

# Setting Ambitious Long-Term Sustainability Targets

The Rising Momentum & Best Practices

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## SECTION 1: INTRODUCTION

CBSR is proud to support its members in their ambition to be corporate sustainability leaders. In this vein, CBSR roundtables and Spotlight briefs are designed to equip members with information, perspectives, analysis, and peer learning that can support leadership positions. This Spotlight aims for this outcome by delving into the concept of *setting long-term ambitious sustainability targets*.

Based on insights from CBSR members, and the experience of Delphi Group, it is evident that there is momentum behind this topic and thus it is important to consider the implications of that rising interest for corporate sustainability leaders. 2020 is a critical year for sustainability planning as companies face key decisions on where to focus sustainability resources and strategy over the coming decade, while under pressure from the COVID-19 pandemic, shareholders, customers and employees to increase transparency and accountability. Many goals have emerged in response to heightened stakeholder expectations regarding corporate sustainability performance and transparency. Management of climate risk is fundamentally reshaping financial markets and the priorities of the private sector. Moreover, Canada has committed to getting to net zero carbon by 2050. To showcase leadership, many companies are setting ambitious long-term sustainability targets.

***This research brief is meant to be a living document that will incorporate insights from CBSR Roundtable discussions. The brief analyses why ambitious long-term sustainability targets matter and explores why they are on the rise. This brief illustrates examples of innovative sustainability targets and takes an in-depth look at drivers and barriers of target setting, as well as characteristics of robust ambitious long-term sustainability targets. While this brief touches on broader sustainability targets, there is an acute focus on climate-related targets.***

### COVID-19 & SUSTAINABILITY

Amid the current COVID-19 crisis, companies are responding to the call to be purpose-driven, responsible and resilient. The pandemic has also brought to light the materiality of ESG-related risks and the deep linkages between businesses and their stakeholders across the value chains. Despite the urgency of the current COVID-19 crisis and its immediate impacts on business continuity, there is preliminary indication that momentum towards sustainability efforts is not waning:

- **ESG Funds are performing better:** Larry Fink, the CEO of BlackRock, the world's largest asset manager released at the end of the first quarter in which he emphasized that "*the pandemic we're experiencing now highlights the fragility of the globalized world and the value of sustainable portfolios.*"<sup>1</sup> According to the analysis from S&P Dow Jones, ESG funds are proving more resilient. [Climate and ESG shares](#) outperformed in the long-term and during the pandemic thereby confirming the conviction that management of ESG risks creates long-term value.<sup>1</sup>
- **New net-zero carbon targets and 2030 Visions:** Companies including [Barclays](#), [Shell](#) and [Total](#), released net zero carbon targets post-March 2020. Intel's recently announced [2030 corporate responsibility strategy](#) features shared responsibility goals, including achieving industry wide carbon neutral computing.
- **Green Recovery:** There is increasing momentum towards 'building back better' by ensuring long-term stimulus investment increases resilience and tackles the threat of climate change. The [World Bank](#), [International Monetary Fund](#), [Investor Agenda](#), [European Union](#), and the Canadian government have signaled the importance of applying a climate lens to economic recovery plans.

We will discuss sustainability targets within the new reality of COVID recovery and a post pandemic world in Part 2 of the EXCEL Roundtable June discussion.

## POST-PANDEMIC SUSTAINABILITY TARGETS

How will corporate sustainability change in a post-pandemic world? Will the momentum on ESG and climate issues remain strong in corporate board rooms and government policies or wane if leaders turn to a short term 'economic growth at any cost' agenda to rebuild the global economy? Like many CBSR members, we have been speaking to our partners and colleagues across industries and government these last few months, listening to incredible stories of pandemic responses and the rapid business transformations that have occurred, supporting any way we can, and mapping best practices through the [Canadian Business Responders List](#), which can be found on our website. We have been sharing with many stakeholders, our collective speculations on the road ahead for sustainability. We have consistently heard two basic, yet indicative themes:

1. ESG/sustainability and climate are "baked in" to economic success. This will not change as we come out of COVID. Transparency around risk assessment and mitigation will be critical.
2. The "S" in ESG will only get stronger. COVID has exposed the economic vulnerability of millions and exacerbated the income inequality gap. The meaning of employee safety, health and wellness today looks unimaginably different than in February. Companies in all sectors will be re-orienting priorities, strategies, and investments to bolster the resiliency of their business models and supply chains and provide needed and meaningful support to employees, customers, and communities.

We will explore recalibrating long-term sustainability targets post COVID in our upcoming Roundtable. Below are a few questions to kick-start conversation:

**Climate** – Climate targets today nearly exclusively focus on emission reductions. We expect this to remain and accelerate, but there may also be new dimensions to consider. How can goals address the broader range of climate risks and opportunities for economic resiliency, greater energy efficiency, and community vibrancy? What would a climate resiliency target look like?

