

Energy & Sustainability Goal Setting:

Accelerate your sustainable action targets with this guide to seven of the top third-party standards



Over the past decade, companies that are leading on climate change mitigation have simultaneously maintained or accelerated bottom line performance. And the data is clear: businesses with strong sustainability policies outperform their peers on conventional financial metrics.

Recent <u>research</u> from Schneider Electric and GreenBiz found that organizations looking to accelerate their action on energy and sustainability find greater success when they set public goals. But why? Firms that make public commitments:

- 1 Are better able to secure funds for their sustainability projects;
- 2 Have a better understanding of how sustainability projects fundamentally improve the business; and
- 3 Accelerate action and decision-making.





Third-party reporting and benchmarking programs are growing, and the number of global corporations making public commitments to those programs now represent over 50% of global market capitalization.

With so many choices,
how do leaders determine which
goals will drive the greatest
value for their organization?
What criteria should these goals
be assessed against? And
how should companies get
started once they identify the
right commitments?

This primer summarizes the top global, third-party benchmarking standards and recommends how to choose the right one to achieve your energy and sustainability goals.

Carbon Reduction + Climate Action

Disclosure. Insight. Action. – CDP Reporting & Disclosure

Governed by CDP, in partnership with the We Mean Business coalition

Acting on carbon emissions and water consumption starts with awareness. For more than a decade, CDP (formerly the Carbon Disclosure Project) has worked with investors and other market forces to motivate companies to disclose their impacts on the environment and natural resources. The annual disclosure questionnaires on climate, supply chain, water, and forestry have become the industry standard for transparency in impact reporting and has spurred thousands of businesses to act to improve their performance.

Requirements:

- Complete a detailed disclosure questionnaire, with both quantitative and qualitative components, detailing corporate environmental performance. The most commonly completed questionnaire is on carbon impact, but CDP also encourages companies to disclose both water and forestry impacts as well. Organizations can either submit a questionnaire to CDP voluntarily or be asked to disclose upon request from a customer or investor.
- The questionnaire is scored by CDP and results may be shared publicly. Scoring is based on impacts on the environment and natural resources and action taken to reduce negative impacts, including the transparency of disclosure and governance.
- CDP charges a nominal fee, which helps fund the organization's operating costs.¹

Benefits:

- As more investors, consumers and employees demand transparency, public sustainability disclosure becomes a business imperative.
- Disclosing companies receive unlimited access to the CDP analytics tool, which makes benchmarking and trend analysis simple. Members also benefit from scoring and ranking data, helping to compare themselves against industry peers.
- Many large retailers and institutions are now asking their suppliers to participate, and investors are using the data generated by CDP to evaluate climate change preparedness. Voluntary disclosure can help companies get ahead of the curve and show commitment.

Is CDP right for your organization?

CDP-reporting companies now represent over 50% of global market capitalization. In 2018, more than 7,000 companies disclosed through CDP. Acciona S.A., Coca-Cola, Fujitsu, HP Inc., L'Oreal, Nestlé, Owens Corning, Philip Morris International, Schneider Electric, and Unilever are among the leaders. By responding to CDP, companies gain valuable insights into their environmental impacts, and can identify areas of improvement. By annually responding, companies can also track their progress towards improvement. For many companies that wish to make a public commitment, but are not yet ready for more aggressive goals, CDP provides an outstanding place to start.

CDP is also a great tool for greening supply chains. CDP's disclosure platform helps corporations identify high impact suppliers within the value chain and engage with them to meet impact reduction standards. Additionally, CDP's platform is widely used by investors. Last year, 650 investors with assets of US\$87 trillion and a combined spend of US\$3.3 trillion gathered data from CDP to use in their decision making.





