SIMPLY
SUSTAINABLE®

5 Steps to Decarbonisation.

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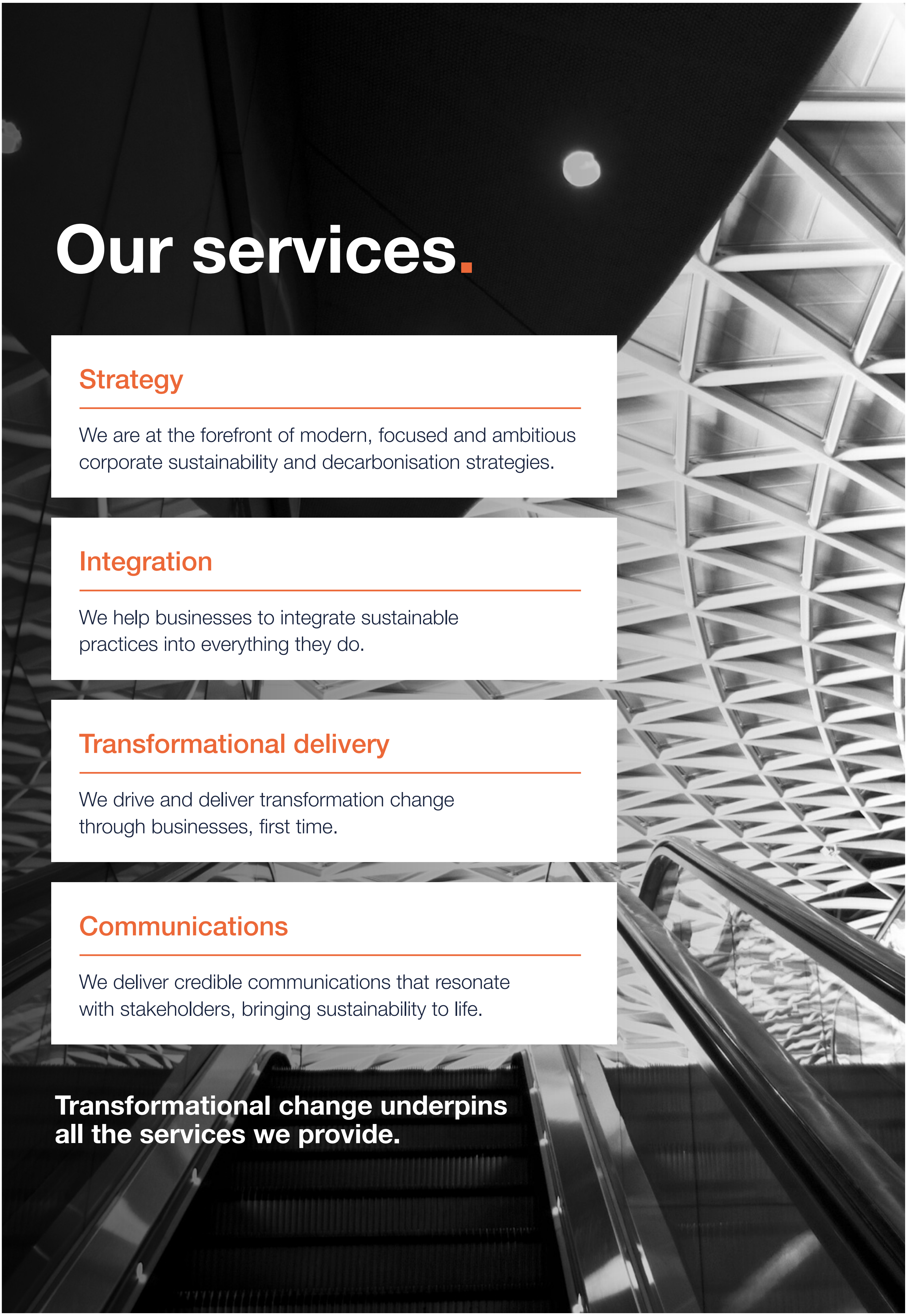
Our experience.

Simply Sustainable is a global, award-winning ESG and sustainability consultancy founded in 2010. We have spent many years working side by side with large international brands to bring about transformative systems change. Our outstanding, multi-disciplinary team brings a tailored mix of skills and perspectives to each project, with over 50 years of collective experience.

