

Transition planning: Developing your route to Net Zero





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Transition planning

Contents

1. Who we are
2. Context and the imperative for action
3. Making the case for change: Risk and opportunity analysis
4. Transition planning and action
5. Closing remarks

Transition planning

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2. Context and the imperative for action
3. Making the case for change: Risk and opportunity analysis
4. Transition planning and action
5. Closing remarks

Our mission is to accelerate the move to a decarbonised future.



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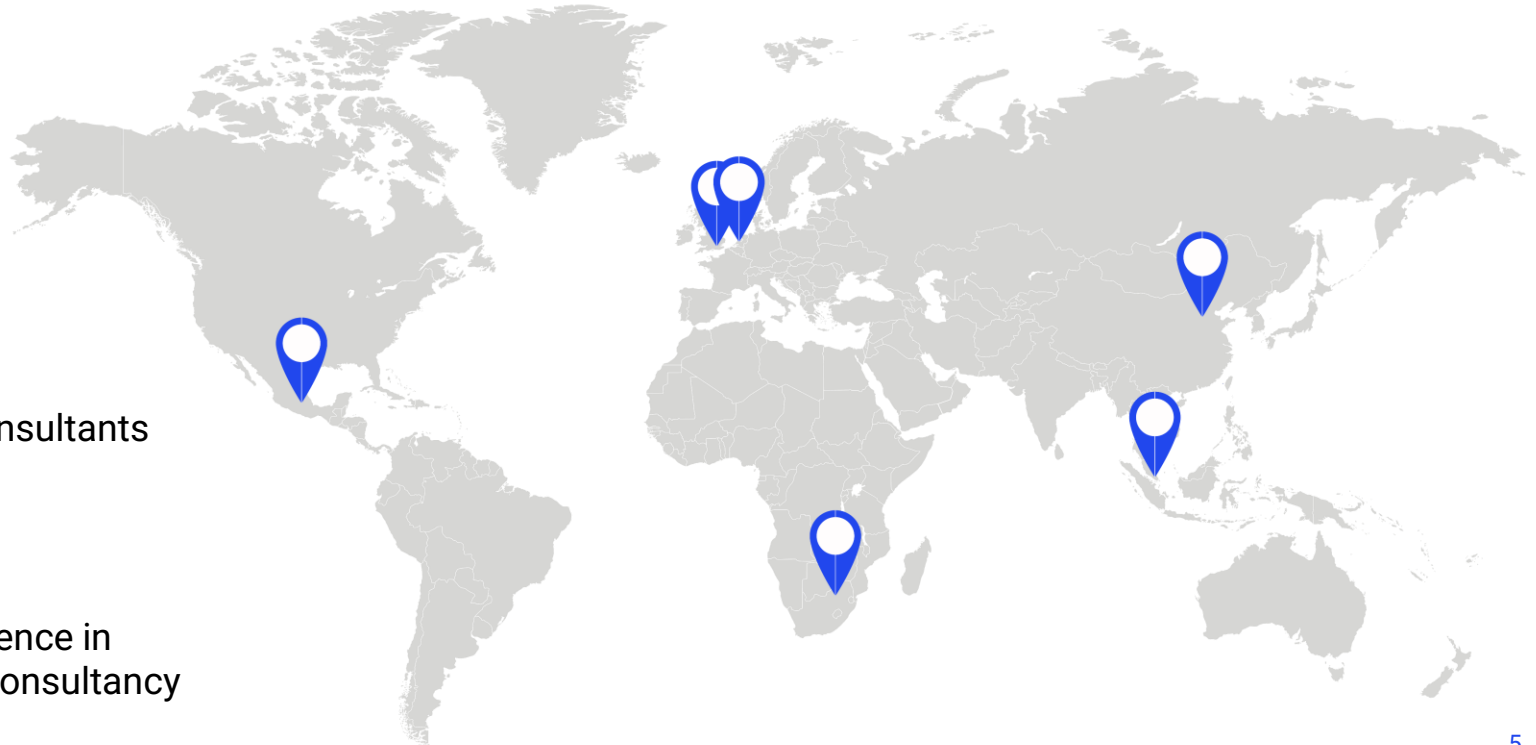
continents

400+

experts and consultants

20

years of experience in
sustainability consultancy



We work with you through each step of your Net Zero journey



Who we work with



Transition planning

Contents

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2. **Context and the imperative for action**
3. Making the case for change: Risk and opportunity analysis
4. Transition planning and action
5. Closing remarks

Increasingly frequent extreme weather events and international climate-related policies are directly impacting global economies

Scientists deliver 'final warning' on climate crisis: act now or it's too late

IPCC report says only swift and drastic action can avert irrevocable damage to world

- Analysis: Humanity at the crossroads
- Timeline: The IPCC's reports

Climate change worsened Asia's April heatwave by 2C - study

© 18 May



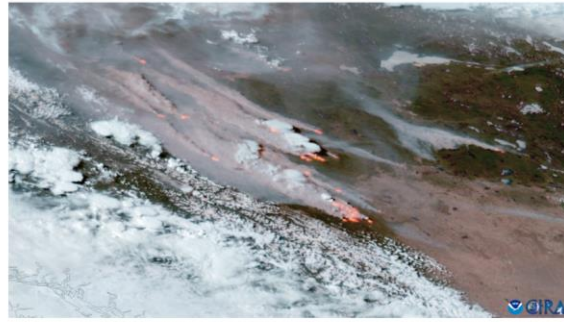
Earth saw its 3rd-warmest May in 174 years

North and South America saw their warmest May on record

Focus areas: Climate, Satellites Topics: monthly climate report, climate analyses and statistics, climate change

Share:   

June 14, 2023



A large cluster of wildfires burns in Alberta, Canada, as seen from NOAA's GOES-18 satellite on May 5, 2023. May 2023 was North America's warmest May in NOAA's 174-year climate record. (Image credit: NOAA)

It was another warm month for the globe, with May 2023 ranking as the world's third-warmest May on record.

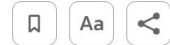


Levels is the threshold beyond which... Photograph: Janez Volmajer/Alamy

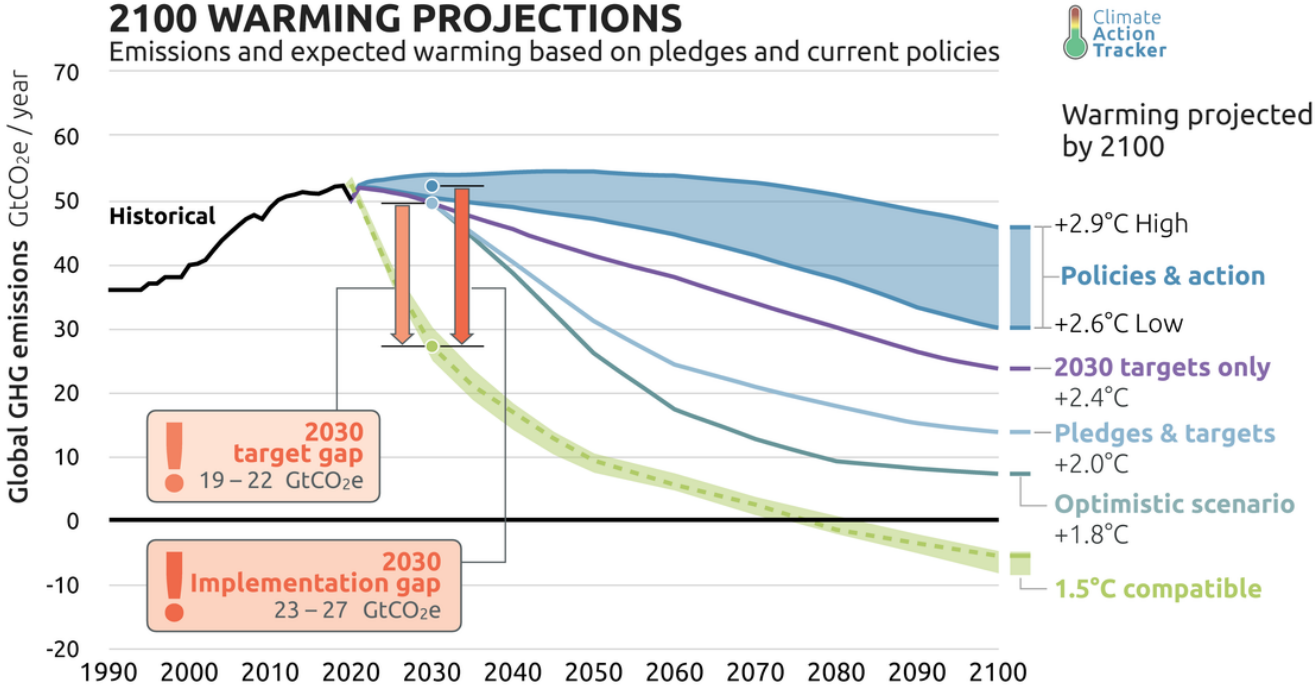
EU launches first phase of world's first carbon border tariff

