Set an emissions reduction target

CDP Supply Chain

Why Climate Targets Matter for Companies Today

Investor Pressure
Transparency and accountability are now fundamental expectations from stakeholders and regulators worldwide

Corporate Commitments
About 63% of the biggest 2,000 companies worldwide now have a net-zero target

Regulatory Requirements
For example, new EU disclosure rules require detailed climate risk and target reporting

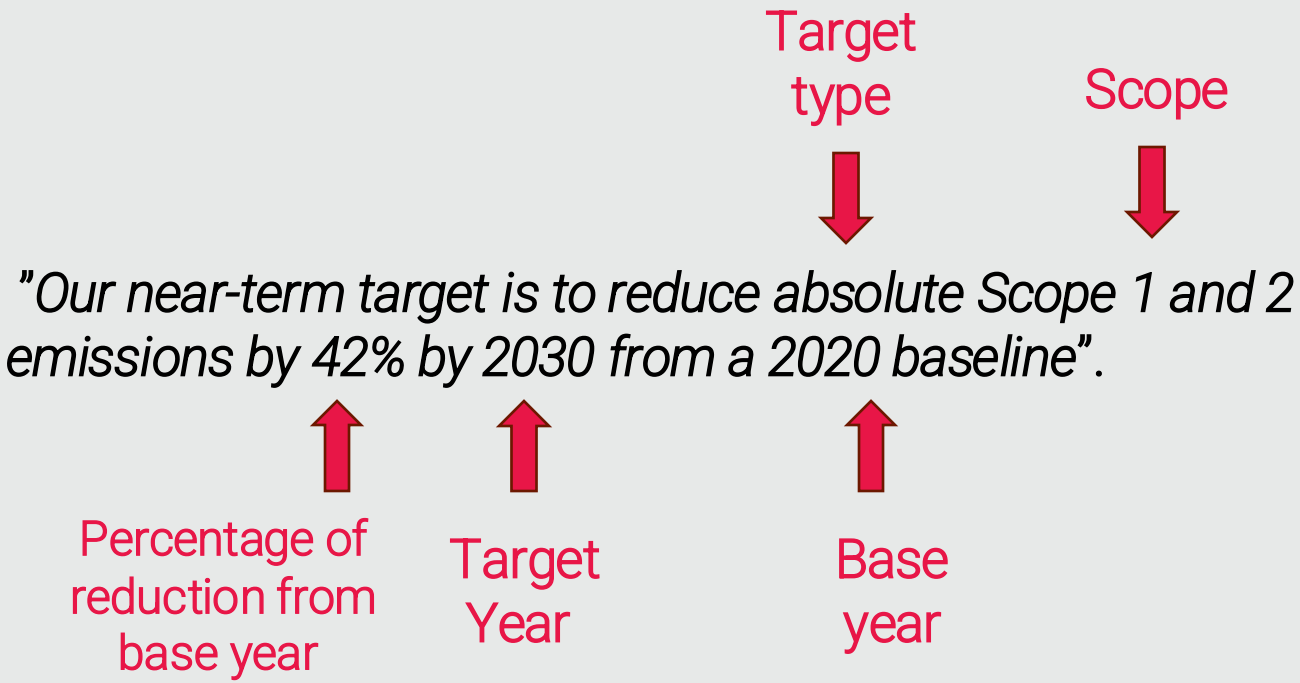
Stakeholder Trust
Clear targets underpin credible climate transition plans and build long-term confidence

Target Setting

Components of an emissions reduction targets

Provide details on your emissions reduction targets:

- Target type:
  - Absolute (tons $CO2_e$)
  - Intensity (tons $CO2_e$ per unit of activity)
- Base year
- Target year
- Scope
- Targeted reduction from base year in %
- % of target achieved



Base Year

A baseline year is a **historical reference point** against which current and future emissions are compared.

Selection Criteria:

- Choose a year with **reliable, verifiable data**.
- Choose a **recent, representative year.**
- Document the rationale for the chosen year.

If structural changes occur (e.g., mergers, acquisitions, divestitures) or if there are significant changes in calculation methodologies, recalculate baseline emissions to maintain consistency.

- Fixed base year: A single historical year used for all comparisons.
- Rolling base year: Updated periodically (less common for corporate inventories).

Find out more on GHG Protocol Chapter 5

Target Type-Setting Ambition Level

Absolute Targets and **Intensity Targets** are the two main approaches to setting credible ambition levels.

