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PRIVACY, SECURITY & GOVERNANCE

Carbon Neutral, Net-Zero, and Net Positive:

The Guide for Setting Corporate Climate Goals

MAY 2022

WHITE PAPER

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Summary

More and more companies are setting ambitious goals for reducing their greenhouse gas (GHG) emissions. They often announce these goals publicly or voluntarily sign onto a pledge program. But making a big claim without a climate action and disclosure strategy in place can expose you to accusations of greenwashing or undermine your relationships with employees, customers, and investors. Sustainability and ESG leaders who are considering climate pledge or public climate target announcements can use this guide to plan their roadmap.

Introduction

More companies are taking "climate action" in response to growing concern from citizens, regulators, and investors about the impact that corporate behavior has on our natural environment. Public GHG emission reduction targets and climate pledges to reduce or eliminate their greenhouse gas emissions are becoming a popular message in sustainability reporting and mass market advertising. In fact, as of March 2021, **one in five of the world's 2,000 largest publicly listed companies have now committed to a "net-zero" emissions target to help tackle climate change.**

You may be feeling greater excitement within your own organization to make a public commitment to reducing the company's carbon footprint. Your marketing leaders are in search of a sustainability message to share with customers. Your employees want to know if your company will take a stance on the environmental issues that matter to them. Your C-suite wants to know what to tell the board about your ESG strategies, and the board wants to know what to tell investors. So where should you begin in planning your own climate commitment?

Getting started is easier than what you might think but also requires some strategic planning. Companies that focus only on the public target or pledge component of the climate commitment are at risk of setting up unrealistic expectations for what the company can deliver. In addition, they might create risk exposure in the form of greenwashing accusations or shareholder resolutions.

Public goals and commitments for GHG emissions reduction are just one part of your corporate climate action story. Climate disclosures and climate change-related policies provide additional information about your corporate climate action plan.

Your role as leader in your company's sustainability or ESG leadership is to pull these parts together into a cohesive and trustworthy story. You'll need reliable data, strong coordination across multiple parts of the business, and good governance in place to ensure that you're making a meaningful, positive impact.Your role as leader in your company's sustainability or ESG leadership is to pull these parts together into a cohesive and trustworthy story. You'll need reliable data, strong coordination across multiple parts of the business, and good governance in place to ensure that you're making a meaningful, positive impact.

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Basic Climate Action Definitions

Sharing basic definitions of climate action with your leadership and employees can further their understanding of your company's ambitions and how everyone can play a part in achieving them.

- **Carbon Footprint:** The total of all the greenhouse gas (GHG) emissions caused by a business or a set of business activities.
- **Carbon Neutral:** Where any CO2 that is released into the atmosphere from a company's activities is balanced by an equivalent amount being removed from the atmosphere.
- **Net-Zero:** To achieve a state where greenhouse gas emissions that enter the atmosphere are balanced out by activities that remove those emissions from the atmosphere.
- **Net-Positive:** The idea that businesses should put more back into the environment, society, or the economy than it takes out.
- **Regenerative:** Refers to practices that reverse the effects of climate change by rebuilding, restoring, or replenishing natural resources. Frequently used in industries with an agricultural connection, such as food and beverage, apparel, or timber products.
- **Science-Based Targets:** Emissions reductions targets are "science-based" if they are aligned to enable delivery of the Paris Agreement goals – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

The Advantages of Climate Target Setting and Pledges

For sustainability leaders, securing senior leadership's commitment to an ambitious climate action or GHG reduction target is a major milestone and critical turning point in the company's approach to sustainability. A clear, time-bound and measurable goal – or a grouping of goals -- can set a climate action vision to which everyone can rally around. Carbon reduction goals can instill pride and purpose in the entire organization.