By Philip Blenkinsop and Kate Abnett

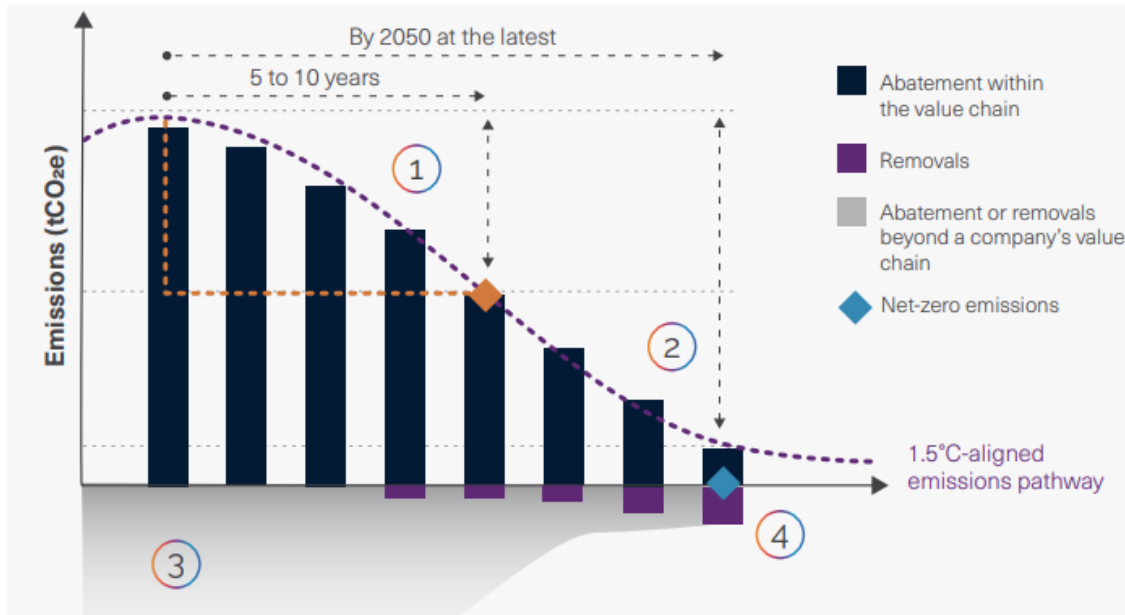
October 2, 2023 4:44 PM GMT+1 · Updated 3 days ago



Following COP27, current policies & action put us on a pathway to a global average temperature rise of 2.7°C but there is still uncertainty around the shape of this pathway



For companies, the SBTi describes the end goal of Net Zero and the journey towards achievement



1. Near-term science-based target
2. Long-term science-based target
3. Beyond value-chain mitigation
4. Neutralisation

Because climate risks are different to traditional risks, they are more difficult to manage



Systemic

Climate change affects all of society across all sectors and geographies



Non-Linear

Past trends are not necessarily strong predictors of future outcomes



Expected

Outcomes are dependent on short term actions, with certainty that significant change will materialise



Irreversible

Once we move beyond certain thresholds, risks will be permanent and often self perpetuating

Transition planning

Contents

1. Who we are
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3. **Making the case for change: Risk and opportunity analysis**
4. Transition planning and action
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Example climate risks and opportunities

Policy and legal

Carbon pricing mechanisms, adopting energy efficiency-solutions,, climate-related litigation claims



Technology

Development and use of renewable energy, battery storage, carbon capture.



Market

Shifts in supply and demand for certain commodities, products and services



Reputation

Reputational risk tied to changing customer or community perceptions of an organisation's climate mitigation contributions



Acute physical

Event driven, for example cyclones, hurricanes, or floods



Chronic physical

Longer-term shifts in climate patterns that may cause sea level rise or chronic heat waves



Resource efficiency

Improving energy efficiency across production and distribution services, buildings, machinery, transport, waste management



Energy source

Shifting energy usage toward low emission energy sources could save on annual energy costs



Products & services

Innovation and development of new low-emission products could improve competitive position and capitalise on shifting consumer & producer preference



Markets

Accessing new markets through collaboration with governments, development banks, communities working to shift to a lower-carbon economy. Financing green bonds and infrastructure



Resilience

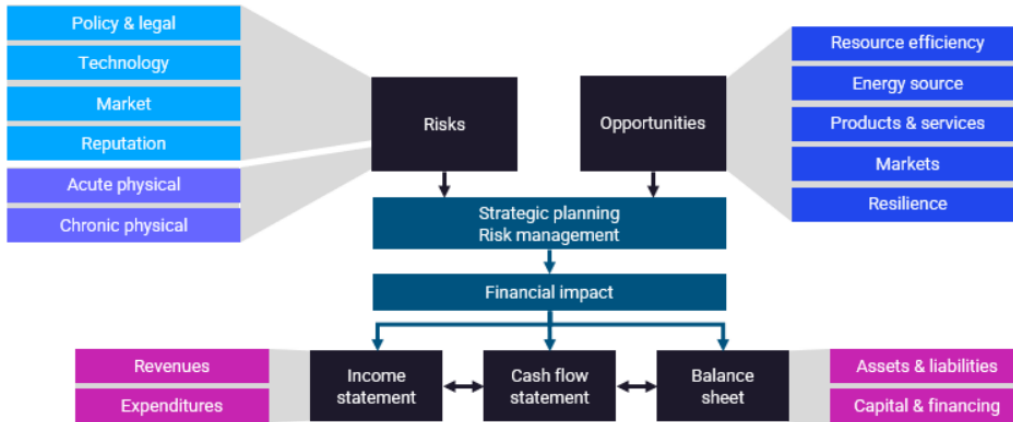
Developing adaptive capacity through improving efficiency, designing new production processes, developing new products

The TCFD was created to set a common standard on climate risk and opportunity assessment

