

Constructing Excellence Midlands: Carbon Accounting & Net Zero Strategy

Discussion Deck

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Why - Context



Why do we need to do this?

Carbon Accounting and Net Zero planning provides the insights needed to adapt your organisation to the changing climate and economic environment

Common drivers for action

- **Legal** - mandatory for company reports
- **Consumers** - messaging on products
- **Reputation** - shareholder and stakeholder communication
- **Tenders** - for winning contracts
- **Investment** - credentials to achieve investment
- **Supply Chain** - supplier strategy and selection
- **Growth** - projects and transition planning
- **Insurance** - criteria for placement
- **TCFD** - recommended to disclose carbon emissions

74%

of global business leaders believe that **management still needs to improve the skill-set to tackle climate risk** ¹

3,300

Committed companies in **SBTi** ²

500bn

USD investments in 2020 globally in the **decarbonisation effort** ³

> 50%

G250 companies consider **the risk of climate change in their financial reporting**

> 65%

Global GDP covered by a **"Net Zero" target**

Carbon Intensity by Sector

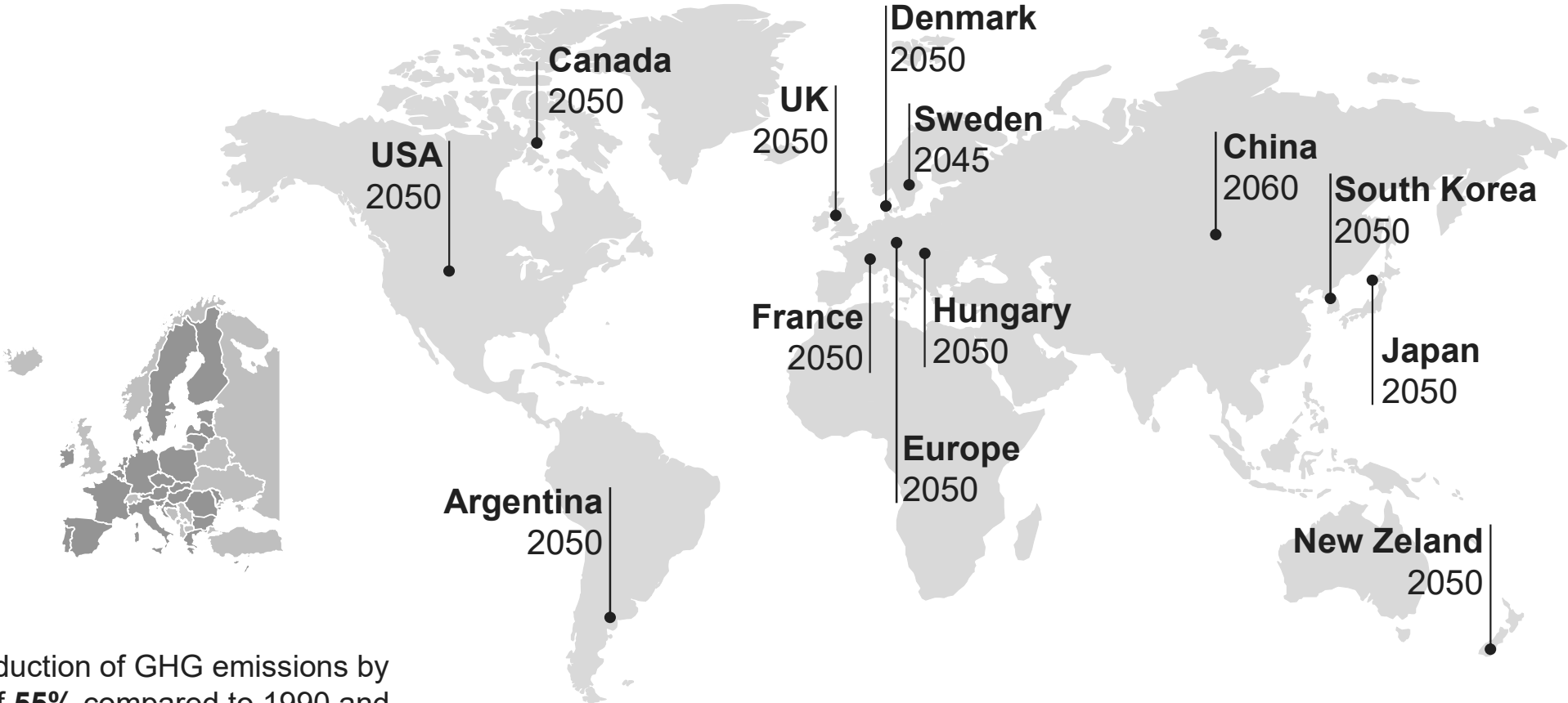
Even low intensive sectors still need to be part of the transition to a low carbon economy