CASE STUDY:

Vallourec

A world leader in providing premium tubular solutions to oil and gas energy industries and industrial sector. sustainability stakes are high for Vallourec. There is continuous pressure from public and investor stakeholders for the company to differentiate itself from competitors on sustainability issues. The company looked to CDP to share its sustainability efforts and benchmark against other competitors in its industry. After several years reporting to CDP, Vallourec engaged Schneider Electric to perform a gap analysis and support in its CDP response. Hoping to achieve at least a B in the first year of the collaborations, the efforts of both parties resulted in a score of A- in 2016, increasing the company's CDP score by two letters and elevating its brand in the sustainability realm. The company has maintained its progress in recent years, earning an A- in both 2017 and 2018.

Ambitious Climate Action – Science-Based Targets

Led by the Science Based Targets Initiative, a collaboration between CDP, the UN Global Compact, WRI and WWF

Launched in 2015, the Science Based Targets Initiative (SBTI) champions science-based carbon reduction target setting. Science-based targets (SBTs) specify how much and how quickly companies need to reduce GHG emissions to avoid a global temperature increase when compared to pre-industrial levels. The SBTI framework is the most comprehensive and rigorous available to companies seeking to rapidly decarbonize, and the SBTI also offers resources, workshops and guidance to reduce barriers to sustainable action.

Requirements

- Sign a commitment letter to adopt climate science-based emission reduction policies, meaning they are in line with the level of decarbonization required to keep global temperature increase below 2°C.²
- After signing the commitment letter, companies have two years to develop their SBT. The SBT must cover companywide Scope 1, Scope 2, and Scope 3 emissions and all relevant GHGs as required in the GHG Protocol Corporate Standard within a minimum of 5 years.
- Companies are then required to disclose a GHG emissions inventory on an annual basis.

Benefits:

- Transition to low-carbon practices can catalyze the development of new and innovative technologies and operational practices.
- SBTs can improve access to capital, as investors and financial institutions continue to demand more disclosure on sustainability reporting and assess carbon risks in portfolios.
- SBTs are the most effective goal to future-proof operations against the worst impacts of climate change, such as extreme weather, economic volatility and supply chain disruption.

Is an SBT right for your organization?

Currently, more than 500 companies are taking science-based climate action and 176 companies have approved SBTs. Companies who have had their targets approved by the SBTI are all leaders in their sectors, and target approval sends a signal to investors that companies are taking sustainability seriously. Also, as consumers become increasingly aware of ethical consumption, a brand's reputation for sustainability is of paramount importance. However, due to the rigorousness of the process, and the depth of decarbonization, an SBT is a serious undertaking that requires true sustainability commitment from the organization.





CASE STUDY: GlaxoSmithKline

GlaxoSmithKline (GSK) is a science-led global healthcare company that has set ambitious goals to reduce carbon emissions through its SBT commitment. The company is targeting a carbonneutral value chain by 2050, and, as a first step, plans to cut emissions 25% by 2030. With more than 50% of these falling in the Scope 3 emissions category, tied to purchased materials and services, GSK recognized the need to support its supplier network in reducing its carbon footprint. The company's Supplier Exchange is well placed to do this. It is an online community that provides tools, information and practical solutions that help GSK's more than 300 suppliers to improve their own sustainability and environmental performance.

Renewable Energy

Go 100% Renewable – RE100

Governed by The Climate Group and CDP, in partnership with the We Mean Business Coalition

Launched in 2014, the RE100 aims to mobilize business to massively accelerate the demand for renewable energy in the corporate sector. RE100 is targeted at the world's most influential companies, and it requires members to commit to operating on 100% renewable power before 2050. RE100 is also helping to define market boundaries and standards for corporate renewable energy purchasing, a critical function in an increasingly globalized world. As of March 2019, 166 companies have committed to the RE100, including Danone, Estée Lauder, Iron Mountain, Johnson & Johnson, Nike, Schneider Electric and T-Mobile.