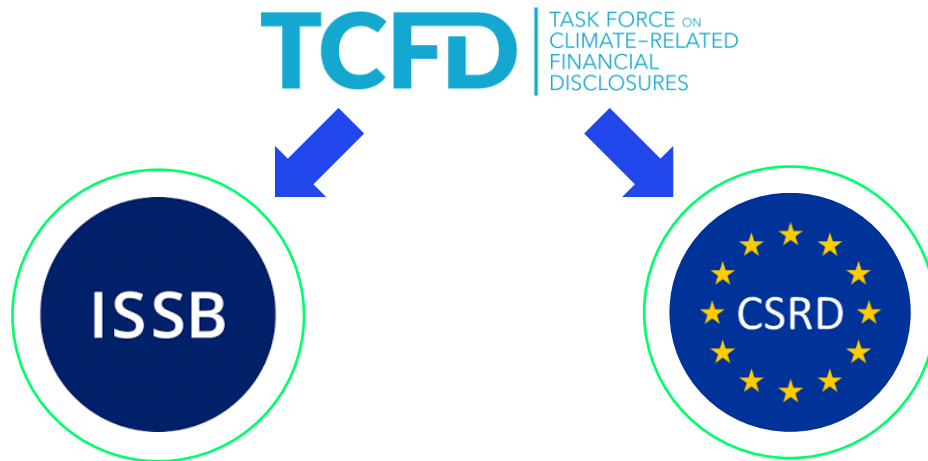


The Framework includes **11 types of climate-related risks and opportunities** that impact companies' financials...

...and guidance on reporting them against four pillars



The TCFD forms the basis of climate risk-related areas of other disclosure frameworks and regulation



- Standard for non-financial information disclosures created by the IFRS
- Likely mandatory for all reporters subject to IFRS, date TBC
- Fully adopts TCFD framework

- Requirement for non-financial information disclosures created by the EU (EU only)
- Mandatory in Europe from 2025 for certain companies on 2024 financial year
- Based on the TCFD framework but requires further information

Our approach for assessing climate-related risks and opportunities considers the interplay of three dimensions

1. External risk drivers

Transition risks

- Policy & legal
- Technology
- Market
- Reputation



Policy and regulation



Physical risks

- Acute
- Chronic

Innovation & technology breakthroughs



Consumer behaviour shifts

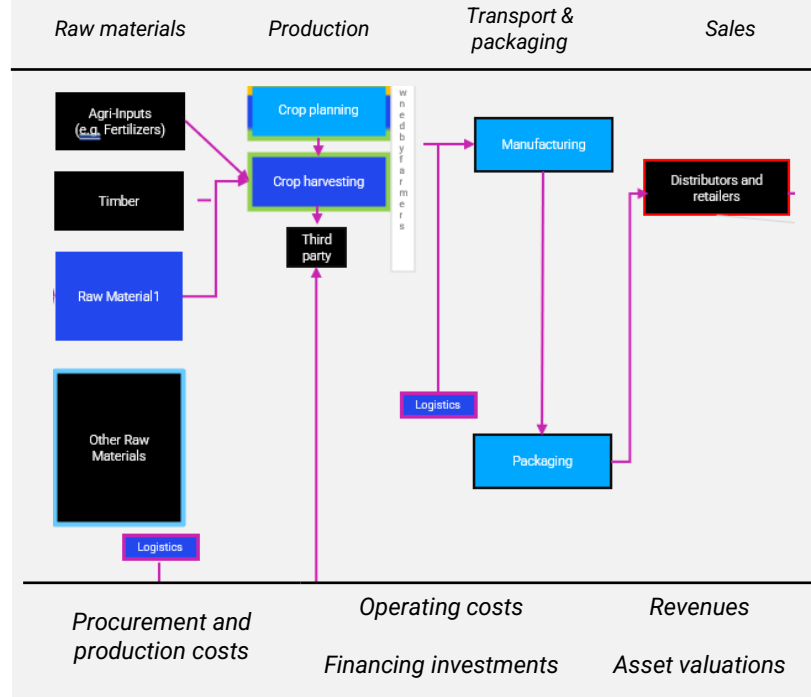
Opportunities

- Resource efficiency
- Energy sources
- Products/Services
- Markets
- Resilience

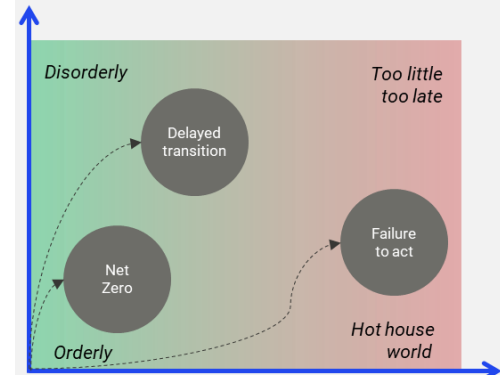


Physical impacts of climate change

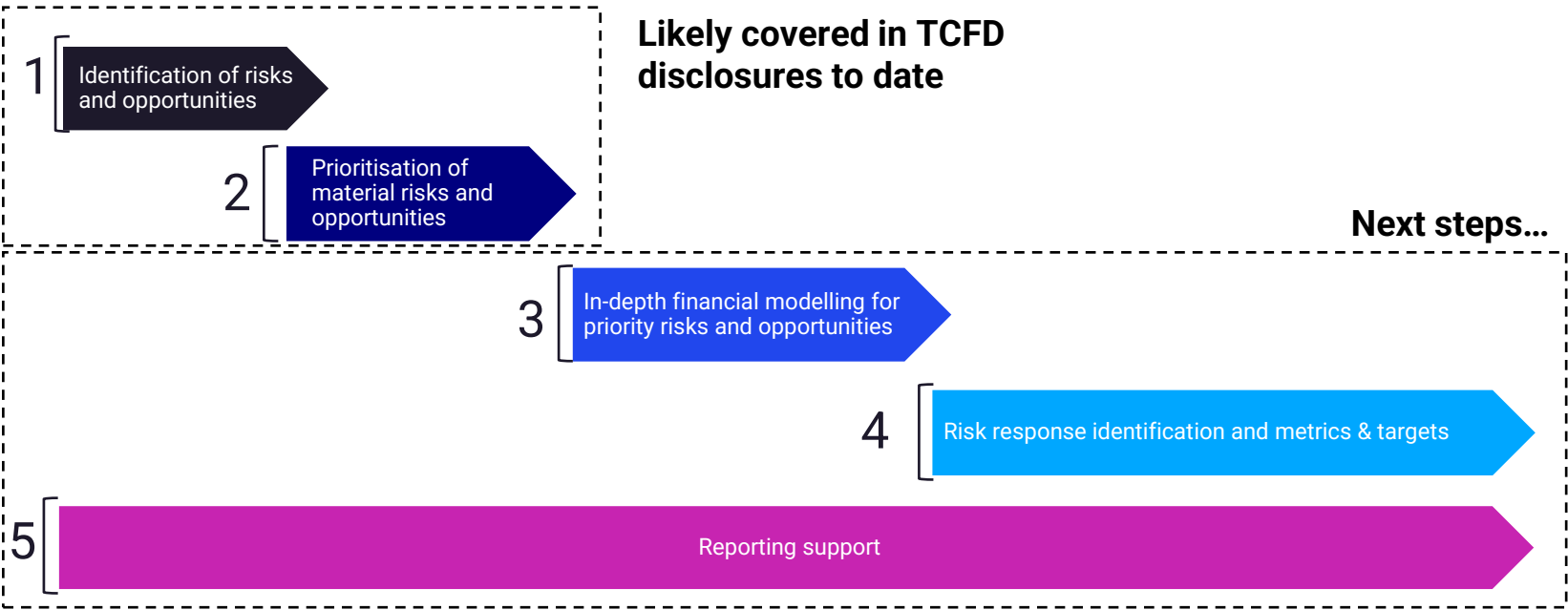
2. Business value chain stages



3. Climate scenarios



Our recommended approach consists of the following key steps, which are tailored to the specific organisation's needs



