse gas emissions within the next 10 years. In further guidance we recommend to halve emissions for scope 1 and 2 in max 5 years and to halve material Scope 3 emissions in max 10 years.

j. Use of carbon market approaches in achieving interim and long-term targets; and

For long-term targets, signatories are asked to aim for an emission reduction of all scopes of at least 90% compared to signatories' chosen base year. For the remaining unavoidable emissions (i.e. residual emissions), signatories need to compensate by offsetting via supporting projects that remove carbon dioxide permanently (carbon removals). Most SMEs do not have the capacity to utilise market approaches for their interim targets. We do offer resources to help upskill SMEs on carbon credits.

k. Treatment of residual emissions;

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