Requirements

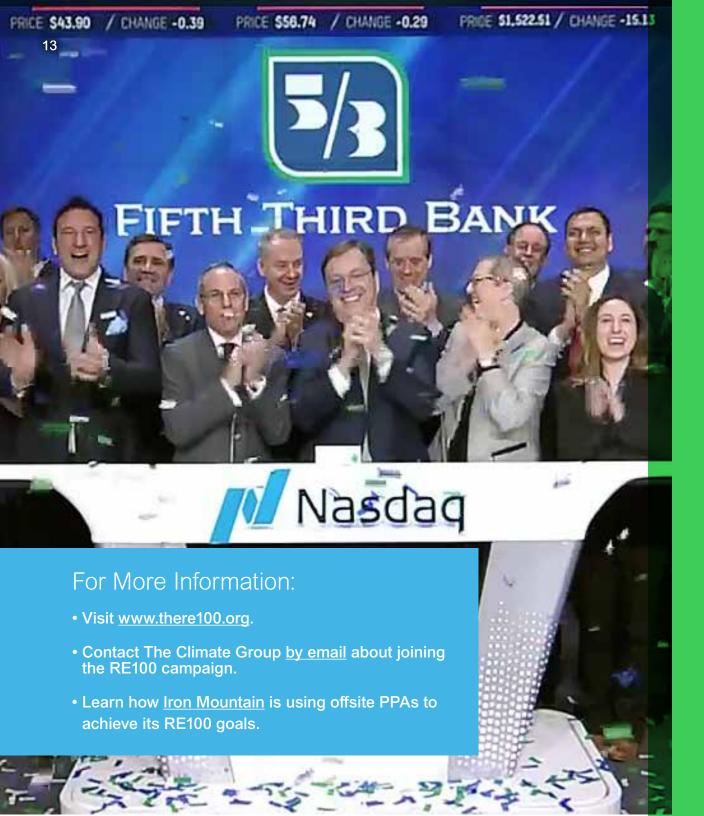
- All electricity consumption must come directly from or be addressed by renewable sources--defined as biomass, geothermal, solar, water and wind power.
- The 100% renewable goal must be achieved by 2050 (the majority of joining companies target 2030).
- Progress must be disclosed annually and will be made public in the RE100 annual report.
- Detailed joining criteria can be found here.

Benefits:

- Access to the RE100 technical advisory team, which is available for consultation on sourcing renewable energy and provides guidance on making credible environmental claims.
- RE100 businesses consistently report higher net profit and EBIT margins, across all industry sectors.
- The reporting process is streamlined using CDP's flagship disclosure platform.

Is RE100 right for your organization?

RE100 is an excellent option in that it is not limited to companies within any one industry or region. However, to be accepted an organization must show that they are an influential, globally recognized brand with a significant power footprint. Companies must also be prepared to take major steps toward 100% renewable energy sourcing, a journey that requires consideration and review prior to commitment. The RE100 is growing in significance and influence, and companies that join can expect to take advantage of the market momentum being created by the coalition.



CASE STUDY: Fifth Third Bancorp

In 2018, Fifth Third Bancorp achieved an epic milestone. With a single solar power purchase agreement (PPA), the financial institution became the first Fortune 500 Company—and the first bank—to commit to procuring 100% renewable energy from a single project. In addition to celebrating being the first publicly traded company worldwide to commit to buying 100% solar power through a single project, Fifth Third also joined the RE100. Thanks to their ambitious RE100 goal, the company had the great honor of announcing their landmark achievement on its 160-year business anniversary at NASDAQ's opening bell with a confetti-filled ceremony.

Energy Efficiency

Do More with Less – EP100

Governed by The Climate Group and CDP, in partnership with the We Mean Business Coalition

Modeled on the RE100, EP100 focuses on increasing energy productivity within the private sector through reduced energy demand and efficient energy consumption. It was established to drive corporations to adopt clean technologies and lower greenhouse gas emissions. Efficiency has also been demonstrated to drive economic growth and reduce decarbonization costs while also adding substantially to GDP.

