

Business Working Together for a Low Carbon Future

Net Zero backed by Science-Based Targets

PwC's 5th Annual
Report on the Business
in the Community
Ireland (BITCI) Low
Carbon Pledge



PwC September 2023

**BUSINESS
IN THE
COMMUNITY
IRELAND**



Ministerial Foreword



Eamon Ryan TD

Minister for Environment,
Climate, Communications
and Transport

This summer we have seen further evidence of the impact that climate change is having on people's lives. While here at home, we had one of the duller summers on record, across Europe and the globe we saw devastating wildfires, flash flooding and hurricanes which ripped through or washed away whole towns and villages, impacting heavily on people's lives and livelihoods. The gravity of these global crises demands immediate and coordinated action. Risks associated with climate change are unfortunately becoming more frequent and more extreme. Opportunities for adaptation and mitigation must remain a priority.

The Business in the Community Ireland Low Carbon Pledge, now in its fifth year, continues to propel its almost 70 signatories toward a zero-carbon future, aligned with the Paris Climate Agreement. This visionary initiative is a testament to signatories' determination to pursue sustainable prosperity while substantially reducing their carbon footprint. The Low Carbon Pledge signifies a paradigm shift in our economic landscape, with businesses voluntarily committing to ambitious emissions reduction targets and driving change across supply chains.

Since 2021, I have seen the increased ambition of the Pledge, as all signatory companies now work towards setting science-based targets for their entire carbon footprint, including value chain emissions. Encouragingly, we are seeing the ambition of signatory companies translating into real action by committing to and setting science-based targets, which are now publicly reported on the Science Based Target initiative (SBTi) online dashboard.

The 2023 Climate Action Plan and associated carbon budgets set out how we can accelerate the actions required to respond to the climate crisis, putting climate solutions such as green hydrogen at the centre of Ireland's social and economic development. Latest figures from the Environmental Protection Agency (EPA) show Ireland's greenhouse gas emissions decreased by just 1.9% in 2022.

Urgent collective action needs to be taken and emissions must fall much more rapidly to avoid overshooting the budgeted emissions so that we can stay within the 1.5C global warming threshold. Many areas, including transportation, district heating, onshore wind and solar development and community-based restoration of nature and biodiversity, for example, present opportunities for decarbonisation and the development of a green economy that is rooted in fairness and equity.

While our targets are ambitious, we are making progress in transitioning to a lower carbon economy every day. Take transport, for example, which is perhaps one of the most difficult areas to decarbonise. This year, we will invest €1.9 bn in public transport and active travel infrastructure. Every week we are introducing one new or enhanced bus service through our Connecting Ireland programme. In the week that I am writing this, (August 28th), we put no less than 5 brand new Local Links on the road. We have reduced fares for the first time in 75 years. We are introducing new BusConnects in our large metropolitan centres and we're planning for major expansions in our rail. And people are responding in droves with transport passenger numbers above pre-Covid levels – bucking the EU trend otherwise.

In other key areas like renewable energy or retrofitting, we are also making progress. The first Off-shore Wind Auction was regarded internationally as a big success and the first important step in unlocking our enormous off-shore wind potential. In retrofitting, we are ahead of targets for this year, with nearly 22,000 householders supported to make their homes warmer and more efficient. In Agriculture, Food Vision 2030 will enable Ireland to become a global leader of innovation for sustainable food and agriculture systems, producing safe, nutritious, and high-value food, while protecting and enhancing our natural and cultural resources and contributing to vibrant rural and coastal communities and the national economy.

In November, I will go to COP28, where a significant “global stocktake” will be conducted on how countries are faring against the emissions-cutting commitments they made in Paris. While we are acutely aware of the emissions gap, COP28 presents a lever to accelerate our climate action and phase out fossil fuels, while also realising the power of nature-based solutions. Critically, at COP28, a key focus will be on the pressing need to provide funding for the most vulnerable countries in the world –those most affected by the negative impacts of climate change. Last year, I had the privilege of leading the EU team on negotiations for climate finance, supported by an amazing Irish team of experts.

Ireland’s climate ambitions are recognised internationally, and we have made good strides in our environmental sustainability journey. However, the scale and urgency of the climate and nature crises necessitates even bolder actions now, from government and business.

I again encourage you to engage in the movement led by Business in the Community Ireland. The current and future iterations of the Pledge will continue to guide and support Ireland’s business sector in the transition to a zero-carbon economy.

The growth and ongoing commitment of pledge signatories demonstrates the power of collective action and the network that is Business in the Community Ireland. If we are to address climate change and start to turn the tide on the devastating scenes we have seen across the globe this Summer, we need to work collectively, across all sectors, including business as we are seeing in action here.

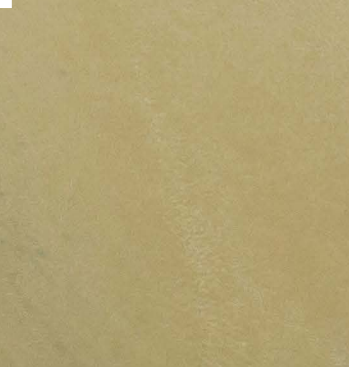
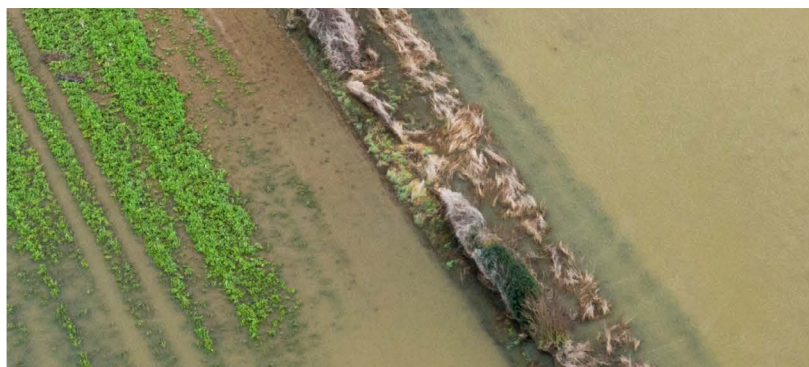
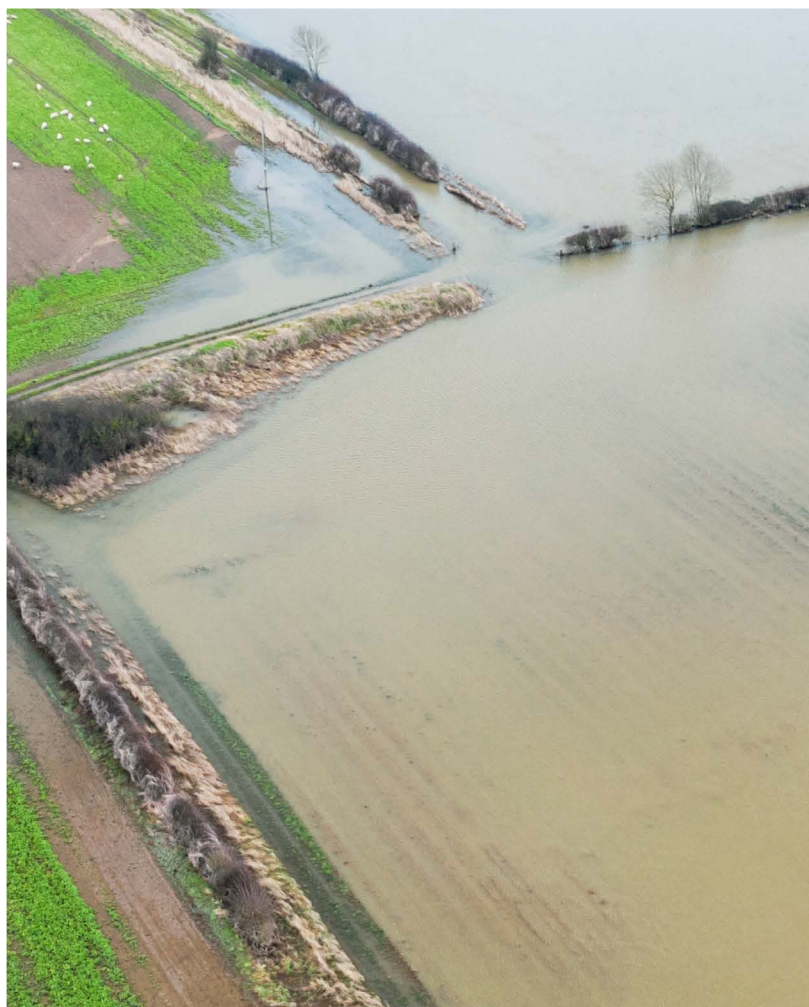
Finally, I want to acknowledge the considerable effort in preparing this report by Business in the Community Ireland, supported by signatory companies and the Co-Chairs of the Low Carbon Subgroup, Mark Foley, CEO, EirGrid and Cathal Marley, Managing Director, Gas Networks Ireland.





Contents

1. Introduction from Business in the Community Ireland (BITCI)	7
2. The Decarbonisation Agenda	11
2.1 Introduction from PwC	11
2.2 Ireland's Decarbonisation Agenda	11
3. Background to the Low Carbon Pledge	15
3.1 Science-based Targets	15
3.2 Capturing the Journey to Setting Science-based Targets	15
4. Low Carbon Pledge - Results Overview	19
Executive Summary	19
4.1 Pledge Signatories	19
4.2 Science-based Targets Progress	20
4.3 Net Zero	21
4.4 Emissions performance overview	23
4.5 Decarbonisation Activity	25
4.6 Carbon Offsetting	26
4.7 Climate & Nature Risk	27
4.8 Reporting	28
5. Case Study Analysis and Deep Dives	30
5.1 ALDI	30
5.2 An Post	32
5.3 Ornua	35
5.4 Deep Dive Topics	38
5.4.1 Climate Risk & Opportunity Scenario Analysis	38
5.4.2 The future of Climate Reporting	40
6. Conclusions and Recommendations	43
Authors	45



Introduction from Business in the Community Ireland (BITCI)

Earlier this month, in preparation for COP28, the UNFCCC first-ever [Global Stocktake Synthesis Report](#) was published, with one clear message: “There is a rapidly closing window of opportunity to secure a liveable and sustainable future for all.” To be more precise, the report indicates that the world is currently not on track to meet the long-term goals of the Paris Agreement to limit warming above 1.5 degrees.

As we finalise this fifth annual report of the Business in the Community Ireland Low Carbon Pledge, we continue to see the hottest and wettest days, months and seasons ever recorded. Climate catastrophes continue to be reported on a weekly basis, with the most recent tragedy in Libya being a powerful reminder of the devastating power of these extreme events and the need to invest in proper resilience infrastructure.

Countless lives are lost every day in the main migration routes to Europe and North America. Climate-related migration is a reality that forces millions out of their communities, exacerbating inequality. This, in turn is polarising societies in host countries, raising the anti-immigrant and racist rhetoric.

The existential challenge of climate change is present in businesses across all sectors and industries.

We are witnessing a revolution in innovation, technology, finance and a strong appetite for investors to seek climate proof businesses. The energy transformation is now a reality and renewables are leading the change.

At the same time, we continue to see businesses facing challenges to decarbonise further. These range from the difficulty of assessing and measuring emissions to engaging suppliers on a journey to decarbonisation. It is clear that systemic change is required in order to align government policy, proper incentives with business action and strong science-based accountability.

We know what needs to be done to embrace decarbonisation, but the pace of progress needs to accelerate significantly if we want to have a chance of limiting warming above 1.5 degrees.

The Business in the Community Ireland Low Carbon Pledge was developed as a mechanism to enable CEO-led collective action on decarbonisation. The strength of the Low Carbon Pledge lies on its close to 70 signatories, representing some of the largest companies in Ireland, coming together on a collective platform to track the journey towards net zero emissions.

We are encouraged by the status results of the 2023 report. Over 80% of signatories have successfully set or formally committed to setting their science-based targets by next year. Approximately half have set a net-zero science-based ambition. We have been enlightened by the conversations we held with signatories during the year, through our support network, where we are seeing the evolution of the commitment to net-zero and of the concrete action taken to improve resilience, develop new solutions and processes and engage people on this process of change. We also see opportunities for collaboration and partnership taking shape and we hope this will unlock more action.

We are aware of the challenges faced by our signatories, especially around multiple disclosure requirements and insufficient data to assess the impact of scope 3 emissions. Systemic approaches will be required to face both challenges.

We are calling out the need for streamlined disclosure of climate and nature related impact and performance in order to facilitate comparability and accountability. On scope 3 emissions, better methodologies and guidance must be developed in order to facilitate decision-making in business, especially around procurement and client/customer engagement.

While climate impact metrics have been in place for some time and there is universal agreement through mechanisms such as the Greenhouse Gas Protocol and the Science-based Targets initiative, this is not the case when it comes to the impact of business activity on nature. There is a much-needed awareness of the metrics and actions that business must implement to manage its impacts on natural resources and our environment. It is encouraging to see that in this year's Low Carbon Pledge report, over half of signatories indicate they are taking action through their operations to limit their impact on nature. We welcome greater emphasis on protecting biodiversity and will incorporate nature related actions in the future edition of our Low Carbon Pledge.

It is imperative that we continue to build a stronger collective of Irish business that will challenge themselves and in turn their suppliers, customers, employees and investors to adopt clear, unambiguous decarbonisation pathways towards net zero and nature positive. It is fundamental that more alignment, sharing of data and insights is promoted across businesses that are facing similar challenges. It is not acceptable to limit disclosure due to commercial sensitivities. We must work together.

Ecosystem changes will be required if we want to achieve a viable future. Strong business leadership is needed and an open approach to partnerships has to be fostered. At the end of the day, whether we succeed in tackling the worst of climate change, it will be up to personal accountability. People are at the heart of the climate transition and any measures taken need to ensure no one is left behind through a fair and just transition.

