Science Based Targets
Setting yourself up for climate leadership

Alexander Farsan

Head of Business Services, India

India GHG Program Workshop 2017, Kochi, 14/09/2017

About the Carbon Trust

Advise businesses, the public sector and governments on their opportunities in a sustainable, low carbon world

Measure and certify the environmental footprint of organisations, products and services

Develop and deploy low carbon technologies and solutions, from energy efficiency to renewable power

Independent, mission-driven, not-for-dividend

Our clients

Retail & FMCG

TESCO
TJX
LEGO
M&S
PRIMARK
Sainsbury's
KINGFISHER

Healthcare & Pharma

NHS
gsk do more feel better live longer
Alliance Boots
Lilly
abpi

Manufacturing

SAMSUNG
hp
dyson
KERING
Marshalls
PUMA
GUCCI
BENTLEY

Telecoms & Media

BT
vodafone
O2
EE
sky
PEARSON

Financial Services

Nationwide
AVIVA
Standard Chartered
citi
RSA
AXA
J.P.Morgan
BARCLAYS
Morgan Stanley

Industrials

Holcim
ThyssenKrupp
NYNAS
SIEMENS
JCB
THALES

Hospitality & Leisure

EAT SLEEP & DRINK WHITBREAD
MERLIN
Ladbrokes
Mitchells & Butlers

Transport & Logistics

KUEHNE+NAGEL
TNT THE PEOPLE NETWORK
First
Stagecoach

Food & Drink

PEPSICO
Coca-Cola
Quorn
Bord Bia Irish Food Board
MOLSON Coors
Carlsberg

Our strategic partner in India: PKF Consulting

PKF is one of the leading professional service providers in India providing a range of services in accountancy, auditing and specialised lines of consulting and advisory services in the field of finance, technology, business strategy and HR.

ASSURANCE

- Financial Statement Assurance
- Management Assurance
- Project Assurance
- Corporate Governance

CONSULTING

- Mergers & Acquisitions
- Business & Process Advisory
- Human Capital
- Information Technology

TAXATION

- Direct Taxation
- Indirect Taxation
- Personal Taxation
- Corporate Taxation
- International Taxation

KPO/BPO

- Accounting & Taxation
- Mutual Fund Accounting
- Payroll

4
Decades of rich experience

6
Offices across India

20
Partners with exposure in international assignments

10+
Directors with Global Exposure

400+
Professionals from multifarious disciplines

75+
Staff with international experience

90+
Cross border engagements delivered

6
Continents - Engagements Delivered.

50+
Cities covered across the globe

By attending this session, we hope you will…

- Understand what science-based targets are and why they are important
- Appreciate the key factors to consider when setting a science-based target
- Gain insights on from our practical experience in supporting companies set science-based targets