Requirements

EP100 requires a public commitment to complete one of three energy productivity targets:

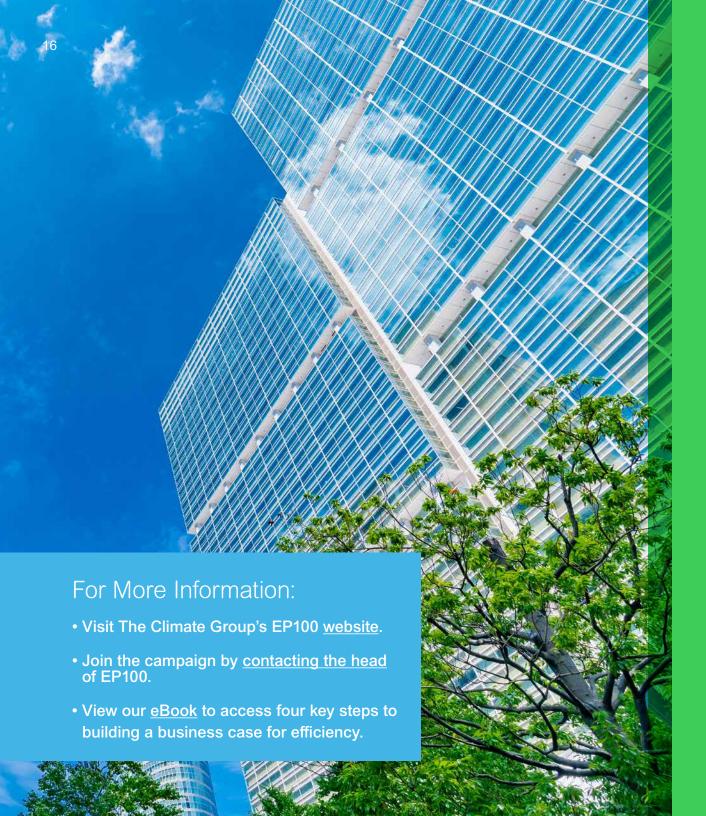
- Double the economic output of every unit of energy consumed within 25 years and publicly report on progress annually, OR
- Cut energy waste by implementing a global smart energy management system within 10 years, OR
- Commit to owning, occupying or developing buildings that operate at net zero carbon by 2030, with energy efficiency as a core component.

Benefits

- EP100 shares the compelling business case for increasing energy efficiency, encourages knowledge-sharing and peer-learning through webinars and events and showcases member leadership through speaking slots at key events, digital media and media outreach.
- EP100 members see dramatic cost savings because of increased energy productivity, often with low upfront capital costs. Actively managing energy productivity results in improved energy efficiency and energy security.
- Enhancing energy productivity goes hand-in-hand with innovation and the development of new technologies that can have a dramatic impact.

Is the EP100 right for your organization?

EP100 members are not limited to any one company size or industry sector, and currently include <u>members</u> representing everything from financial services to heavy industry. However, EP100 members generally hold technology innovation as a core principle and may even utilize their own products to improve the efficiency of their operations. Committing companies share that energy cost savings, improved brand reputation and increased employee retention were the key business imperatives that led them to join the EP100 campaign.



CASE STUDY: Johnson Controls

Johnson Controls was one of the first companies to join EP100, pledging to double its energy productivity by 2030 compared to a 2009 baseline. Since 2002, the company has generated more than \$100 million in energy cost savings through energy productivity. The company reports that most of its energy productivity improvements have been through low-cost and no-cost measures with paybacks in less than two years. Johnson Controls accomplished all of this through innovation in intelligent buildings, efficient energy solutions, integrated infrastructure and nextgeneration transportation systems. And on the manufacturing side of the business, its factories compete against one another to achieve even higher energy management levels.

Fleet Electrification

Electrify Your Fleet – EV100

Led by The Climate Group, in partnership with We Mean Business, ClimateWorks Foundation and Heising Simons Foundation

Transportation has supplanted electricity generation as the primary source of global emissions. Since organizations own and operate most road vehicles, there is huge opportunity for business to lead the shift to electric vehicles (EVs) to mitigate this emissions source. EV100 is a global initiative for companies who commit to ramping up EV purchasing before 2030.

EV100 membership is not restricted to any one industry but has seen the most response from companies in the logistics, retail and telecommunications sectors. 35 organizations, including IKEA, Unilever, EDF and Heathrow Airport have already made EV100 commitments. The Port Authority of New York and New Jersey—the largest provider of transportation infrastructure in a U.S. metropolitan area—has also committed to electrifying its entire fleet of vehicles.