**Re-invigorating the "S"** – Concrete and long-term social targets have always been much less common and defined than those related to environmental issues. Where they exist, the most common feature of social targets still revolves around an economic and time contribution to a cause or group. Measuring social impact has long been an elusive goal. How can companies more aggressively develop targets and accurately track metrics on issues like inequality, poverty, health & wellness, and community involvement? Will companies begin to report on and establish targets related to national or community-based metrics that they contribute to and can influence, but cannot fully control?

## SECTION 2: CURRENT STATE OF AMBITIOUS LONG-TERM SUSTAINABILITY TARGETS

A 2019 *Harvard Business School* research paper '*Corporate Sustainability: A Strategy?*' found that to become a market leader in sustainability strategy, ambition is paramount - it is at the core of leadership.<sup>1</sup> Setting an ambitious and long-term sustainability target is about signaling a commitment to change how business is done today to achieve a more sustainable outcome in the future. Long-term business goals are also imperative to ensure organizations create and maintain long-term value. Achieving sustainability in the fiduciary sense of the word and achieving sustainability in the more commonly understood environmental social and governance (ESG) context go hand in hand and reveal a commitment to sustainable value creation.

<sup>1</sup>Ioannou, Ioannis, and George Serafeim. "Yes, Sustainability Can Be a Strategy." *Harvard Business Review* (website) (February 11, 2019).

## 2.1 RISING MOMENTUM FOR AMBITIOUS LONG-TERM SUSTAINABILITY TARGETS

There is strong evidence suggesting that the number of companies setting long-term ambitious sustainability targets is rising. Research support for that conclusion is provided below.

**Science-Based Targets** are increasingly used by stakeholders and shareholders to judge the robustness of a company's climate strategy and to ensure it is aligned with climate science.<sup>2</sup>

- **873** companies have joined the Science Based Targets Initiative (SBTi) since 2015, far exceeding its goal of 250 companies by 2020

Between 2015-2019 there has been a four-fold increase in carbon neutral commitments from Fortune 500 companies, using 100% renewable power, and/or meeting a science-based emission reduction target. If this momentum continues, by 2030 79% of the Fortune Global 500 will be carbon neutral, be using 100% renewable power or have met a science-based target for internal emissions reductions.

**Climate Action 100+** has experienced a 65% growth in investor signatories since its launch in 2017. Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Currently, 450 investors with more than USD \$40 trillion in assets under management have signed on to this initiative.

**RE100 Initiative:** 234 companies have made a commitment to 100% renewable energy before or by 2050 signaling an important shift in the market towards a low carbon economy.

**Net Zero Asset Owner Alliance:** Most recently, in 2019, the United Nations Environment Program Finance Initiative (UNEP FI) and Principles for Responsible Investing (PRI) convened a formalized group of institutional investors, representing \$4.6 trillion in assets under management, that have committed to transition their portfolios to net-zero GHG emissions by 2050, establish GHG emission reduction targets and regularly report on progress.

While the above examples focus on climate-related targets, non-climate related sustainability targets also appear to be on the rise, albeit more sporadically.

