The Prince's
Responsible
Business Network

BUSINESS
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FACTSHEET

TARGET SETTING - GETTING STARTED ON YOUR NET ZERO JOURNEY

Setting your target is an important stage of your business's journey towards net zero. This helps set a baseline and demonstrate your commitment to reduce climate-related risk. It also helps identify opportunities to creating a pathway to accelerate the transition to a net zero that creates value for people and nature.

How you set your target will be unique to your business and the reach and nature of your operations.

At BITC, we encourage businesses to be ambitious when setting targets – remember that the Paris agreement only gives a 50:50 change of limiting temperature rises to less than 1.5°C above pre-industrial levels, the target with the best chance of averting the climate crisis. So, we believe even a science-based target needs to be aiming towards 2030 rather than 2050 for the best chance of success.

For initial guidance on your net zero journey, refer to our factsheet 'Why now is the time to get started on your net zero journey'

29%

of Responsible Business Tracker® respondents stated they have developed science-based, net zero or carbon restorative targets[1]

JARGON BUSTER

NET ZERO: Net zero is a balance between production of manmade greenhouse gases from sources (such as burning fossil fuels, deforestation and refrigerant gases) and capture in 'sinks' (for example, forests, soil, the ocean, negative emission technologies (NETs).

CARBON ZERO: An operation that has eliminated carbon and does not release carbon dioxide into the atmosphere. This can include some offsetting.

CARBON NEUTRAL: Achieving net-zero emissions by offsetting or sequestration the equivalent carbon it produces through its operations.

CARBON NEGATIVE: Removing more carbon dioxide from the atmosphere than is produced throughout a business's operations – creating a negative carbon footprint for the company.

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Royal Founding Patron: HRH The Prince of Wales
Chairman: Jeremy Darroch
Chief Executive: Amanda Mackenzie OBE

Business in the Community is a registered charity in England and Wales (297716) and Scotland (SC046226). Company limited by guarantee No. 1619253.

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KEY DRIVERS TO SETTING YOUR NET ZERO CARBON TARGET

Businesses will have different drivers and approaches to setting their net-zero goals. We have highlighted some to setting your own target.

Understanding climate-related risk: Identifying how your business will be impacted by climate change will be a driver in setting targets and influencing decision makers, including finance directors, investors and shareholders, and procurement teams. The levers to consider could include cost savings, increased brand reputation, opportunities for innovation and product development, and strengthened supply chain. Identify both the risks and opportunities of addressing climate change across your organisation – and recognise that this will need to move beyond incremental changes to transformational change.

C-Suite leadership: Has been integral for many businesses setting their net-zero targets and long-term strategies. Senior leader are the enablers to drive the transformational change needed to move towards low-carbon business models.

Finance and risk: Setting a target can create transparency on the activities or operations where your business is vulnerable to climate-related risk. Understanding and managing these can lead to cost savings, operational efficiencies as well as strengthened supply chain, and build reputation with stakeholders.

Aligning existing targets with international targets: Leading businesses are moving beyond mainstream dialogue and marginal year-on-year reductions in emissions, to embedding climate-related considerations across their organisations and business models. The Paris Agreement clearly outlines the scientific need to move towards a net zero carbon economy. Governments, businesses, communities and citizens all have a role to play to ensure the 1.5C target is met and companies are aligning targets with international goals.

Action across industries: Sectors are collaborating to collectively reach net zero and address shared challenges and opportunities together, which will help speed up the transition to a low-carbon economy.

The water sector is the first UK industrial sector to commit to net zero carbon by 2030[2]

Employee-awareness campaigns: Bottom-up engagement can drive influencing your business's senior decision-makers to set ambitious targets and to start the journey to net zero. Climate activism has becoming more mainstream and employees are expecting their employers to act on the climate emergency.

Customer advocacy: Trust in business is at an all-time high[3]. It is crucial that businesses build upon this by setting long-term sustainability strategies that demonstrates their commitment to addressing wider societal and environmental challenges.

Investor expectations: There is growing demand from business's stakeholders including investors to ensure that businesses are setting ambitious targets to address global issues. The emergence of organisations such as the FSB Task Force on Climate-related Financial Disclosures (TCFD) ensures companies are reducing risks linked to climate change and ensuring that investments are more secure which is putting further pressure on business to be transparent about their net zero carbon strategy.

Regulatory and mandatory reporting: Another driver for setting targets are mandatory reporting frameworks including Streamlined Energy and

Carbon Reporting (SECR) and Energy Savings Opportunity Scheme (ESOS). The Climate Change Levy (CCL) is an environmental tax designed to encourage businesses to increase energy efficiency, helping to reduce their overall emissions in the process.

TOP TIPS FOR NET ZERO TARGETS

Establish your baseline: if you have not already as part of your existing strategy you should establish your starting point and the baseline of your current emissions. This will highlight carbon hotspots and areas where you can increase efficiencies with the biggest impact to reduce your emissions quickly, such as procuring or investing in low-carbon technologies. Use internationally recognised methodologies such as the greenhouse gases protocol.