Requirements

- Members of EV100 set individual goals to transition their global fleets to electric vehicles by 2030. They have the option to accomplish this goal via directly controlled fleets, service provider contracts, onsite workplace charging and/or by building charging stations for their customers.
- EV100 applies to electric vehicles, plug-in hybrids and hydrogen fuel cell vehicles.
- EV100 monitors member progress and publishes this progress in an annual report.

Benefits

- EV adoption is an extremely effective way to curb corporate greenhouse gas reduction and air pollution, and to address elusive Scope 1 emissions.
- EV integration has been shown to significantly reduce running costs of fleets, depending on regional market.
- The EV100 campaign drives government-level dialogue to address barriers to EV uptake and charging infrastructure roll-out.

Is EV100 right for your organization?

EV100 is well suited for any company operating a large fleet of corporate vehicles to help accelerate the EV transition. In addition, the EV100's regional charging infrastructure and governmental support in key markets are important considerations for membership.

For More Information:

- Visit the EV100 campaign information page.
- Join the EV100 campaign by <u>emailing</u> the head of EV100.



CASE STUDY:

IKEA

Ingka Group—the parent of IKEA—is fast-tracking EV roll-out in Amsterdam, Los Angeles and New York and has already achieved this goal in Shanghai. These cities will function as trials for the company's global transformation by 2025.

Ingka Group sees the shift to zero emission vehicles as not only a sustainability concern, but as a crucial change for continued business growth. EVs future proof the company from air quality legislation and zero emission zones. For example, if IKEA Amsterdam is not 100% electric by 2025, Ingka Group will lose direct access to more than 390,000 households and \$30.2 million in revenue per year due to expected vehicle emission limits in Amsterdam's city center.

Waste Reduction + Circular Economy

Beyond Waste – TRUE Zero Waste Certification

Administered by Green Business Certification Inc. and the U.S. Zero Waste Business Council

The TRUE (Total Resource Use and Efficiency) Zero Waste certification system champions zero waste facilities. The certification goes beyond simple waste diversion; TRUE also focuses on restructuring production and distribution systems to prevent waste from being manufactured in the first place and is one of the more rigorous waste guidelines in the marketplace.

Requirements

- TRUE-certified projects must meet minimum program requirements of 90% waste diversion for 12 months from landfills, incinerators, or the environment. Facilities must also attain at least 31 out of 81 credit points on the TRUE Zero Waste scorecard.
- Final approval is determined after an onsite assessment by a TRUE-certified assessor.
- A registration fee and certification fee are charged on a per facility basis.

Benefits

- Encourages material reuse and recycling and cut lowers operational ecological footprint.
- The reduction of waste reduces costs. A zero-waste strategy also uses less virgin raw materials and gives products longer lives.
- TRUE implementation does not necessarily require a large financial investment. It is largely dependent on the social work of fostering a zero-waste culture in a facility, which can spur improvements in company culture and innovation.

Is TRUE right for your organization?

TRUE Certification is available for any physical facility and their operations. TRUE-certified spaces are more resource efficient and help turn waste into savings and additional income streams. By closing the loop, these businesses can cut greenhouse gases, manage risk, reduce litter and pollution, reinvest resources locally, create jobs and add more value for their company and community. TRUE Certification may be a more desirable waste-reduction goal for companies with a greater focus on facility-level improvements, rather than organization-wide projects and initiatives. TRUE certification could be a stepping stone to committing to broader waste initiatives such as CE100.

22 For More Information: • Visit the TRUE website. • Register your project for TRUE Zero Waste certification. Learn about how zero waste can drive bottom line savings in our blog.

CASE STUDY:

The Atlanta Journal-Constitution

The Atlanta Journal-Constitution (AJC) is the leading news source in metropolitan Atlanta, Georgia. After implementing new policies around recycling and waste reduction, the AJC plant achieved a 96 percent diversion rate in three years, and in January 2016 became the nation's first newspaper press to achieve TRUE Zero Waste certification at the Gold level.