Indicative timeline



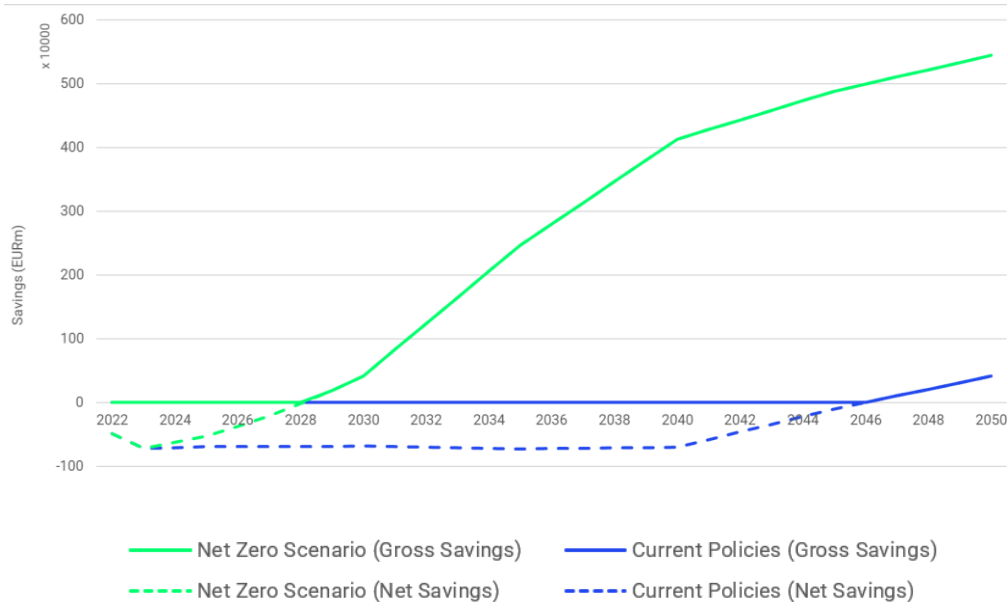
Steps 1 and 2 will allow companies to produce a comprehensive list of climate risks and opportunities (CROs), per TCFD category and value chain stage

	Upstream		Operations		Downstream		Other	Overview of Risks and Opportunity [Please note this is not the full list]
	Upstream logistics	Procurement	Product design	Manufacturing	Downstream logistics	Sales	Finance & investors	
1. Policy & legal risk	1	3		3	1			<ul style="list-style-type: none"> Carbon prices & CBAM Regulation on plastics
2. Technology risk				1				<ul style="list-style-type: none"> Stranded assets
3. Market risk	3			2	1	2	1	<ul style="list-style-type: none"> Increasing energy prices Carbon credits prices Insurance prices
4. Reputation risk						1	1	<ul style="list-style-type: none"> Investor demands
6. Chronic physical risk		1		1				<ul style="list-style-type: none"> Water scarcity
7. Resource efficiency opp.	2		1		1			<ul style="list-style-type: none"> Route optimisation Dry factories
8. Energy source opp.				2				<ul style="list-style-type: none"> Increased solar capacity
10. Markets opp.				1		2		<ul style="list-style-type: none"> Low carbon products Generation of carbon credits

In Step 3 a selection of CROs are taken forward to estimate the financial impact on the value driver

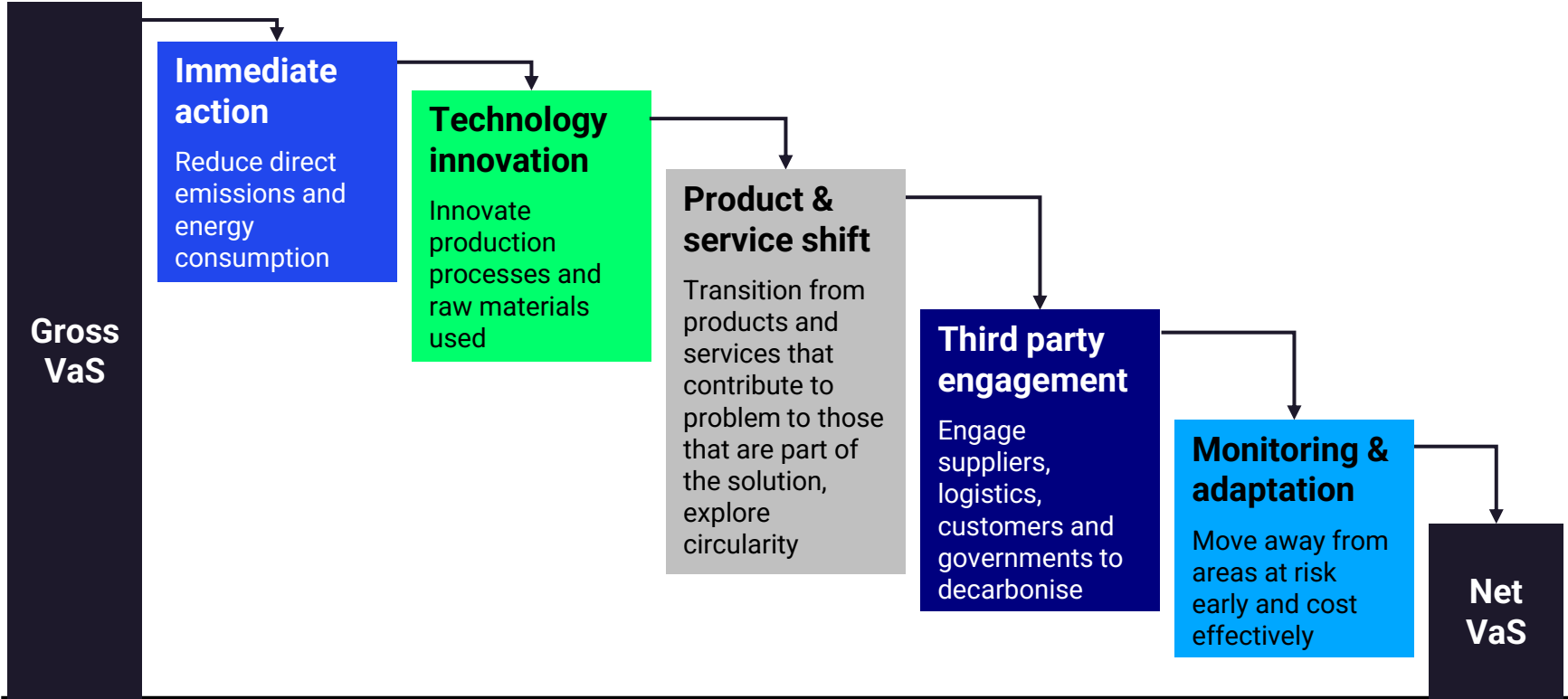
Example Opportunity: Procurement of less carbon intensive fuels reduces the impact of energy price increases

Yearly energy cost savings from switch to less carbon intensive fuels



	Gross Savings	
	Current Policies	Net Zero
Cumulative savings, €m, 2022-2050	1.05	75.14
Av. yearly savings, €m, 2022-2050	0.04	2.59
Av. yearly VaS as % of 2022 profit before tax	0.15%	3.79%

The financial impact of risks and opportunities can be mitigated through business strategy and key metrics and targets can be used to track progress