We offer a broad suite of technical consultancy services, ranging from strategic planning through to integration, implementation and communication of sustainability practices and programmes.



Our services.

Strategy

We are at the forefront of modern, focused and ambitious corporate sustainability and decarbonisation strategies.

Integration

We help businesses to integrate sustainable practices into everything they do.

Transformational delivery

We drive and deliver transformation change through businesses, first time.

Communications

We deliver credible communications that resonate with stakeholders, bringing sustainability to life.

Transformational change underpins all the services we provide.

The carbon conundrum.

Understanding net-zero, and what it really means for businesses to decarbonise.

The imperative for action on carbon is growing – the political and economic climate reflects this.

The term 'net-zero' has saturated the business landscape prior to and post COP26; however, many businesses we encounter don't fully understand what it means to be net-zero and the steps they need to take to decarbonise. Some organisations are deterred from attempting to explore the steps required because it is considered expensive and unattainable. Others perceive the solution to be easily solved via carbon offsets.

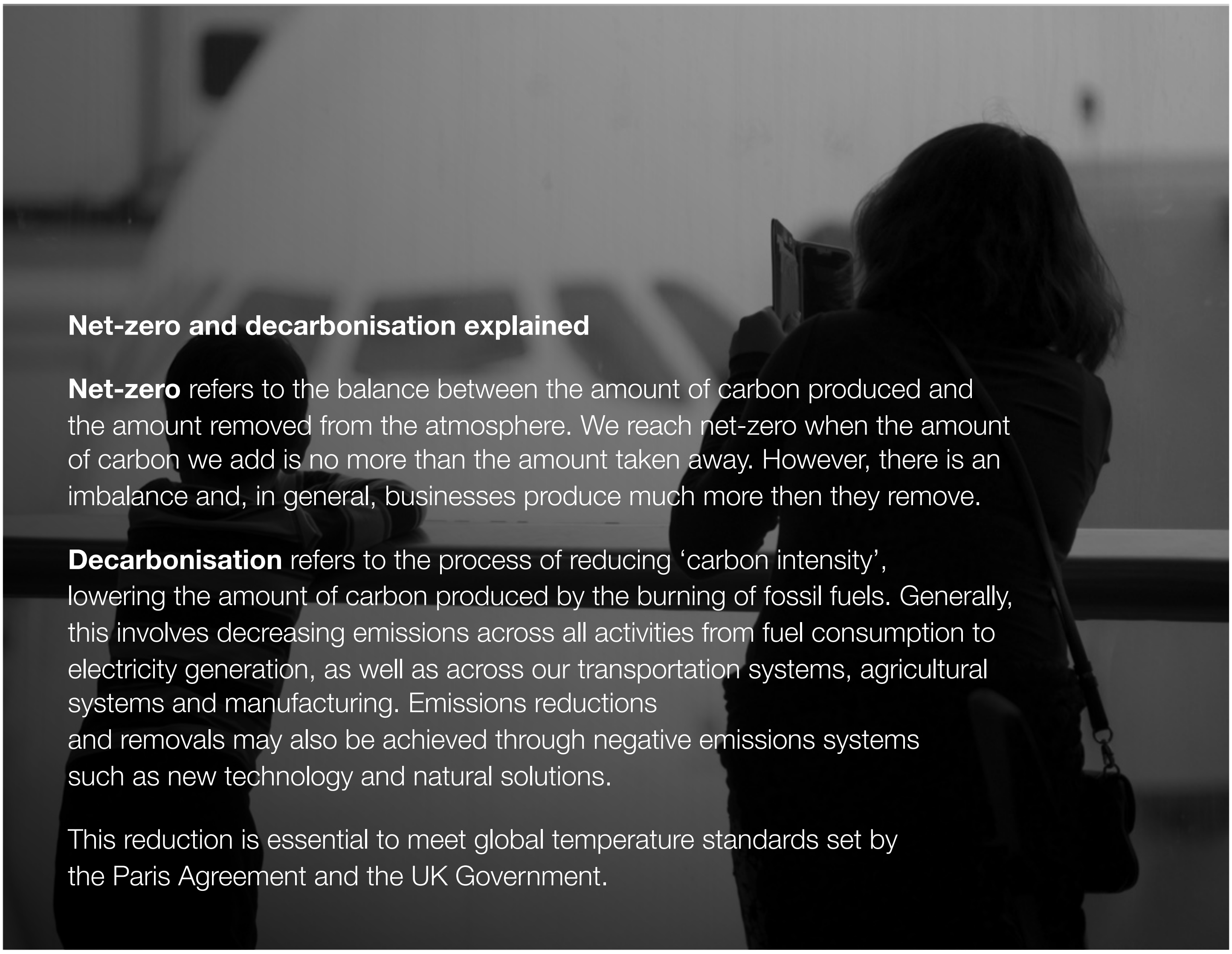
This document consolidates our knowledge in this area in order to make it simple for businesses to understand how they can achieve net-zero and how we can help navigate some tricky areas.