AJC achieved this by reviewing each point of waste generation, which demonstrated that their trash was comprised of 80 percent recyclable newspaper/mixed paper. As a result, comprehensive measures were put into place to ensure the diversion of all recyclable materials. Gross savings from the program in 2016 were more than \$85,000, with \$160,000 in gross rebates. Employee engagement and proactive communication were also impactful elements of the program. The AJC strove to make recycling a built-in part of each employee's daily work processes, and new hire orientations and the employee handbook were restructured to include zero-waste guidelines.

Circular Business – CE100

Governed by The Ellen MacArthur Foundation

The Circular Economy 100 (CE100) is a global network of entities working to accelerate the development of a circular economy. The CE100 brings companies, emerging innovators and regions together in a pre-competitive atmosphere to share knowledge and enact circular economy projects that aim to eliminate waste from the business cycle. Initiated by Dame Ellen MacArthur, the CE100 is helping to drive best practices in circularity and encouraging companies worldwide to rethink the take-make-waste principles of a linear economy. The business opportunity in circularity is valued at more than \$1T, and its principles represent a leading means for companies to exercise creativity and revolution in their approach to product lifecycle. Current CE100 members include Walmart, Coca-Cola, Keurig, Schneider Electric and Nike.

Requirements

- Publicly acknowledge a shift away from a linear business model and instead contribute to a circular economy that retains utility across the value chain and eliminates the concept of waste throughout the production lifecycle.
- Must take steps to enact projects that are restorative and regenerative by design, and which include the CE100 core principles of collaboration, networking and collective thinking. Requires joining with others in a coopetition model to spur creativity and innovation.

Benefits

- Members have access to Co. projects—projects driven by three or more participating organizations for collective benefit. Knowledge is shared, and organizational capabilities are combined to spread the risks and costs that come with investigating new commercial opportunities.
- Membership gives access to a worldwide information repository, including privileged access to practical tools, industry contacts and the Ellen MacArthur Foundation's existing knowledge base.
- Access to circular economy training via Acceleration Workshops—immersive events to learn from experts, network and progress collective approaches to product lifecycle.

Is the CE100 right for your organization?

The CE100 includes unique rules and resources for companies and is well-suited for innovative organizations in almost any industry. This program involves non-traditional goal setting, where companies can create circular economy projects according to their needs or areas of expertise. However, companies should be mature in their sustainability awareness, as the CE100 application requires evidence that a company is already taking steps to drive the circular economy. Companies should also be prepared to share best practices with others, and to be challenged in their traditional thinking to stimulate inspired solutions.



For More Information: • Visit the Ellen MacArthur Foundation. • Complete a prospective application form. Learn how circularity improves business resiliency in our paper.

CASE STUDY:

Schneider Electric

As members of the CE100, Schneider Electric is committed to developing circularity throughout our business. By 2020, we aspire that 75% of our products sold will be covered under our Green Premium program, which ensures product safety and sustainability. We aim for 200 of our sites to be labeled zero waste-to-landfill. and we will achieve a 100% recycling rate for cardboard and wooden pallets in our operations. We will also avoid 120,000 metric tons of primary resource consumption through our Ecofit™ retrofit program, recycling, and product take-back. In 2019, we were recognized with The Circulars award in the multinational category at the World Economic Forum for our efforts to improve product sustainability throughout the lifecycle.

Other Notable Public Goals



UN Sustainable Development Goals (SDGs) – from the 2030 Agenda for Sustainable Development

Adopted by United Nations member states in 2015, the Sustainable Development Goals are a collection of 17 different global aspirations that aim to end poverty, improve health and education, reduce inequality and spur economic growth. The 2018 BSR <u>State of Sustainable Business</u> Survey found that 70 percent of business leaders surveyed are using SDGs as their strategic 'north star' in setting sustainability targets.