Thousand tonnes CO2 equivalent/£ million value added of that sector (Source: UK Office for National Statistics)

Sector	1990	2020
Agriculture, forestry and fishing	4.99	3.98
Electricity, gas, steam and air conditioning supply	11.74	3.06
Water supply; sewerage, waste management and remediation activities	4.75	1.05
Mining and quarrying	1.41	0.96
Transport and storage	1.52	0.72
Manufacturing	1	0.45
Construction	0.09	0.12
Accommodation and food services	0.07	0.11
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.11	0.08
Public administration and defence; compulsory social security	0.11	0.05
Administrative and support service activities	0.09	0.04
Arts, entertainment and recreation	0.12	0.04
Human health and social work activities	0.09	0.04
Education	0.06	0.03

Net Zero Commitments

To date, over 110 countries have defined a Net Zero Target ¹



EU: reduction of GHG emissions by 2030 of **55%** compared to 1990 and Net Zero by 2050

¹ - Source: Energy and Climate Intelligence Unit (<https://eciu.net/netzerotracker/map>)

How - Approach

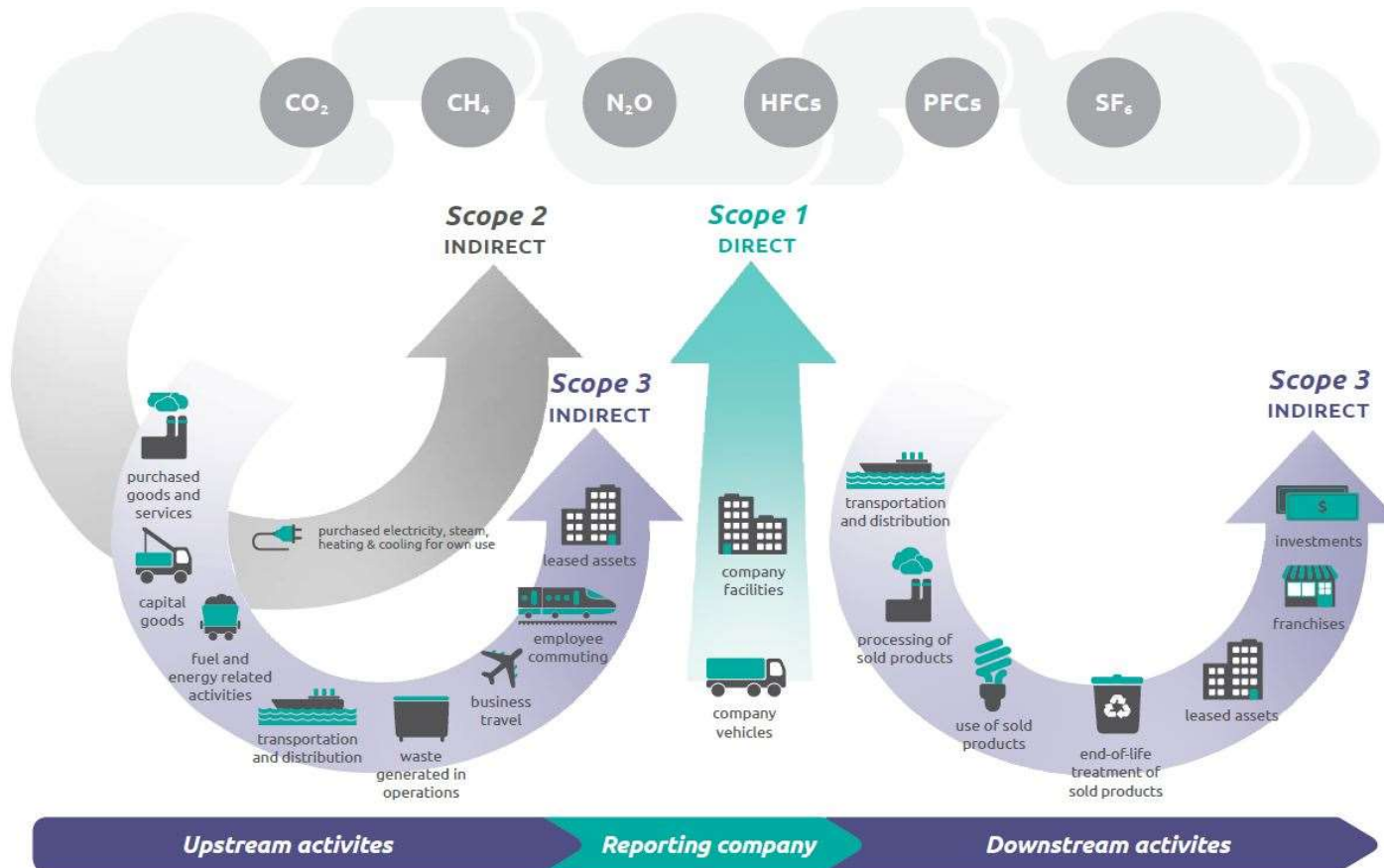
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Emission Sources