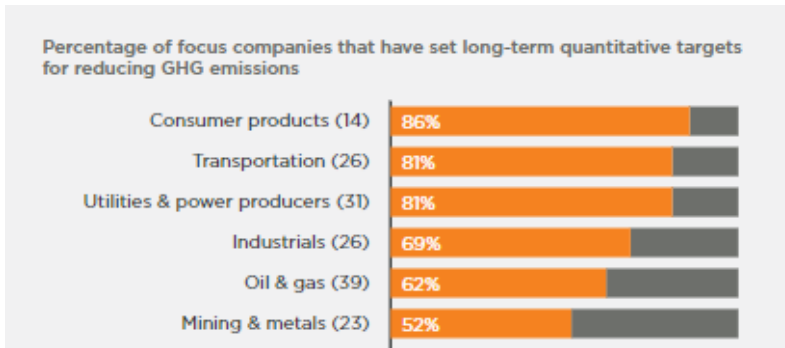


Figure 1: Sector Breakdown of Companies with Science-Based Targets

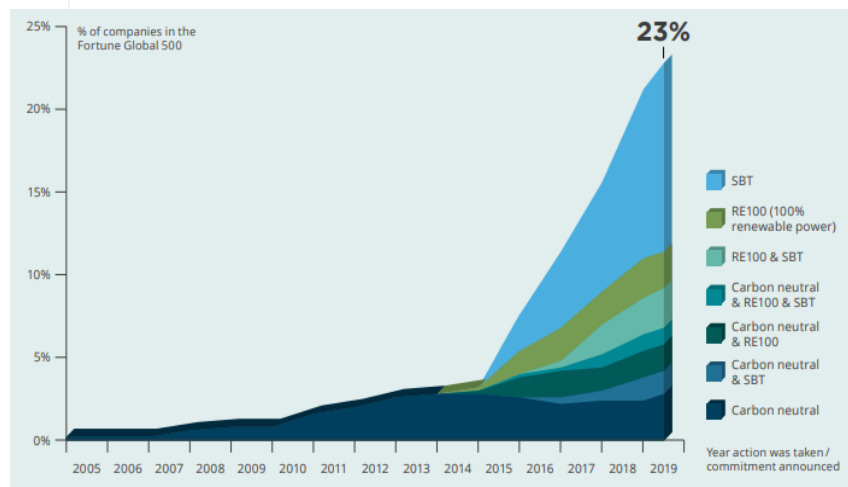
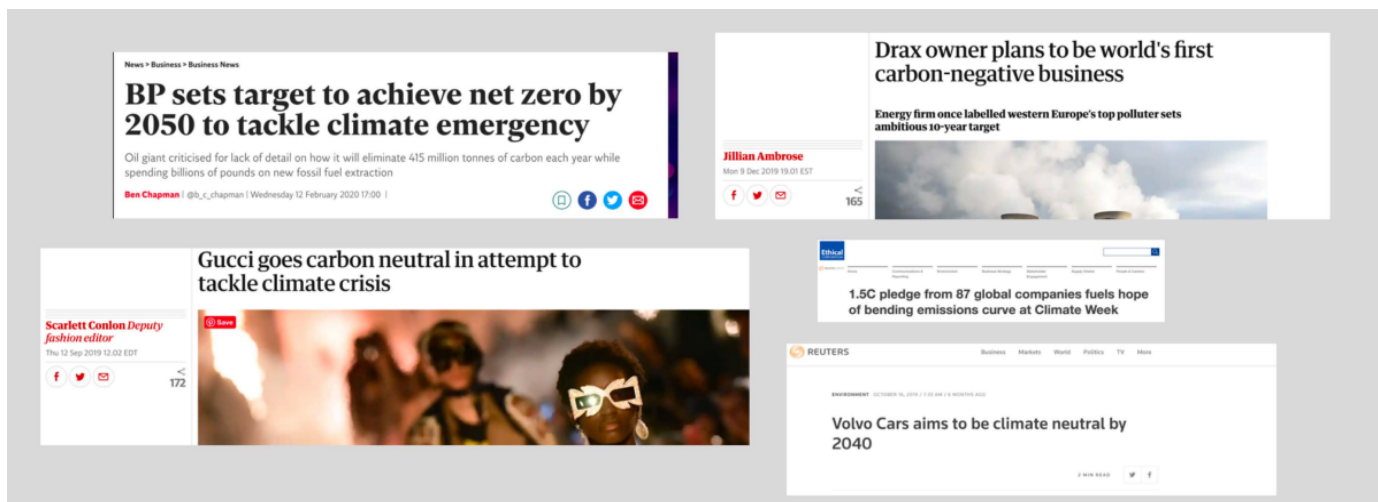


Figure 2: Growth of Fortune 500 Companies with Climate



The rising momentum for ambitious long-term sustainability targets can be attributed to many factors, but one that dominates stems from the launch and progress (or lack thereof) of the Paris Agreement and UN Sustainable Development Goals in 2015.

- **The Growing Emissions Gap** – There has been a notable ramp up in climate change ambition from the private sector since the [Paris Agreement](#) in 2015. Yet, in the nearly 5 years since, global progress towards abating emissions has not occurred. The [IPCC's 2018 Special Report](#) on climate change concluded that global emissions need to reduce by about half by 2030 to limit warming to 1.5C. The UNEP's most recent 2019 [Emissions Gap](#) report shows a widening gap between current global emissions and the emissions levels needed to achieve the Paris Agreement's objectives. [Analysis of the current national commitments](#) shows that 75% of pledges from national governments are partially or totally insufficient to meet the goals outlined in the Paris Agreement. The overall message is *much greater action is needed and urgently*. This has sharpened the focus to set more ambitious goals for the decade ahead.
- **Broad Scale Investor Interest** – In the past five years, the attention from investors on ESG has accelerated dramatically. The demand for sustainability integration and disclosure is driving companies to actively manage ESG risks that are now being viewed as fundamental to long-term value creation. A *Harvard Business Review* study of corporate executives and investment managers found that ESG was universally top of mind for almost all executives. Investors increasingly view global sustainability challenges as material to long-term financial performance. Integration of ESG issues across business operations is increasingly perceived as a fiduciary responsibility as investor demand for granular sustainability data and performance continues to increase.<sup>3</sup> Having precise sustainability targets denotes the issue is material for the organization and that its performance is being tracked and effectively managed.<sup>4</sup>
- **Minimal Progress on the Sustainable Development Goals** – The UN's [2019 SDG Progress Report](#) states that the world is not on track to meet the Sustainable