What is the Paris Climate Agreement?

The Paris Climate Agreement is an international treaty that commits most of the world's governments to addressing climate change. The goal of the Paris Agreement is to stop the world's average temperature rising more than 2°C, or ideally 1.5ºC. To stay below 1.5°C, emissions need to be cut by roughly 50% by 2030.

Under the Paris Agreement, each country has to say how much it will reduce its contribution to climate change. As well as these targets, they must also publish five-yearly plans for how they'll make it all happen.

Net-zero and decarbonisation contribute to these targets, and we explore both throughout this publication.



Net-zero and decarbonisation explained

Net-zero refers to the balance between the amount of carbon produced and the amount removed from the atmosphere. We reach net-zero when the amount of carbon we add is no more than the amount taken away. However, there is an imbalance and, in general, businesses produce much more then they remove.

Decarbonisation refers to the process of reducing 'carbon intensity', lowering the amount of carbon produced by the burning of fossil fuels. Generally, this involves decreasing emissions across all activities from fuel consumption to electricity generation, as well as across our transportation systems, agricultural systems and manufacturing. Emissions reductions and removals may also be achieved through negative emissions systems such as new technology and natural solutions.

This reduction is essential to meet global temperature standards set by the Paris Agreement and the UK Government.

With the financial success of companies now so intrinsically linked to reaching net-zero, it is no longer considered a 'nice to have' bolt-on but an essential part of core business strategy. Over the years, we have developed tried-and-tested ways to help businesses decarbonise and have now combined our thinking in one comprehensive approach. What differentiates us is our ability to simplify complex issues into straightforward, easy-to-implement steps and how we centre our approach around a 'just transition'.[1] Put simply, we recognise that as companies begin on their journey to decarbonisation they must leave no one behind and ensure that the social impacts and benefits of the transition to a low-carbon economy are considered.

At Simply Sustainable we have many years of experience in working with businesses to decarbonise – building plans to eradicate carbon from their operations whilst ensuring these plans are strategic and comprehensive to implement. From our experience, the steps you need to take can be summarised as follows.

1. Understand your current carbon position.
2. Map priorities and targets.
3. Deliver deep decarbonisation.
4. Disclose, monitor and improve.
5. Ensure a just transition.

[1] https://www.greenpeace.org.uk/challenges/just-transition/

Supporting the UK's first Carbon Neutral Gym Chain

The Gym Group

Simply Sustainable have partnered with The Gym Group on a range of value-added activities that set targets to align with net-zero ambitions.

Impacts and Benefits:

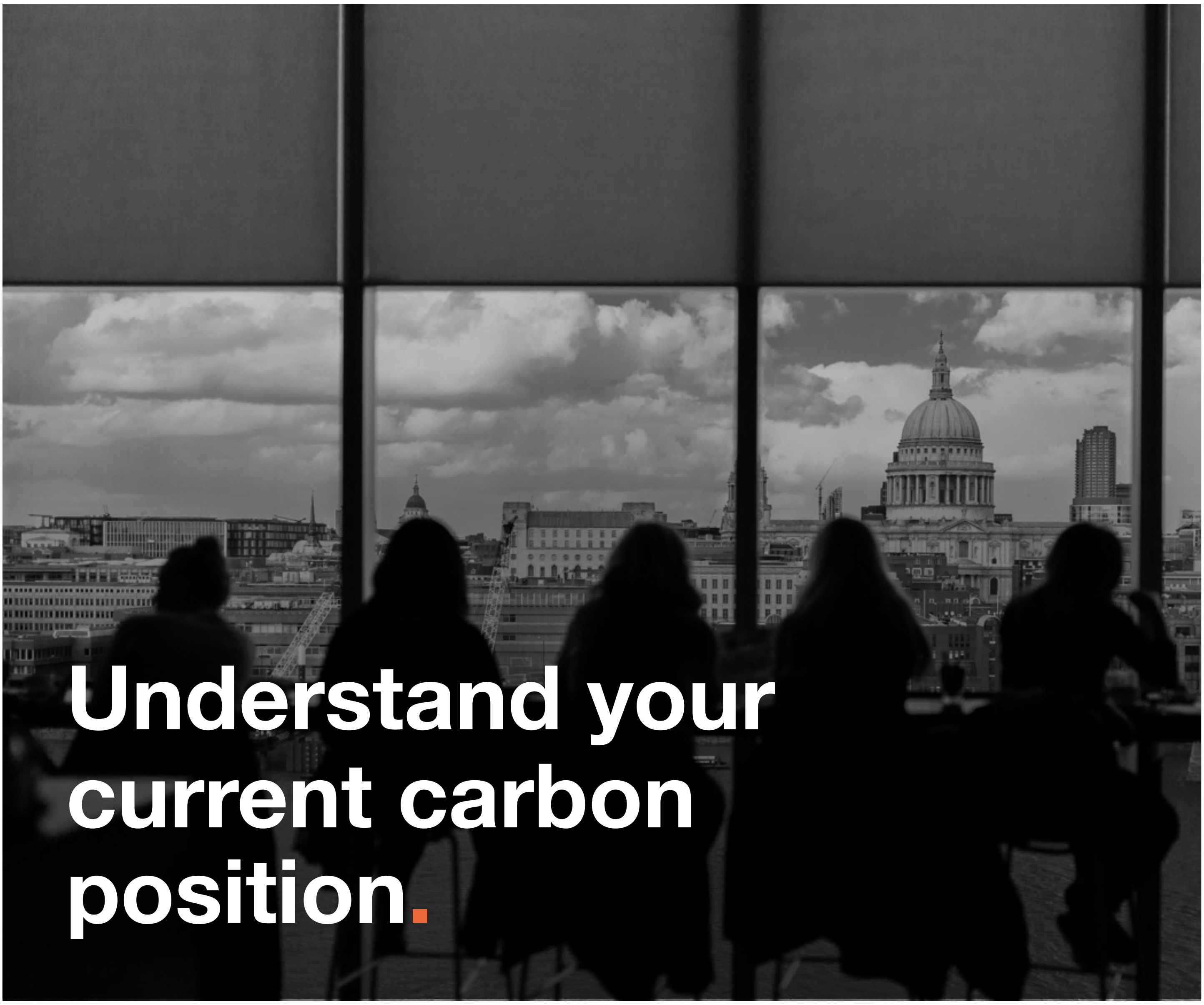
- Accurate and robust measurement of carbon footprint to meet international standards
- Identified clear set of priority sustainability issues for the business to focus their approach
- Data verification and auditing to achieve the Carbon Neutral certification and become the UK's first carbon neutral gym chain

The Story:

Simply Sustainable believe that the call to action is clear, businesses have the largest part to play to achieve net-zero. Setting carbon reduction targets that are science-based demonstrate that a company is doing their fair share to achieve the ambitions of the UN Paris Agreement and limit the impacts of climate change to well below 2°C warming, whilst pursuing efforts to limit to 1.5°C.

In 2021, two years after the relationship commenced, Simply Sustainable supported The Gym Group with a materiality assessment to ensure they have a focused approach on the issues that count to their stakeholders and the business. Our support covered a transformative suite of services which included carbon footprinting, an approved submission to the Science Based Targets initiative (SBTi), and Carbon Neutral Certification. After working closely with The Gym Group to set the organisational boundary of Scope 1, 2 and 3 emissions, specialist guidance and recommendations were developed which set out requirements that The Gym Group must follow to report all material emissions in alignment with the science-based targets 1.5°C emissions scenario.

Our work also led to the successful SBTi submission and publicly disclosed commitment which clearly communicates to stakeholders The Gym Group's greenhouse gas reduction programme in support of a net-zero economy. This translates vision into action and is consistent with achieving a net-zero economy by aligning targets to the latest climate science necessary to meet the goals of the UN Paris Agreement. We were particularly pleased to be a key advisor in The Gym Group's attainment of becoming the UK's first carbon neutral gym chain. We supported The Gym Group to calculate, account for, and verify the business's carbon emissions to ensure responsibility for residual emissions. The Gym Group then selected socially-purposeful carbon reduction programmes, for example offsetting projects in Ghana. The gold and verified standard programmes work closely with local farmers to provide efficiency and mitigation benefits that contribute to the just transition.



