

○ Enabler 5



Formulating Sustainability Targets



About Enabler 5

Business sustainability will contribute to the long-term success for your company – that is if your company consistently attends to the issues. It takes more than actions that last for only one year but longer-term improvement to attain it. Your company may need reminders on the sustainability direction from time to time. To this, sustainability targets are good management tool, and it can also keep your company on track. This enabler provides you with some hands-on information to formulate sustainability targets for your company.



① What are Sustainability Targets

A target is the level your company attempts to achieve within a specified time frame. For sustainability targets, they express the ambition and concrete commitments that your company has towards sustainable development. While such targets can be for specific programmes in your action plan, they are more often formulated in relation to the company's performance on particular issues (e.g. energy use, occupational health and safety, management diversity etc.). Sustainability targets are beneficial to your company as they:



set clear aspiration for all staff to work together



facilitate evaluation of company's performance on the particular issues



drive continuous improvement on sustainability management



enhance corporate sustainability image

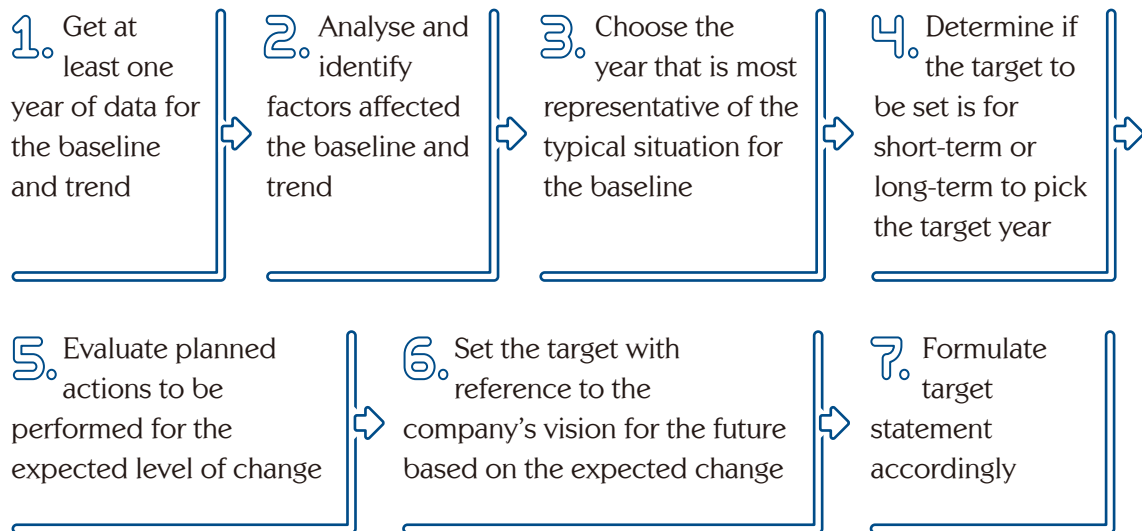
Characteristics of Sustainability Targets

While sustainability targets can be expressed in a variety of ways, the elements are similar. Companies typically include the change to be made, scope, figure, base year and target year in the targets. In addition, their targets are formulated for the sustainability issue(s) most relevant to the business operations. You can observe these with the following examples:

Table 11: **Real-world examples of sustainability targets**

Company	Industry	Target
HSBC ²¹	Finance	Provide between USD750 billion and USD1 trillion in sustainable financing and investment by 2030
Starbucks ²²	Food and beverage	A 50% reduction in carbon emissions in our direct operations and supply chain for 2030
CLP ²³	Utilities	To achieve gender balance in leadership positions by 2030 against a 2016 baseline of 22%
Swire Properties ²⁴	Real estate	One of our 2020 KPIs is to maintain a lost time injury rate (“LTIR”) of below 2.0 for our employees
The Hongkong and Shanghai Hotels ²⁵	Accommodation services	Contribute 100,000 hours of community service by 2020

Sustainability targets can be short-term or long-term. For example, a company may set an energy reduction target to be achieved within the next two, five, ten or more years. While looking into the future, targets should take past performance into account. Regardless of how many years your company would like to look ahead for a specific sustainability issue, the following steps are to be performed to set the targets from scratch:



On the other hand, sustainability targets can be in absolute or intensity term. The former shows the desired change in total (e.g. reducing energy use by 200,000 GJ). Nevertheless, such target can be difficult for companies of which the business is growing. For instance,

the energy reduction target may not be possible if a company hopes to establish manufacturing plants in the future for expansion. Intensity target which states the desired change relative to business metrics may hence make more sense (e.g. reducing energy use per gross floor area by 15%) for them. Typical business metrics include revenue, gross floor area, number of employee and number of product manufactured.

All in all, sustainability targets are highly contextualised to your company. Except the standards from the United Nations Sustainable Development Goals and Science Based Targets, your company will need to figure out your own way to set them. S.M.A.R.T. is a common approach for formulating sustainability targets that communicate your ambition clearly. Following this, your company should set targets that are:



Specific
(achievement
your company is
attempting to make)



Measurable
(metrics for
the targets)



Attainable
(have possible
actions)



Relevant
(work towards
the purpose
and strategy)



Time bound
(by when)

²¹ <https://www.about.hsbc.com.hk/our-company/sustainability>

²² <https://stories.starbucks.com/stories/2020/message-from-starbucks-ceo-kevin-johnson-starbucks-new-sustainability-commitment>

²³ <https://sustainability.clpgroup.com/en/2019/the-cip-group-business/guiding-principles>

²⁴ <https://sd.swireproperties.com/2019/en/people/safety-health-and-wellbeing/2019-health-and-safety-performance>

²⁵ <https://www.hshgroup.com/en/Sustainable-luxury/2020-Vision/Community>



Formulate Your Sustainability Targets

Having read the above information, you are now ready to formulate sustainability targets for your company. The table below can be used as a template for this exercise. Depending on your commitment and desired level of practice to business sustainability management, you can choose how much to work on as indicated by the tags below:

Sustainability target setting template

Sustainability Issue	Change to be Made	Scope	Baseline		Target	
			Year	Value	Year	Value
e.g. food waste	Increase food waste recycling	At events organised	2020	0 kg	2021	50 kg

The blank version can be downloaded [here](#), if needed.

For Leader

- 2 short-term targets on resource management
- 2 long-term targets on resource management and workplace culture
- 1 long-term target extending to your suppliers

Target 1

Grid of 20 columns and 8 rows of dots for Target 1.

Target 2

Grid of 20 columns and 8 rows of dots for Target 2.

Target 3

Grid of 20 columns and 8 rows of dots for Target 3.

Target 4

Grid of 20 columns and 8 rows of dots for Target 4.

Target 5

Grid of 20 columns and 8 rows of dots for Target 5.

For **High Performer**

- 2 short-term targets on resource management
- 2 long-term targets on resource management and workplace culture

Target 1

Target 2

Target 3

Target 4

For **Beginner**

- 2 short-term targets on resource management

Target 1

Target 2

➤ What's Next

Having formulated the sustainability targets for your company, you should engage the senior management, colleagues and other relevant stakeholders to refine the targets and get everyone onboard. Using the metrics, you should review the progress against the targets from time to time, and plan actions for your company to move towards them. The target statements can be placed in the commitment section of the relevant sustainability policies.

With the works you have done in this and the previous enablers, now you have enough content to create your company's sustainability disclosure. Our final enabler will tell you how to use sustainability disclosure to foster communications with stakeholders.



Extended Readings

For SMEs wishing to do more for sustainability

Increasing number of companies is committed to setting science-based emissions reduction target driven by the Science Based Targets initiative (SBTi). You can visit SBTi's website to learn more about what constitutes a science-based target and how SMEs can take part in it

(<https://sciencebasedtargets.org/resources/?p=resources>).

For SMEs wishing to get listed in Hong Kong

You may refer to HKEX's Main Board Listing Rules Appendix 27 or GEM Appendix 20 to for the required targets and disclosures

(<https://en-rules.hkex.com.hk/rulebook/environmental-social-and-governance-reporting-guide-0>).