Moreover, a public carbon footprint reduction goal signals that your C-suite is willing to assume responsibility and prioritize the company's approach to addressing climate change. This commitment can be invaluable as you work across the organization to gain support for programs that will enable the achievement of these goals. C-suite backing can also enable the flow of funding, particularly for strategies that may require capital investments into new technologies or infrastructure.

In absence of global regulation, voluntary goal-setting is among the best opportunities for sustainability leaders to galvanize support from the executive suite and from employees across the organization who want to contribute to a corporate purpose other than profit-sharing.

The Advantages of Climate Target Setting and Pledges

Companies considering the practice of public goal setting or becoming a signatory to a pledge should also consider the risks associated with these practices.

These commitments are a promise, and any question about the company's ability to deliver on that promise can undermine positive relationships with customers, employees, NGOs, and investors.

- Customers may be more likely to call out greenwashing concerns if they believe that you are signing commitments but are continuing to operate with practices that run counter to those commitments. For example, a signatory to a climate pledge that delivers e-commerce shipments with excess packaging could find themselves the target of a negative social media campaign.
- Employees may express concern about business practices that they believe are at odds with their climate goals. For example, employees at a consulting company with a climate pledge commitment may find it difficult to reconcile that goal with the requirement for hundreds or thousands of employees to take weekly air travel to on-site client engagements.
- Investors may look for disconnects between your stated goals and your ability to execute on those goals based on a review of other factors in your organization, such as risk management and governance practices. For example, a retailer is advertising its climate goals in public campaigns and sponsorships, suggesting that it is a champion of sustainability. Yet, the company has received low ratings on its CDP disclosures for several years. It just built a new distribution center near the hurricane-prone Florida coast. It has not assigned responsibility of climate risk management to its board or executive committee. Its investors may interpret these factors as signals of weak governance and increased exposure to climate-related risk. These risks become more evident because of the attention it sought for itself in the promotional campaigns.

Sustainability leaders should lead an open discussion with the executive committee (and board of directors, if appropriate) about the pros and cons of setting public targets and signing pledges. The pressure to make a statement is strong. Making decisions with the assumption that such public goals are "all up-side" could result in consequences that undermine the company's brand or progress in other sustainability initiatives.

Pulling Together the Parts of Your Climate Story

Climate goals and commitments are typically the most publicly visible part of your climate action story. It's the story that you want to share with the world about your concern for the planet. But when you're committed to transparency – a core principle of sustainable, responsible business –you'll be sharing information about your climate change impact and climate change preparedness in other forms and with other stakeholders, too.

As a result, your GHG emissions reduction story will consist of multiple parts. Harmonizing these parts into an end-to-end program will allow you to tell a cohesive and credible narrative. When prepared well, this narrative can help you give leaders and employees in your company a clear picture of your current performance, what you stand for, and how you intend to make an impact.

When getting started, sustainability leaders should help others in the organization understand that a climate goal, pledge, or commitment – while inspiring – is only one piece of element of your climate story.

To be impactful and credible, to avoid greenwashing accusations, and to instill trust that you are truly trying to do the right thing – requires you to pull all of these parts together. It's not possible to do it all at once. But it's important to help senior executives understand that the public commitment must be supported by other parts of an environmental management or climate action program.

A sustainability leader should plan to help the company "fill in the blanks" and put into place all of the parts of a climate action program. The trick is figuring out the answers to the following questions.

- **Targets and Commitments** – What are the public (or internal) commitments to reduce your GHG emissions will you make?
- **Disclosures** – In what ways will you publicly release information about all of these topics and other environmental issues? (Additionally: how are you faring on scored disclosures?)
- **Metrics and Data** – How will you quantify your emissions and describe your climate impact, both current state baseline and incremental improvements?
- **Governance** – Who will be accountable for overseeing climate risks and issues at your company? Are sufficient checks and balances in place? How do you operationalize these responsibilities?
- **Strategy** – How will you reduce your impact on climate change, and how will climate change will your business? How will these scenarios align with your core business or your ESG strategy? Which activities will you exclude because while they might be interesting, they are not going to make a meaningful impact? What internal resources will you apply to this effort?
- **Policy** – Which internal policies will you have in place to support your strategy, risk management, and governance? In what ways will you participate in public policy (including lobbying) to support your strategy, risk management, and governance?
- **Risk Management** – What processes will you put in place to identify and provide oversight of the impacts that the company has on climate change, and that climate change has on your company?