All emissions related to your activities should be included for a complete assessment

Scope 1 emissions are direct GHG emissions from operations that are owned or controlled by the organisation.

Scope 2 emissions are indirect emissions from the generation of purchased energy consumed by the organisation.



Scope 3 emissions are all other indirect emissions (not included in Scope 2) that occur in the value chain of the organisation.

They are a consequence of the activities of the organisation, but occur from up and downstream sources not owned or controlled by the organisation.

I: Typical Carbon Accounting Project

Aligned to the GHG Protocol and sector specific requirements

Objectives

Calculate an organisations scope 1, 2 and 3 GHG emissions across projects and your global operations and identify emission hotspots in detail.

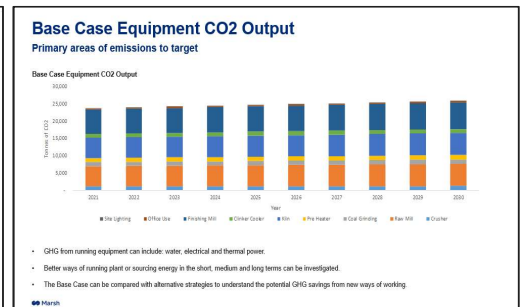
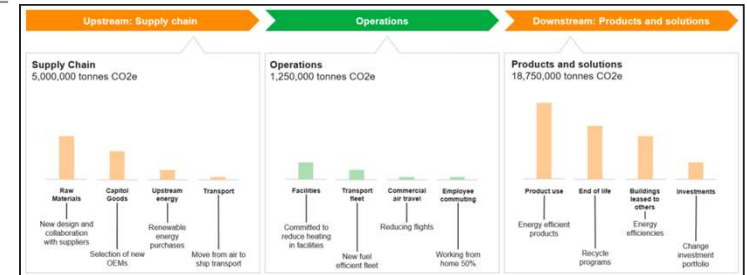
Main activities

- **Education sessions with key stakeholders** across all teams to help buy in and embed process.
- **Document request and review of available information.**
- **Perform detailed end to end mapping of organisational and project activities**, including suppliers, products, volumes, energy use etc. Thus ensuring no critical emission sources are overlooked.
- **Set operational boundaries** by overlaying scope 1, 2 and 3 categories onto the new organisational maps. **Confirm any assumptions to be taken** and areas of data challenge.
- **Creation of an excel based model of operations** in order to allow the emissions from different sources to be quantified and updated going forward.
- **Review of model with key stakeholders** to ensure accuracy and completeness and to discuss any assumptions taken.
- **Write up of GHG inventory (global and local)**, including Scope 1, 2 and 3 emissions broken down by activity, business division, products, facilities etc.

Main deliverables

- Illustrative -

- ✓ **Inventory of Scope 1, 2 and 3 emissions**
- ✓ **Documented repeatable process and tools**
- ✓ **Base year to use going forward as a benchmark**
- ✓ **Inventory report which can be published externally**



The process and level of depth will differ slightly depending on the goals of the project

I: Organisational Emissions Dashboard

Information needs to be transparent, comprehensive and drive actions

SCOPES 1 & 2

DEFINITION

Emissions directly from our operations (Scope 1) or from the electricity we purchase (scope 2)

PROPORSION

5%

HOW WE MANAGE

- Upgrade HVAC
- Renewable Energy

SCOPE 3

DEFINITION

All indirect emissions in our value chain, both upstream (among our suppliers) and downstream (during transportation, product use and end of life)