<sup>3</sup> Eccles, R. & Klimenko, S. (2019, April 26). Shareholders Are Getting Serious About Sustainability. Retrieved May 05, 2020, from <https://hbr.org/2019/05/the-investor-revolution>

<sup>4</sup> Pinchot, A., & Christianson, G. (2019, September 13). What Investors Want from Sustainability Data. Retrieved May 05, 2020, from <https://www.wri.org/news/what-investors-want-sustainability-data>

Development Goals. The report's conclusion is that much more action is needed this decade. The [SDG Disclosure Recommendations Report](#) emphasizes that companies need to “*move away from mapping existing activities to the goals to a more integrated practice of directing and disclosing on investment activities that create more impact and contribute to progress towards the SDGs.*”

- **Deepening Public Pressure** – There has been a surge in public consciousness over the past several years demanding urgent action. Increased numbers of peaceful protests and strikes mainstreaming the sustainability movement<sup>5</sup> have corresponded with the constant news of stalled global progress on major sustainability issues. The result has been an increase in public pressure and scrutiny for organizations to responsibly address sustainability issues and manage related risks.<sup>6</sup>

## 2.2 BARRIERS FOR SETTING AMBITIOUS LONG-TERM SUSTAINABILITY TARGETS

While there is growing momentum towards long-term ambitious sustainability targets, these types of targets are not yet widely adopted. Ambitious goals seek to make transformational changes across a business and thus they are harder to adopt. [A 2019 review](#) of 50 of the Fortune 250 companies revealed that incremental ESG goals are still the norm, while ambitious, transformational goals are rare but on the rise. These types of goals are, quite simply put, hard to set and harder to achieve. The path to achieving these types of targets is often unknown fully at the start of the process and achieving these goals requires alignment with long term corporate strategy and financial planning. Ambitious sustainability targets are therefore extremely difficult to establish if sustainability is not already integrated into all levels of a business.<sup>7</sup> Further, companies must have an organizational culture that is comfortable with long-term strategic ambitions and willing to take risks.

The foremost reason that companies **do not** set ambitious goals or targets is the fear of failing to achieve them. Many business metrics are still positioned around demonstrating short-term achievement. This can be a challenging mindset to deviate from to achieve ambitious sustainability goals, as these goals fall into longer timeframes.<sup>8</sup> Another barrier is the lack of data. This leads to reduced confidence with setting goals and tracking progress.

The fear surrounding failure to achieve targets is based on potential stakeholder reactions and how they may impact the company's bottom line. There is no concrete research evidence of financial repercussions for failing to meet sustainability targets,<sup>9</sup> although some negative media coverage may result. There is, however, research validating that the adoption of strategic sustainability practices can positively impact market valuation multiples and return on capital<sup>10</sup> and a long-term strategic approach in general can result in superior financial performance for companies.<sup>11</sup>

<sup>5</sup> Threlfall, R., Beatty, S., & Vella, J. (2019, January 16). Trend 6: Sustainability goes mainstream. Retrieved May 05, 2020, from <https://home.kpmg/xx/en/home/insights/2019/01/trend-6-sustainability-goes-mainstream.html>

<sup>6</sup> Ibid.

<sup>7</sup> SustainAbility, *Targeting Value: Setting, Tracking & Integrating High Impact Sustainable Goals*, SustainAbility, (December 2017)

<sup>8</sup> Ibid.

<sup>9</sup>Ioannis Ionnou, George Serafeim, Corporate Sustainability: A Strategy? Harvard Business School Accounting & Management Unit Working Paper No. 19-065, (January 2019), [dx.doi.org/10.2139/ssrn.3312191](https://doi.org/10.2139/ssrn.3312191)

<sup>10</sup> Khan, Mozaffar and Serafeim, George and Yoon, Aaron, Corporate Sustainability: First Evidence on Materiality (November 9, 2016). *The Accounting Review*, Vol. 91, No. 6, pp. 1697-1724. Available at SSRN:

<https://ssrn.com/abstract=2575912> or <http://dx.doi.org/10.2139/ssrn.2575912>

<sup>11</sup> Barton, D., & Manyika, J. (2017). Where companies with a long-term view outperform their peers. Retrieved May 05, 2020, from <https://www.mckinsey.com/featured-insights/long-term-capitalism/where-companies-with-a-long-term-view-outperform-their-peers>

## SECTION 3: DEFINING “AMBITIOUS” AND “LONG-TERM”

Setting an ambitious and long-term sustainability target is about signaling a commitment to focus on business transformation<sup>12</sup> and change to how a business operates and creates value. But what exactly does ambitious and long-term mean? This section will define both the ambitious and long-term components of the latest generation of sustainability targets.