In absence of prescriptive regulation, each of these questions is up to the company's own discretion. That being said, voluntary standards such as SASB or TCFD (now required by law in the UK) provide best practices in areas such as measurement and disclosure. Industry benchmarking or consultation with NGOs can also help to inform your company's decisions. There are no black-and-white "right" answers. A company must decide what's best for itself. But it mitigates the risks of unintended consequences by looking at climate pledges in part of a big picture.

Carbon Is One Part of Climate Impact

Depending on your industry, carbon emissions may be just one part of your environmental impact story.

For example, water usage – both in production and during the product lifecycle – is an issue of high concern for a variety of industries, such as consumer products, food and beverage, semiconductors, or apparel and footwear. Operating in water-scarce regions, using water for production, or contaminating clean water are all areas of concern that tie into climate change issues. Microsoft and Levi's have made water initiatives an important part of their environmental impact story.

Waste, particularly hazardous waste sent to landfill or plastics, is another important concern in many industries. For this reason, many companies are announcing zero-waste-to-landfill pledges.

Examples of companies with zero waste to landfill (ZWTL) commitments:

- Subaru
- Toyota
- Unilever
- Procter & Gamble
- Mars

Be Aware of "Greenwashing" Accusations

Greenwashing is the term used to describe actions taken by a company to suggest that it's more environmentally friendly than it actually is. It is typically associated with marketing and PR strategies that are designed to attract publicity and portray the company in a positive light. Although the showcased activity may deliver an environmental benefit (such as recycled materials in the company's product packaging), greenwashing accusations may surface because the actual realized benefit is small in comparison to the company's overall environmental impact.

Although the term has been used for decades, the practice continues. In 2021, regulators of the financial services industry in the U.S. and the U.K. are investigating opportunities for regulations that prevent greenwashing in what's become known as the "ESG investing" industry.

Any public announcement of sustainable products or operations -- including climate pledges --invites scrutiny of business practices and increases the likelihood of greenwashing accusations. Companies should consider this possibility and appropriately prepare when planning any sustainability or climate commitment announcements. For sustainability leaders, these discussions can provide opportunities to prompt changes in other practices.

Before You Start: Who Will Decide?

Before you embark on your public climate goals or become a signatory to a climate pledge, develop a clear understanding of which executives in your organization must approve the decision to sign onto a carbon pledge, as well as who might influence that decision.

For the reasons described earlier about the value and challenges of setting public targets, it's recommended that both the C-suite and board of directors provide approval of the targets. Among publicly traded companies, investors and other stakeholders align that it is best practice for the board of directors to have oversight of the company's climate change related risks, opportunities, and disclosures. For this reason, the board should understand, approve, and be accountable to the company's public climate targets. Ideally, the CEO should be the executive sponsor of your programs. She or he should be prepared to present the recommendations for climate targets or pledges to the board of directors.

Consider also who might influence the decision to adopt climate targets. In industries that transform natural resources into energy or products, climate commitments may seem at odds with conventional business practices. Leaders in sourcing and procurement, operations, and logistics may currently be incentivized to focus on other business objectives such as speed or cost. At times, these objectives result in business activities with elevated emissions volumes.

These unresolved tradeoffs or conflicts of interest can make it difficult for these stakeholders to jump in with full support of climate goals. This is particularly true if their performance dashboards and incentives feature only conventional business KPIs.

Account for these different points of view as you prepare your climate goal-setting or pledge signing efforts. A simple stakeholder analysis exercise and communication can help you lay the groundwork for a widespread embrace of your goals among your key executive leaders and their teams.