PROPORSION

95%

HOW WE MANAGE

- Consolidating shipping
- Local suppliers

Scope 1, 2 and 3 emissions (CO2e)



2021	2022
Scope 1 7,731 (0.3%)	Scope 1 6,815 (0.3%)
Scope 2 133,889 (4.8%)	Scope 2 107,611 (4.5%)

2021	2022
Scope 3 2,648,444 (94.9%)	Scope 3 2,251,490 (95.2%)

SCOPE 3: UPSTREAM

Purchased Goods & Services

2021: 50%

2022: 46%

Emissions involved in creating the products we carry

Transportation & Distribution

2021: 3%

2022: 8%

The shipping of products from DCs to stores

SCOPE 3: DOWNSTREAM

Use of sold products

2021: 23%

2022: 27%

Electricity customers use to operate products at home

Transportation & Distribution

2021: 18%

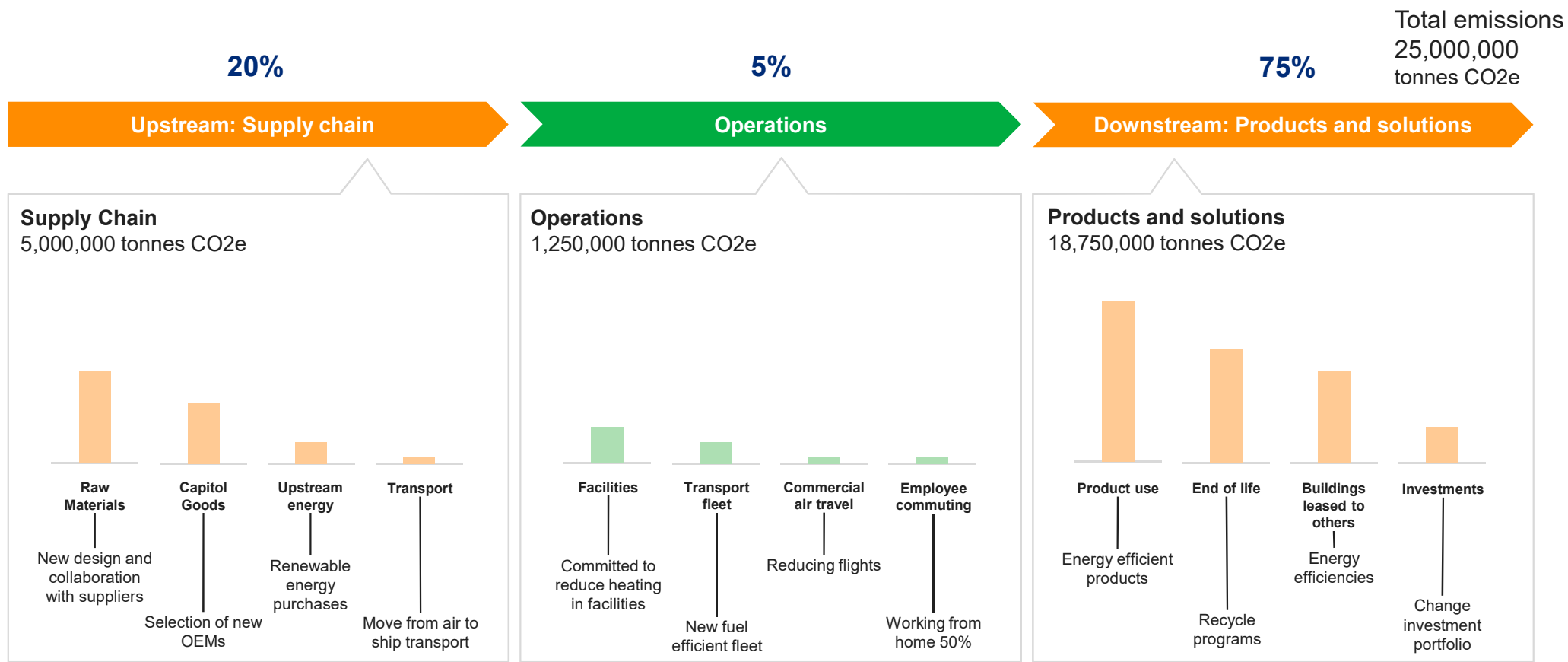
2022: 15%

Customers traveling to and from stores

Commonly Scope 3 is the greatest contributor, but the hardest to quantify and mitigate

I: Emissions Value Chain Dashboard

Identifying the sources of GHG emissions will help formulate specific targets and actions



Results need to be brought together in an easy to understand format for all staff and leadership, mitigation actions also need to be clear

II: Typical Reduction Target Project

Targets will be focused on hot spots and areas with real reduction potential

Targets

Discuss which accredited body to submit targets and reduction plan to (if any), as well as hold stakeholder and employee discussions. Outline new scope 1, 2 and 3 emissions reduction targets.