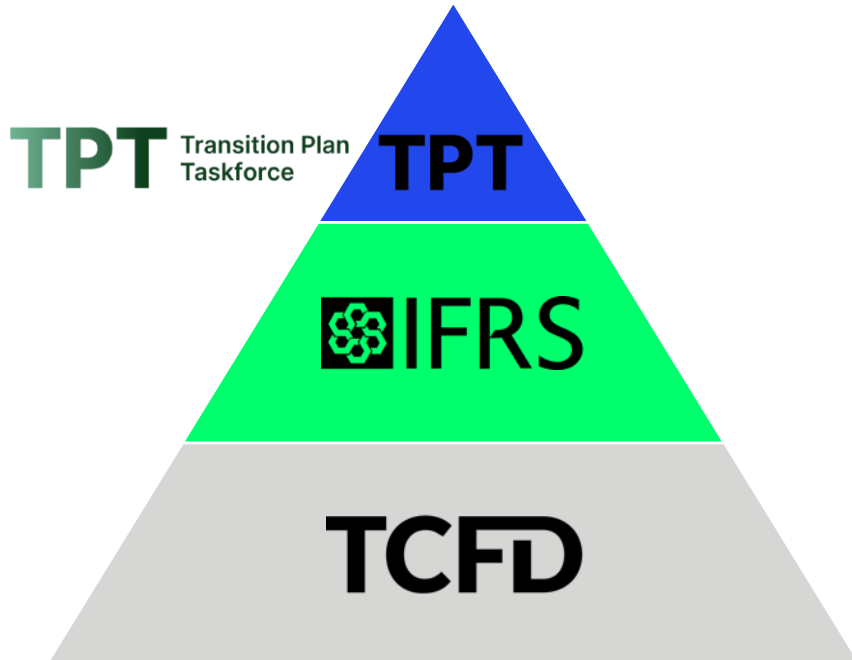
Transition planning

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1. Who we are
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Transition Planning

An increasing number of organisations are making public commitments to reach net zero. However, existing transition plans vary in detail and quality, limiting the ability of stakeholders to assess their credibility.



- The TPT Disclosure Framework provides a gold standard transition disclosure framework.
- The TPT Framework is designed to be consistent with, and build on, the final climate-related disclosure standard (IFRS S2) issued by the ISSB
- TCFD includes a recommendation to prepare Transition Plans in the updated Implementation Annex.

Transition Planning

Transition Plan Taskforce Disclosure Framework



FINANCIAL TIMES



Only 5% of FTSE 100 companies have 'credible' climate transition plans, says EY

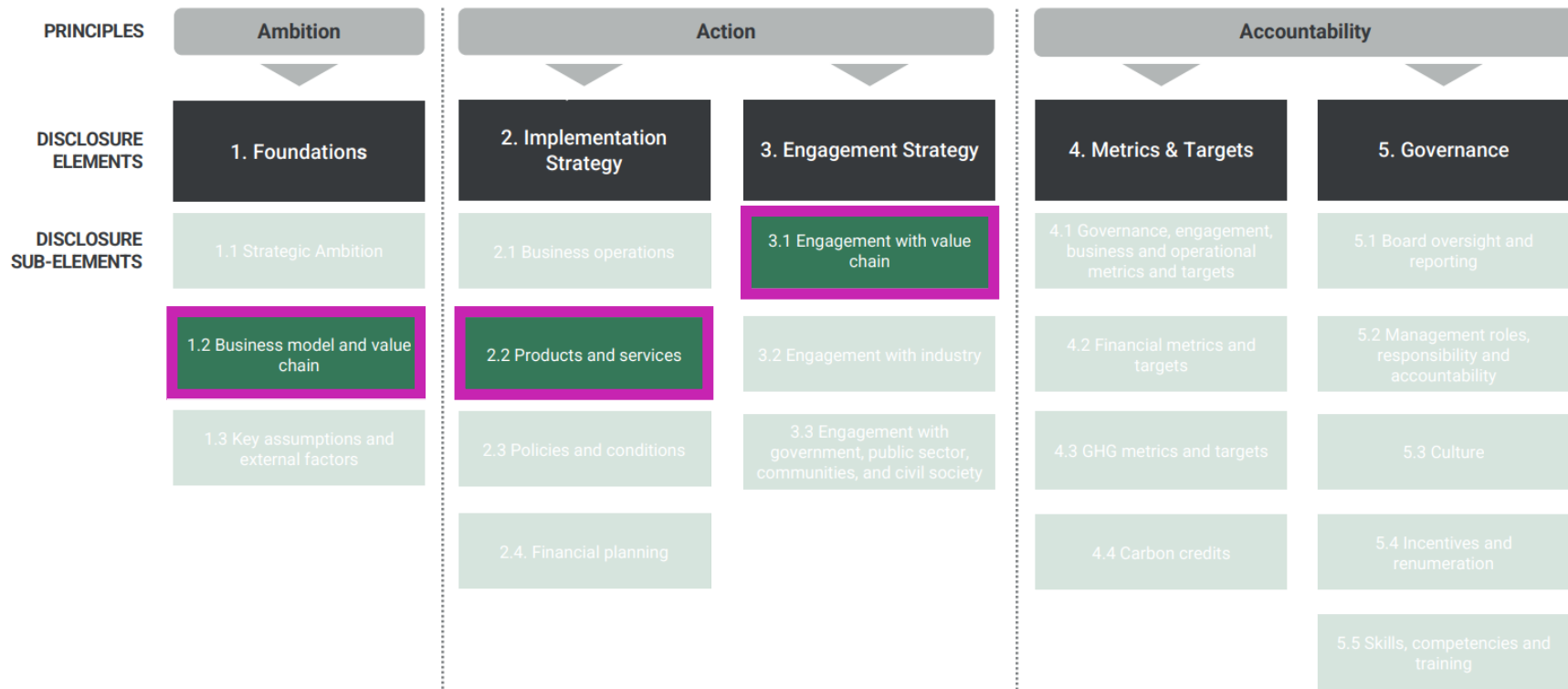
Tiny minority of biggest UK public companies would meet draft government guidelines

Governments, regulators and investors across the world are increasingly focused on the need for corporate transition plans, arguing they are a vital tool to understand how companies will be affected by the shift to a low-carbon economy. Countries around the world committed to limit global temperature rises to 2C, and ideally 1.5C, above pre-industrial levels under the Paris agreement — a target that will require a mammoth overhaul of global economies long dependent on fossil fuels.

The EY research also found that companies scored weakest against the TPT framework's implementation requirement, which asks companies to disclose how they intend to adapt business planning and operations and change products and services.

Transition Planning

Transition Plan Taskforce Disclosure Framework



A Net Zero Roadmap lies at the heart of a transition plan



Climate Leadership

Target roadmapping underpins confident external communication of climate leadership to customers, investors and suppliers.



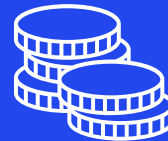
Innovation

A Roadmap models wide-ranging business model changes which frequently unlock internal innovation.



Regulation

Roadmapping allows companies to comply with the increasing scrutiny of Net Zero transition plans



Investment

Providing investors with certainty and credibility that your company is well positioned in the transition to a low carbon economy

A Net Zero Roadmap includes four key elements



Net Zero Context

The Net Zero Context includes **industry trends and best practice** and the **conclusions from any previous mitigation work**.



Reduction Strategy

The Reduction Strategy include all the actions required to deliver against target and the **detailed modelling results behind each reduction lever**.



North Star

The North Star is a **visual Roadmap** of the key milestones in the Net Zero Strategy for **confident internal or external communication**.



Roadmap Catalysts

The Catalysts are the key initiatives that will enable you **to realise the reductions in your Net Zero Roadmap**.