Context for Science Based Carbon Targets

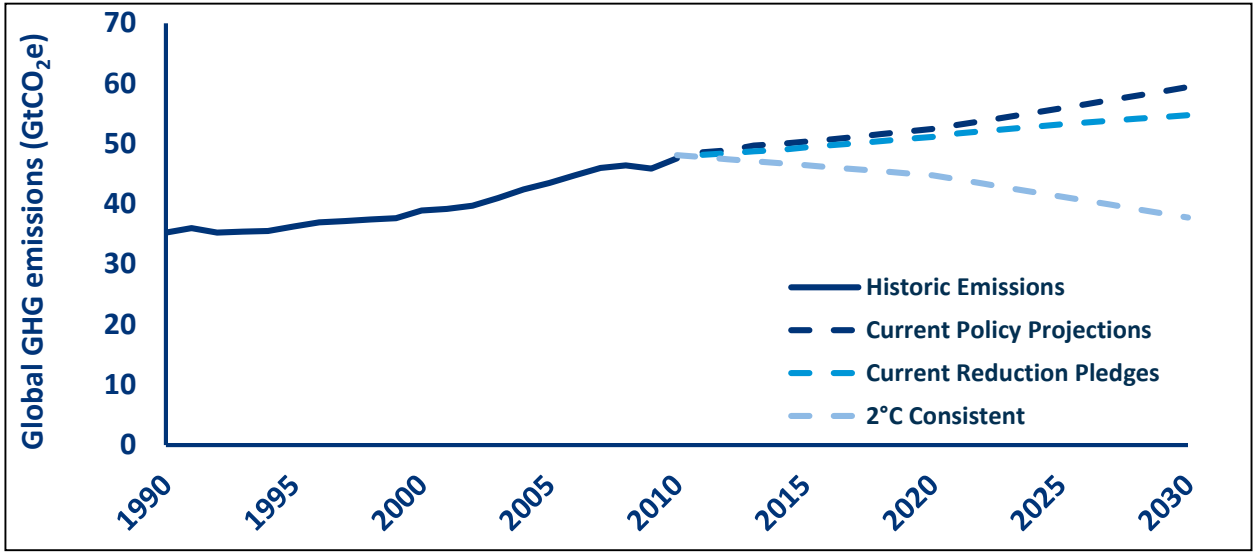
- Paris Climate Agreement approved by 195 nations at COP21 came into force on 4th November 2016
- Agreed to hold the increase in global average temperatures **well below 2°C** and pursue efforts to limit the increase to **1.5°C**
- **Emissions should peak as soon as possible**, and rapidly reduce thereafter
- Mitigation performance to be **reviewed every five years** and national plans (NDCs) improved

Context for Science Based Carbon Targets in India

- **India ratified the Paris Agreement** in October 2016, its NDC targets:
  - to lower the emissions intensity by 33% - 35% by 2030, and
  - to increase non-fossil based power generation capacity to 40% by 2030

- NDC predates the recent rapid growth in renewable energy in India and recent government targets of 175 GW renewable energy capacity by 2022
- "Upgrading the Indian NDC to match planned policies would (…) place it in a **leadership position globally**." - climateactiontracker.org
- PM Modi recently vowed to go "**above and beyond the Paris accord**"

What are Science Based Carbon Targets?



Source: Climate Action Tracker, 2017

Targets adopted by companies to reduce carbon emissions are considered "science-based" if they are in line with the level of decarbonisation required to keep global temperature increase below 2°C.

How do Science Based Carbon Targets compare?

Genesis of Carbon Reduction Target Approaches

Set targets based on past performance	*What can I improve?*
Benchmark against industry leaders	*What are my competitors doing?*
Understand optimal sector performance	*Where can I get to?*
Targets in line with climate science	*What should I do?*

Why set a Science Based Target?

- **Demonstrate leadership in doing what's necessary** and maximise the reputational benefits by adopting credible science-based targets now

- **Align your sustainability ambitions with science** – and anticipate future climate change regulation

- **Unlock long-term reduction opportunities** to make your business more competitive and drive innovation

The Science Based Targets initiative (SBTi)

- Joint initiative between the CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI), and the WWF
- Adopted an overseeing role for reviewing science-based target methodologies and validity of individual company's science-based targets

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Pledge and Review Process

- Framework that enables businesses to **pledge their commitment** to developing science-based targets
- **Review process** includes methodology applied, level of ambition and scope of emissions
- **298 leading companies** have already pledged and over 70 have successfully passed the review process

Methodologies

- Developed its **own methodology, the Sectoral Decarbonisation Approach (SDA)**, which applies sector-specific pathways to define targets
- Published a **manual for setting science-based targets** which includes a review of all current methodologies