### 3.1 AMBITIOUS TARGETS

Defining the level of ambition when setting sustainability targets is challenging. Selecting a target that is too easily achieved may not generate meaningful innovation or impact. On the other hand, an overly difficult target that cannot be achieved can demotivate employees, lead to inefficient use of resources chasing the impossible, or expose the company to scrutiny if unmet.

Determining what is an ‘ambitious target’ is dependent on each organization and ultimately stakeholder perception, but we believe there are some common characteristics:

#### **Ambitious Target - Characteristics:**

- **Organization Enters New Territory:** Pushes the organization outside its current comfort zone and into new territory. Ambitious goals should not be achievable under “business as usual” roadmaps or incremental progress.
- **Forces Change & Innovation in the Organization:** Targets set should cause the organization to accomplish what is beyond its present capabilities. Innovative ideas and creative thinking are necessary to accomplish ambitious targets.
- **Addresses Significant Challenges while Supporting Business Strategy:** Ambitious targets, and the path to achieve them, must support the companies’ long-term strategy and value creation, while addressing significant sustainability challenges within their sector and influence.
- **Difficult, but Not Too Difficult:** The achievement of the target should be hard, but not impossible. Being aware that going too hard has negative consequences is important to consider when developing an ambitious target.
- **Extends Beyond the Company** – The next frontier of ambitious targets extends beyond a company’s own operations and reaching into value chains or communities to make lasting changes.

When done right, ambitious targets are difficult to achieve and drive impact, innovation, and improved business performance. Even if a company falls short of fully achieving a properly set ambitious target, the innovation and performance improvements can still make a meaningful contribution to the company being in an industry leading position. All things being equal, if two companies are racing to align with society’s needs, the company that has an ambitious target has an incentive to innovate quicker than the company with an easily achievable targets and can thus deliver enhanced value over the long-term.

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<sup>12</sup> Ioannou, Ioannis, and George Serafeim. "Yes, Sustainability Can Be a Strategy." Harvard Business Review (website) (February 11, 2019).



Organizations like IKEA and LEGO have set ambitious targets that require fundamental transformations to their business models.

#### EXAMPLES OF LONG-TERM AMBITIOUS SUSTAINABILITY TARGETS:

- **IKEA** aims to transform into a circular business by 2030 and have committed to using only renewable or recycled materials to do so. This target affects the entire lifecycle of the organization, and has already generated several innovative programs, ranging from the design process to end-of-life strategies on product take back.
- **LEGO** announced a target to create their products (LEGO bricks) from sustainable materials by 2030, and at the time of the announcement, only a small fraction (2%) of their current product line is from sustainable materials. While LEGO has only recently announced this target, they are already making heavy investments into sustainable material research and have deployed a pilot program on corn-derived plastics.

#### AMBITIOUS TARGETS CHECKLIST

- ✓ Is the target challenging enough that meaningful progress will drive innovation across all levels of the organization?
- ✓ Has an outside-in approach been employed i.e. is the level of ambition supported by science, planetary boundaries or external societal/global needs that your business can address? *Alignment with external standards based on the type of goal can assist with this (e.g. science-based climate target, circular economy focused waste goal, aligning with SDGs etc.)*
- ✓ Have internal and external stakeholders been involved in the target-setting process?

### 3.2 LONG -TERM TARGETS

There is a relationship between establishing the ambition of a target and the timeframe for achieving it.<sup>13</sup> If companies are to make a future significantly different to the reality of today, timelines for the sustainability targets need to be long enough to allow for this change to happen, taking into consideration potential turning points for the industry.<sup>13</sup>

The way in which targets are classified into short, medium and long-term categories varies, but generally research indicates that long-term targets are considered to have timelines of at least five to six years.<sup>14</sup> External frameworks, such as the UN Sustainable Development Goals (SDGs) have become important tools for guiding corporations to set meaningful, measurable and time-bound sustainability targets. The long-term nature of many sustainability issues, such as climate change, requires a shift to long-term oriented planning if these issues are to be adequately addressed.