Absolute target	An absolute target describes a reduction in actual emissions in a future year when compared to a base year. **Example:** Company X commits to reduce absolute scope 1 and 2 GHG emissions 60% by FY2025 from a FY2017 base year.
Intensity target	An intensity target describes a future reduction in emissions that have been normalized to a business metric when compared to the same normalized business metric emissions in a base year. **Example:** Company X commits to reduce Scope 1 and Scope 2 GHG emissions 25% per kWh by 2026, from a 2019 base year

Target Year

Define the target completion date: Set a long- and/or short-term target

Short-term targets (~5-10 years):

- Facilitates immediate action to reduce emissions
- Provide greater certainty and easier progress tracking

Long-term targets (~10 years):

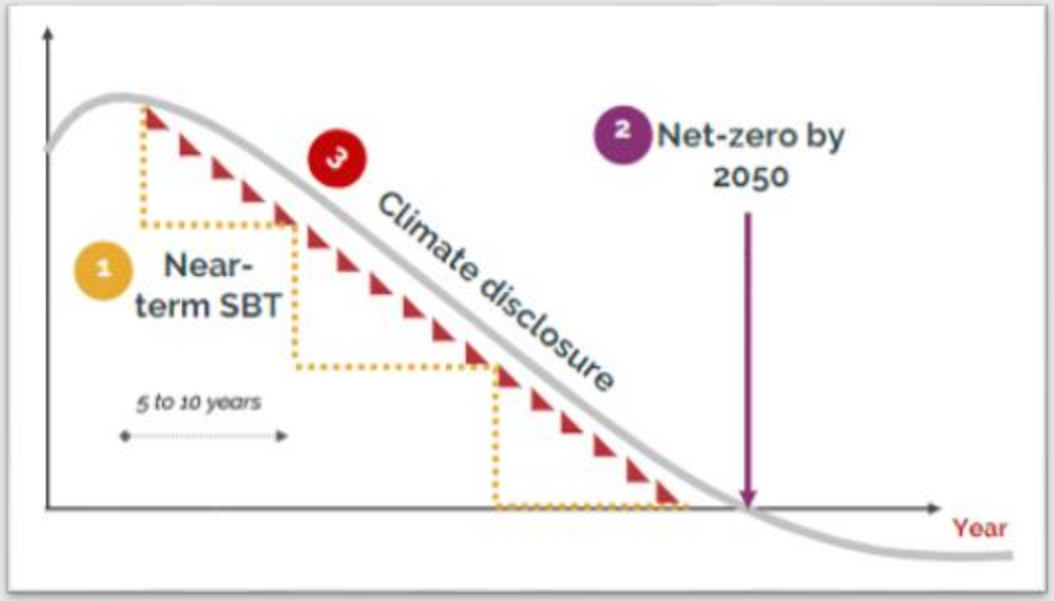
- Enable long-range strategic planning
- Support large capital investments with GHG benefits
- Rely on uncertain future developments (opportunities **and** risks)
- Timeframe is often 2050 or before

Find out more on GHG Protocol Chapter 11

Best Practice target setting - SBTs

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science-based targets show companies **how much** and **how quickly** they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change



1. <u>Near-term target:</u> Ensures that the company is taking near-term action to reduce emissions at a pace that is consistent with keeping warming below 1.5ºC;
   - Must include 95% of a companies direct emissions (Scope 1 and 2) and if more than 40% of a companies total emissions come from its value chain(Scope 3) it must also set a Scope 3 target
   - Target to be achieved within 5-10 years of submission
2. <u>Long-term target:</u> Provides clarity about the direction that the company will follow and serves as a goal for long-term strategic and investment decisions;
   - Target year of 2050 or before
3. <u>Annual disclosure:</u> Gives visibility on how the climate strategy is being implemented and provides transparency on progress against targets

Best Practices for Setting Ambitious and Credible Targets

Science-Based Alignment

Align targets with climate science and international agreements, particularly the Paris Agreement's 1.5°C pathway

Interim Milestones

Set interim milestones to track progress transparently and adjust strategies based on performance

Strategic Integration

Integrate targets into core business strategy with board-level governance oversight and accountability

Data and Assurance

Use robust data management systems and third-party assurance to ensure transparency and credibility

Value Chain Engagement

Engage suppliers and value chain partners proactively to address Scope 3 emissions collaboratively

Resources for capacity building

- SBTi Getting Started Guide
- The SBTi Corporate Near-Term Criteria
- The SBTi Corporate Net Zero Standard
- SME Climate Hub- Setting 1.5°C Aligned Targets
- CDP Technical Note on Science-Based Targets