Define your boundary: Clearly define the scope and boundary of your net zero target.

Does your target focus on reducing CO2 only and other major greenhouse gases, which are indicative of your sector/industry?

Does your target go beyond Scope 1 and 2 incorporating Scope 3 (including upstream and downstream emissions) or even Scope 4 emissions?

Net zero targets can be applied at different organisational (parent group and subsidiaries) or operational boundaries (corporate, portfolio or building level).

A comprehensive net zero target would include all major greenhouse gases, ensuring that non-CO_2 gases are also reduced. Scope 3 emissions should be included if they constitute more than 40% of

your overall footprint.

Drax has an ambition to become carbon negative by 2030[4]

Set stretching targets: The target is obvious - net zero or go beyond this to be carbon restorative. This will need to tackle your business's biggest challenges and will go beyond business as usual. Ensure that the targets are strategic, ambitious and build on existing work.

Interface has set its sights even higher with Climate Take Back, which aims to create a movement to reverse global warming - set out to become a carbon negative company by 2040[5]

Adequate timeframe that is science-based - ensure Net Zero Targets are in the timeframe for the global goal set in the Paris Agreement and are aligned with global ambition. As a minimum for science-based targets this should include your Scope 1 & 2 emissions.

We recommend that companies follow the Science Based Targets Initiative's recommendations to include Scope 3 emissions if they are more than 40% of your overall footprint.

Set SMART targets with key performance indicators to track progress: Your net zero targets should have a defined long-term end goal with short- and medium-term targets to focus efforts and monitor progress. Set interim milestones that enable you to recognise and celebrate successes along the way.

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Sky aims to embed net zero carbon across the whole business value chain, therefore both Sky's CEO and the senior executives all have the responsibility and KPI to implement net zero carbon within each business areas[6]

Establish your net zero carbon action plan: engage with stakeholders to ensure this is embedded across the business. Conduct a stakeholder mapping exercise to understand how operations affect the business's stakeholders to find solutions that maximise value for all. Ensure objectives are assigned to named colleagues and stakeholders – this should not solely be the role of the traditional sustainability or responsible business teams. Explore how you can tie corporate objectives into individual objectives and performance measures. Establish working groups (both internal and external stakeholders) to support meeting your immediate and long-term targets.

Jacobs' climate action plan details how it will continue to make a positive environmental, societal and economic difference for businesses, governments and communities around the world[7]

Governance and accountability: Ensure there is a robust governance structure that ensures this is embedded across the business. Define clear roles and responsibilities to ensure ownership and accountability for meeting targets.

Reporting process: Implement robust reporting processes, systems and tools, such as investing in data and analytical software so that this is consolidated into one step for function managers.

Shout about your achievements: Communicate your ambitions with stakeholders to demonstrate your commitment and help drive further change. Businesses need to be transparent and open about their plans and recognise that these may evolve over time. Do not forget to bring in your key stakeholders as part of the conversation - this is key to driving further impact across your value chain and reaching your net zero goals.

What now?

BITC is calling on all businesses to rise to the challenge and set a greenhouse gas reduction trajectory that will achieve net zero well before 2050 and as close to 2030 as possible

We are supporting BITC members to set net zero carbon targets that align with 1.5°C. This means setting a target to reduce absolute emissions in line with the latest science, concentrating on carbon reduction through efficiencies and investing in low carbon energy and then offsetting or insetting the residual emissions.

With less than a decade until 2030, we are here to help the Prince's Responsible Business Network get ahead of the curve. We would love to help your business play a leading role in the transition and have the following resources that can help you:

If you have not already – join BITC. We have a wealth of resources, access to experts and support from other members to help you.

Sign up to our series of webinars that will take you through the steps in more detail, learning from leading companies and having the opportunities to develop your own action plans.

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Speak to your relationship manager about an environmental advisory services package to get bespoke support for your business or email environment@bitc.org.uk to find out more about how we might be able to support you.

Join our Net Zero Carbon Taskforce to collaborate with other businesses at the forefront of the journey.

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[1] Responsible Business Tracker® 2019/20 Insights Report (2020); BITC; available at bitc.org.uk
[2] Water industry takes significant first step in drive to be carbon zero (2019); Water UK; available at water.org.uk
[3] 'Edelman Trust Barometer 2020 (2020); Edelman; available at Edelman.com
[4] Enabling a zero carbon, lower cost energy future(2019); Drax; available at drax.com
[5] Climate Take Back; Interface; available at interface.com
[6] #GoZero; Sky; available at skygroup.sky
[7] Climate Action Plan (2020); Jacobs; available at jacobs.com

With thanks to BITC's Net Zero Carbon Taskforce for their expertise and insights in producing this guide.