There is no one way of choosing an appropriate timeframe for goal achievement, but setting a timeframe is imperative for clearly communicating with internal and external stakeholders the targets and their intended impacts.<sup>15</sup> The determining factor in setting timelines within a sustainability context should be what is most important for the issue, rather than an arbitrary

<sup>13</sup> GRI, UNGC, and WBCSD, *SDG Compass: The guide for business action on SDGs*, SDG Compass, (2015)

<sup>14</sup> SustainAbility, *Targeting Value: Setting, Tracking & Integrating High Impact Sustainable Goals*, SustainAbility, (December 2017)

<sup>15</sup> Ioannis Ionnou, George Serafeim, Yes, Sustainability Can Be a Strategy, Harvard Business Review, (February 2019)

timeline based upon when the company believes the goal to be is achievable.<sup>16</sup> Timelines for 2030 and 2050 have become commonly used timeframes for long-term targets.

#### YEAR 2030

Relevant because companies are aligning their goals to the SDG framework.

#### YEAR 2050

Aligns with the timeframe noted by the Intergovernmental Panel on Climate Change and the Paris Agreement, as it pertains to curbing carbon emissions.

Source: [SDG Knowledge Platform](#), [WRI](#)

#### TIMEFRAME CHECKLIST

- ✓ Is a long-term mindset being used? i.e. Is the goal at least 5-6 years long?
- ✓ Does the target year align with broader societal efforts? i.e. 2030 for SDGs, 2050 in line with climate science?
- ✓ Have the short-medium term milestones to advance progress against the long-term target been identified?

Current best practice of setting long-term sustainability targets also entails considering short and medium-term milestones required to meet the goal – these may be shared internally or externally. This exercise is helpful for breaking down progress required over the short-term while maintaining a long-term view and trajectory of performance on an ongoing basis. It is also important to consider the balance between the degree of shift that may be required to the business as a result of the long-term target. According to guidance from the *SDG Compass*, while long timeline can be inspirational, it should be supplemented with short-medium term goals or milestones to ensure accountability and communication around progress. Setting long-term targets can drive integration of sustainability into the business and build stronger accountability with internal and external stakeholders. The level of ambition is closely tied to the timeframe of the targets.

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<sup>16</sup> Ibid.

## SECTION 4: EXAMPLES OF AMBITIOUS AND LONG-TERM TARGETS

One of the most widespread types of sustainability targets across the corporate landscape are those related to climate change. To better understand the different archetypes of climate targets, please see the table below for common definitions. As the world of climate targets continues to evolve, the definitions used across organizations somewhat vary, but the ones provided below are an excellent starting point for navigating this world.

Term	Definition
<b>Carbon Neutral / Net-Zero Emissions</b>	To become carbon neutral, a company must remove the same amount of carbon from the atmosphere than it has emitted. Companies first measure the amount of carbon released into the atmosphere and then proceed to remove the exact same amount by reducing emissions or more commonly by purchasing carbon offsets or credits to make up the difference. <sup>17</sup>  <i>Most companies use the terms “carbon neutral” and “net zero emissions” interchangeably.</i>
<b>Carbon Negative / Climate Positive.</b>	A company can become carbon negative if it removes more carbon from the atmosphere than it has emitted. Carbon negative technologies and methods (i.e. carbon offsets) are frequently used by companies to become carbon negative.  <i>Most companies use the terms “carbon negative” and “climate positive” interchangeably. The WWF is currently developing a standard definition of climate positive.</i>
<b>Scope 1 Emissions</b>	Direct emissions from sources owned or controlled by the company.
<b>Scope 2 Emissions</b>	Indirect emissions from the generation of purchased energy.
<b>Scope 3 Emissions</b>	Indirect emissions (excluding scope 2 sources) that occur in the value chain of the company, including both upstream and downstream emissions. I.e. suppliers and customers

Table 3: Terminology – Climate-Related Targets

<sup>17</sup> <https://www.vox.com/the-goods/2020/3/5/21155020/companies-carbon-neutral-climate-positive>

Noted below are examples of long-term ambitious sustainability targets across the corporate landscape. While climate targets tend to be the most prevalent type of ambitious long-term sustainability target, special attention was given to ensure that ambitious non-climate targets were also discussed:

Company Name	Target Issue	Description of Target	Examples of Target-related Actions	Why is this an ambitious and long-term target?
<a href="#">General Mills</a> <b>Food Manufacturing</b>	Regenerative Agriculture	Make 1M acres of farmland regenerative by 2030 <sup>18</sup>	<p>Pilot programs to share regenerative agriculture practices with farmers and provide them with coaching &amp; technical assistance.</p> <p>Research investments - including \$5.5 million dedicated to soil health research.</p> <p>Land conversion to certified organic farmland, such as converting 34,000 acres of conventional farmland into certified organic acreage by 2020.</p>	General Mills clearly communicates that the core of their business relies on agriculture, and underscores how this target aligns directly with the larger societal need for regenerative agriculture. In addition, one million acres is an enormous area - representing more than 20% of all their North American footprint. No other organization has a similar goal however they lack some detail on plans for achieving the target.
<a href="#">IKEA</a> <b>Furniture Manufacturing and Retailer</b>	Resource Use & Waste  Climate	Transform into a circular business built on clean, renewable energy and regenerative resources, decoupling material use from our growth.	<p>Expanding furniture rental program</p> <p>Product takeback strategy to reclaim materials</p> <p>Rethinking design process to enhance durability, repair or upgrade process</p> <p>Developing learning labs at stores to offer repair services and skills sharing.<sup>19</sup></p>	Positioning itself at the forefront of the circular economy, IKEA is developing new programs and processes across the entire organization to rethink its role in the lifecycle of all IKEA products from being cradle-to-grave to cradle-to-cradle. When communicating the target, the company acknowledged, <i>"It's fundamentally about changing the business model and having a completely different offering for our customers... we don't have all the answers and cannot achieve our goals alone."</i>
<a href="#">Kroger</a> <b>Grocery Retail Company</b>	Waste  Hunger	End hunger in their communities and eliminate waste in the company by 2025	Detailed plan outlined in the ESG report against this goal including progress against the goal including:	Kroger used the larger societal SDG goal of "Ending Hunger" to build their own ambitious corporate target. While this target will certainly be challenging to

<sup>18</sup> <https://www.generalmills.com/en/Responsibility/Sustainability/Regenerative-agriculture>

<sup>19</sup> <https://www.fastcompany.com/90328244/inside-ikeas-plan-to-reinvent-itself-as-a-circular-company>

			<p>Establishing an innovation fund</p> <p>Accelerating food donations to 3 billion meals and donating balanced meals</p> <ul style="list-style-type: none"> <li>•Advocate for public policy solutions and pursuing partnerships</li> </ul>	<p>address, by aligning with a larger SDG area, they are ensuring that partnerships among other organizations working toward the same societal goal will be available. <i>E.g. Partnered with Terracycle and Loop, a reusable packaging platform to reduce waste, tracked and reduced food waste, and developed plan to phase out plastic bags by 2025.</i></p>
<p><b>LEGO</b></p> <p><b>Toy Manufacturing and Retailer</b></p>	<p>Resource Use &amp; Waste</p>	<p>Make all LEGO products from sustainable materials by 2030.</p> <p>Sustainable material is defined as materials that is “produced responsibly using renewable or recycled resources, generating little or no waste in their production and using sustainable chemistry.”<sup>20</sup></p>	<p>Developing bioplastics – so far, only 2% of products since then have been made from plant-based plastics.</p> <p>Piloting corn-derived plastic for brick development.</p> <p>Heavy investments into a Sustainable Materials Center to find sustainable alternatives for bricks and packaging.<sup>21</sup></p>	<p>At the time of LEGO announcing this target, hardly any of LEGO products were being developed from sustainable materials. LEGO’s target will require significant progress to achieve, and the heavy investment in its Sustainable Materials Center will spur an explosion of innovation across the organization along the way.</p>
<p><b>Microsoft</b></p> <p><b>Software Development &amp; Computer Hardware</b></p>	<p>Climate</p>	<p>By 2030, Microsoft will be carbon negative, and by 2050 Microsoft will remove from the environment all the carbon the company has emitted directly or by electrical consumption since it was founded in 1975.</p>	<p>Expanding internal carbon fees to charge for all direct emissions, and also those in the supply and value chain.</p> <p>Deploying \$1 billion through a Climate Innovation Fund, dedicated to the development of carbon reduction and removal technologies.</p> <p>Develop and deploy digital technology to help suppliers and customers reduce their carbon footprints</p>	<p>Not only is a carbon negative goal on the leading edge of climate targets, but by having the base line year of 1975, Microsoft is ensuring that this is an ambitious target sure to drive innovation and make a positive impact.</p> <p>Microsoft is also taking a proactive role in the development of products and services to help its suppliers and customers, demonstrating that the company sees Scope 3 emission reduction as an area of opportunity.</p>
<p><b>Orsted</b></p>	<p>Climate</p>	<p>By 2025 have carbon neutral operations, and</p>	<p>Completely phase out coal by 2023</p>	<p>While Orsted’s carbon neutral target is ambitious, they are able to demonstrate</p>