The Business in the Community Ireland Subgroup on Low Carbon is keen on evolving the requirements of the Low Carbon Pledge in 2024 and beyond to ensure it enables change and accountability. We will focus our efforts on mechanisms that will ensure a business transition to zero emissions, reducing the reliance on offsets and including all emission scopes. We will align our work on the principles of the most recent UN guidance for non-state actors:

Five Principles

1. Ambition which delivers significant near- and medium -term emissions reductions on a path to global net zero by 2050
2. Demonstrated integrity by aligning commitments with actions and investments
3. Radical transparency in sharing relevant, non-competitive, comparable data on plans and progress
4. Established credibility through plans based in science and third-party accountability
5. Demonstrable commitment to both equity and justice in all actions

Source: Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions. United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities

We urge businesses to commit to the Low Carbon Pledge and to engage their supply chain in meaningful decarbonisation processes. We want to commend the signatories for their engagement and active participation throughout the year. We acknowledge the leadership of signatory companies for their determination. Ireland needs more brave and decisive leaders to drive the net zero and nature positive society and economy we need.



Tomás Sercovich

CEO, Business in the Community Ireland



Mark Foley

CEO, EirGrid

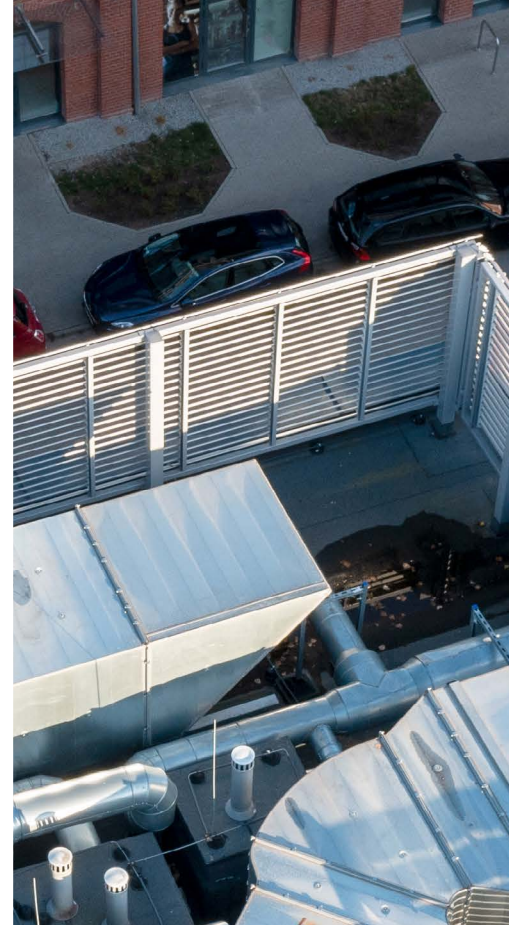


Cathal Marley

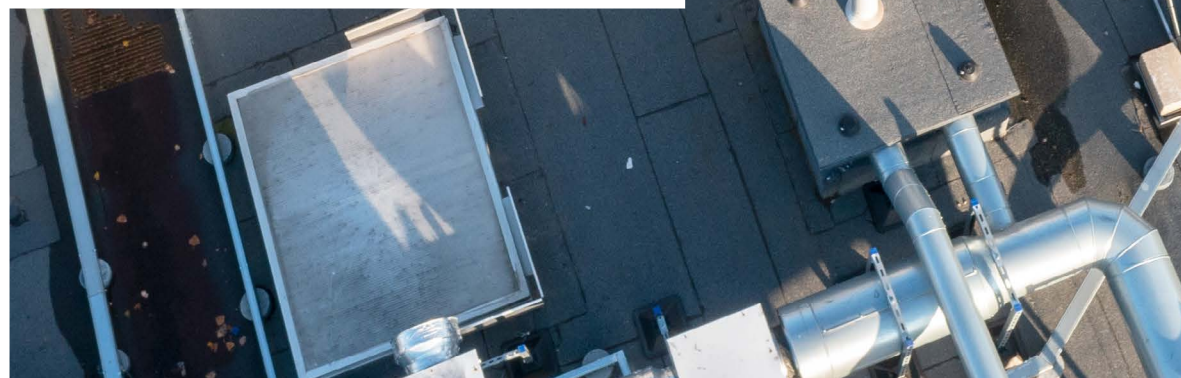
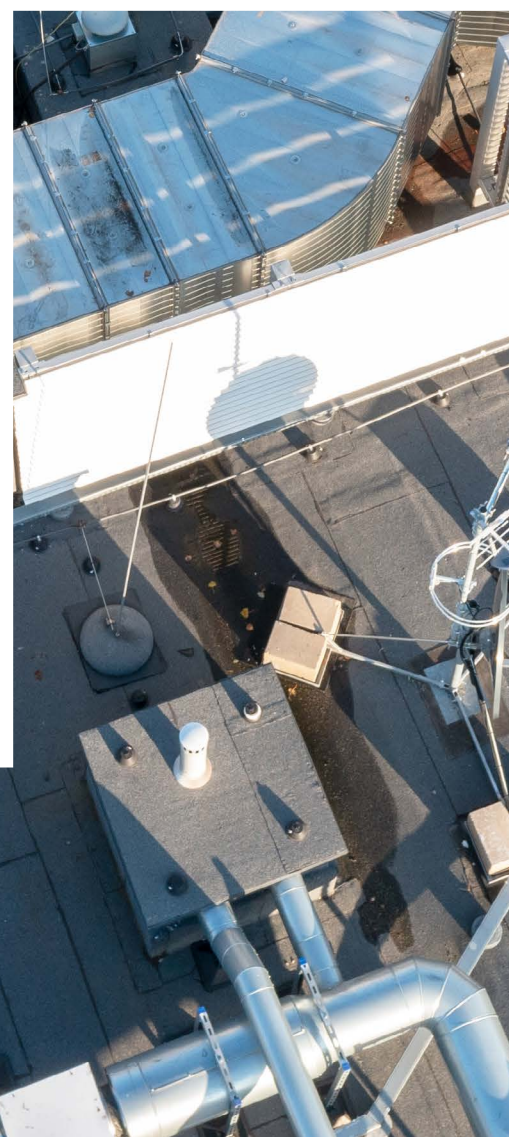
MD, Gas Networks Ireland

Organisations participating in this report





The Decarbonisation Agenda



The Decarbonisation Agenda

2.1 Introduction from PwC

PwC is proud to be once again working with BITCI on this the 5th edition of the Low Carbon Pledge report. The following sections outline the progress made by the signatory companies towards setting and adhering to science-based targets (SBTs). The subsequent analysis and case studies highlight some key actions and exemplar business practices that are helping companies to drive their emission-reduction efforts and to progress on a pathway towards genuinely sustainable business.

Businesses have navigated significant challenges over recent years. The impact of COVID-19 was far reaching and the war in Ukraine provided salutary lessons on the importance of supply chain resilience. Encouragingly, we have seen businesses escalate their focus on sustainability. The ever-increasing incidence of extreme weather events, combined with more stringent regulation, plus consumer focus, has brought decarbonisation forward as a business priority. Locally we have seen companies focus on establishing credible sustainability strategies with associated delivery roadmaps which clearly call out the initiatives required to achieve decarbonisation in line with national and sectoral trajectories. Many are now using regulatory imperatives such as Corporate Sustainability Reporting Directive (CSRD) to create the organisational structure and governance arrangements to embed sustainability across the entire organisation. Frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) are being adopted to enhance risk management processes to correctly capture the longer-term risks and opportunities associated with climate change. In essence, sustainability has moved from being housed within a siloed team adjacent to the core business units to being a fully integrated capability which permeates all business activity.

2.2 Ireland's Decarbonisation Agenda

This year's Low Carbon report once again takes place against the backdrop of a challenging domestic decarbonisation landscape. The EPA's most recent emissions inventory and projections show national emissions falling by ~ 2% (1.19MtCO₂e) between 2021 and 2022. However, Ireland continues to face significant challenges to meet both its short- and medium -term climate targets. While emissions reductions were observed in some key sectors, notably agriculture, energy, residential, and manufacturing, the level of reductions combined with rising emissions in the transport sector are not compatible with the emissions pathway required to deliver Ireland's 2030 51% reduction enshrined in the national Climate Act. Based on current trends and full implementation of planned climate policies and measures, the EPA projects that Ireland will only achieve a 29% reduction by 2030.

"Ireland will miss its 2030 climate targets unless all sectors of the economy deliver emission reductions in the short term and sustain this delivery into the future A continued lack of delivery of large-scale practical actions to decarbonise activities in all sectors will see us exceed our carbon budget."

Laura Burke, DG EPA

Figure 1: Ireland's Sectoral Emissions Drivers¹

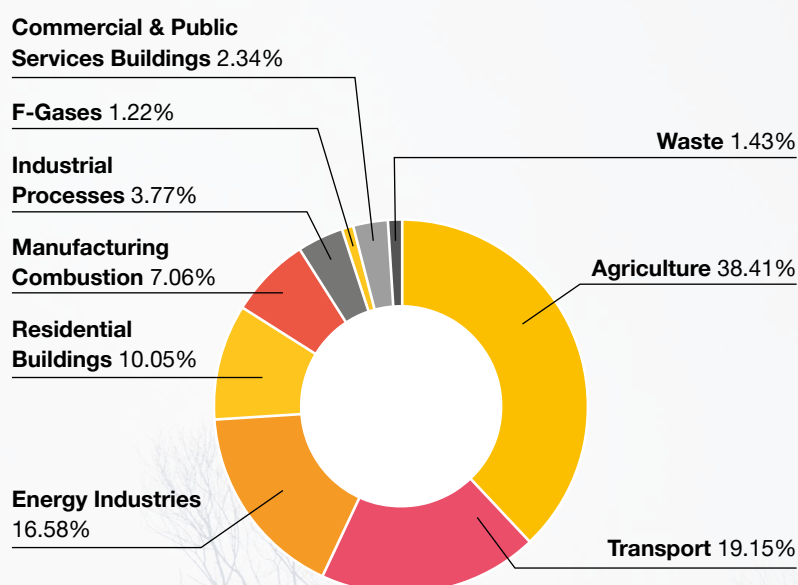


Figure 2: 2022 Sectoral Emissions Reductions

Mt CO ₂ eq	2021	2022	% Change
Agriculture	23.626	23.337	-1.2%
Transport	10.978	11.634	6.0%
Energy Industries	10.262	10.076	-1.8%
Residential Buildings	6.992	6.105	-12.7%
Manufacturing Combustion	4.614	4.288	-7.1%
Industrial Processes	2.475	2.289	-7.5%
F-Gases	0.745	0.741	-0.5%
Commercial & Public Services Buildings	1.437	1.426	-1.7%
Waste	0.826	0.867	4.9%
LULUCF	7.338	7.305	-0.4%
Total excluding LULUCF	61.955	60.763	-1.9%
Total including LULUCF	69.293	68.068	-1.8%

¹ Source: Environmental Protection Agency

Carbon Budgets

The Government's carbon budgets were designed to align with Ireland's 2030 emissions target. Achieving a 51% reduction in GHG will result in a cut of almost 35 million tonnes of CO₂. The first carbon budget envisioned emissions reducing by 4.8% on average between 2021 and 2025. The second budget, running from 2026 to 2030, required emissions to be reduced by 8.3% on average. The severity of Ireland's challenge was evidenced by EPA data highlighting that Ireland has already used 47% of its first carbon budget (2021-2025) within 2 years and is expected to exceed the first two carbon budgets by a significant margin of between 24% and 34%. The EPA notes that compliance with the first carbon budget requires an annual decarbonisation rate of 12.4%, a 6 fold increase on the most recent reduction.

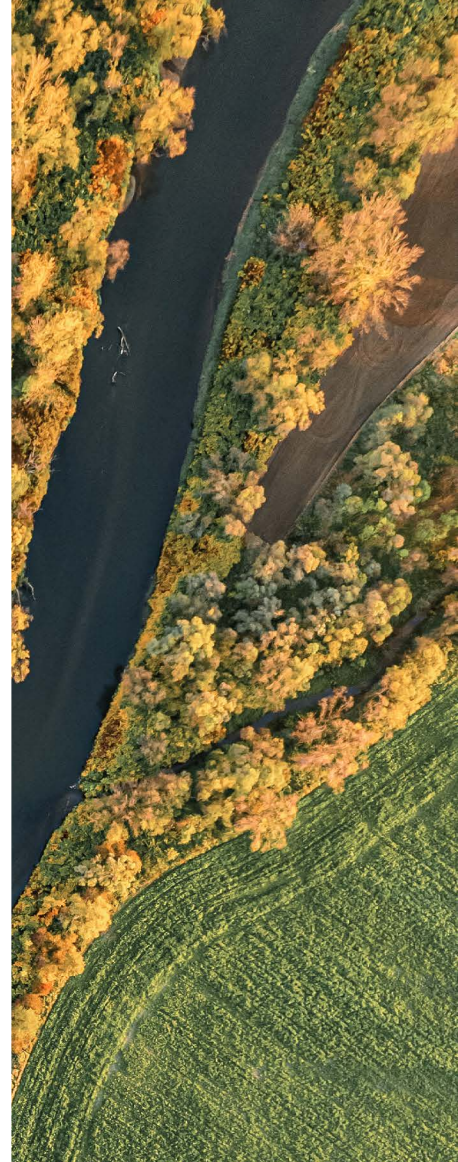
Sectoral Ceilings

In an effort to support delivery of the carbon budgets, the Government established a series of legally binding sectoral emissions ceilings. The ceilings set out the maximum volume of greenhouse emissions permitted in different sectors for each carbon budget and associated reduction targets (relative to 2018). EPA projections identify all sectors, except residential buildings, overshooting their sectoral ceilings for both 2025 and 2030. The level of exceedance is projected to be greater during the second budget period for all sectors except agriculture.