Corporate Value Chain (Scope 3) Standard – from the Greenhouse Gas Protocol

The Corporate Value Chain (Scope 3) Accounting and Reporting Standard allows companies to assess their entire value chain emissions impact and identify where to focus reduction activities. Scope 3 is a disparate category of indirect emissions that includes suppliers, waste management, business travel and more and is notoriously the trickiest emissions category to address. Setting specific goals around Scope 3 will better situate a company to tackle this challenging collection of emissions.



LEED - from the US Green Building Council

The LEED (Leadership in Energy and Environmental Design) designation is the gold standard when it comes to certification of cleaner performing buildings and used around the world as a framework for evaluating green buildings. More than 2.2 million square feet is certified under <u>LEED</u> every day, and many companies have used LEED as the standard for new build or retrofitted buildings inside their real estate portfolio.

Certified



Corporation

Certified B Corporation

More than 2500 companies worldwide have certified under the B Corporation standard which requires certifying companies to meet rigorous targets on environmental and social performance, corporate governance, public transparency, and legal accountability. The B Corp motto is a "global economy that uses business as a force for good." <u>Certified B Corporations</u> span more than 60 industry segments and range from single-person entities to larger brands including Eileen Fisher, Ben & Jerry's, and Hootsuite.



How to Choose the Right Public Goal for Your Business

Determining the third-party standard that's right for your organizational targets is based upon the operational values of significance, the impact areas of greatest material concern to your company and the areas of your unique value chain where you can have the most influence.

Choose the standard that will allow you to:

- Improve competitiveness: Ensure a lean, efficient and resilient company in a future where resources become increasingly more expensive.
- **Increase innovation:** The companies that set ambitious targets now will lead tomorrow's innovation and transformation.
- Reduce risk and uncertainty: Stay ahead of future environmental policies and regulations, and help shape developing legislation, while protecting your company from financial and environmental risks.
- Improve reputation: A leadership position on energy and sustainability will bolster company credibility among today's increasingly environmentally-conscious investors, customers, employees and policymakers.

Do we have to use a third-party standard?

The short answer is no. About half of companies that have set public goals are not committed to a third-party standard, yet they continue to drive significant progress in their business. The most important thing is to make it a public goal. Our research demonstrates that companies with public goals are more motivated than their peers without.



Process of Approvals

	Difficulty in getting started	Difficulty to complete	Time to complete	Cost over time to complete	Measurement burden	Reporting + disclosure burden	Complexity	Organizational or industry influence	Regulatory or legislative influence	Advisory support	Collaboration or coopetition opportunity
RE100											
EP100	•					•	•			•	
EV100								•	•		
CE100						•					
CDP											
SBT					•	•					•
TRUE Zero Waste	•					•		•			



Not Sure Where to Begin?

Before knowing where you want to go, sometimes you must know where you are. Take our <u>Progress Assessment</u> to learn how your energy and sustainability initiatives compare to others in your industry. Use the assessment results to identify where you need to make progress.

Download our <u>2019 Corporate Energy</u> <u>& Sustainability Progress Report</u> to learn more about how setting public commitments drives action.

¹ All the third-party standards included in this primer are administered by non-profit and/or non-governmental organizations. These organizations rely on funding from their members and financial partners to operate, and most assess a fee for inclusion in their goal-setting program.

² While previously set at 2°C, SBTI is reviewing their target setting resources and validation protocols to accommodate for recent updates in an IPCC special report that indicate that targets should be even more aggressive, in line with a 1.5°C pathway.

About Schneider Electric

Schneider Electric is leading the digital transformation of energy management and automation in homes, buildings, data centers, infrastructure and industries. With a global presence in more than 100 countries, the company is the leading provider of integrated efficiency solutions, combining energy, automation, software and support.

Schneider Electric Energy & Sustainability Services helps companies buy energy smarter, use resources efficiently and drive sustainable growth. It delivers energy-to-end services and technology to develop strategic goals and plans, implement programs and projects that deliver measurable results and identify effective financing tools.

Learn more

Interested in learning more about Schneider Electric's Energy and Sustainability Services?



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hub.resourceadvisor.com

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