Almost 300 leading companies have committed to SBTs

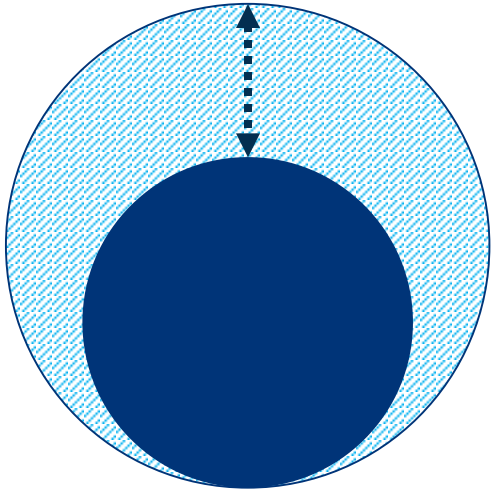
SBTi - Key criteria and recommendations

Boundary	Company-wide Scope 1 & 2 emissions following GHG Protocol Corporate Standard & Scope 2 Guidance
Baseline Year	Most recent year for which data are available
Timeframe	Minimum of 5 years and a maximum of 15 years from the date the target is submitted to the SBTi
Offsets	Offsets are not counted as reductions toward the progress of companies' science-based targets
Scope 3	Must complete a scope 3 screening; if scope 3 emissions are at least 40% of total, a target is required.

How do you calculate a science-based target?

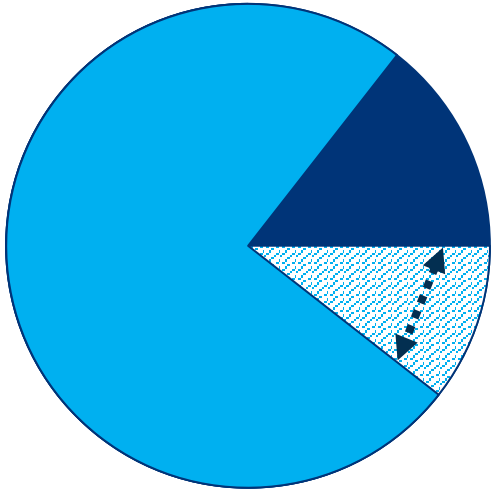
1. Assessing the global carbon budget

How large is the pie?



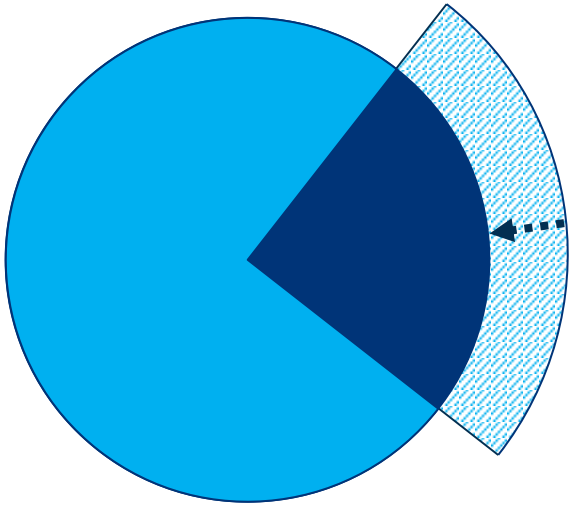
2. Calculating your business' carbon budget

How large is my slice?



3. Compare your budget and your footprint

Am I eating too much?