To see climate goals through the eyes of your stakeholders, complete a simple stakeholder analysis:

- List all stakeholders who might be asked to change their work practices as a result of an emissions reduction commitment
- List all stakeholders who might be asked to communicate these commitments to their teams
- List all stakeholders who are accountable for delivering and communicating business results in these areas
- Take notes about how climate goals or pledges will affect each group's work
- Help your CEO understand the implications for each stakeholder group
- Identify ways in which you can minimize the competing interests, even if those strategies might
- be implemented over time
- Communicate these ideas together with your key stakeholders

Setting Targets: Start with Your Current Footprint

The best way to get started is by looking at your existing carbon footprint or GHG inventory. If you haven't already developed an accurate rendering of your GHG emissions, now's the time. You will want to establish a baseline of your emissions performance today before creating your own public goals or signing onto a pledge that requires you to deliver a reduction outcome within a certain amount of time.

Two great sources for guidance on how to define your GHG inventory or carbon footprint are:

The GHG Protocol: This is the most widely used set of greenhouse gas accounting standards – the methods for measuring and managing climate-change emissions. GHG Protocol is based on a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The program offers guidance, tools and training for measuring and managing climate-change emissions.

Adopting these standards will position you for an accurate and credible carbon footprint from which to base your climate commitments. You can use data about your carbon footprint (and a narrative about your calculation methods) in your sustainability reporting and climate disclosures such as CDP or TCFD guidance.

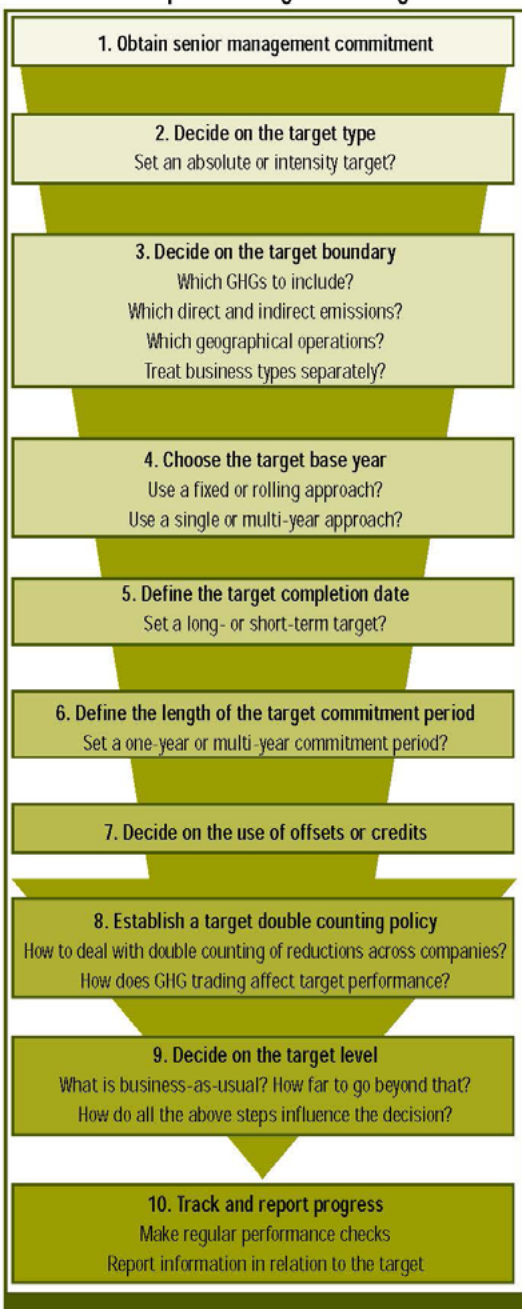
The US EPA Center for Corporate Climate Leadership

This website includes practical and detailed guidance to help businesses measure and reduce their GHG emissions. The guidance is aligned with and cross-references the GHG Protocol. Companies at the beginning of their emissions reduction journey will find value in their Corporate GHG Inventorying and Target Setting Self-Assessment.