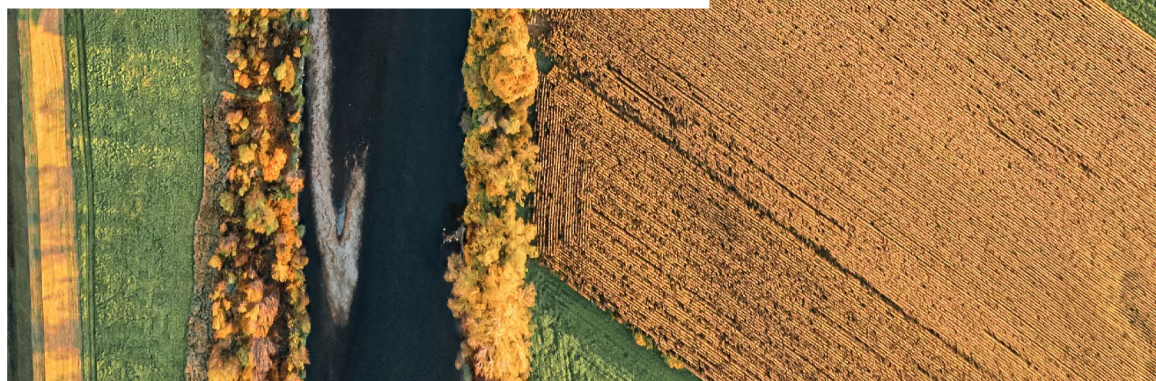
Within sector, and across sector, strategies are required which balance decarbonisation against other sustainability objectives specific to topics such as biodiversity and viable rural community growth, while also ensuring continued economic prosperity.

Figure 3: Sectoral performance against carbon budgets

	Carbon Budget (2021 - 2025)			Carbon Budget (2026 - 2030)		
	Sectoral Ceiling (2021-2025) (MTCO ₂ e)	Projected Emissions (MTCO ₂ e)	Carbon Budget Overshoot (%)	Sectoral Ceiling (2026-2030) (MTCO ₂ e)	Projected Emissions (MTCO ₂ e)	Carbon Budget Overshoot (%)
Electricity	40	45.2	13.00	20	28.2	41.00
Transport	54	55.1	2.04	37	42.4	14.59
Buildings (Residential)	29	29.8	2.76	23	22.9	-0.43
Buildings (Commercial / Public)	7	7.1	1.43	5	5.3	6.00
Industry	30	34.4	14.67	24	33.5	39.58
Agriculture	106	111.6	5.28	96	99.5	3.65



Background to the Low Carbon Pledge



3

Background to the Low Carbon Pledge

3.1 Science-based Targets

The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling companies to set science-based emission reduction targets.

Science-based targets (SBTs) provide a well-defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping to avoid the worst effects of climate change and future-proof business growth. Targets are considered 'science-based' if they are in line with the latest climate science necessary to meet the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

SBTs are short to medium-term milestones, which aim to mobilise the private sector to take urgent climate action and ultimately enable companies to reach their long-term climate ambitions.

The Pledge aims to demonstrate the commitment of Irish businesses to reducing their GHG emissions in line with the SBTs and to demonstrate their willingness to take a leadership role in helping to achieve Ireland's emissions reduction objectives. The Pledge requires that all signatories commit to setting SBTs with the SBTi no later than December 2024, and significantly review and assess indirect and supply chain emissions. The ultimate goal of The Pledge is to achieve carbon neutrality. Setting SBTs represents a significant step forward towards a net zero economy by 2050 if not sooner.

In March this year, the UN's Intergovernmental Panel on Climate Change (IPCC) published its latest Synthesis Report which highlighted just how far off-track the world is, reinforcing the 2022 UN Climate Change report, which stated the combined climate pledges of 194 Parties under the Paris Agreement could put the world on track for around 2.5 degrees Celsius of warming by the end of the century.²

The global stocktake report published on 8 September 2023, highlighted that *"to keep 1.5 within reach we must act with 'ambition and urgency' to reduce emissions by 43% by 2030."*³

The science is unequivocal: a course correction is needed. And it needs to happen now.

3.2 Capturing the Journey to Setting Science-based Targets

One of the objectives of this report is to demonstrate the progress made by the signatory companies in setting SBTs and to detail their specific journeys towards decarbonising their operations across the entire value chain. A questionnaire, developed by both BITCI and PwC, was used to collect data for each organisation. All signatories responded to the questionnaire, giving a 100% response rate.

The aim of the questionnaire was to:

- Establish where companies are on the journey to formally setting SBTs;
- Determine what is driving the ambition to set SBTs and understand any sectoral differences;
- Determine where companies are on the pathway to assessing their scope 3 emissions;
- Ascertain what companies find to be the main challenges when setting SBTs;
- Establish where companies are on the journey to formally setting SBTs;
- Identify how comprehensively companies are calculating their scope 1, 2 and 3 emissions; and
- Understand signatory's offset strategies and average price for purchased offsets.

Section 4 provides a breakdown of the main findings and observations stemming from the questionnaire responses.

² Source: UNFCCC - [Why the Global Stocktake is a Critical Moment for Climate Action](#)

³ Source: UN Climate Press Release ([8 September 2023](#))

Table 1: 69 Low Carbon Pledge signatories and report participants⁴

Organisation	Sector ⁵	Organisation	Sector
A&L Goodbody	Professional Services	Grant Thornton	Professional Services
Abbvie	Pharma / Med-tech	HEINEKEN Ireland	Agribusiness / Food & Drink
ABM Ireland (Momentum Support)	Facilities Management / Foodservice	Hovione Ireland	Pharma / Med-tech
Accenture	Technology	Iarnród Éireann (Irish Rail)	Transport / Logistics
Actavo	Construction	Irish Distillers Pernod Ricard	Agribusiness / Food & Drink
AIB Group	Financial Services	Janssen Pharmaceutical Sciences UC	Pharma / Med-tech
ALDI	Retail	Johnson & Johnson Vision Care	Pharma / Med-tech
Allianz	Financial Services	Johnson & Johnson DePuy Synthes	Pharma / Med-tech
An Post	Transport / Logistics	KBC Bank Ireland	Financial Services
Arup	Professional Services	Keelings	Agribusiness / Food & Drink
Aviva	Financial Services	KPMG	Professional Services
Axa Insurance	Financial Services	KSG	Agribusiness / Food & Drink
Bank of Ireland Group	Financial Services	Lidl Ireland	Retail
Bidvest Noonan	Facilities Management / Foodservice	Marks & Spencer (Ireland) Ltd	Retail
Boots Ireland	Retail	Matheson	Professional Services
Breedon Ireland	Construction	Musgrave Group	Retail
Britvic Ireland	Agribusiness / Food & Drink	Ornua	Agribusiness / Food & Drink
BT Ireland	Technology	Permanent TSB	Financial Services
Cairn Homes	Construction	PM Group	Professional Services
Cisco	Technology	PwC	Professional Services
Compass Group Ireland	Agribusiness / Food & Drink	RSA Group	Financial Services
Cook Medical Ireland Ltd.	Pharma / Med-tech	RTÉ	Communications
Dawn Meats Group	Agribusiness / Food & Drink	Sky Ireland	Communications
Deloitte	Professional Services	Sodexo Ireland	Facilities Management / Foodservice
DHL	Transport / Logistics	SSE Ireland	Energy & Utilities
Diageo Ireland	Agribusiness / Food & Drink	Stryker Ireland	Pharma / Med-tech
Dublin Bus	Transport / Logistics	Tesco Ireland	Retail
Eir	Communications	Three	Communications
EirGrid plc	Energy & Utilities	Uisce Éireann (Irish Water)	Energy & Utilities
ESB Group	Energy & Utilities	Veolia	Professional Services
EY (Dublin)	Professional services	Virgin Media Ireland	Communications
Fujitsu Ireland	Technology	Vodafone Ireland	Communications
Gas Networks Ireland	Energy & Utilities	William Fry	Professional Services
Glenveagh Properties PLC	Construction	Yahoo	Technology

⁴ Changes since 2022 report - ABP Ireland, College Proteins Group, Enterprise Rent-a-car and Mercury Engineering have left. Breedon Ireland and Matheson have joined.

⁵ The sector "professional services" includes environmental services. The sector "financial services" includes insurance. Note that agribusiness and food & drink have been combined in this year's report.



Setting science-based targets

Embedding science-based targets (SBTs) in an organisation's corporate and sustainability strategy is crucial. The Science Based Targets initiative (SBTi) have a general set of criteria that companies must follow when setting SBTs⁶:

- **Boundaries:** Targets must cover 95% of scope 1 and 2 GHG emissions, and scope 3 where > 40% of emissions.⁷
- **Timeframe:** 5/10/15 years into the future from the date the target is submitted to SBTi for official validation.
- **Ambition:** At a minimum, scope 1 and scope 2 targets must be consistent with the level of decarbonisation required to keep global temperature increase to well-below 2°C compared to preindustrial temperatures. However, companies are encouraged to pursue greater efforts towards a 1.5°C trajectory.
- **Offsets:** The use of offsets must not be counted as emissions reduction toward the attainment of companies' SBTs.

Once signatories formally commit to setting SBTs, they have 2 years to have their SBTs set and approved. As every sector is different, the SBTi is developing sector-specific guidance.

The science-based path to net-zero

The path to net-zero must be science-based. Extensive scientific research clearly states the need to reach net-zero global CO₂ emissions by mid-century in order to limit global warming to 1.5°C and to reduce the destructive impacts of climate change.⁸ The concept of net-zero has risen in prominence over the last few years, as companies are increasingly committing to reaching this ambitious goal. In contrast to SBTs, net-zero targets indicate carbon neutrality, rather than direct emissions reductions and therefore carbon offsetting is allowed.

However, not all net zero targets are equal. The definition of 'net zero', as well as the path to get there, are diverse and often inconsistent. To address this the SBTi launched the first science-based global standard for corporate net-zero targets. The SBTi Net-Zero Standard defines corporate net-zero as reducing scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways. SBTs provide the short and medium-term milestones to align with the Paris Agreement but these targets can also give credibility to companies' net zero commitments.

⁶ See SBTi Science-Based Targets Criteria: [SBTi Criteria and Recommendations](#)

⁷ All companies that are involved in the sale or distribution of natural gas or other fossil fuel products must set scope 3 targets for the use of sold products, irrespective of the share of these emissions compared to the total scope 1, 2, and 3 emissions of the company.

⁸ Source: SBTi



The Low Carbon Pledge report is underpinned by the data provided by The Pledge signatories. Topics covered are: the journey to science-based targets (SBTs) and net zero organisational approaches; carbon accounting; challenges faced; carbon offsetting; and reporting.

4

Low Carbon Pledge

Results Overview

Executive Summary

The statistics within this report are based on data provided by signatories as part of the annual BITCI questionnaire which was completed between February and March of this year.

The journey to science-based targets (SBTs) can be challenging, however, The Pledge companies have shown real ambition. We reviewed the data reported in the original BITCI questionnaire in February / March of 2023 and compared this to the publicly available target dashboard from the Science Based Targets initiative (SBTi) website to have the most accurate and up to date data. Encouragingly from March until September 2023 an additional 3 signatories have since set and disclosed their science-based target. This means that 53% of signatories have now successfully fully set SBTs (up 12% from last year), a trend we expect to see continue into next year's report.

Disappointingly only half of signatories (51%) have integrated the Irish government's Climate Action Plan into their sustainability strategy. Signatories should consider how they can align to the government's economy-wide carbon budgets and sectoral emissions ceilings as a priority going forward as Ireland will miss its 2030 climate targets unless all sectors of the economy deliver emission reductions in the short term and sustain this delivery into the future.

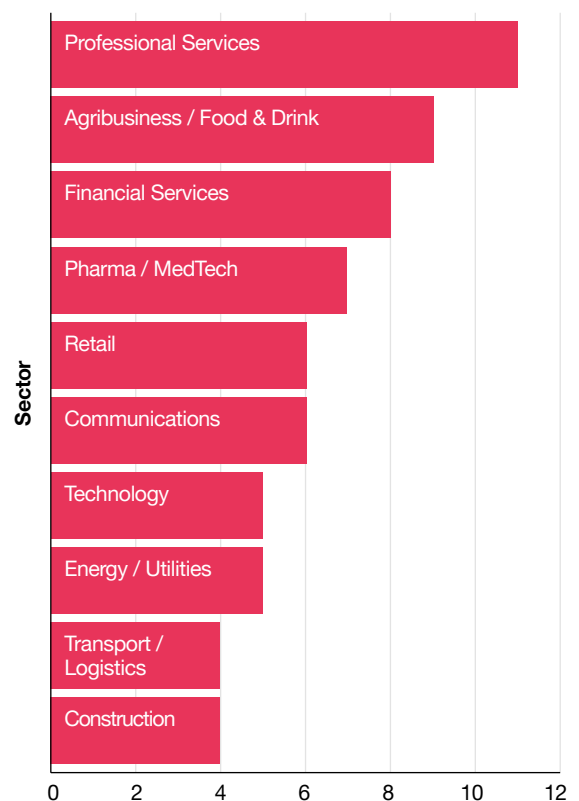
Non-financial reporting has moved from something that used to be a 'nice-to-have', to something that stakeholders now expect from companies. With this external focus comes the risks associated with inaccurate and incomplete reporting. Ensuring that the verification, both internally by the organisation and externally by a third party, of emissions data is robust and accurate is the best method to mitigate against these risks. The new Corporate Sustainability Reporting Directive (CSRD) requires limited assurance over the reported data and thus in itself is a game changer in terms of robustness of climate data collection and reporting.

Signatories of the Low Carbon Pledge shouldn't view the climate and biodiversity crises in isolation. Climate change is having a negative impact on many of the world's species and ecosystems, driving biodiversity loss. At the same time, protecting and restoring biodiversity is critical to mitigating and adapting to climate change.