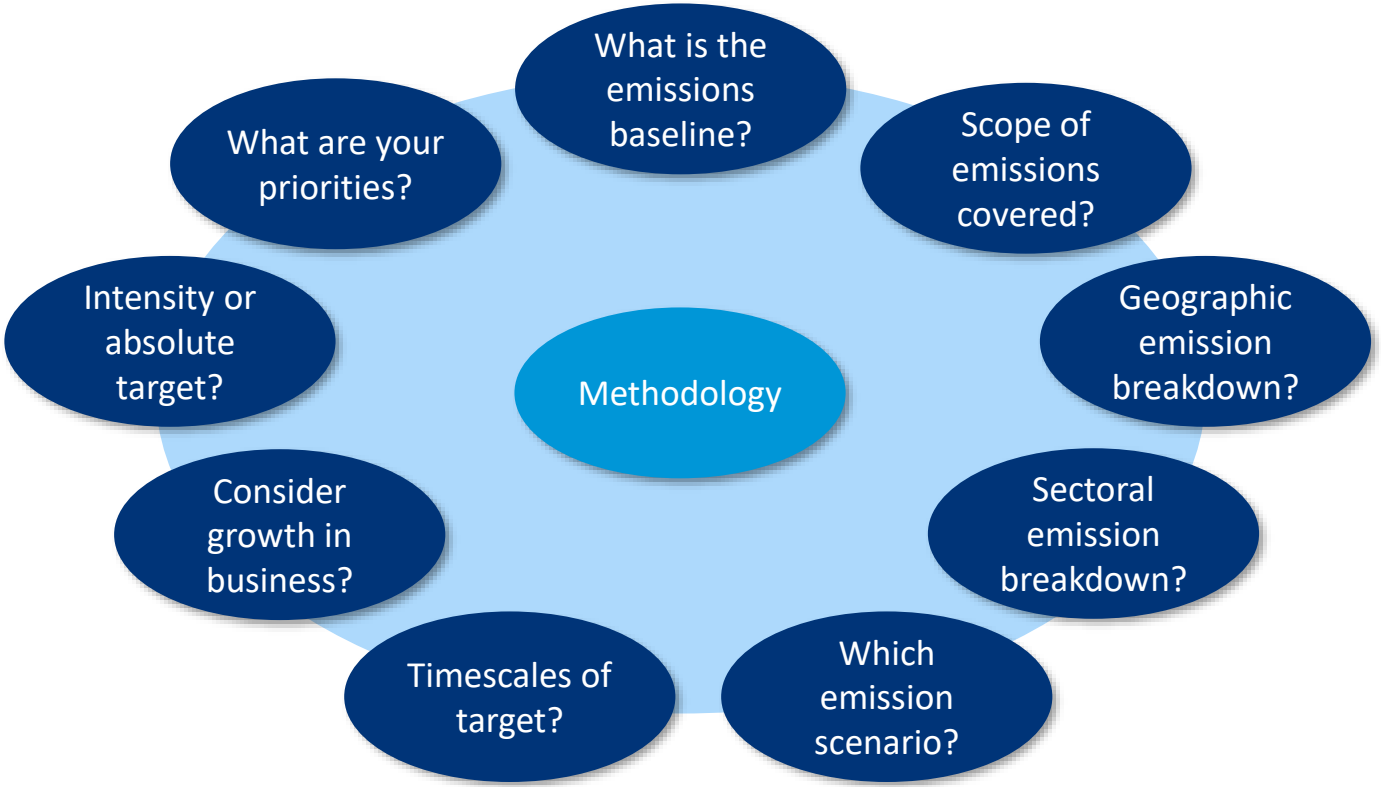


Different methodologies will take slightly different approaches to these steps

Setting SBTs: step-by-step

1. Develop robust emission baseline
2. Select most appropriate methodology
3. Understand your scope 3 emissions
4. Calculate Science Based Targets
5. Submit Targets to SBTi

