

Net Zero Goal Setting

TRANSFORMATION GUIDE

Table of Contents

03	Introduction to the Guide
04	The Problem
05	The Questions
06	Danone Approach
08	Wipro Approach
10	EDF Approach
12	Checklist
14	Additional Resources

Introduction

Transform to Net Zero is a cross-sector initiative to accelerate the transition to an inclusive net zero global economy. The initiative includes founding companies that are climate leaders in their industries – Danone, Maersk, Mercedes-Benz, Microsoft, Natura & Co., Nike, Inc., Starbucks, Unilever and Wipro – plus Environmental Defense Fund, and BSR as Secretariat.

To support companies in meeting targets backed up by transformation plans to achieve net zero no later than 2050, Transform to Net Zero is publishing a series of Transformation Guides. Each Transformation Guide shares experiences and lessons learned by two to three Transform to Net Zero members when addressing a challenging issue in net zero implementation. A Transformation Guide does not prescribe a single way to tackle net zero implementation but instead invites readers to choose between and combine different approaches depending on which is best suited to their circumstances. The second in the series, this Transformation Guide focuses on how companies can set goals for a net zero transformation.

The views expressed in this publication have been informed by the collective work of the Transform to Net Zero members, but do not necessarily represent the views of every member on each issue.

The Problem

As of August 2021, over 3,000 businesses have joined the [UNFCCC Race to Zero](#) campaign and pledged to reach net zero greenhouse gas (GHG) emissions as soon as possible, and by 2050 at the latest. Key areas of consensus have emerged in the discussion on what constitutes a robust corporate “net zero” target – companies need to commit to near-term and long-term science-based decarbonization targets across their value chain, include most of their Scope 3 emissions in the targets, and address all seven GHGs or classes of GHGs covered by the UNFCCC/Kyoto Protocol. A few areas are still being debated, such as the use of carbon credits outside the value chain, and some areas are under development, such as science-based decarbonization pathways for certain “hard-to-abate” sectors, but there is sufficient guidance on what needs to be done to avoid the worst impacts of climate change.

However, companies face challenges in putting this guidance into practice. A value chain GHG baseline and footprint assessment is essential for setting net zero targets, yet many companies struggle with this step, especially with regards to Scope 3 emissions. Companies face challenges in developing a reliable roadmap for achieving net zero emissions to secure internal buy-in as well as demonstrating credibility to investors, customers, civil society, and other stakeholders amidst increased scrutiny on the strength of corporate net zero targets.

In this Transformation Guide, three Transform to Net Zero members, Danone, Wipro, and Environmental Defense Fund (EDF) share their approach to navigating the net zero goal setting process and setting net zero ambition that translates into meaningful business transformation.

The Questions

01

How do companies secure internal buy-in for a new net zero target?

02

How do companies determine the Scope 3 boundary for their target?

03

How do companies generate a roadmap to provide sufficient confidence in implementing their target?

Danone

APPROACH

SET A BROAD-BASED, ACHIEVABLE NET ZERO GOAL

Danone has aligned reduction targets with SBTi and committed to net zero across full value chain by 2050. The company will achieve Scope 1, 2, and 3 reduction in emission intensity by 50% in 2030 and 30% absolute reduction in scope 1 and 2. Danone peaked its emissions in 2019. The company will pivot to 100% renewable energy by 2030, and significantly step up its regenerative agriculture efforts to achieve these goals.

FACILITATE GOAL ALIGNMENT ACROSS THE COMPANY

Danone's net zero goalsetting process is a critical example of the level to which leadership support is required. Danone has worked internally to create layers of alignment, including the CEO, CFO and Board of Directors. Danone's commitment to net zero stems from a long-term, leadership-level vision to make progress on reducing GHG emissions. In 2008, at the direction of the CEO and the executive committee, the company began to measure and address the impact of its scope 1, 2 and 3 emissions. In 2013, Danone made a pledge to make its evian products carbon neutral. At COP21 in 2015, Danone became one of the first companies to announce a goal to become net zero by 2050. Other ambitious goals followed, such as joining the RE100 initiative, making commitments to transition to 50% renewable energy by 2020 and 100% by 2030.

Specific actions across the company are in parallel to the ramp-up of leadership level commitments. For example, sustainability is integrated into all purchasing activities, thus syncing procurement with overall strategy. These cascading efforts extend to the local level, where objectives for meeting net zero targets are set within the company's 200 global factories. There is much collaboration across functional units and at the regional and local level to take action on commitments.

MEASURE AND TRACK THE FULL SCOPE OF CARBON FOOTPRINT

Danone believes that its first responsibility is to measure impact and tackle the full scope of its carbon footprint, from the upstream raw materials used to the end-of-life of products. 95% of Danone's GHG emissions are Scope 3, 60% of which come from food and agriculture and 37% from fresh dairy. Setting and then achieving Scope 3 emission reductions goals is challenging. In this sector, every supply chain is unique and a global company like Danone must work hard to develop a line of sight with which to understand regional differences in agricultural commodity supply chains.