4.1 Pledge Signatories

68 organisations have signed this year's Pledge (see Figure 4), up from 47 signatories in 2019. The signatories span 11 different sectors, with Professional Services and Agribusiness / Food & Drink companies being the largest sector groups. Since the 2022 report - Breedon Ireland and Matheson have joined as the newest signatories to the Pledge while ABP Ireland, College Proteins Group, Enterprise Rent-a-car and Mercury Engineering have left.

Figure 4: Signatories per sector



4.2 Science-based Targets Progress

The journey to science-based targets (SBTs) can be challenging, however, The Pledge companies have shown real ambition. In many cases significant progress has already been made with 50% having successfully fully set SBTs (*up 9% from last year*) and had them approved by the Science Based Targets initiative (SBTi). A further 31% have formally committed to setting SBTs (*up 2% from last year*), 9% of which have set them and are awaiting approval (*up 3% from last year*). This means that 81% of the signatories are well progressed to setting science-based targets by 2024 (*up 11% from last year*).

The most common year that signatories submitted their formal SBT submission to the SBTi was in 2021 followed by 2020. 19 signatories hope to submit their application in 2023 / 2024.

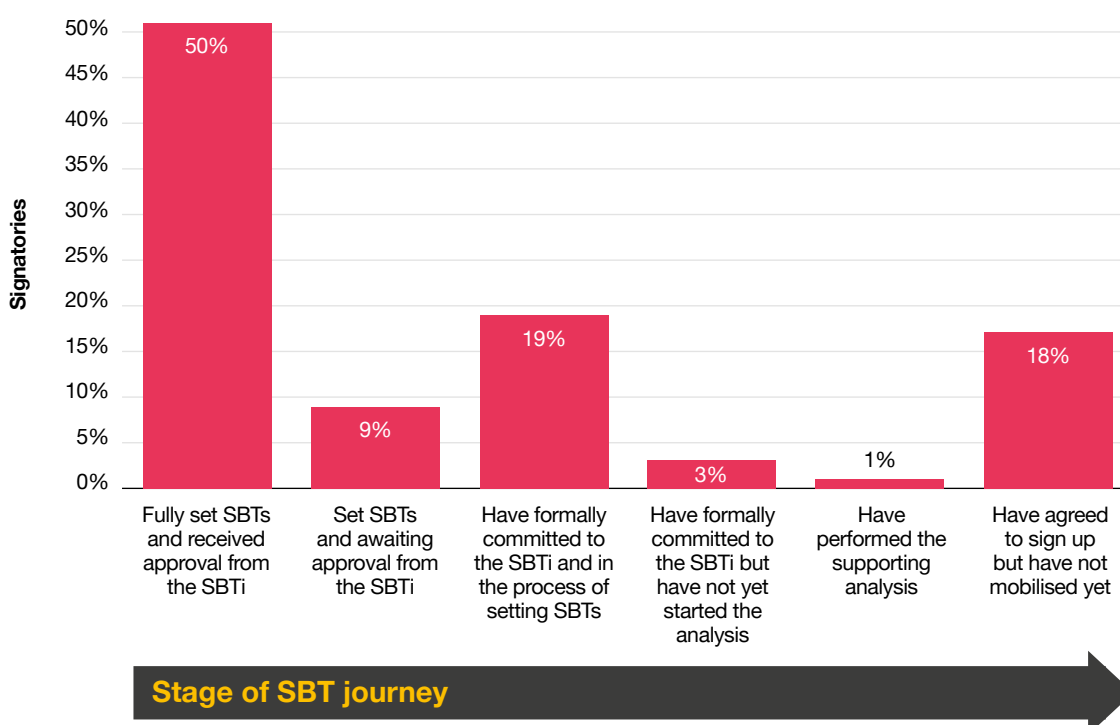
Of the 25 signatories who indicated if they would meet the requirements of the low carbon pledge and have science-based targets set by December 2024, 92% indicated they would. One signatory noted that they are waiting for the policy for the Oil & Gas Sector to be provided; however, in the meantime they plan to develop SBTs aligned with the generic SBT methodology available.



As per the SBTi criteria⁹ absolute and intensity-based emission reduction near-term targets must cover a minimum of 5 years and a maximum of 10 years from the date the target is submitted to the SBTi for validation. The choice of base year must be no earlier than 2015. It is recommended that companies use the same base years for all near-term targets.

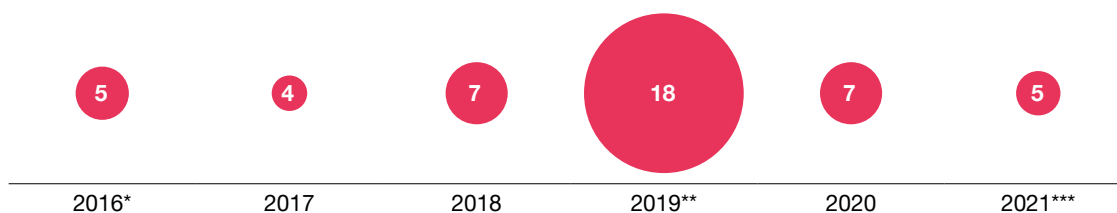
Of the 46 signatories who provided information on their chosen baseline year, the most common baseline year was 2019.

Figure 5: Progress of signatories on the journey to science-based targets (per stage)



⁹ See SBTi Science-Based Targets Criteria: [SBTi Criteria and Recommendations](#)

Figure 6: Baseline year chosen by the 47 signatories who provided data



*One signatory who selected 2016 as their baseline year noted that building on their long-standing commitment to reduce their emissions, and reflecting their progress and increased ambitions, they are setting a new science-based target aligned to 2030, with a base year of 2019. This new target has been submitted to the Science Based Targets initiative for approval.

** One signatory who selected 2019 as their baseline year outlined that this was for scope 3, however, their chosen baseline year would be 2015 for scope 1 and scope 2.

*** One signatory who selected 2021 as their baseline year noted that this is their baseline for scope 3 investment emissions (scope 1 and scope 2 emissions would have a 2019 baseline).

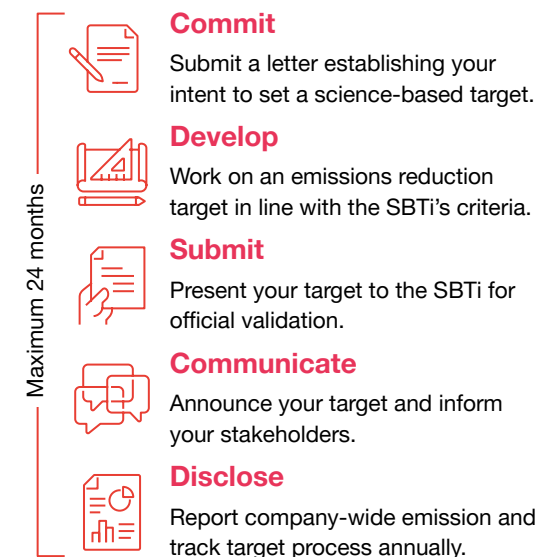
4.3 Net Zero

Science-based targets (SBTs) are short to medium-term targets, which can be used as a stepping-stone to achieve longer term net zero ambitions. Therefore, although this report is primarily focussed on setting SBTs, net zero commitments are also considered.

Net-zero pledges now cover 92% of GDP and 88% of emissions worldwide.¹⁰ Despite this, the definition of net zero is often interpreted inconsistently. Without a common definition, targets can differ in terms of the emissions sources included and the depth and speed of emissions reductions. Science-based targets are intended to resolve this issue and through the Science Based Targets initiative (SBTi) companies can set science-based net-zero targets in a consistent and comparable way.



Figure 7: Five-step process of setting net-zero science-based targets



48 signatories indicated which step they are on in their net-zero journey, with 65% of these having committed by submitting a letter establishing their intent to set a net-zero science-based target.

Table 2: Step signatories are currently on in their net-zero journey

(Note: 7 Signatories selected multiple steps)

Stage	
Committed	31
Developing a target	10
Submitted	8
Communicated	7
Disclosed	5

Signatories noted multiple challenges in setting net-zero science-based targets with 23% indicating lack of technology as the biggest obstacle. Other challenges noted were government policy (13%), data accessibility (13%) and lack of innovation (12%).

Commentary noted other specific challenges including: resource constraints; complexity of the assessment required; data quality issues; supply chain complexity with a wide variety of

10 Source: SBTi - The Corporate Net-Zero Standard

scope 3 emissions sources; dependency on supplier strategies; complexity of operations and dependencies on other companies.

Signatories who have set a net zero ambition

There were a number of challenges in setting net zero ambitions with 45% of respondents choosing multiple main challenges from the list of: complexity of assessment, data accessibility, internal resources, lack of guidance and cost. A third of signatories noted both complexity of assessment and data accessibility as the main challenges.

Commentary provided noted other organisation specific challenges including one signatory in the transport / logistics sector reporting that to finally achieve net zero targets will require some carbon offsetting but currently there are no appropriate carbon offsetting initiatives in Ireland. Another signatory in the financial services sector noted that there are no agreed industry standards of how certain metrics should be captured / identified such as the carbon footprint of a specific product.

More than 1 in 5 companies said that their business will face fundamental changes because of their net zero ambition. Nearly a quarter of organisations mention that they will need to use more renewable energy. Interestingly only one organisation highlighted that it said it would impact the business in a positive way, which indicates that organisations are still being driven by regulatory compliance and risk mitigation.

Similar to SBTs, net zero ambitions are often set separately for scope 1, 2 and 3 emissions. The significant number of signatories that did not declare a net zero time frame is an indication of the complexity associated with understanding the required pathways to net zero. There has been a slight improvement in the number of signatories selecting a timeframe of 2030 or earlier across both scope 1 and 2 emissions (3% increase) and scope 3 emissions (4% increase).

Circular Economy

Ireland's Circular Economy Programme (2021 to 2027) is the driving force for Ireland's move to a circular economy. The vision for the Programme, which is led by the Environmental Protection Agency (EPA), is an Ireland where the circular economy ensures that everyone uses less resources and prevents waste to achieve sustainable economic growth.¹¹

A circular economy has positive environmental, economic and social impacts, such as reduced plastic pollution, new jobs, and better quality, longer lasting, consumer products.

47% of signatories noted that they have a circular economy strategy with examples of how it is linked to their carbon footprint including:

- Reducing the need to purchase new assets;
- Encouraging searching for ways to upcycle instead of disposing of unused items;
- Adopting of best practice;
- Integrating national schemes (for example Deposit Return Scheme (DRS) in Ireland);
- Waste reduction (across food and / or single use durables);
- Improving the efficiency of products;
- Creating products which can be reused and repaired when they come to the end of life with a customer;
- Increasing use of recycled and recyclable materials; and
- Extending lifetime of equipment (which should reduce embodied carbon in the supply chain over time).

Integration of Ireland's Climate Action Plan into Sustainability strategy

The Climate Action Plan 2023 (CAP23) is the second annual update to Ireland's Climate Action Plan 2019. This plan is the first to be prepared under the Climate Action and Low Carbon Development (Amendment) Act 2021, and following the introduction, in 2022, of economy-wide carbon budgets and sectoral emissions ceilings.

Disappointingly only half of signatories (51%) have integrated the Irish government's Climate Action Plan into their sustainability strategy. Examples of how it has been integrated include:

- Corporate Purchase Power Agreement (CPPA) supports the delivery of the Irish Government's Climate Action Plan which has set a target of 15% of all electricity demand being met by renewable generators contracted under CPPAs by 2030; and
- Offer a range of sustainable finance products that support the national Climate Action Plan.

A number of signatories also noted that the targets that they have set go above what has been set by the Irish government. In addition, a number of those that have not integrated the Irish government's Climate Action Plan into their sustainability strategy noted that, as they are a global organisation, targets are set globally rather than at a country level.

Only 18% of signatories noted that they have aligned their carbon emission reduction targets with the government's sectoral carbon budgets (further information can be found in section 2.2 above).

¹¹ Source: Environmental Protection Agency (EPA) - [The Circular Economy Programme 2021 - 2017](#)

4.4 Emissions performance overview

As part of the annual questionnaire, each signatory is asked to provide their scope 1, 2 and 3 emissions in tonnes CO₂e for the preceding business year. This year completion of these questions were mandatory. When the data was reviewed as part of drafting this report, substantial year on year variances were identified.

Responders have listed the following reasons for these differences:

- Input error;
- Misreporting of carbon data across scopes;
- Geographical error (e.g. included emissions for the UK for Irish dataset);
- Data not provided in previous years;
- Business growth;
- Post pandemic effect (employees returning to the office and / or return to more normal levels of business travel);
- Scope 1
 - Fleet expansion,
 - Inclusion of more detailed reporting of company car fuel usage;
- Scope 2
 - Use of market-based methodology, instead of location-based;
- Scope 3
 - Inclusion of additional categories of scope 3 emissions as outlined by the Greenhouse Gas Protocol which is important to ensure that an organisation's full scope 3 emissions are reported.

There were instances of emission reductions through:

- Various energy / decarbonisation projects;
- Increased usage of renewable electricity;
- More efficient management of buildings;
- Reduction in usage of heating oil / natural gas due to, for example, heat pump installation;
- Move to hybrid and electric vehicle policy.

While many of the signatories use third party verification they do so on a voluntary basis and generally only on a limited number of metrics. It is clear, based on the variances noted above, that the upcoming need to assure non-financial data in a similar fashion to financial data is critical. However it is also clear that significant effort will be required to develop this capability. It is important therefore that organisations understand the scope and scale of their upcoming reporting requirements and that they are preparing in sufficient time for these challenging new requirements.