Questions to consider when calculating an SBT



Methodology Example: Sectoral Decarbonisation Approach

2°C Temperature Increase Threshold

GHG Concentration Pathway

Global Carbon Budget

Sectoral Carbon Budget

Sectoral Activity Projections

Sectoral Carbon Intensity

Sectoral Decarbonisation Pathway

Company Baseline Carbon Footprint

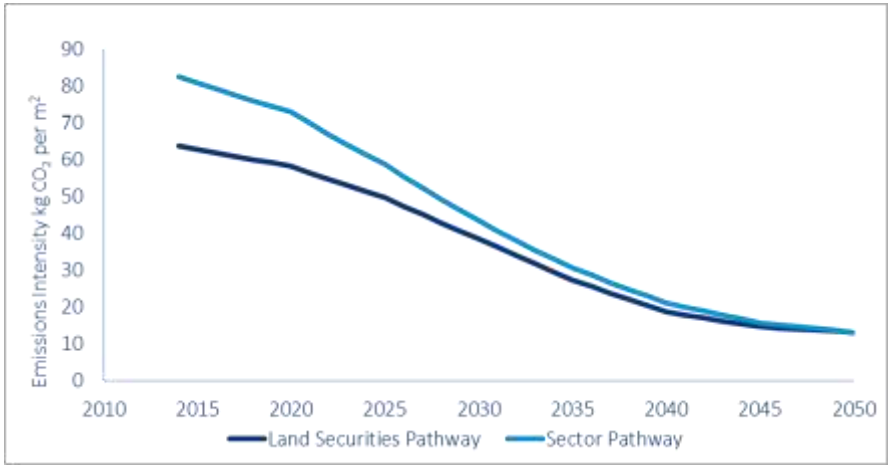
Company Carbon Reduction Pathway and Science-Based Targets

Company Activity Baseline and Growth Projection

Case study: Land Securities

- Largest listed real estate company in the UK (£14.6bn portfolio)
- Land Securities' ambition is to be a leader in carbon reduction and science-based targets seen as a key part of this
- The Carbon Trust translated sector-based data into insights that provided the basis for practical action:
  - A bespoke reduction target model was built based on the Sectoral Decarbonisation Approach (SDA)
  - An easy-to-understand methodology report was created, making targets accessible to stakeholders and verifying the robustness of the approach

Case study: Target setting outputs



This decarbonisation pathway leads to the following reduction requirements by 2030, 2040 and 2050:

Company Target Years	2030	2040	2050
Intensity Reduction Against Baseline	40%	70%	80%

Land Securities Emission Reduction Targets against 2013/2014 baseline

Case study: Implementation approach

Set a **science based carbon target** in accordance with our decarbonisation pathway.

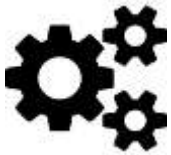
Set an equivalent **energy reduction target** which will be the primary vehicle for delivering the required carbon reductions.

Use the targets as **long-term drivers** for promoting energy management investment, improvement and innovation.

- Be confident with your data
- Engage with a wide range of stakeholders, internally and externally
- Establish milestones along the way…2030 is far away!
- Keep it simple, especially externally. Support with management KPIs internally

Case study: Benefits of setting a Science Based Target

Engagement



- Helps support internal buy-in and staff engagement…people like to play their part in keeping with 2 degrees

Longevity

- Targets are long-term and help to define sustainability strategy. Opened up discussions on implications of target for other areas, e.g. new developments and acquisitions

Robust

- Established methodology, figures calculated by third party, independent, experts

Leadership

- Commits to what is required and not just achievable

Case study: Scope 3 targets

THE TARGETS

Land Securities commits to reduce GHG emissions 40% per square meter by 2030, from a 2014 base-year (scope 1, scope 2 and a portion of scope 3 emissions from downstream leased assets). This will set the company on the path to accomplish an 80% carbon intensity reduction by 2050 from the same base-year.

The company also commits to engage with all main contractors (lead construction partners) to encourage them to set science-based targets by 2023, so that the embodied carbon from key materials can be reduced in line with what is required for a 2 degrees pathway. Additionally, the company will ensure that all leased floor area has an energy efficiency rating of at least an E (ratings are A-G) by 2023, in order to reduce the operational carbon emissions associated with that floor area.

Key challenges from practical experience

Internal Buy-in	Selling the scale of ambition and timelines difficult
Methodology Choice	Many complexities to navigate
Scope 2	Robust market-based scope 2 footprint crucial in driving deep reductions
Scope 3	Hard to measure and even harder to control

How can Carbon Trust support you?