Danone will pivot to 100% renewable energy by 2030, and significantly step up regenerative agriculture efforts to achieve its climate goals



DEVELOP A ROADMAP BASED ON CO-CREATING SOLUTIONS WITH FARMERS AND SUPPLIERS

Danone developed a comprehensive roadmap to achieve net zero. The roadmap is detailed in the company's 2020 [Universal Registration Document](#). Following years of using an internal tool to gauge dairy GHG emissions, Danone became a member of the Cool Farm Alliance and began using the [Cool Farm Tool](#) to deploy state of the art methodologies to measure global value chain farm emissions from large and smallholdings alike.

Danone's procurement strategy relies in good part on direct relationships with farmers, and addresses the most challenging part of its emissions – agriculture – by focusing on Regenerative Agriculture to boost carbon sequestration in soil. The transition can be challenging and costly, and farmers can't accelerate its pace without support. A direct line with farms is the best way to instigate change. In Europe and the US, the company has begun to invest directly in changes to farm management practices, adopting a localized approach, and co-investing with farms to change practices, as farmers know what works best for them. For example, in North America, Danone partners with the [EcoPractices](#) platform to help farmers set their own goals for energy, water, biodiversity, and productivity, and to develop sustainable, continuous improvement plans to work towards these goals. Globally, Danone's regenerative agriculture strategy is showing real impact: in 2020, around 50% of GHG reduction in the company's value chain was linked to regenerative agriculture.

CREATE CARBON POSITIVE SOLUTIONS

Danone created several social innovation funds – [The Livelihoods Funds](#) and the [Danone Ecosystem Fund](#) – to pioneer financing models for sustainability. The Livelihoods Funds bring Danone together with nine companies to invest in large projects that contribute to mitigating climate change by sequestering large volumes of carbon in forests and natural ecosystems, and improving the well-being of local populations. The Danone Ecosystem Fund invests in projects such as [Les 2 Pieds Sur Terre](#) to support farmers in France with the ambition of sourcing 100% of ingredients produced in France from regenerative agriculture by 2025.

DESIGN PRODUCTS TO SUPPORT NET ZERO GOALS

Danone is committed to designing products and using ingredients that facilitate decarbonization. The Intergovernmental Panel on Climate Change (IPCC) recognizes that plant-rich diets provide an opportunity to mitigate climate change, as plant-based foods and products have generally a lower carbon footprint than animal sourced foods and products. Danone contributes to the fight against climate change by helping consumers transition to more flexitarian diets that balance animal and plant-based proteins. The company is working to grow and diversify its plant-based business (from 2.2 billion Euros in 2020 to 5 billion Euros in 2025), while significantly reducing the carbon footprint of its dairy business.

Wipro

APPROACH



SET AN AMBITIOUS NET ZERO GOAL SUPPORTED BY INTERIM CHECKPOINTS

Wipro has committed to net-zero GHG by 2040, buttressed by a 55% reduction in GHG by 2030. The company has published a detailed roadmap of how it intends to significantly scale up renewable energy use by 2030 and become net zero by 2040. The SBTi framework has been used to create a framework for addressing Scope 1, 2 and 3 emissions. Wipro will defer the use of offsets until the target year(s). The decision to postpone offsets use resulted from an elaborate discussion focused on concerns about the quality of offsets. Company leaders believed that a focus on offsets now would detract from value chain decarbonization efforts.

Wipro has reduced Scope 2 emissions by 54% since 2015, primarily from energy efficiency improvements in buildings. The company has increased the use of renewable energy by 40% since 2015 using power purchase agreements (PPAs). The company currently faces challenges in confronting regulatory barriers to scale up of PPAs in certain geographies. Of particular concern is restrictive state specific renewable PPA procurement regulations, which prevent scaling up of renewables. Wipro is highlighting these challenges in conversations with industry bodies and regulators. Additional challenges are facilitating energy access to underserved communities, improving the reliability of the grid and incorporating responsible social and environmental criteria in scaling renewable energy projects. Wipro leaders believe that, "if you call yourself a responsible organization, you must primarily focus on what is possible in your own organization."

Wipro leaders believe that, "if you call yourself a responsible organization, you must primarily focus on what is possible in your own organization."

WORK WITH LEADERS TO MAINTAIN ORGANIZATIONAL BUY-IN

Wipro has been working on decarbonizing its value chain for over 10 years. Initially the focus was on socializing leadership about budgets and resources required. The company engaged with external experts to work on publishing an environmental profit and loss account for the last five years. In addition, Wipro conducted a comprehensive climate risk assessment for operations across cities in India and a few regions globally. The company is integrating this information into enterprise risk management processes. This assessment was based on public studies and climate modeling projections through 2040. Thus, Wipro used multiple methods like financial valuation and risk assessments to evangelize with different functions in its organization.