Figure 8: Overview of scope 1, 2 and scope 3 emissions

◀ Scope 3	Scope 1 and 2	Scope 3 ▶
Supply chain ('Upstream')	Reporting company	Customers ('Downstream')
1. Purchased goods and services		9. Downstream transportation and distribution
2. Capital goods		10. Processing of sold products
3. Fuel and energy related activities (not included in scope 1 or scope 2)		11. Use of sold products
4. Upstream transportation and distribution		12. End-of-life treatment of sold products
5. Waste generated in operations		13. Downstream leased assets
6. Business travel		14. Franchises
7. Employee commuting		15. Investments
8. Upstream leased assets		

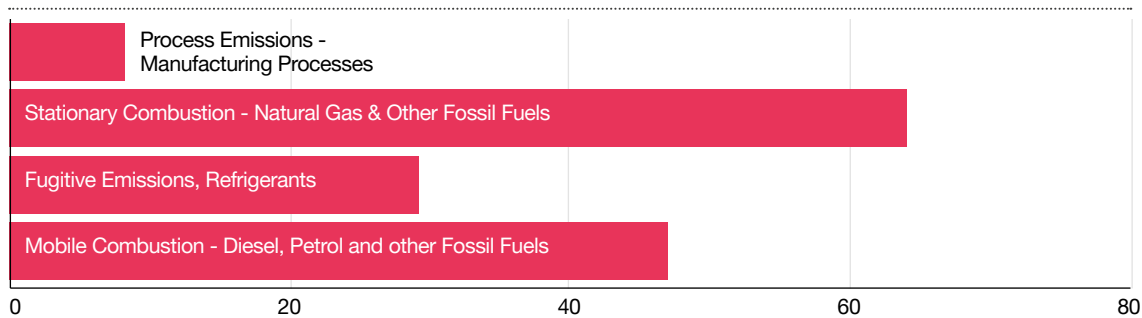
Source: Greenhouse Gas Protocol, Scope 3 Standard



Scope 1 emissions are direct GHG emissions that occur from sources that are owned or controlled by the organisation. This segment comprises four principal emissions sources: process, stationary, fugitive and mobile.

The main source of scope 1 emissions among the signatories is from stationary combustion (e.g. natural gas and other fossil fuels) which is consistent with the results reported in previous years.

Figure 9: Source of signatory's scope 1 emissions



*Note signatories were able to choose multiple options

Scope 2 emissions are indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam.

The principal source of scope 2 emissions among the signatories is from purchased electricity (94% of signatories) which is consistent with the results reported in the 2021 report. Other sources of scope 2 emissions include natural gas, purchased steam and chilled water, district heating or power purchase agreements (PPA) for wind farms.

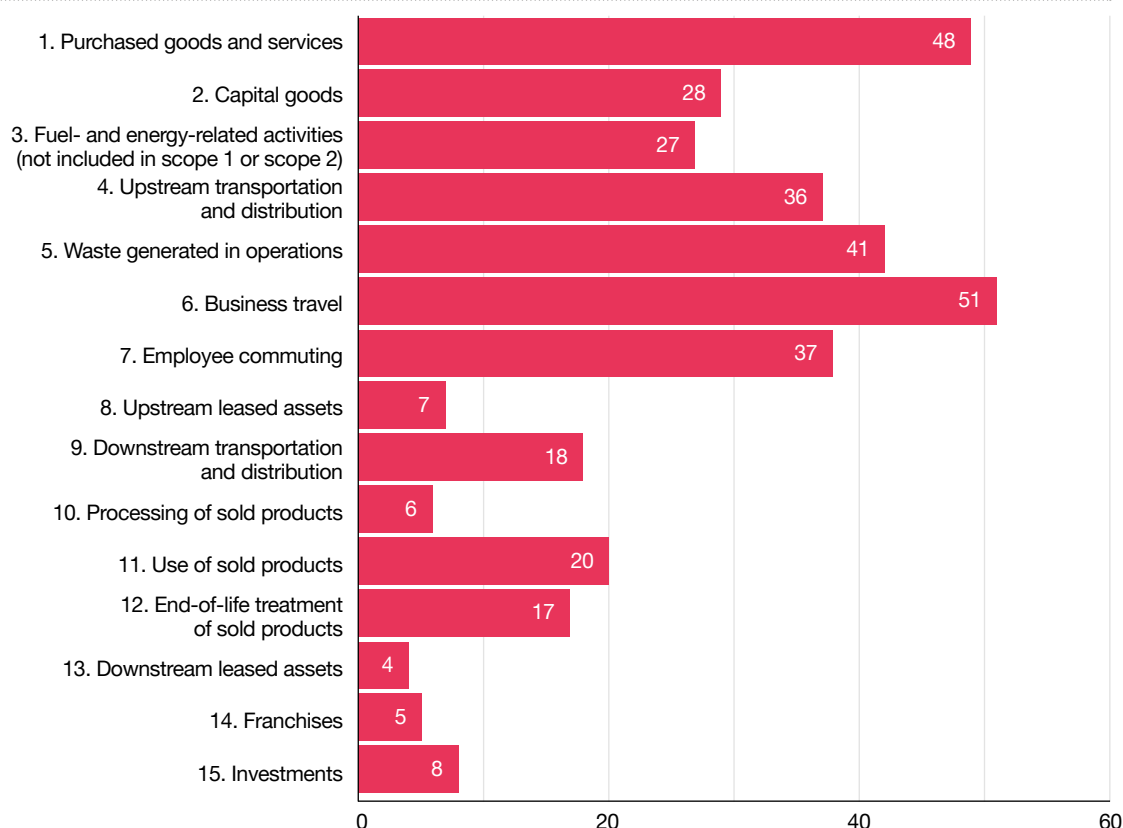
For those that purchase renewable energy*,

56	11	11
signatories purchase directly	signatories purchase corporate PPAs	signatories Invest / co-invest in renewable energy projects

*Note signatories were able to choose multiple options

Scope 3 emissions are all other indirect emissions. Figure 10 displays the signatories scope 3 emissions * as per the 15 categories of scope 3 emissions, as outlined by the Greenhouse Gas Protocol.¹²

Figure 10: Signatory's main sources of scope 3 emissions as per the categories outlined by the GHG Protocol



*Note signatories were able to choose multiple options

Respondents reported that the most significant sources of scope 3 emissions were business travel and purchased goods and services. Disappointingly 8 signatories did not yet know what percentage of their entire carbon footprint was made up of scope 3 emissions, with almost half (49%) stating that scope 3 emissions make up over 80% of their carbon footprint. This highlights the importance of focussing on reducing scope 3 emissions which clearly requires that companies are first in a position to accurately measure all material emission sources.

21 signatories noted that they have linked employee/director compensation/bonuses to climate performance with 12 of these noting that these are for senior management and above (*Directors, CFO, CEO, Executive committee*).

4.5 Decarbonisation Activity

34% of signatories have availed of government support (advice, grants, consultants) for energy management/carbon reduction within their organisation. 13 signatories mentioned the Sustainable Energy Authority of Ireland (SEAI) and 5 signatories mentioned the IDA.

Surprisingly, only 50% of signatories have a dedicated budget for the completion of carbon reduction projects. Only 3 signatories shared what percentage this budget represents in comparison to the total annual budget with figures ranging from 0.1% to 20%.

23 signatories completed deep energy retrofit projects in 2022 with upgrades to lighting and boilers / heating / hot water taps being the most common. One signatory noted BER improvement from C3 to B1 which is a good result for a retrofit project.

¹² Source: [Greenhouse Gas Protocol](#), Scope 3 Standard

Other significant decarbonisation projects completed by signatories in 2022 include:

- Infrastructure preparation for electric vehicles;
- Addition of new electric vehicles to fleet;
- Exited heritage building with lower energy efficiency;
- Plastic reduction in packaging and product;
- Airfreight ban for all fresh fruit and vegetables; and
- Business travel reduction.

39 signatories noted that they have developed new products/services with a lower/reduced environmental impact with examples including:

- Insurance products aimed at greener homes and vehicles;
- Sustainable finance propositions;
- Plug-in hybrid electric buses;
- EV charger installation as a consumer product / service;
- Warm Mix Asphalt Concrete made with lower carbon cement including Ground Granulated Blastfurnace Slag (GGBS);
- Timber frame houses, light gauge steel duplexes (pilot), light gauge steel apartments (pilot);
- Virtual sets using LED walls as opposed to physical sets; and
- Plug-and-play device which lets customers stream entertainment via WiFi straight to any TV without a dish featuring an auto-standby mode that reduces both emissions and electricity costs.

24 signatories noted that where they have a pension fund for employees, they have considered, or are already actively divesting, this fund away from fossil fuels.

4.6 Carbon Offsetting

A carbon offset is a reduction in carbon dioxide emissions in order to compensate for emissions made elsewhere. They reduce, remove or avoid greenhouse gas (GHG) emissions but can also bring a host of potentially positive and negative impacts.

Note: The use of carbon offsets is not permitted to achieve science-based targets (SBTs). The Science Based Targets initiative (SBTi) requires companies to achieve SBTs based on actual emission reductions, through direct action within their own operations and value chains. When carbon offsets are being proposed organisations should first consider whether investment in decarbonisation solutions is a viable alternative. Where these solutions are not currently available carbon offsets are often considered in the short term.

Overall, 25% of signatories are involved in carbon offsets, removals, neutralisations or other similar schemes with carbon offsets being the most prevalent followed by carbon removals and then carbon neutralisation. The involvement in offsetting is primarily focussed in the professional services and financial services sectors. The split between prioritisation of offsets in Ireland and overseas was equal.

There are risks associated with purchasing offsets overseas, including in relation to verification, additionality (i.e. would it have occurred as a carbon-reducing activity in any event) and permanence (i.e. temporary biological capture of carbon versus its permanent release when burning fossil fuel).

Only 14 signatories provided information as to how many tonnes of CO₂e that they offset in 2022 with results ranking from 5 tonnes to 3,116,077 tonnes of CO₂e.

Only 9 signatories provided information on their total investment in offsets in 2022 with spend ranging from €11,166 to €3,008,526.

The same 9 signatories provided information as to how much they paid per unit tonne for carbon offsets / removals with spend varying from €0.68 to €100 per unit tonne.

The price paid can depend on the type and quality of the carbon offset project, the carbon standard under which it was developed, the location of the offset, the co-benefits associated with the project, and the year in question.

4.7 Climate & Nature Risk

As outlined in this report, signatories of the Low Carbon Pledge are accelerating climate action and increasingly setting net zero emissions targets. 78% of signatories have identified potential risks from climate change in their organisation however only 56% report on climate related risks. 54% of organisations have a climate change ‘adaptation’ strategy or commitment.

However, the Low Carbon Pledge survey also found that the nature crisis has been brought into sharp focus by businesses after spending many years in the shadows of the climate crisis. 50% of signatories have identified the specific impacts and dependencies on nature for their organisation.

Signatories of the Low Carbon Pledge shouldn’t view the climate and biodiversity crises in isolation. Climate change is having a negative impact on many of the world’s species and ecosystems, driving biodiversity loss. At the same time, protecting and restoring biodiversity is critical to mitigating and adapting to climate change.

All businesses, no matter what the sector, impact and depend on nature, and therefore they should start considering how they can incorporate nature into their climate transition plans.

With the recent adoption of the Global Biodiversity Framework¹³ at the United Nations Biodiversity Conference (COP 15) in December 2022, understanding impacts and dependencies on nature will now be mandatory for businesses.

In July of this year, The European Parliament voted to support an amended version of the EU Nature Restoration Law¹⁴. The law aims to put in place recovery measures that will cover at least 20% of the EU’s land and 20% sea areas by 2030 and a reduction in the use and risk of chemical pesticides and the use of more hazardous pesticides by 2030.

5 actions that your business can take now to address the nature crisis:

1. Identify and assess the impacts and dependencies of your business on nature. Based on the outcomes of this analysis, decide which aspects of nature you should focus on. Tools such as ENCORE¹⁵, The WWF Biodiversity Risk Filter¹⁶ and frameworks such as The Taskforce on Nature-related Financial Disclosures (TFND)¹⁷ and Science Based Targets for nature can support businesses in understanding their impacts and dependencies on nature.
2. Explore how Nature-based solutions (NBS)¹⁸ can be incorporated into your climate transition plan. NBS should not be seen as a substitute for radical decarbonisation. As part of The Corporate Net-Zero Standard¹⁹, the Science Based Targets initiative (SBTi) only permits carbon removal and storage to counterbalance the final <10% of residual emissions that cannot be eliminated.
3. When evaluating your scope 3 emissions, use it as an opportunity to identify nature-based risks and opportunities in your businesses’ value chain.
4. Avoid prioritising solutions such as beehives on urban rooftops or distributing wildflower seed mixes. According to the National Biodiversity Data Centre, the honeybee is not at risk²⁰ of going extinct in Ireland. Wildflower seeds mixes have on occasion contained non-native/invasive species²¹. Altering mowing regimes and setting aside space for nature can be more impactful.
5. Work collaboratively with other businesses to learn how they have been addressing the Nature Crisis. Business in the Community Ireland²², Business for Biodiversity Ireland²³ and Business for Nature²⁴ all facilitate learning opportunities and collective campaigns between different business sectors.

¹³ Convention on Biological Diversity - [KUNMING-MONTREAL GLOBAL BIODIVERSITY FRAMEWORK](#)

¹⁴ Source: Business for Nature Article (12 July 2023)

¹⁵ [ENCORE](#)

¹⁶ [The WWF Biodiversity Risk Filter](#)

¹⁷ [The Taskforce on Nature-related Financial Disclosures \(TFND\)](#)

¹⁸ [European Commission - Nature Based Solutions](#)

¹⁹ [The Corporate Net-Zero Standard](#)

²⁰ [National Biodiversity Data Centre](#)

²¹ Source: [National Biodiversity Data Centre](#)

²² [Business in the Community Ireland - The Biodiversity Handbook for Business](#)

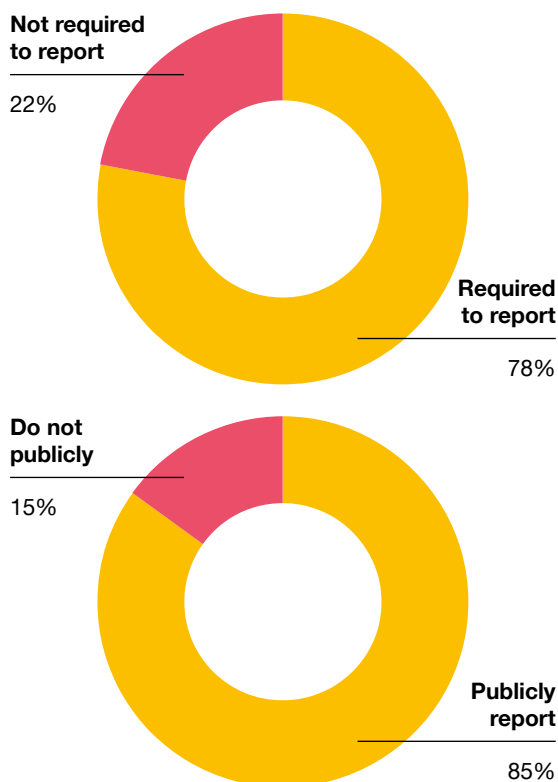
²³ [Business for Biodiversity Ireland](#)

²⁴ [Business for Nature](#)

4.8 Reporting

85% of the signatories publicly report non-financial data (up 4% from last year), which is above the portion (78%) that are obligated to do so (up 4% from last year). All signatories in the energy & utilities, retail, facilities management / foodservice and construction sectors report non-financial data.