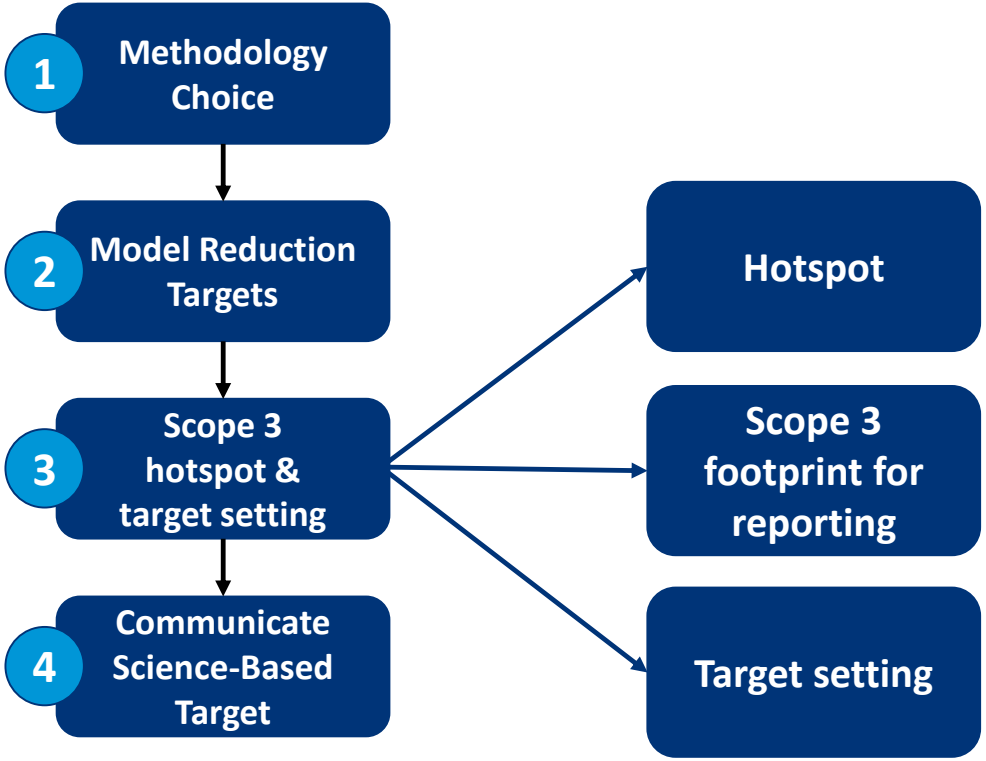
1. **Methodology Choice**
   Our experts will help you find the methodology that fits your business' needs and opportunities

2. **Model Reduction Targets**
   We will build a bespoke target setting model to align and integrate the data sets on carbon emissions, economic activity and climate scenarios

3. **Scope 3 hotspot & target setting**
   We can calculate your scope 3 emissions and develop targets to meet requirements of the Science Based Targets initiative Call to Action

4. **Communicate Science-Based Target**
   We will support you in translating the complexity of SBTs into a credible, compelling and accessible narrative for your stakeholders and the SBTi

How can Carbon Trust support you?



Calculate a scope 3 hotspot to assess the materiality of the 15 emissions categories in your value chain

Calculate accurate scope 3 footprint for material categories

Develop scope 3 targets to meet requirements of the Science Based Targets initiative Call to Action

Case study: Carlsberg Group

We supported Carlsberg Group in the development of the carbon strategy for their recently launched new sustainability ambition, **Together Towards Zero**

- Working closely with Carlsberg's in-house sustainability, utility management, and supply chain teams, we:
  - Developed a detailed end-to-end **value chain carbon footprint** for Carlsberg's global operations
  - Defined ambitious carbon reduction targets, in line with what's considered a **Science-Based Target**, for their operations as well as their value chain
  - Developed a clearly defined **roadmap to achieve the carbon reductions** to meet these targets