Understand your current carbon position.

The first step is to know where you stand **now**. Accurately measuring current carbon emissions for the activities under your direct control will give you a baseline against which to set future targets and priorities, allocate resources and monitor progress.

Understanding these emissions will clarify the areas you need to address when setting your targets towards net-zero. Emissions are categorised into three groups or ‘Scopes’ by the most widely used international accounting standard, the Greenhouse Gas (GHG) Protocol.[2]

Scope 1 refers to direct emissions from the company; **Scope 2** covers energy purchases; and **Scope 3** includes all other indirect emissions that occur within a company’s value chain. Scope 3 emissions are critical as they often represent the majority of organisations’ carbon emissions: upstream emissions (related to purchased and acquired goods and services) and downstream emissions (e.g. emissions related to sold goods and products). It is important to highlight that the most ‘material’ emissions should be included within Scope 3. An expert consultancy will guide you through this process as you need to ensure you have a robust methodology.

[2] https://ghgprotocol.org/

What does carbon footprinting mean?

Carbon footprinting is the calculation of total carbon emissions.

A business's footprint will be the baseline against which future climate progress can be tracked. At Simply Sustainable, we help businesses to calculate their carbon footprint by delivering a robust approach to calculating emissions across their value chain. We do this in a five-step process: operational review; determining your organisational and operational boundary; data gathering; calculating your carbon footprint and providing insight into emissions hotspots.

Why are carbon offsets considered controversial?

Carbon offsetting is considered controversial because carbon offsets do not reduce the root cause of CO_2 emissions. Offsetting projects simply don't deliver what we need – a reduction in the carbon emissions entering the atmosphere. Instead, they can be a distraction from the real solutions to climate change.

Carbon offsets can be useful while infrastructure and industry make the transition to electric mobility, alternative energy and the new technology necessary for low- and zero-carbon lifestyles. Where there are no viable alternatives in the short term, an offset scheme promises to cancel out the emissions in one place with emission-reducing actions in another. If a company is serious about decarbonising its business, 99.99% of the resources and endeavour need to be focused on reducing emissions, not offsetting schemes. However, if carbon offsetting is considered a viable step for your business, it is important to offset via a recognised carbon offsetting scheme and align with best practice. We would recommend considering schemes that consider wider benefits beyond absolute emissions reductions, such as social value and biodiversity.

Map priorities and targets.

Once these areas have been examined and the data analysed, it will be much easier to identify your most material areas for decarbonisation and you can start to map your priorities and targets.

It will also help to define the risks associated with an abrupt adjustment to a low-carbon economy, such as rapid losses in the value of assets due to changing policy or consumer preferences.

Target setting

We encourage the organisations we work with to incorporate, as a minimum, The Science Based Targets initiative[3] (SBTi), as it helps to define achievable pathways to help reduce emissions on a year-by-year basis fully in line with the Paris Agreement goals (to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C).

Why are science based targets important?

Science based targets provide a clearly defined pathway for companies to reduce carbon emissions, helping to prevent the worst impacts of climate change and future-proof business growth.

Targets are considered ‘science based’ if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement. It is important to note that this is a top-down target reflecting the size of the challenge and what a business needs to do to achieve it. It doesn’t consider a defined pathway to net-zero across business activities and divisions.

[3] https://sciencebasedtargets.org/

It is necessary to set short-term and long-term net-zero targets, which will include the target year for the net-zero commitment which should not be later than 2050.

This helps to ensure that plans incorporate existing or emerging innovations within predictable scenarios, avoiding uncertainty and ambiguity. It is important to include a short-term target date as it is less distant for investors and stakeholders and puts pressure on companies to act quickly (companies are increasingly setting these short-term targets for around 2030). The setting of a short-term target allows a company to take a phased approach to emissions reductions in line with 1.5 degree warming, no later than 10 years after a baseline year.