Figure 11: Reporting non-financial data among signatories



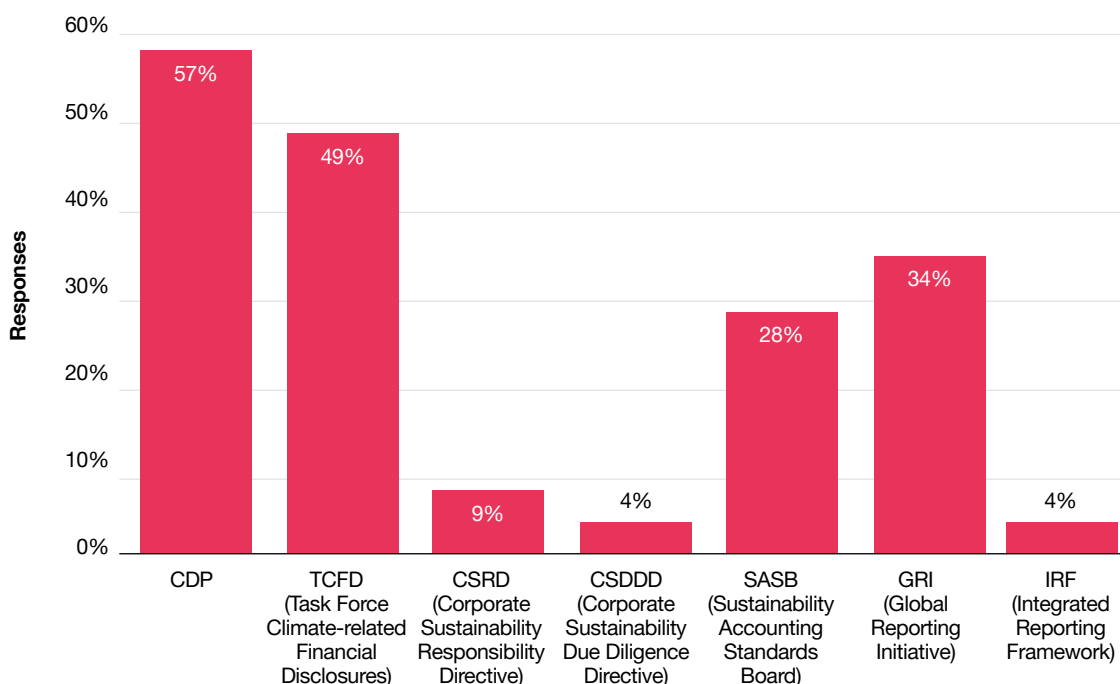
Non-financial reporting has moved from something that used to be a 'nice-to-have', to something that stakeholders now expect from companies. With this external focus comes the risks associated with inaccurate and incomplete reporting. Ensuring that the verification, both internally by the organisation and externally by a third party, of emissions data is robust and accurate is the best method to mitigate against these risks. 71% of this year's signatories receive external verification of their non-financial data, compared to 70% in last year's report.


CDP is still the most popular reporting framework among signatories, with 57% of signatories submitting data (down from 61% last year). Other commonly used reporting frameworks are the Global Reporting Initiative (GRI) at 34% (down from 41% last year), Task Force on Climate-related Financial Disclosures (TCFD) at 49% (up 8% from last year) and Sustainability Accounting Standards Board (SASB) at 28% (up 3% from last year). A small number of signatories indicated they report to the Integrated Reporting Framework (IRF) at 4%. In response to new options this year, 9% report against Corporate Sustainability Reporting Directive (CSRD) and 4% against Corporate Sustainability Due Diligence Directive (CSDDD).

Many of the respondents said mandatory / reflects companies principles / selected by parent as key reasons for reporting against certain frameworks, while public visibility and best practice are also important.

Only 4 signatories noted that sustainability reporting is explicitly driven by contracts that they have with their customers/suppliers.

Figure 12: Non-financial reporting frameworks among signatories





The case study analysis provides a short overview of how three companies from within the 68 Low Carbon Pledge signatory companies are seeking to decarbonise their business operations and progress on the journey to science-based targets (SBTs). The companies involved are ALDI Ireland, An Post and Ornu. The case studies seek to highlight the challenges faced in different sectors and how companies have successfully addressed these hurdles. Based on the questionnaires returned it was apparent that companies across multiple sectors were grappling with a number of specific topics including: reporting on sustainability, setting net-zero science-based targets and carbon offsetting. This section outlines some insights on these topics which are relevant as companies look to set SBTs.

5

Case Study

Analysis

5.1 ALDI



ALDI has been successfully implementing responsible business activities and programmes in recent years. Through its vision of ‘making sustainability affordable’, National Sustainability Director Liz Fox described how the company aims to continue to give its customers sustainable products, while providing reassurance that its products have been responsibly sourced. By addressing social and environmental problems where they are most pressing, ALDI aims to use its influence to have the greatest impact on people and the planet. ALDI acknowledges that retailers have a pivotal role to play in meeting global sustainability targets.

Sustainability Strategy

ALDI Ireland’s Sustainability Strategy is focused on 6 dimensions - Plastics & Packaging, Food Waste, Human Rights, Health & Nutrition, Animal Welfare and Climate. All these activities contribute to the overall vision of ‘*making sustainability affordable*’ to every customer.

Specific global, group wide targets are set for Plastics & Packaging, Food Waste, Human Rights, and Climate. Due to differing regional legislation/

regulation specific national targets are then set for Health and Nutrition and Animal Welfare (above global minimums). This is a pragmatic approach which balances corporate ambition with an acceptance of the importance of working with other stakeholders, within each country, to raise awareness of sustainability topics.

As an example, ALDI Ireland has a target that 75% of its sales will come from healthy products by 2025 which is one of the highest targets across their portfolio. This is possibly due to the local commercial

environment and lessons learned can now be quickly propagated to other regional divisions within the wider group. As another example, ALDI pledged to eliminate 60 tonnes of food waste from its operations in 2023 in support of the Government's National Food Waste Prevention Roadmap. Having already surpassed this target, the retailer set a new ambition as part of National Food Waste Recycling Week to eliminate a total of 500 tonnes of food waste this year.²⁵

Selecting sustainability ambitions that resonate with your customers and value proposition is key to defining a meaningful sustainability strategy which can also create differentiation in the marketplace. In February 2023, ALDI was the first Irish retailer to partner with food surplus app, Too Good To Go. The partnership enables ALDI to cut down on food waste, whilst also offering customers the opportunity to purchase food at lower prices. This initiative not only positively impacts the environment but is also mutually beneficial from a business and a consumer perspective.

Knowledge sharing is a key driver of sustainability ambition. Best practices and learnings from the national programmes are shared with the wider group to consider wider application. An example of this is the Too Good To Go partnership which is now being looked at by others within the group to assess where it can be replicated and scaled internationally.

Sustainability Structures

Sustainability is embedded throughout the organisation. The International Sustainability Committee is chaired by the CEO of the global sourcing department and also includes a sustainability lead from each country. There is also a National Sustainability Committee which is chaired by the same sustainability lead who attends the International Sustainability Committee and includes representatives from all departments across the business. Critical to the success of this model is selecting representatives with appropriate seniority and business knowledge to appropriately select the right sustainability initiatives brought to the committee. Having the right senior representatives from each department across the business at the national Sustainability Committee ensures suggestions and feedback flow both up to the senior executives and down to all employees.

The food waste tonnage KPI introduced by the store operations team is an example of an employee proposed initiative that was adopted by the national Sustainability Committee and then brought to the International Sustainability Committee. Employees are invited to submit sustainability related feedback and ideas through the existing employee engagement portal.

At store level, ALDI will invest €7.2 million in upgrading six of its stores in 2023 through its retro-fitting programme 'Project Fresh', which overhauls a store's infrastructure with energy-saving upgrades. Through these innovations, ALDI stores are significantly cutting their energy consumption with the use of modern and efficient chiller doors and refrigeration systems. This not only reduces each store's environmental impact, but also allows ALDI to reinvest savings made in its store network to improve the overall shopping experience for customers.

ALDI Ireland is focused on embedding sustainability throughout the organisation and has therefore created a model that pushes responsibility to all departments. While there is a small core sustainability team who track progress of all sustainability projects, each business is responsible for implementing the initiatives relevant to their business activity. This approach ensures that, for example, the supply chain team deals with the supplier related sustainability initiatives, which are core to their area of responsibility.

Relationships with Suppliers

Through its Vision of '*making sustainability affordable*', ALDI aims to continue to give its customers sustainable and appropriately sourced goods without compromising on cost or quality. This requires extensive supplier engagement and goes far beyond incorporating sustainability metrics into procurement processes. As ALDI strives towards reducing its own carbon emissions, it works hard to enable its suppliers to do the same. A recent example saw ALDI working with its milk suppliers to remove coloured plastic caps from its milk cartons in a bid to further improve the recyclability of its products. Due to the easier recyclability of the new clear tops, an additional 70 tonnes per year of recycled High-Density Polythene (rHDPE) can be turned back into food-grade packaging, as the tops will be reused to create new milk cartons.

Reporting

Although ALDI is a privately owned family business, it aims to report in line with publicly listed competitors as they believe transparency is a critical success factor for any sustainability strategy. ALDI Ireland will be due for CSRD reporting in 2026 for financial year 2025. The wider ALDI South Group plans to complement Ireland's sustainability efforts by setting new Science Based Targets to cover all 3 scopes, in line with a 1.5-degree warming scenario. Reporting on progress towards net-zero, while continuing to focus on value for money products, will help ALDI deliver on its objective to make sustainability affordable for all customers.

While reporting is a key element of the sustainability strategy, ensuring that key stakeholders, including

²⁵ www.aldipresscentre.ie/business-news/aldis-food-waste-partnerships-have-avoided-over-1-million-kg-of-food-from-going-to-waste

customers and employees, assess progress and the full adoption of the sustainability strategy also mitigates wider business risk and presents opportunities. ALDI has long identified the need to safeguard its business by taking a long-term perspective and addressing key issues such as food security and supply chain resilience in order to be able to continue to provide customers with cost effective nutrition. Recent experiences have demonstrated that incorporating sustainability into all business activities can also create competitive advantage and attract the customer and employee of the future.

Key initiatives or actions that policymakers should consider supporting this sector

- Achieving many climate, animal welfare, and nutrition related sustainability objectives at a national level will require significant changes to consumer behaviours. Supermarkets alone

cannot deliver this change and government sponsored programmes should be considered such as national food campaigns or through providing relevant incentives aligned to its Climate Action Plan.

- Many sustainability issues are cross-sectoral and in these cases a clear national strategy and roadmap are required to help guide industry to make informed decisions. For example, there are multiple alternative zero carbon/low carbon fuels available today however it is not clear which ones will scale appropriately (and affordably) which delays investment decisions within the sector.
- High energy market prices are a challenge for many businesses. It is recommended that incentives are put in place to purchase renewable energy / renewable energy sources as this could become a challenge for companies should energy prices remain high.

5.2 An Post



An Post is one of the largest employers in Ireland with a significant vehicle fleet and national retail network with a presence in every community. As such, they are uniquely positioned to make a positive environmental and social impact, ensure equality for all and create everyday opportunities to make sustainable living commonplace for all citizens, communities and businesses. They aim to achieve this by embedding sustainability in everything that they do in An Post.

An Post are acutely aware of the impacts of climate change and the urgency of climate action and driven by this have committed to ambitious decarbonisation targets. They have committed to net zero carbon emissions from their own operations by 2030, with a 50% reduction by 2025. As part of their support for Ireland's Climate Bill and the 2015 Paris Agreement

they have committed to the Science Based Targets initiative (SBTi). They have committed to the targets of 1.5°C for scope 1 and scope 2 and 'well below 2°C' target for scope 3. SBTi's Target Validation Team has classified An Post's scope 1 and 2 target ambition and has determined that it is in line with a 1.5°C trajectory.

Sustainability Strategy

When defining their sustainability strategy An Post started with their purpose which is to 'act for the common good, now, and for generations to come'. This purpose guided the creation of their sustainability strategy which ensures full alignment with the commercial strategy.

Leadership from the Top

Strong leadership on sustainability can accelerate ambition and allow organisations to 'fast track' progress. In the first phase of sustainability strategy definition David McRedmond was requested to approve a large order for diesel vehicles. He called out how this didn't align with the company's sustainability ambition where electric vehicle alternatives were available in the market.

While other companies at the time were considering piloting electric vehicles, a clear mandate at the CEO level permitted An Post to become a pioneer in fleet electrification in Ireland.

When initially setting carbon reduction targets, the CEO challenged the team to ensure that they were both ambitious and supported by interim targets. Interim targets were viewed as critical for maintaining focus and motivation as working to, for example, a 2035 target may fail to resonate with all but the most visionary staff. An Post's near-term goal of a 50% reduction from their own operations by 2025 ensures that An Post is constantly looking for innovative ways to reduce their carbon footprint. They call out the importance of distinguishing between setting a target and knowing precisely how it will be delivered.