As the company evolved and became familiar with the nuts and bolts of decarbonization, there has been much less effort on debating and convincing. However, a continuous process of discussing the details (done through quarterly reviews with leadership) is critical as targets progress. Wipro works to incorporate considerations of climate justice into its roadmap, and has joined The Responsible Energy Initiative, which looks to incorporate social and environmental aspects in renewable energy projects.

COLLABORATE WITH SUPPLIERS AND EMPLOYEES ON MEETING THE SCOPE 3 CHALLENGE

In 2021, 75% of Wipro's emissions are Scope 3. Business travel and employee commuting comprise a significant portion of Wipro's Scope 3 GHG emissions. The company has improved access to public transport, which benefits both employees and underserved communities. The company worked with multiple carpooling mobile app service providers to cumulatively save over 2100 tons of CO2 equivalent. The company has also developed processes to promote remote working, collaboration, and budget allocation-based planning, resulting in an air travel footprint reduction of 18% from FY17 to FY20 (pre-pandemic full year). Employee education is a critical effort. While employee behavioral levers like airline and itinerary selection and modal shift play a role, future reductions will be linked to the decarbonization of air travel.

Wipro is working with its suppliers through trade associations such as green building alliances and through category engagement to decarbonize purchased goods such as IT hardware, telecom and business services. Many of Wipro's core procurement categories like building material, equipment, maintenance, and IT hardware incorporate sustainability criteria. The company will reach out individually where necessary to address the 80% of SME suppliers not categorized. Engagement with the informal sector down in the supply chain will be one of the core components in this journey.

BRING CUSTOMERS ALONG

As an IT company, Wipro's Scope 1, 2, and 3 emissions are relatively small compared to companies in other sectors, therefore working with customers to help them reduce their emissions is a much greater contribution Wipro can make to global climate action. Wipro provides its customers with a "strategic approach to decision-making (which) can nurture the mindset of promoting and adopting low-carbon initiatives. Called the RCL framework (for *Reagents, Catalysts, and Levers*), this approach enables energy organizations, big and small, to find low-carbon solutions in their existing value chains and evaluate new products/offerings using a sustainability perspective." This initiative leverages Wipro's capabilities and competencies in data-supported decision-making.

Environmental Defense Fund

APPROACH



Companies like Danone and Wipro are committing to ambitious net zero goals, with rigorous interim targets and plans in place to guide implementation. Other companies have set long-term net zero goals, but might be struggling to build a comprehensive strategy, set interim targets, or deliver on near-term reductions. Others may still be working to evaluate the rapidly evolving net zero landscape. Wherever your organization might be, understanding the components of a strong net zero goal can help chart a [path to immediate action](#).

DEVELOP A TRANSFORMATIONAL NET ZERO GOAL

The science is clear: To limit the earth's warming, we urgently need to slash emissions, tackle high-impact climate pollutants like methane, and protect existing carbon stocks. Corporate net zero targets should support these global priorities. Yet net zero goals aren't just another sustainability target. Achieving them will require transformational changes across a company's own operations, the suppliers they work with, and their network of stakeholders.

In developing a robust net zero strategy, companies should consider how they can leverage their unique position to generate maximum benefits for the climate. At minimum, all companies should ensure that their commitments include science-based interim targets, supply chain action, an eye toward methane reduction, and investments in climate solutions like high-quality carbon credits.

Goals to achieve net zero emissions by 2050 at the latest have become a business imperative. They can serve to align a company's long-term mission, operations, and investments with the action needed to stabilize global temperatures. But time is not on our side, and companies must accompany mid-century goals with short-term, science-based emissions reduction targets. Aiming to halve emissions by 2030 demonstrates a commitment to tackling climate change this decade – when action is most critical.

ADDRESS OPERATIONAL AND VALUE CHAIN EMISSIONS

Transformational net zero goals require companies to address emissions not just from their own direct operations, but their value chains as well. On average, value chain (or Scope 3) emissions are over **11 times greater** than a company's own operational footprint – but accurately measuring Scope 3 emissions remains complex. Companies should undertake a detailed Scope 3 evaluation exercise, focusing reduction efforts on the most significant and measurable value chain emissions categories that are material to their business. Bringing suppliers along on a net zero transition will be critical to unlocking economy-wide emissions reductions.