The Net Zero Context defines your ‘why’ of the Roadmap

In the Net Zero Context, the Carbon Trust often includes:



Brand potential

Developing a Net Zero Roadmap is key to credibly communicating the sustainability credentials of your brand.



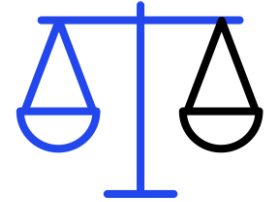
Strategic opportunity

The Net Zero transition unlocks some **business opportunities in low carbon markets**. A Roadmap will focus on joint decarbonisation and financial value.



Policy and compliance

A credible Net Zero Roadmap is increasingly mandated by regulators as the central part of a transition plan.



Competitive positioning

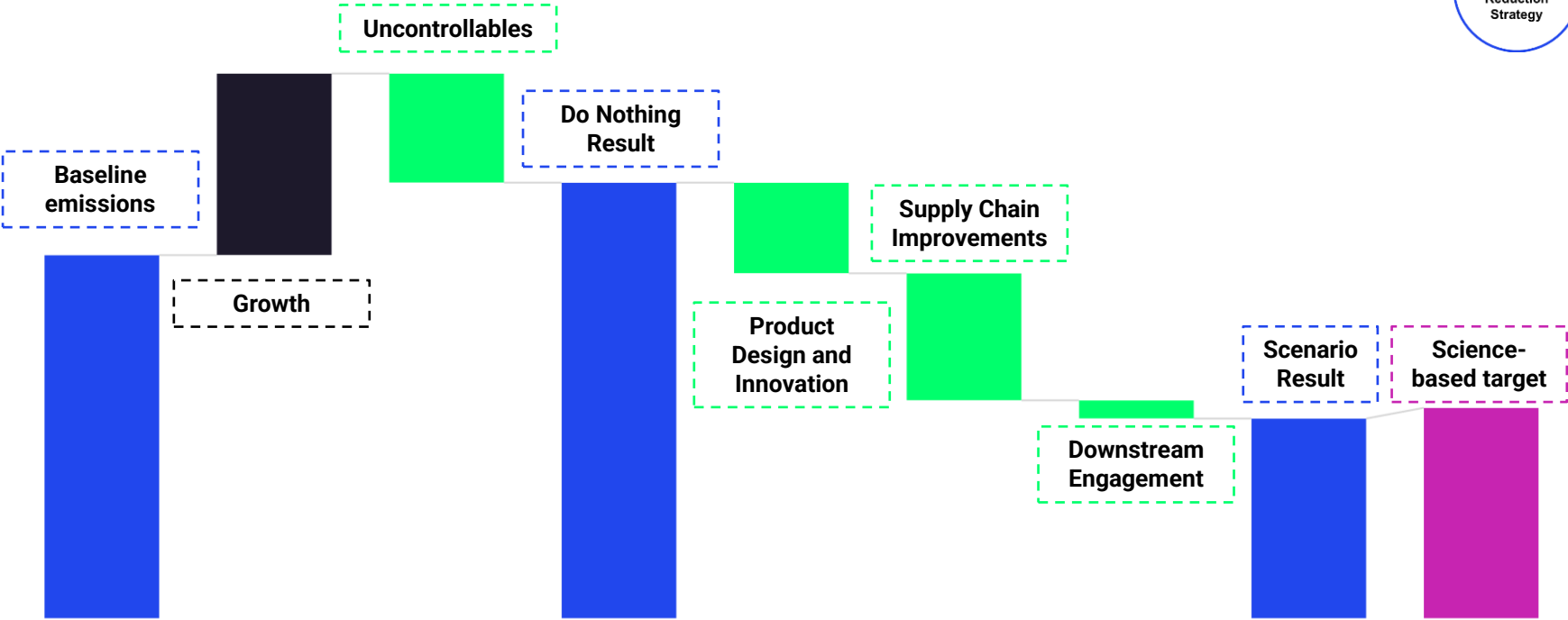
A Net Zero Roadmap will create a best practice plan **to compete with competitors' positioning** on climate action.

We work collaboratively to define the context for the Roadmap that will resonate best with stakeholders to generate buy-in, alignment and ownership.

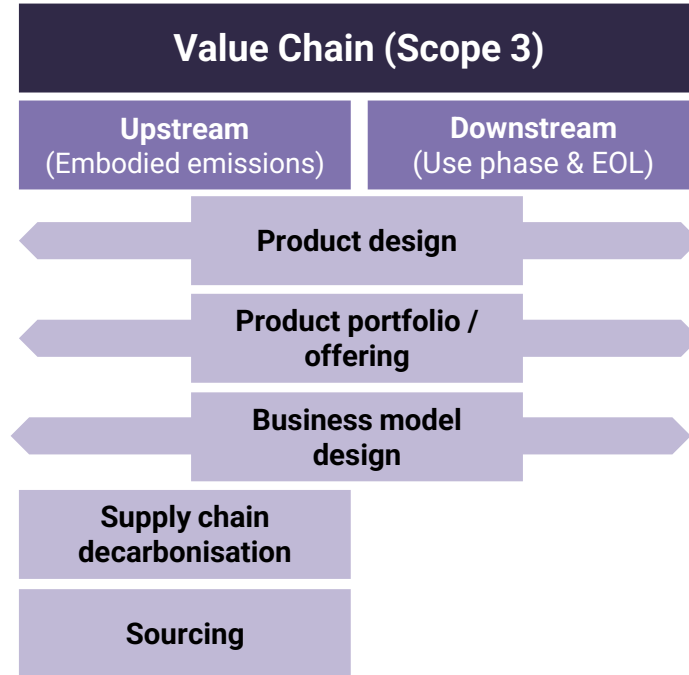
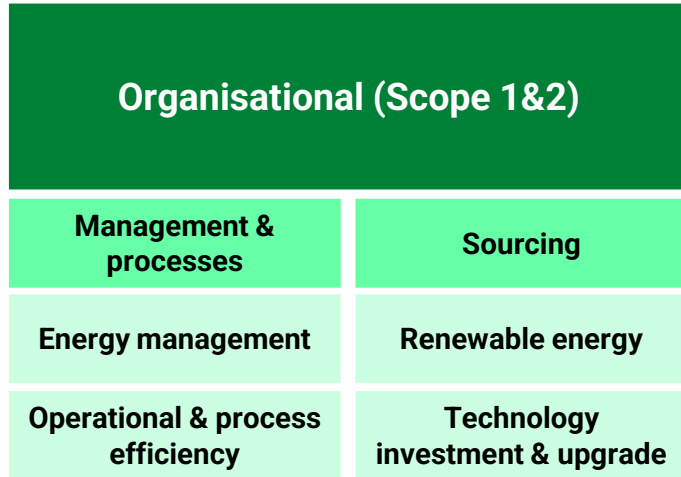
A Roadmap models the decarbonisation strategies to reach a climate target



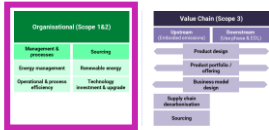
Example Output



We collaborate with clients to evaluate and quantify the impact of decarbonisation levers across the full value chain