Integrated across the Organisation

As An Post's purpose is lived across the company and is reinforced consistently from management, staff are empowered throughout the organisation to take actions themselves that are in line with the purpose. Once you set a strategy and a purpose that people can relate to and understand then it becomes embedded within their everyday business activity.

For An Post, communities and the social benefit associated with the work that they undertake are of equal importance to decarbonisation. An Post's decision to electrify its fleet through both electric vehicles and electric bikes had an additional benefit of reducing noise disruption in communities which also demonstrated novel transport solutions within the community. This highlights the importance of co-benefits when considering the business case for change. To ensure that the full sustainability spectrum was considered when defining their sustainability strategy An Post leveraged the Sustainable Development Goals framework.

Reporting

Being open and transparent in relation to progress against targets is key for An Post. If they are off their stated decarbonisation trajectory An Post ensures that they report this and explain how they will get back on track. This was the case during the Covid pandemic when emissions increased as An Post had made a decision to prioritise employee health and safety. An Post allowed employees to take the vans home to reduce contact levels or turn the heating on with windows open as that was the right thing for employees. Nicola Woods noted that *"If you are making the right decisions in your business, you should not be afraid to share why you've done it"*.

In addition, An Post is very transparent about any changes to metrics within target as solutions emerge. For example the initial target relating to transport was to have an absolute number of electric vehicles by a certain date, however with the rise in alternative fuels they elected to revise this target. In 2021, An Post replaced its metric of '2000 electric vehicles by 2022' and created a new metric of '50% of the fleet to run on alternative fuel sources to diesel by 2025' to better represent its move to different sources of alternative fuels within their fleet.

Sharing relevant and accountable information about their business practices, supply chain and their people is of utmost importance to An Post as it enables them to track their progress, be accountable for their ambitions and learn from the feedback they receive. An Post has been reporting on their emissions since 2008, including to the IPC SMMS (International Postal Corporation Sustainability Measurement and Management System) and also annually to the SEAI. Committing to the SBTi process was a logical next step on the journey to ensure continued adherence to global best practice.

When considering what forms of elective non-financial reporting to undertake, An Post carefully considers the intent behind the regulation together with the level of adoption across peer organisations. Where additional value is delivered, with consideration for the effort involved, the regulation is adopted. An example of this was reporting against TCFD (Task Force on Climate-related Disclosures) which provided useful insights for the organisation on climate-related risks and opportunities and was seen as a useful stepping stone towards the Corporate Sustainability Reporting Directive (CSRD). Work is currently underway to assess Nature-Related Financial Disclosure (TNFD) framework adoption to capture nature-based risks and opportunities. Many upcoming EU regulations are anticipated to be onerous to implement. For example, the complexity of implementing Corporate Sustainability Due Diligence Directive (CSDDD) has led An Post to initiate an early gap assessment. Taking a longer term view, combined with a pragmatic approach, ensures that An Post maximises business value when achieving regulatory compliance while minimising organisational impact during implementation.

Structure for Sustainability within An Post

An Post's ability to develop and execute on its sustainability ambition is enabled by steadfast support at the executive level. However, leadership support alone is not sufficient. In 2022 An Post refreshed their employee ideas programme 'Bright Ideas' which gives employees the opportunity to share their business improvement suggestions and importantly - to receive feedback on how their idea is progressing. This is important as business considerations may delay/impact on any proposed initiative but it is key that the employee receives this feedback. Previous employee-led initiatives involved sharing tips and tricks into incorporating sustainability in your own home life. Employees are encouraged to share what they have done through the An Post employee app.

Up to this year An Post had a fairly typical sustainability governance structure involving a small dedicated sustainability team with committees and working groups to drive delivery of particular ESG related initiatives. The upcoming CSRD regulation has accelerated the delivery of a more comprehensive sustainability governance model. This involves 10 different work streams which involve all business units across the entire organisation. As many targets span multiple departments, accountable people, and reporting lines, a formal programmatic structure was adopted with a dedicated Steering Committee with reporting and escalation to the Executive and then to the Board. This sustainability governance structure is focused on tracking against the sustainability targets and the associated activity. It is important to note that accountability for achieving sustainability targets typically lies within the business unit rather than sitting with the dedicated sustainability team.

This structure is supporting An Post in preparation for full CSRD reporting. In the last two annual reporting cycles they have run an internal exercise to 'dry run' a formal assurance assessment on the gathering of sustainability data. The learnings for the teams on the processes behind how a number/data point was gathered have been informative and have helped An Post to assess additional resourcing requirements.

Key Learnings

1. It is important to consider all aspects of sustainability and not restrict your analysis to climate. Understand what ESG ambitions are right for your business.
2. Create a formal programme structure to ensure accountability across the organisation for sustainability, and also to support future mandatory reporting requirements.
3. Ensure sustainability initiative delivery is embedded within departmental budgets - as distinct from the dedicated sustainability team budget.
4. Get ahead of mandatory assurance requirements - complete an internal exercise and engage your internal audit teams early for support.
5. Review resourcing within your Finance team so that you can supplement your team in advance of enhanced reporting requirements.
6. Ensure you are aware of the data requirements for future mandatory reporting requirements and understand the data it will be sourced from.
7. Anticipate bottlenecks, those who are working to reduce carbon emissions are also going to be those who will be required to support mandatory reporting.
8. Don't avoid tackling 'the elephant in the room' - there may be times when you need to choose between your long term strategy, near term commercial objectives and your declared sustainability objectives. Dealing openly with these topics and being clear on how the decision was arrived at is important both inside and outside the organisation.
9. Ensure full alignment between your sustainability strategy and your commercial property strategy. Assess leased buildings as a priority and engage landlords early in discussions to address energy efficiency issues. The decision to refurbish or move are key inputs into your commercial property strategy.

Key initiatives or actions that policymakers could implement to support their sector and the business community in general to realise climate ambition

1. Give guidance in relation to carbon offsetting and develop formal mechanisms/schemes to assess offset quality. This could also create investment opportunities for Irish organisations creating a market for local offsets. Currently many locally purchased offsets relate to projects outside the state.
2. Provide guidance in relation to insetting. A practical situation to consider is if a credit may be claimed back where an organisation has an overproduction of solar energy (for example from weekend hours where buildings may be closed).
3. Enhance microgeneration schemes to support export of surplus energy. For example, in An Post the peak activity period is between 6 and 8 am with renewable production/distributed battery assets available outside of these hours. An appropriate scheme would encourage wider deployment.

5.3 Ornu



Ornu is Ireland's largest exporter of Irish dairy products, exporting to 110 countries worldwide. Headquartered in Dublin, it has annualised sales of over €3.4 billion and a global team of 3,000 employees with 16 production facilities.

The Group is structured across two divisions: Ornu Foods and Ornu Ingredients.

- Ornu Foods is responsible for the marketing and sales of Ornu's consumer brands including Kerrygold, Dubliner, Pilgrims Choice, Forto and BEO. Markets are served by production facilities and in-market sales and marketing teams in Africa, Asia, Germany, Ireland, the UK, the rest of Europe, the Middle East and the US.
- Ornu Ingredients is responsible for the procurement of Irish and non-Irish dairy products and for the sale of dairy ingredients to food manufacturing and foodservice customers across the world. Ornu Ingredients is also responsible for managing volatility through de-risking and trading strategies. The business is supported by production facilities in Saudi Arabia, Spain, the UK, the US and by in-market teams in Africa and the Middle East.

Sustainability Strategy

As Ornuia is a cooperative, sustainability and the associated long term perspective are core to the business strategy. Their objective is to create value for Irish dairy farming families by driving profitable growth through a model that is sustainable into the future, economically, environmentally and socially.

Ornuia plays a key role in supporting the dairy sector in Ireland delivering significant value to their shareholder cooperatives, and ultimately the 14,000 dairy farmers and rural communities that they represent.

Ornuia is currently in the process of refreshing its sustainability strategy to align to its new '*Path to Prosper*' corporate strategy. The sustainability strategy is currently arranged across three main pillars:

- Environment focused on climate change, packaging, food waste, water, and biodiversity;
- Social focused on community, corporate social responsibility and people; and
- Responsible supply chain focused on the environmental and social sustainability of priority commodities that Ornuia is sourcing.

Structure

Sustainability is seen as being core to the business and as such, the sustainability team sits within Ornuia's growth function and reports directly to the Chief Growth Officer. Ornuia also has a balanced scorecard for the business with metrics across health and safety, quality, customer service, sustainability, and financials. Having these metrics ensures clear accountability across the business and sustainability KPIs have been incorporated into the executive reward structure. Work is ongoing to cascade sustainability objectives for all employees.

Clear and Challenging Targets

Ornuia currently has a target of 25% reduction in scope 1 and scope 2 emissions by 2025, and a 20% reduction in scope 3 emissions intensity by 2025, with work underway to evolve these into 2030 targets. Ornuia has submitted science-based targets (SBTs) for validation by the Science Based Targets initiative (SBTI) and hopes to complete this process by early next year. In addition, in Ornuia's supply chain, primary processors are focused on supporting farmers to deliver specific regulatory targets relating to water quality and emissions reduction. They are also working to reduce their own emissions, including investigating renewable heat options to reduce their reliance on natural gas.

Engagement

Ornuia engages with its suppliers to understand their decarbonisation challenges. Through the procurement function, Ornuia is focused on sharing best practices and discussing carbon emissions and other supply chain priorities with its suppliers. This helps Ornuia to learn about its suppliers programmes for measuring carbon emissions in their own operations, and how they are supporting and incentivising emissions reduction on farms. A number of suppliers have incentive schemes for farmers that reward specific carbon reduction activities.

Although there are challenges in the dairy sector, Ireland is also a leader globally in supporting the agricultural sector to chart decarbonisation pathways that align to national targets. Origin Green measures sustainability on Ireland's farms through the Irish Food Board's (Bord Bia's) Sustainable Dairy Assurance Scheme. Accredited by Carbon Trust (PAS 2050) and to ISO: 17065, carbon footprint assessments take place on 17,000 dairy farms and 50,000 beef farms across Ireland every 18 months. 96% of Ireland's dairy farmers are certified members of the Sustainable Dairy Assurance Scheme - the only national scheme of its kind in the world. Teagasc also conducts research and has set out a roadmap on how to achieve the 25% reduction in greenhouse gas emissions by 2030 for the agriculture sector in Ireland in the most cost effective manner.

From a customer perspective, the majority of whom are international, focus is less around national absolute emissions reduction but instead linked to carbon emissions per kilo of product. Ireland has one of the lowest carbon numbers per kilo of milk globally. In addition, the high quality dairy produced by Ireland's grass based system is valued by international consumers and a strong element of Kerrygold's brand equity. Beyond carbon many international customers have specific sustainability requirements in areas including animal welfare and biodiversity.

Roadmap

Ornuia has defined a clear roadmap to achieve the required scope 1, and 2 reductions with a clear pathway to interim targets in 2025. Work is well underway on similar roadmaps relating to scope 3 emissions, recyclability of their packaging and responsible sourcing of fibre-based packaging. There is increasing focus on topics including biodiversity.

As part of its recent five-year plan review, Ornuia outlined the cost and resource requirements associated with these sustainability objectives over a 5-year time horizon with a view to incorporating these targets into the annual budgeting process. This will ensure that each area of the business owns the target and associated investments required for delivery. The team are also looking to identify the organisational

resourcing, skills and capabilities required to deliver on the plan.

Ornua has been on a carbon emissions reduction journey for a number of years with strong executive level support throughout. This has manifested in signing up to science-based targets (SBTs) and the Low Carbon Pledge. Ornua sees SBTs as the gold standard in terms of transparent emissions reduction and critical for stakeholders both nationally and internationally.

Key initiatives or actions that policymakers could implement to support the sector and the business community in general to realise climate ambition.

1. While sectoral decarbonisation roadmaps exist, continued support will be required to implement measures at an individual farm level. At processing level support for options to decarbonise heat production (e.g. biomethane, hydrogen) is required.
2. Continued research to support the agricultural sector, including in relation to the opportunity for carbon sequestration on farms. Due to the biological processes involved there are limits to emissions reductions achievable at a farm level. Sequestration through land use and other means will be an important factor in achieving targets out to 2030 and beyond.
3. A policy environment that takes a systems level approach to the interlinked challenges of nutrition and food security, climate change, biodiversity and sustainable rural communities.

5.4 Deep Dive Topics



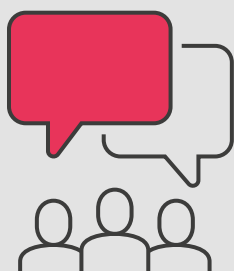
Dr Luke Redmond

5.4.1 Climate Risk & Opportunity Scenario Analysis

Scenario analysis is a useful tool for understanding the implications of climate change for a business and to prompt longer term strategic thinking about climate risks and opportunities. The Task Force on Climate-related Disclosures (TCFD) defines two categories of climate risk – physical risk and transition risk.

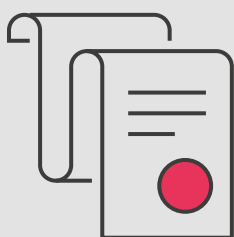
Figure 13: Climate risks and opportunities categorisation





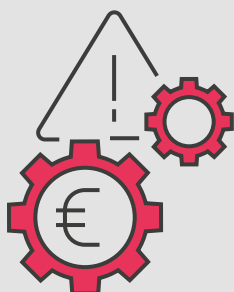
1. Increasing Pressure from Stakeholders

How can companies maintain their 'licence to operate' and prove themselves in rapidly changing markets? Society, politicians, suppliers, customers and investors are increasing the pressure to integrate climate risks and opportunities and demanding more transparency and action. For example, investors are prepared to use their voting power to demand such disclosure. The Climate Action 100+ initiative, comprising 700+ investors with \$68 trillion in Assets Under Management is mobilising to demand better climate disclosure from the companies they invest in.