Setting Targets: Choose the Best Option for Your Business

Once you have established your baseline, you can lead decisions about setting your targets. Again, the GHG Protocol standard provides detailed guidance for sustainability and ESG leaders on this topic in Chapter 11: Setting a GHG Target. Although the process appears to be linear, the protocol advises that you will inevitably pivot back and forth between some decisions as you land on the final goals.

FIGURE 12. Steps in setting a GHG target



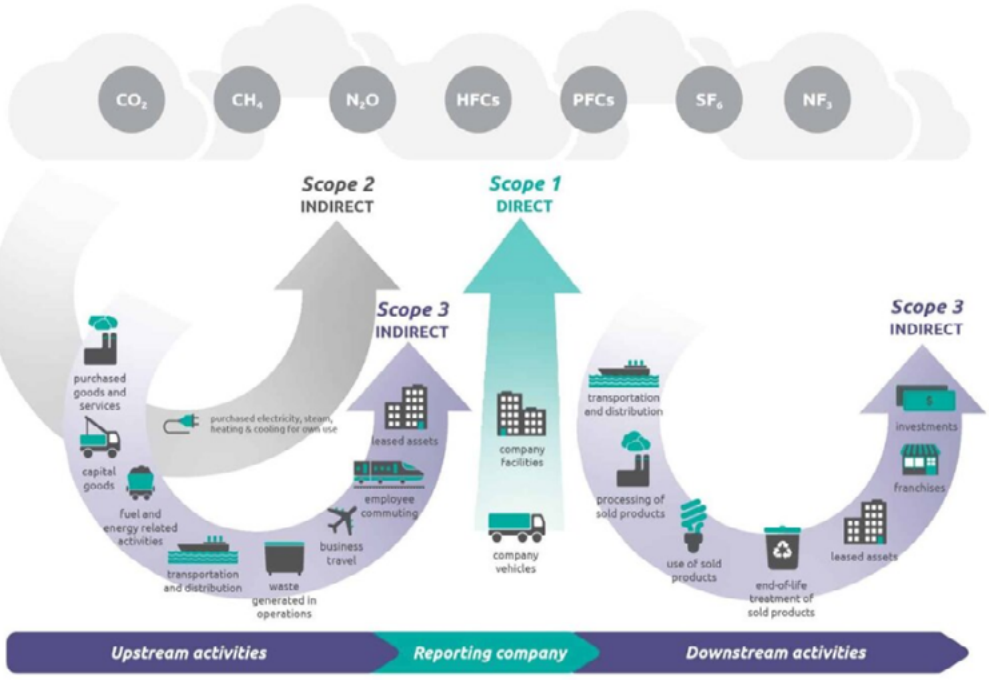
Quick Reference for Target Setting Terms

Sharing basic definitions about carbon footprint measurement with your leadership and employees can further their understanding of your company's ambitions and how everyone can play a part in achieving them.

Scopes

The term "scope" is used to set a boundary around the source of the emissions in your total carbon footprint. The GHG Protocol offers the following definitions for scopes.

- Scope 1 emissions are direct emissions from owned or controlled sources.
- Scope 2 emissions are indirect emissions from the generation of purchased energy.
- Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.



Source: WRI/WBCSD Corporate Value Chain (Scope 3) Accounting and Reporting Standard (PDF), page 5 Link

Target Types

There are two categories of targets for GHG emissions reduction programs.