Organisational (Scope 1&2) decarbonisation levers



Management & processes

Energy management

Energy management systems, MM&T

Operational & process efficiency

Process redesign

Logistics & transport fleet

Sourcing

Renewable energy

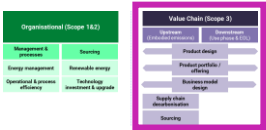
Green energy, PPA sourcing

Technology investment & upgrade

Asset procurement

Logistics & transport fleet

Scope 3 decarbonisation levers



Product design

Material substitution

Dematerialisation / lightweighting

Smart specification

Product energy efficiency

Product recyclability

Product portfolio / offering

**Choice editing
Product substitution**

Business model design

**Circular business model
(Refurb/remant; renting; servitisation)**

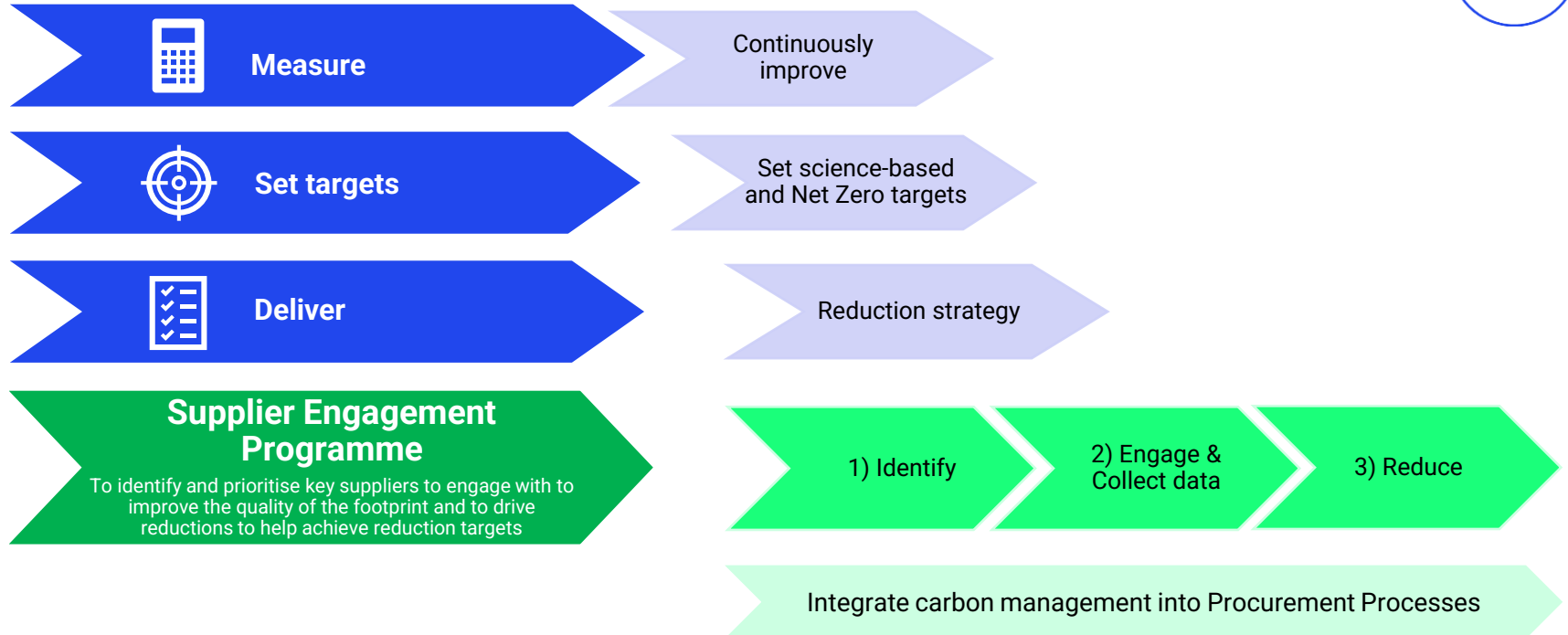
Supply chain decarbonisation

Supplier decarbonisation

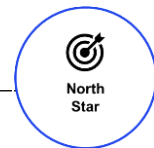
Sourcing

Choice of supplier

In supply chain, we support companies implement engagement programmes to improve data and drive decarbonisation



The North Star is a roadmap of milestones to reach your Net Zero target










Example Output

Enablement

Scale-Up

Transformation

Targets	 <p>Reduce Scope 1 & 2 emissions by 25% by 2025</p>	 <p>1.5°C-aligned 2030 target across all scopes</p>	 <p>Net Zero by 2050 across all scopes</p>
Operational and strategic changes	 <p>100% renewable energy for all owned operations</p>	 <p>30% reduction in air freight by 2030</p>	 <p>Reduction in unsold stock</p>
Working with our supply chain	 <p>Waste reduction in the supply chain</p>	 <p>50% of suppliers use low carbon fuel by 2030</p>	 <p>100% renewables in value chain by 2050</p>
Moving to circularity	 <p>Developing rental models for key brands</p>	 <p>Implement take back schemes in all markets by 2030</p>	 <p>Drive sector change on end-of-life circularity</p>
Roadmap enablers	 <p>Working with suppliers to obtain footprinting data</p>	 <p>Commitment to industry climate initiatives</p>	 <p>Committing to maintaining a Net Zero value chain</p>

The Roadmap Catalysts define the priorities to operationalise the decarbonisation strategy

The Catalysts consist of four categories to operationalise the decarbonisation strategy

The Catalysts are designed to provide practical recommendations and considerations for a best practice transition plan. The most relevant Catalysts for your business will be focused on.



Actions and initiatives

Recommendations on the near-term actions and initiatives that will enable the Roadmap to be realised. This could for instance concern value chain engagement, procurement policy or joint industry programmes.



Footprinting and data infrastructure

Recommendations around data collection and evaluation as well as footprinting practices to ensure the data infrastructure is in place to deliver the Roadmap.



Governance and monitoring

Advising on best practice governance principles and decarbonisation monitoring practices to embed accountability for the Net Zero transition across the business.



Roadmap funding

Advising on best practice in transition plan financing as well as financing mechanisms that your value chain can make use of.