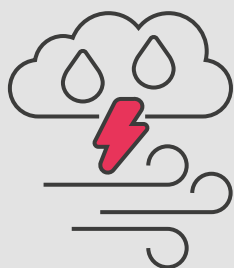
2. More and more complex regulations

The ESG regulatory landscape is evolving with increasing and ever-expanding focus on ESG related disclosures. The EU, the SEC and other regulators/agencies have indicated that disclosure and other rules and regulations addressing ESG topics are among their highest priorities. The TCFD recommends that companies assess and report on the potential financial implications of climate change. Specifically, companies are asked to disclose the results of their scenario analyses as part of broader disclosure around the strategic implications for their business. It recognises that forward-looking analyses are challenging and suggests that companies use scenario analysis as a tool to support the development of their strategy.



3. Climate risks are expensive

Financial experts predict that climate change could put \$43 trillion worth of fixed assets at risk by the end of the century. According to a CDP study, the world's 215 largest companies put the impact of climate risk on their business at nearly \$1 trillion - many of which are likely to come due within the next three years. This is due to dynamic market conditions, physical impacts and increasing regulation. As the world transitions to a low carbon economy, policy, market and technology trends are emerging - e.g. carbon pricing, increasingly ESG conscious consumers, electric vehicles - which present real risks and opportunities for market leaders. Business leaders need to understand such risks and opportunities for their industries and supply chains.



4. Increased incidence of extreme weather events

Although the low carbon transition is underway, recent weather events suggest that businesses still have to deal with the increasingly frequent or severe physical impacts from climate change in the short to medium term. This has implications for all companies with physical assets; and is material for companies in sectors such as real estate, agriculture or transport. Companies whose value and supply chains are dependent on vulnerable sectors would also benefit from exploring what these changing weather patterns mean for their business.

Climate scenarios present different possible futures under which climate risks and opportunities should be considered. There are a range of sources available for companies to use as the basis of their climate scenarios across physical and transition projections. Some companies have developed their own scenarios, others use those prepared by organisations such as the Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA), and the Network for Greening the Financial System (NGFS).

Given developments to date, it is useful to consider at least two distinct scenarios: one in which rapid decarbonisation achieves a $\leq 2^{\circ}\text{C}$ ($1.5/2^{\circ}\text{C}$) outcome, and one where emissions remain high and physical climate impacts dominate. By applying a number of possible futures to a business, business leaders can

test strategic resilience and management response options. Scenario analysis can allow leaders answer a number of key questions with regard to climate change and possible impacts:

- How will climate risks affect my organisation or portfolio financially in the future?
- How can I protect myself against these risks?
- How do I exploit future potential as a value driver?
- Where do I stand in comparison to the competition?
- How can I efficiently implement the recommendations of the TCFD, the supervisory authorities and the Guidelines on non-financial reporting in my reporting?



Deirdre Timmons

5.4.2 The future of Climate Reporting

We have seen from the survey that 56% of respondents report specifically on climate-related risks. As signatories to The Pledge it would be expected that

respondents have been giving climate change due consideration. There is increased focus globally on climate reporting with new reporting requirements coming in the U.S. with the SEC's proposed standards, and international frameworks such as the International Sustainability Standards Board (ISSB) bringing in a global framework. However, in Europe the incoming Corporate Sustainability Reporting Directive (CSRD) is about to change all of that for many organisations operating within its borders as it significantly expands the types of metrics reported - both related to climate change and more broadly across other environmental, social and governance topics.

The European Sustainability Reporting Standards (ESRS), which underpin CSRD, have a specific section on Climate Change reporting (ESRS E1 - Climate Change). Under the latest guidance, an organisation must determine if Climate Change is a material topic for inclusion in their reporting through the completion of a Double Materiality Assessment. The final standards issued in July 2023 state that if it is determined that Climate Change is not in scope after this assessment, a detailed explanation must be disclosed as to how this determination has been made.

So assuming that for most businesses climate change will be relevant in some form, what will climate reporting look like under this new regime?

Firstly, it's important to mention that ESRS 1 goes further than just reporting on climate change as a high-level topic. Instead, it requires an entity to report on its endeavours relating to climate change mitigation (endeavours focused on limiting increases in global temperatures in line with the commitments of the Paris Agreement including metrics on GHGs, addressing GHGs and associated transition risks) and climate change adaptation (how the company plans to adapt to climate change physical and transition risks). It also requires reporting on the production and use of energy by an organisation.

The ESRS on climate change (ESRS E1) builds on the foundations put in place by the Task Force for Climate-related Financial Disclosures (TCFD) in that they have utilised the framework's key pillars as the basis for the disclosures. In that regard those familiar with TCFD will recognise the general disclosure requirements around governance, strategy, the management of impacts, risks and opportunities (IROs), actions planned and taken around those IROs and the metrics and targets to demonstrate progress.

ESRS E1 is broken down into 3 key sections:



1 General requirements, governance, strategy and materiality assessment

The first element of the governance aspect also includes a disclosure as to whether there are any performance-related initiatives in place related to GHG emissions. With just over 30% in the survey above having such structures in place currently, it is likely we will see this increase as we see specific disclosure requirements around this being required.

Under climate change mitigation, the objective of the ESRS is to allow a reader of the report to understand how the business has undertaken mitigation efforts in the past, in the present and plans for the future, and to ensure that the business has aligned its business model and strategy with a sustainable economy as well as limiting global warming.

It specifically requires detailed information on:

- GHG reduction targets and how these are compatible with limiting global warming. This includes scope 1, 2 and 3 GHG emissions reduction targets from a defined baseline year and value and from 2030 onwards requires an update after every five year period thereafter. It is also required that it is declared whether these targets are science-based and compatible to limiting global warming in line with the commitments of the Paris Agreement.
- With reference to the GHG targets, the levers for decarbonisation need to be outlined as well as the key actions planned and any changes to the firms' products or services and adoption of new technologies.

In addition to all of the above, ESRS 1 requires a description of the resilience of the business strategy and model to climate change and this should include a scenario analysis to be undertaken and disclosed (see the previous section - **Climate Risk & Opportunity Scenario Analysis** - for further information). It should also disclose the process undertaken to identify the material climate-related impacts, risks and opportunities for the business.



2 Implementation - Management of impacts, risks and opportunities

This section is concerned with the policies the business has around the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities, so clear policies need to be

in place and action plans identified. This would also require disclosure of CapEx plans in line with EU Taxonomy regulations, a separate reporting obligation in its own right and part of the CSRD requirements.



3 Metrics and Targets

There are a number of different topics requiring disclosure of metrics and targets under this heading.

- Disclosure of targets related to climate change mitigation and adaptation specifically around GHG emissions reductions;
- Information on energy consumption and mix;
- Gross scopes 1, 2 and 3;
- GHG removals and mitigation projects financed through carbon credits;
- Internal carbon pricing, and
- The potential financial effects from material physical risks, material transition risks and climate-related opportunities.

We have seen many of The Pledge signatories use third party verification to assure the accuracy of their GHG emissions data, for example. At present they do this voluntarily and generally on a limited number of metrics. The new CSRD reporting requires limited assurance over the entire scope of the report and this in itself is a game changer in terms of the robustness of climate reporting and the rigour required to ensure accuracy of what is being reported.

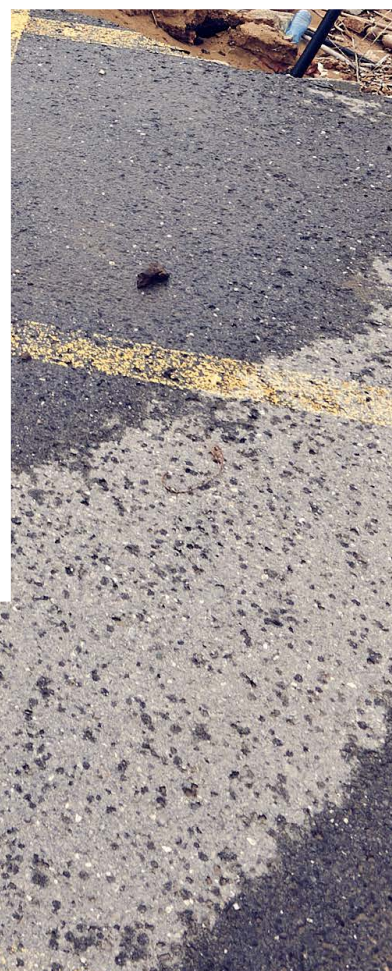
Summary

Climate reporting is moving from voluntary reporting to mandatory and with it the levels of detail, rigour and transparency are increasing significantly. Although standards such as the TCFD framework are useful foundations for this reporting, particularly for SEC and ISSB requirements, the new European CSRD requirements go further in the level of detail, actions and policies required and reporting on progress towards targets.

In addition, the mandatory requirements for assurance over reported information will require a level of non-financial reporting akin to that of financial reporting which will create challenges in itself for the gathering, collection and reporting of relevant data. It is important therefore that businesses understand what and when they are in-scope for reporting in their various jurisdictions and ensure they are preparing in sufficient time for these challenging new requirements.



The 5th Low Carbon Pledge report details the progress of the signatories on their journey to setting science-based targets (SBTs). To meet our increasingly ambitious national targets, it is imperative that businesses work together to enable the transition to a low carbon economy.



6



Conclusion and Recommendations

The Pledge signatories continue to make significant progress in reducing their carbon emissions. The business community is clearly taking a leadership role in the transition to a low carbon economy.

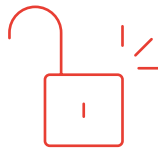
A number of insights and observations have been collated while writing this report.

Recommendations



Set a science-based target

Companies that have not yet done so should define their pathway to setting SBTs. For those that have set targets it is important that they remain aligned with the most recent climate science. Companies should review, and if necessary revalidate, their targets every five years from the date of the original target approval. This will become mandatory in 2025.



Consider how best to unlock opportunities across the private sector

Reaching net zero will require vast transformation across our society and economy with action required in multiple areas including:

- Government policies and regulations to incentivise actions aligned with net zero and to provide the clear market signals business requires in order to act and invest with confidence. We may not be able to remain 'technology agnostic' where private sector capital needs to be deployed quickly and at scale.
- Research and innovation supports delivering new product development making green options feasible, affordable, and appealing.



Ensure you have a robust process for ESG data collection

Organisations must start thinking now about the process for ESG data collection (completeness), data quality (accuracy), data transformation and reporting strategy so they can provide investors, customers, suppliers, auditors and management with reliable ESG data that has been independently audited, using approved procedures.

When it comes to scope 3, you have to think about both your role as a supplier to your customers and your role as a customer to your suppliers. In both cases, it's all about being able to accurately measure and report on emissions to understand where you (and they) are starting. From there, you'll look at opportunities to reduce those emissions together.



Start preparation for incoming requirements, especially CSRD

Climate reporting is moving from a voluntary to a mandatory basis and the levels of detail, rigour and transparency required are also increasing significantly. Although standards such as the TCFD framework are useful foundations for this reporting, particularly for SEC and ISSB requirements, the new European CSRD requirements go much further. Auditors will need to assure non-financial data in a similar fashion to financial data which will be a major change for organisations. It is important therefore that organisations understand the scope and scale of their upcoming reporting requirements and that they are preparing in sufficient time for this challenging new environment.



Develop a climate transition plan

Climate transition plans are essential for helping an organisation navigate the complex shift to a low-carbon economy. These plans are gaining momentum globally as they not only contain climate commitments and targets, but also explain how those objectives fit strategically into an organisation's overall business strategy. An effective transition plan can provide an organisation with a roadmap for driving sustained business outcomes as market dynamics change and society's expectations shift.

By beginning the transition planning process now, you can strengthen climate risk management capabilities, better position your business to capitalise on market opportunities and craft a compelling story about your organisation's role in shaping a sustainable future. In addition, starting early can lead to competitive advantages by accelerating the development of in-house knowledge and providing lessons learned that can lead to improved outcomes.

Every transition plan will look different. The plan's structure depends on your organisation's business model, size, sector, geographical footprint and level of climate ambition, as well as the method of reporting and disclosure.



Be transparent in relation to your purchase of carbon offsets

Establishing an approach to achieving net zero requires consideration of various strategies, recognising what technology is available now and in development, and what others in your orbit are doing (which could lead to indirect or scope 3 emissions). Organisations should first consider where it is possible to invest in decarbonisation projects to ensure direct emissions reductions before purchasing carbon offsets.

Organisations across all sectors must consider the potential financial impacts of rising offset prices as part of their Net Zero planning. If we get to that stage where the use of offsetting to reach Net Zero targets becomes sufficiently expensive so as to become unviable, and in the absence of other strategies, companies will be unable to meet their Net Zero commitments in the timeframes they have published.

There are a number of steps that organisations can take to address these challenges, including developing internal carbon pricing mechanisms and, wherever possible, focusing on decarbonisation to reduce their exposure to future offset price rises.

In addition, clear, consistent disclosure of a carbon offset purchasing strategy through annual and sustainability reporting – within the limits of commercial sensitivities – will provide critical transparency and reassurance for investors.

Authors



Kim McClenaghan
Partner
kim.a.mcclenaghan@pwc.com



Dr Luke Redmond
Senior Manager
luke.redmond@pwc.com



Katherine O'Connell
Senior Manager
katherine.oconnell@pwc.com

We would like to acknowledge the significant contributions of Aoife Gillen, Cillian McMahon and Feena Kirrkamm in the development of this Report

Aoife Gillen

Sustainability Advisor & Environmental Lead
Business in the Community Ireland

Cillian McMahon

CSR Advisor
Business in the Community Ireland

Feena Kirrkamm

Sustainability Advisor
Business in the Community Ireland

© 2023 PwC. All rights reserved. Not for further distribution without the permission of PwC. "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way. Please see www.pwc.com/structure for further details.