The Net-Zero Standard

More recently, we have been working with businesses to implement the SBTi's new 'Net-Zero Standard'.[4] This provides a common, robust and science-based understanding of net-zero. It gives business leaders clarity and confidence that their targets are aligned with climate science. The main objective of this standard is to provide a unified and robust approach for corporates to set net-zero targets that are aligned with climate science. Becoming a net-zero company requires a significant commitment and is an important strategic component for any successful organisation. SBTi Net-Zero Standard sets a clear pathway to meet this objective.

The standard focuses on rapid, deep emissions cuts across a company's entire value chain, including emissions produced by their own processes (Scope 1), purchased electricity and heat (Scope 2) and those by suppliers and end-users (Scope 3). This is equivalent to a 90–95% reduction across all emissions by 2050 for most companies.

There are **three mandatory requirements** of the Net-Zero Standard.

1. Focus on rapid, deep emissions cuts.
2. Set near and long-term targets.
3. No net-zero claims until long-term targets are met.

The final element is a **recommendation.**

1. Go beyond the value chain.

[4] https://sciencebasedtargets.org/net-zero

Deep decarbonisation.

Many businesses have set net-zero carbon targets but the majority of these businesses merely have plans to achieve near-term incremental carbon reductions.

Deep decarbonisation allows businesses to drive a programme of transformational change, ensuring companies can make the best short-term decisions without getting locked into a path of dependency or stranded assets.

Achieving this involves a systematic review of businesses – questioning all aspects of operations and identifying the most suitable net-zero carbon pathways. This process allows a business to deliver deep, long-term decarbonisation strategies based on thorough, robust analysis.

All the information gathered via earlier steps will help you to develop a strategic plan that can be integrated and measured throughout the business.

- This means clearly describing how the implementation of the decarbonisation plan is interwoven throughout the organisation, featured in business planning and aligned with the overall strategy.
- With your data and the business insights you have identified, you will have the necessary information to model and forecast potential carbon pathways for your organisation.
- Once you understand your carbon footprint and have plans in place, the question is how to achieve your goals.
- With numerous digital, new material and decarbonisation technologies available, there will be a need to develop a strategy that enables impact at scale whilst achieving maximum value.
- It is important to examine how you can incorporate carbon removal into product strategies, supply chains and operations across your whole value chain and create accountability, especially around emissions. This step is integral to leveraging decarbonisation not only as a differentiator but also to ensure preparedness against any future systems shock. Investors are very aware of the risks of failing to meet decarbonisation targets and are seeking detailed plans and disclosure from companies, all of which impacts their valuations.
- Ensuring the early adoption of such measures will generate a wide range of opportunities to allow all to benefit from becoming net-zero. In turn, it would help create a fairer, more inclusive and more equal economy, whilst also supporting the just transition towards a climate-ready future.

Top tip

Leadership support in set-up, monitoring and implementation should also be clarified from the onset and is vital to successful decarbonisation.

Top-down governance provides strategic direction and business buy-in, while a baseline approach helps those responsible for execution substantiate the plan's directions and viability and embed them into business decision making. Having the right incentives also plays an important role, with companies linking progress to remuneration and wider staff performance measurement.

Disclose, monitor and improve.

Once a decarbonisation plan is in place, companies should openly disclose their approach and progress publicly. This is best placed in the annual or sustainability company report. By setting metrics and targets, it's possible to measure, track and report for internal and external stakeholders. More recently, investors have realised climate change presents significant financial risk to the global economy and are becoming increasingly concerned about their investments' exposure to climate-related financial risks.

Investors will most likely want to know what's been accomplished against the steps outlined in the plan, as well as how it compares against peers. This information is used to understand the financial implications of the plans as well as the risks if plans are not achieved.

Many organisations are now also reporting their climate change risks and opportunities, following the recommendations from the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).[5] TCFD was developed to improve and increase reporting of climate-related financial information. From 2022, the FCA requires all UK premium-listed companies to comply with or explain how they will align to the TCFD's recommendations, and all UK companies are expected to be required to report under the TCFD by 2025.