Main activities

- **Education sessions with key stakeholders** across all teams to help buy in and embed process.
- **Discuss current emission reduction efforts and what has been done so far.** For example, Head of Sustainability, COO and Office Manager.
- **Discuss which accredited organisation to submit targets to (if any).**
- After identifying carbon emission hotspots, **prioritise emission areas to set targets for and confirm who to engage in any newly formed climate action group.**
- **A terms of reference and membership of the new climate action group** will be drafted, it is common for these groups to be set up by organisations to ensure progress towards targets are sustained and put in place clear accountability.
- **Outline a further education plan** if needed.
- **Confirm first steps of reduction plan** with new climate action group.

Main deliverables

- Illustrative -

- ✓ **Agreed and set targets / aspirations**
- ✓ **Begin submission to SBTi or other body**

Category	Item	Start	End	Status
Scope 1	Manufacturing	2023-01-01	2023-12-31	On Track
	Waste	2023-01-01	2023-12-31	On Track
	Transport	2023-01-01	2023-12-31	On Track
	Other	2023-01-01	2023-12-31	On Track
Scope 2	Electricity	2023-01-01	2023-12-31	On Track
	Heat	2023-01-01	2023-12-31	On Track
	Other	2023-01-01	2023-12-31	On Track
	Other	2023-01-01	2023-12-31	On Track
Scope 3	Business Travel	2023-01-01	2023-12-31	On Track
	Employee Commuting	2023-01-01	2023-12-31	On Track
	Other	2023-01-01	2023-12-31	On Track
	Other	2023-01-01	2023-12-31	On Track

The type of reduction actions will depend on an organisations emission hotspots and industry

III: Typical Roadmap Project

Roadmaps can be in multiple formats and accredited with different organisations if required

Targets

Develop comprehensive and scalable carbon reduction roadmap for employees and stakeholders to follow within achievable actions and timeline.

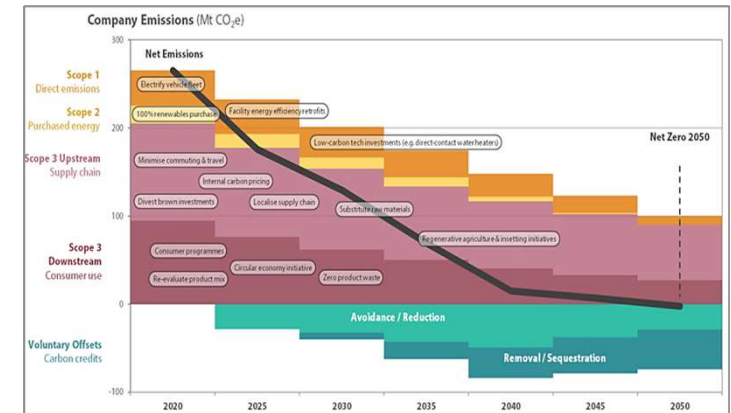
Main activities

- **Education sessions with key stakeholders** across all teams to help buy in and embed process.
- **Develop both global and local roadmaps** with suggestions and plans to reduce carbon emissions in different parts of the company's operations e.g. recycling, supply chain The format of the roadmap will be discussed, usually this is in the format of a Power Point or Word document with supporting material as needed.
- Engagement with external organisations will be critical (scope 3) and a **prioritised engagement plan will be created**.
- **Hold regular meetings whilst developing the roadmap** to see what is feasible, and who will own emission reduction actions within the company e.g. Operations Manager in charge of recycling.
- **Submit roadmap to SBTi** and provide ongoing support throughout the process of approval.
- Depending on progress, run **climate action group meetings to keep track** of any areas that are proving difficult.