Example: Taylor Wimpey Transition Plan

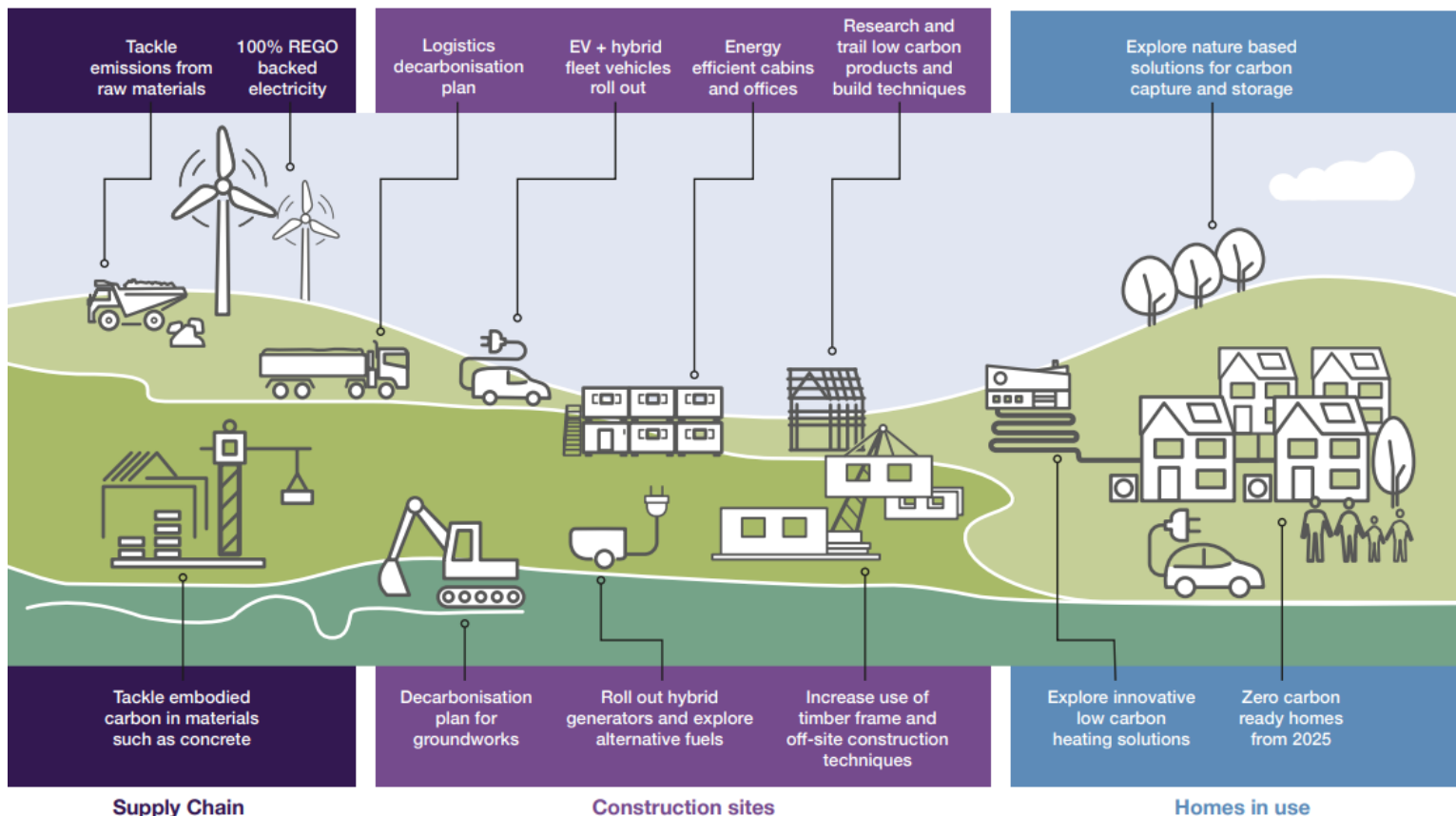
Taylor
Wimpey | plc

Our pathway to **Net Zero**

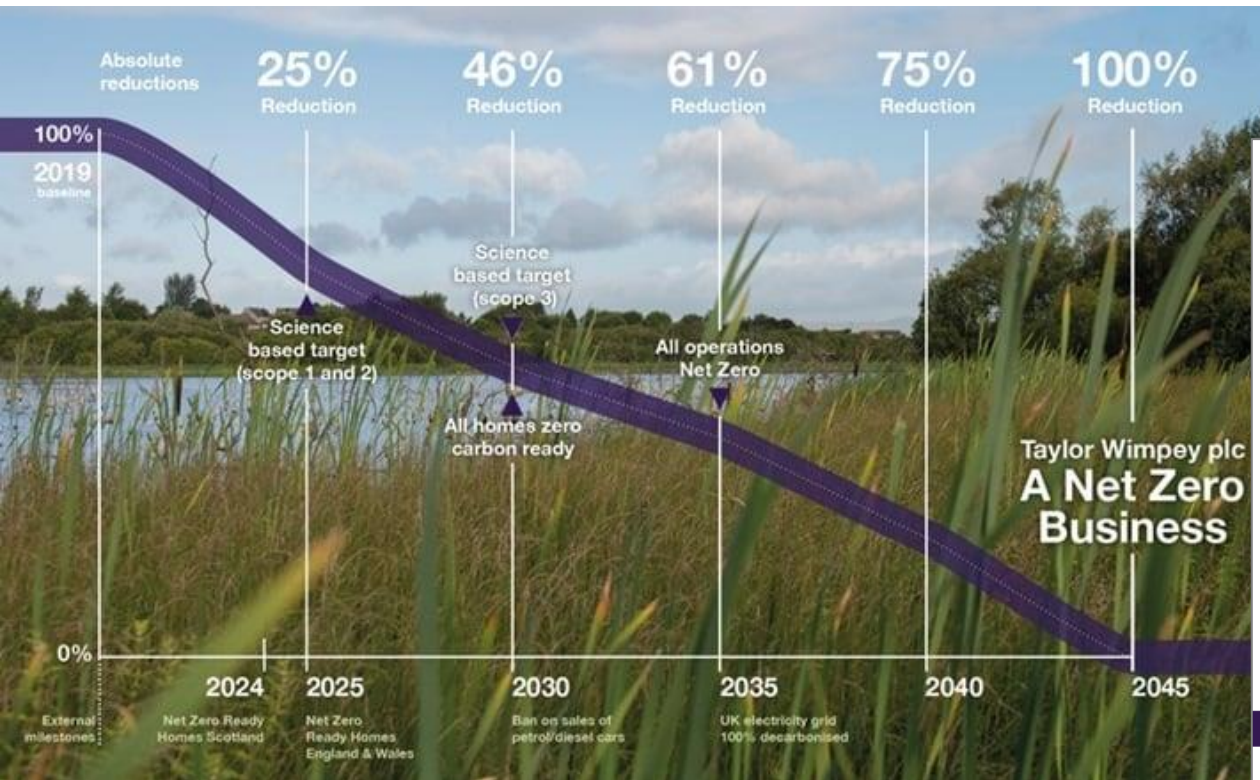
Our Net Zero Transition Plan outlines our key steps to reach net zero emissions in our operations by 2035 and across our value chain by 2045. It summarises our targets, roadmap and engagement plan.

Net Zero Transition Plan 2023

The company's transition plan defines actions across the its value chain...



...underpinning a reduction pathway to Net Zero



Our Net Zero strategy

Net Zero and our business strategy

Sustainability is one of four strategic cornerstones for our business, reflecting the importance of climate change and other topics to our strategy and stakeholders. We deliver on our commitment to sustainability through our Environment Strategy, Towards Zero Waste Strategy and, from 2023, our Net Zero commitment and Transition Plan.

Climate scenario analysis
Our 2022 scenario analysis included an assessment of climate-related risks and opportunities across short term (2025) and medium term time horizons (2030). The analysis considered our level of exposure to 15 transition risks in a low carbon economy where temperature rises would be limited to 1.5°C this century as well as modelling the physical impacts of climate change on our assets and supply chain in two temperature scenarios (1.5°C and 4°C degrees warming).
Impacts were estimated and likelihoods assessed and aligned to our risk management process. The process involved subject matter experts from across our key functions as well as members of our GMT.

and potential reputational benefits with employees, investors and other stakeholders.
A summary is included in our TCFD disclosure in our Annual Report and Accounts.
We have reviewed the findings with our senior leadership and heads of functions and used them to inform development of this Transition Plan, including the cost of investment needed to achieve our targets. The findings have also been integrated into our risk assessment process.

Our transition to net zero will impact many aspects of our business strategy including the performance and appearance of the homes we build, our specifications and cost base, the design and trade skills we need and the knowledge of our sales, production and customer service staff.
We have analysed the risks and opportunities associated with these impacts.

In relation to transition risks, the analysis showed a moderate to high level of residual risk exposure in the short term (2025), levelling out to moderate exposure in the medium term (2030). This reflects, among other factors, the short term impact from complying with the UK's Future Homes Standard (the move to zero carbon ready homes), as well as from moving to lower emission technology and securing sufficient electrical power supply. It also showed minor to moderate opportunities from the transition to a low carbon economy including market share gains as demand for low carbon homes grows

Net Zero commitment and Transition Plan

Environment strategy – Build a Better World

Towards Zero Waste Strategy and Action Plan

Transition planning

Contents

1. Who we are
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5. **Closing remarks**

Closing remarks





**Thank you for
listening**