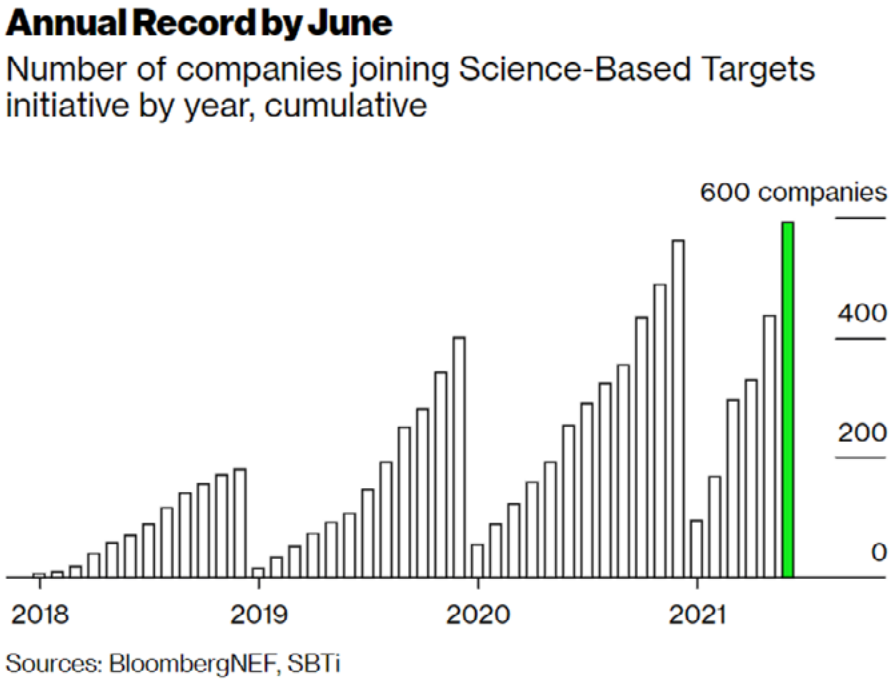
- Intensity targets are policies that specify emissions reductions relative to productivity or economic output. An example of an intensity target is tons CO2/million dollars GDP.
- Absolute emissions targets specify reductions measured in metric tons, relative only to a historical baseline. An example of an absolute target is reduce total emissions by 25% by 2025.

There is debate in the practice about which types of targets are most effective for businesses to adopt. The GHG Protocol provides guidance on this topic in their standard. (See Chapter 11, page 76). Absolute targets appear to have the most widespread adoption by corporations. Benchmarking your industry peers can help you gain a better sense of what is common in your industry, so you can position your company for healthy comparisons.

Science-Based Targets

The use of "science-based targets" is considered best practice for target setting. The Science-Based Targets Initiative (SBTI) provides criteria for companies to set targets that will enable delivery of the Paris Agreement goals – that is, limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

- The adoption of science-based targets for a climate action program is a method of demonstrating its robustness. To qualify as a science-based target, the company must submit the targets to SBTI for review and approval. It's this third-party, science-based approach that imparts credibility to the goals.



Testing the Waters Before Going Public with Goals

Many companies also set preliminary goals internally before making public announcements about their GHG reduction targets. Although public announcements are considered best practice for demonstrating transparency and accountability, it is not uncommon to "put your feet into the shallow end of the pool" and build internal confidence for the achievement of the goals before making a public announcement.

During this interim period, companies may run pilot projects or scenario modeling to see if these efforts are capable of driving the desired outcomes in the key performance indicators that are part of their climate action plan. For example, a company might test their new energy management or business travel practices for a limited time or at limited sites to see if they are achieving their intended effects on reducing emissions. If the expectations exceed original plans, leadership may be inspired to set even more aggressive targets before making a public announcement. This practice was common among companies who have set "zero waste to landfill" goals.

Considering Climate Pledges

In addition to setting goals, many companies publicly commit to a climate action plan via a corporate pledge program. Just as signatory countries of the United Nations-facilitated "Paris Agreement" of 2015 have made a commitment to address climate change, corporate pledge signatories are making a public promise to align with the commitments of the pledge. Doing so can generate some of the benefits of goal-setting exercises above, including C-level commitment and positive publicity.