Main deliverables

- Illustrative -

- ✓ **Comprehensive reduction roadmap at both a global and project level**
- ✓ **Submission to SBTi or similar body**



Both local and global roadmaps can be created depending on the type of organisation and its global reach

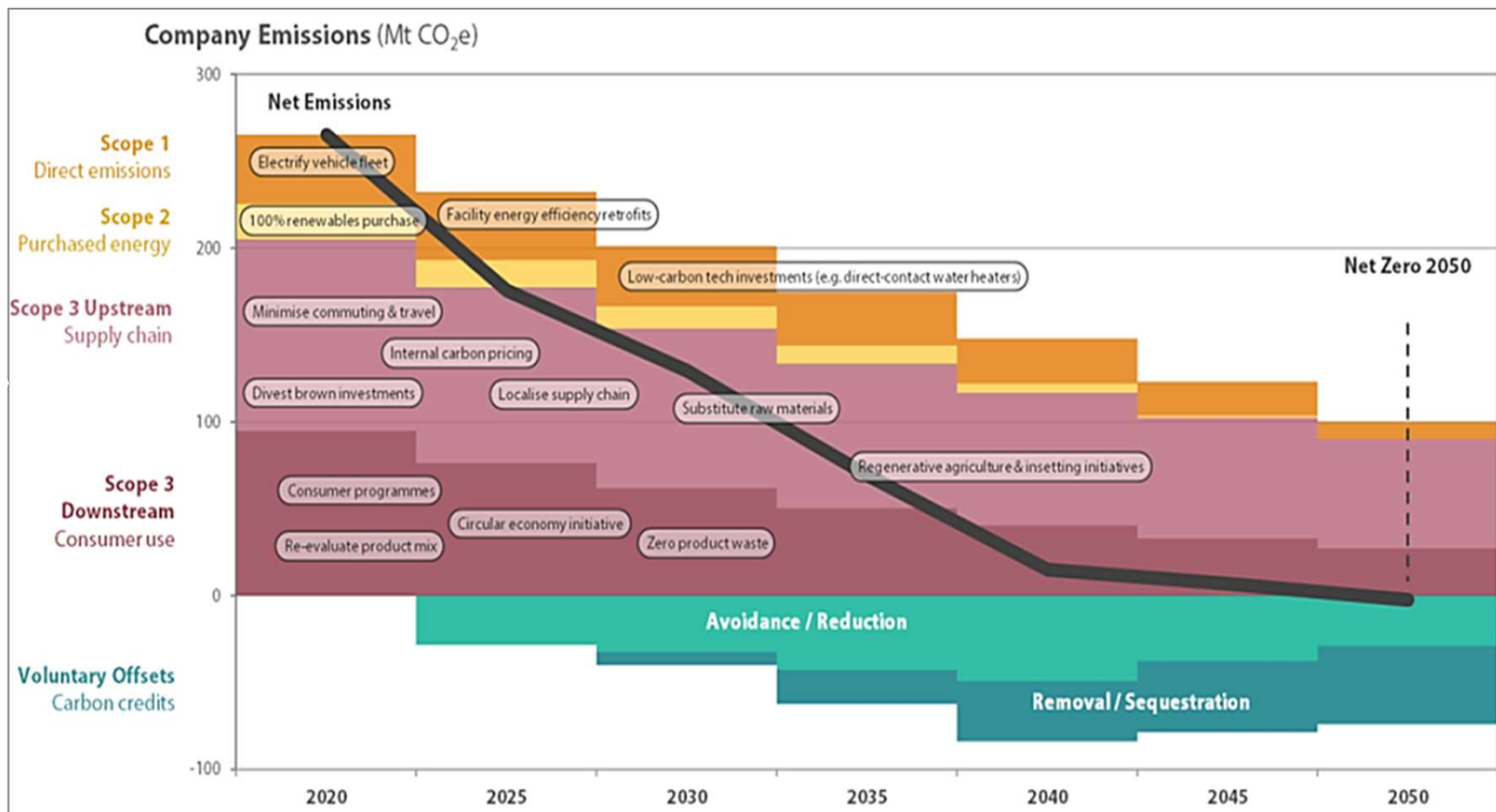
III: Define your net-zero targets and trajectory

Once actions to achieve net-zero have been identified and agreed, convert these into measurable targets for GHG reduction and develop a clear net-zero trajectory over a defined timeframe

Defining a measurable net-zero trajectory

- **Build net-zero strategy based on Scope's 1, 2 and 3 measurements**
- **Define net-zero trajectory** for project and corporate level emissions
- **Cost benefit approach that takes into account appetite for investment** in net-zero (if relevant)
- **Aligns with regulatory standards** (SBTs) and industry best practice

Illustrative net-zero trajectory



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