FOCUS ON METHANE IN ADDITION TO CO₂

At least **25% of today's warming** is driven by human-related methane, a short-lived greenhouse gas much more potent than carbon dioxide. Reducing methane emissions is one of the strongest levers we have to slow the rate of global climate change. Net zero goals should cover all greenhouse gases – not just carbon dioxide – to ensure action on high-impact pollutants like methane. This is particularly important for sectors with high methane emissions, including food, agriculture, and energy.

EMPLOY HIGH-QUALITY CARBON CREDITS

Companies should also look beyond their value chain to maximize climate impact. For example, companies can invest in high-quality carbon credits to compensate for un-reduced emissions during their transition to net zero. These investments can unlock financing for critical emissions reduction or removal activities, including the protection of existing carbon sinks like tropical forests – a necessity for meeting global climate goals. Companies should prioritize the highest integrity carbon credits with positive co-benefits for people and nature, including those from innovative jurisdictional forest protection approaches like the [LEAF Coalition](#). In every case, carbon credits should be used to complement – not replace – science-based emissions reductions.

DEVELOP AN APPROACH SUITED TO YOUR SECTOR

Every company's path to net zero will differ. It will be dictated not only by their emissions profile (in terms of total greenhouse gas emissions, greenhouse gas type, and value chain hotspots), but by their sector, size, geographic location, and products. For example, some sectors may be able to decarbonize their own operations nearly entirely with renewable energy in the short-term. On the other hand, hard-to-abate sectors, like aviation or steel production, may face significant technological challenges in short-term decarbonization.

Yet every sector has an opportunity to act now, and importantly, to leverage their influence in pursuit of broader economy-wide net zero transitions. Hard-to-abate sectors might invest in early-stage innovation for technology necessary to achieve net zero. Other companies might establish pre-competitive collaboration within their sector to tackle common challenges, like supply chain issues. All should actively support the public policy needed for net zero economic transformation.

Crafting concrete, transparent implementation plans with these unique opportunities in mind can identify the most impactful path forward – helping to turn net zero ambition into action.

Lessons Learned and Checklist of Actions

Danone, Wipro, and EDF's approaches to setting net zero targets show us that it is critical to develop a detailed understanding of the emissions profile of your operations and your supply chain. These organizations' experiences highlight the necessity of developing a comprehensive roadmap to address the unique challenges inherent in working with a wide variety of suppliers.

Their experiences also show us how critical it is to gain key support for your roadmap not only from senior leadership, but also from functional leaders across the organization. Finally, Danone, Wipro and EDF highlight the importance of building in collaboration with employees, customers and underserved communities to ensure that benefits of decarbonization are broadly shared.



Set a broad-based, aspirational, and achievable net zero goal using a Science-Based Targets approach that addresses emissions from your entire value chain. Identify a list of potential abatement solutions from existing sources. Include all greenhouse gas emissions including short-lived climate pollutants such as methane. Evaluate relevant abatement solutions against a set of criteria to identify benefits and trade-offs. Include interim checkpoints in your goal and incorporate mechanisms for measuring progress.



Broaden the impact of your net zero actions by collaborating with others. Work to address the concerns of underserved communities in areas such as energy access and supplier education. Inspire customers to take action. Create partnerships to facilitate creative solutions.



Create a roadmap, which incorporates a review of the full impact of value chain emissions.

Measure the impact and tackle the full scope of your carbon footprint, from upstream raw materials used to the end-of-life of products. Global suppliers have resources to address emissions that small and medium enterprises do not. Build in opportunities to co-create solutions with suppliers.



Secure buy in early and create communication and collaboration pathways to safeguard support throughout the process. Educate leaders about resources, budgets and timeframes. Obtain support from functional leaders such as procurement, marketing and finance. Incorporate employee and customer education into your roadmap.

Additional Resources

Danone

- Climate Policy: Target Zero Net Carbon
- Danone: Impact on Planet: Towards Carbon Neutrality
- Integrated Annual Report 2020
- Universal Registration Document

Wipro

- The Challenge of Global Warming: Levers for Strategic and Cultural Change in the Energy Industry
- Wipro to Reach Net-Zero GHG Emissions by 2040
- Wipro SBTi Case Study

EDF

- Pathways to Net Zero: A Guide for Business
- Mobilizing Voluntary Carbon Markets to Drive Climate Action
- Supply Chain Solutions Center
- “Pathways to Net Zero: The Decisive Decade”, a forthcoming report from EDF and Deloitte, will build on the first Pathways to Net Zero report to shed new light on how businesses can turn net zero pledges into action in the next ten years. It will equip companies with new resources and strategies to assess, identify, and prioritize near-term climate action, creating a uniquely actionable playbook for execution. This report will be accessible via the [EDF+Business website](#).

Other

- Science Based Targets initiative (SBTi)’s Corporate Net-Zero Standard and Resources
- UN Race to Zero Lexicon

 Transform
to Net Zero

TRANSFORMTONETZERO.ORG



natura & co



Secretariat