Considerations when deciding to sign a corporate pledge could include:

- Do the pledge commitments align and support or distract from our sustainability goals?
- Is it to our brand's advantage to be aligned with this program, or could it backfire and be perceived as a liability?
- How rigorously does the pledge's leadership monitor the program, and how does that level of rigor align with our own guiding principles for sustainability management, such as transparency and accountability?
- Would it make sense for us to start our own pledge program?

Ultimately, these discussions should lead you to consider what the pledge commitment means in the context of your sustainability or ESG strategy and your overall corporate strategy. If the pledge will help you make advancements to your goals, then it may be worth your while. Keep in mind the risk exposure that can come from aligning with a program that is out of synch with your own values. Also recognize that your shareholders and investors may use the pledge to open the door for a discussion about issues such as your company's progress towards climate goals or governance of climate change issues.

Examples of Corporate Pledge Programs

Corporate Pledge Program	Year Announced	Led by	Number of Signatories	Pledge Commitments	Ongoing Monitoring
UN Global Compact	2000	United Nations	>12,000 companies*	• Adherence to the principles of the UN Global Compact, which includes a commitment to environmental protection	Yes, annual report of progress
The Climate Pledge	2019	Amazon and Global Optimism	114 companies*	• Measure and report greenhouse gas emissions on a regular basis • Implement decarbonization strategies in line with the Paris Agreement through real business changes and innovations, including efficiency improvements, renewable energy, materials reductions, and other carbon emission elimination strategies • Neutralize any remaining emissions with additional, quantifiable, real, permanent, and socially-beneficial offsets to achieve net zero annual carbon emissions by 2040.	Not clear
American Business Act on Climate Pledge		The White House (under Pres. Barack Obama)	154 companies*	• Reduce emissions by as much as 50 percent • Reduce water usage by as much as 80 percent • Achieve zero waste-to-landfill • Purchase 100 percent renewable energy • Pursue zero net deforestation in supply chains	Not clear
Project Gigaton	2017	Walmart	2300 Walmart suppliers*	• Avoid [collectively] one billion metric tons (a gigaton) of greenhouse gases from the global value chain by 2030	Internal Reporting

Bring It All Together for a Credible Climate Action Story

As mentioned above, your public climate goals or pledges are just one part of your climate story. Your credibility as a company committed to reversing the ill effects of climate change will emerge from many parts of your business. Your customers, employees, investors and other stakeholders will be developing a perception of your commitment by the actions and decisions you make in all of these issues. Bringing them all together into a cohesive narrative about how you are contributing to climate solutions will be the basis of trust.

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About OneTrust

OneTrust is the category-defining enterprise platform to operationalize trust. More than 12,000 customers, including half of the Fortune Global 500, use OneTrust to make trust a competitive differentiator, implementing central agile workflows across Privacy and Data Governance, GRC and Security Assurance, Ethics and Compliance, and ESG and Sustainability. The OneTrust platform is backed by 200 patents and powered by the OneTrust Athena™ AI and robotic automation engine.

According to the IDC Worldwide Data Privacy Management Software Market Shares Report, 2020, "OneTrust is leading the market outright and showing no signs of slowing down or stopping."

In 2020, OneTrust was named the #1 fastest-growing company in America on the **Inc. 500** with a 48,000% three-year growth rate. According to the **IDC Worldwide Data Privacy Management Software Market Shares Report**, 2020, "OneTrust is leading the market outright and showing no signs of slowing down or stopping."

OneTrust has raised a total of $920 million in **funding** at a $5.3 billion valuation from Insight Partners, Coatue, TCV, SoftBank Vision Fund 2, and Franklin Templeton. OneTrust's fast-growing team of 3,000 employees is co-headquartered in Atlanta and London with offices hubs across Australia, Brazil, Canada, France, Germany, Japan, United Kingdom, and the United States.

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