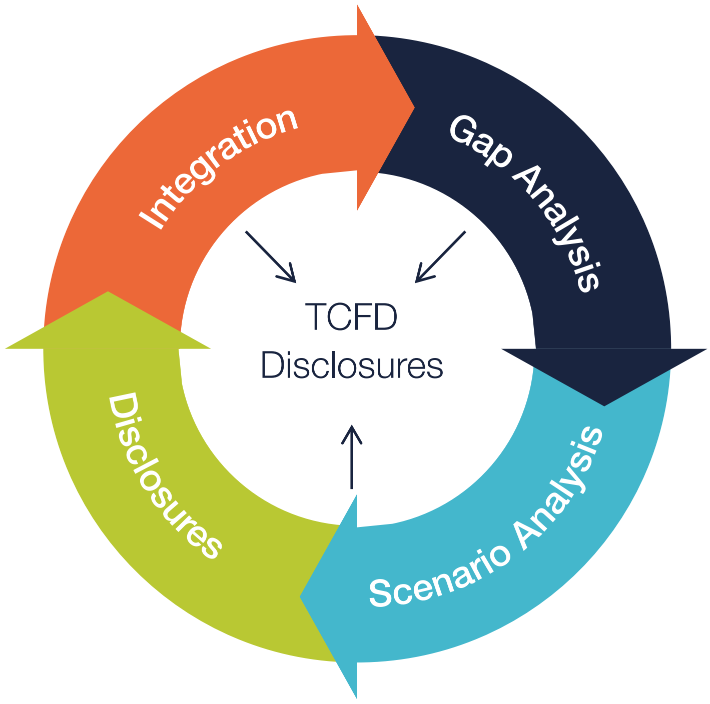
[5] https://www.fsb-tcfd.org/

Robust, ongoing TCFD reporting can:

- Build trust with external stakeholders, particularly investors
- Help to evaluate physical and transition risks as well as exposures over the short, medium, and long term
- Promote business resilience and yield better informed decisions on capital allocation
- Present climate-related opportunities for businesses to leverage.

Below outlines how we work with our clients to simplify the TCFD reporting process.

TCFD Process



Gap Analysis

By reviewing your latest annual report and engaging with your project team, we will assess your business's current activities and disclosures against the TCFD general requirements (governance, strategy, risk management, metrics and targets) and sector specific supplementary guidance. After presenting the results of the gap analysis, we will agree with your team the focus for the first year of reporting. We will also support the business to understand the requirements of TCFD through carbon and climate change training.

Scenario Analysis & Risk Assessment

Next we will undertake scenario analysis for the key regions where you operate, for three different emission scenarios; best-case, mid-range and worst case. We will then host workshops with key leaders in the business identify risks and opportunities from transitioning to low carbon economy and future physical impacts of climate change; this will cover short-term (2030s), medium-term (2050s) and long term (2080s). Finally we will facilitate your finance team to translate these risks into financial impacts for the business.

Developing Disclosures

Working in conjunction with your finance team, we will draft disclosures for your annual report, including a disclosures tables and recommendations for integrating these into other key sections of the report. We will support the Board to understand these disclosures through carbon and climate change training to build confidence to approve publication of these disclosures.

Integration planning

Finally, we will develop a two year programme with your project team to further develop activities to meet the TCFD disclosures requirements in full.

Just transition.

As businesses begin to decarbonise, the human element of these plans needs to be considered and is frequently forgotten. This approach is often termed as the 'just transition'.

The just transition focuses on the transition out of high-carbon activities and into the green economy, seeking to ensure the avoidance of harm to workers, communities, countries and regions while maximising the benefits of climate action. Companies need to take responsibility for the unintended consequences of eradicating carbon from its value chain.

Stakeholder engagement is considered a keystone of a just transition strategy to facilitate meaningful social dialogue. Businesses need to recognise that climate action and social inclusion are no longer separate from one another and, in doing so, place the following principle at the core of any ESG strategy: no one should be left behind.

Businesses should:

- Conduct a deliberate approach to engagement with due consideration for all stakeholders (including those marginalised, vulnerable and disproportionately burdened)

- Ensure and review continued social dialogue between a business and its stakeholders to guarantee voices are not only heard but recognised within decision-making processes

- Consider a business's role in delivering decent and green jobs, education, training and re-training for all

- Recognise that planning for a just transition is a key commitment of the Task Force on Climate-related Financial Disclosures (TCFD), a principle of the Paris agreement and an aim of the COP26 Glasgow climate pact

- Acknowledge that a successful just transition plan should be accompanied by a programme of continued monitoring, review and reporting focused on accountability, continuous learning and transparency.

Whilst there is much work to be done to demonstrate that a fair and inclusive transition is possible, many businesses are already equipped with the tools to do so. The just transition represents untold value for all.

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