<sup>20</sup> <https://www.lego.com/en-us/aboutus/sustainable-materials>

<sup>21</sup> <https://www.forbes.com/sites/sujatakundu/2019/10/30/lego-challenge-to-find-a-strong-sustainable-alternative-plastic/#19a6d9de3647>

<b>Energy</b>		by 2040, have a carbon neutral footprint across the entire value chain.	<p>Install 20GW of renewable energy by 2025 and 30GW of green energy projects by 2030.</p> <p>Align all existing and future climate targets with the Science-Based Target initiative (SBTi)</p> <p>Reduce Scope 3 emissions by 50% by 2032, including supply chain and energy trading activities</p>	a clear action plan that identifies short and medium milestones that advance progress towards the long-term 2040 goal. In addition, SBTi has been used for the climate target, grounding the level of ambition to be supported by science.
<b>Shell Energy</b>	Climate	Reduce the Net Carbon Footprint of the energy products sold by 65% by 2050, and by 30% by 2030.	From 2019 onwards, both executive and employee performance is directly linked to this energy reduction goal.	Shell is one of the few energy companies with a large asset base in oil that is including the Scope 3 emissions from both their suppliers and customers in their climate reduction goal. The target <a href="#">does not align</a> with the Paris Agreement, and the company said that the goals were not yet reflected in its operating plan and budget
<b>Marks &amp; Spencer Retailer, Apparel</b>	Variety of Social Goals	4 main goals ranging from community focused, supply chain, training and development, and human rights.	<p>Marks and Spencer have over 30 targets dedicated to these four broad goals. Some examples include:</p> <p>Between 2017 and 2025, we'll support M&amp;S colleagues worldwide to provide one million hours of work-time community volunteering.</p> <p>By 2022, we aim to have 50% female and at least 15% BAME (black, Asian, and minority ethnic) representation in management positions.</p> <p>By 2025, we'll aim for a living wage, for all our direct employees.</p>	<p>While most companies struggle to develop one sustainability target dedicated to a social pursuit, Marks and Spencer has 37 targets.</p> <p>The 37 targets have a wide range of due dates, providing broad coverage from the date they were announced (2018) and continuing all the way to the upcoming deadline of 2025. While having long term (2025-based) targets, as well as short- and medium-term targets, M&amp;S is demonstrating a clear path to progress.</p>
<b>NIKE</b>	Supply Chain	Source 100% from only factories that meet	Eliminate all excessive overtime from factories used throughout the supply chain.	To help measure progress against their ambitious goal of 100% sourcing from sustainable factories, NIKE worked with

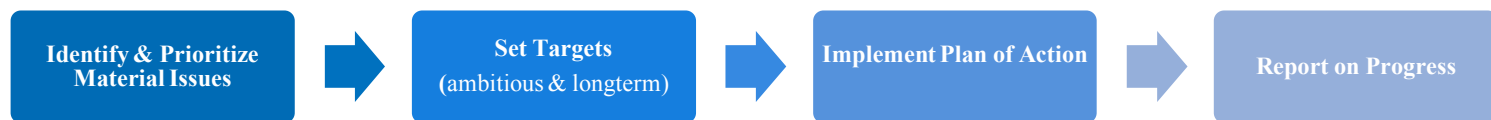
<b>Retailer, Apparel</b>	NIKE's definition of sustainable	<p>Work with factories to develop and test new benefits and compensation models for workers.</p> <p>Deliver improvements in key measures, including unplanned absenteeism, turnover, and contract factory worker engagement and wellbeing.</p>	<p>leading labor organizations around the world to develop a specialized standard so that progress can be measured. Third-party audits ensure that an independent assessment is being conducted, and the results are reported annually in NIKES annual sustainability report for all to see.</p>
<b><u>Nestle</u></b> <b>Retailer, Food</b>	Health & well-being By 2030, have 50 million kids lead healthier lives through the efforts of the <i>Nestle for Healthier Kids</i> program.	<p>Accelerate the transformation of Nestle's product portfolio, including removing brands high in sugar, saturated fat, and salt. Simultaneously increase the brands high in micronutrients.</p> <p>By the end of 2020, add 750 million portions of vegetables to the portfolio and 300 million portions of fiber-rich grains.</p>	<p>Nestle demonstrates that their product line is transforming to accomplish this goal. The actions taken against this goal are also a good example of a company identifying opportunity in aligning with a larger societal need (Nestle is not only decreasing their unhealthy food, but actively developing healthier and nutrient rich products)</p>

**Table 4: Examples of Ambitious and Long-term Targets**

## Appendix

### Target Setting Process

Outlined below is the general process for determining sustainability targets. The target setting strategy should fit the context of the company and maximize the company's potential:



Process	Attribute
Is this a material issue?	Focused on an issue that is tied to core business
What is the context?	Grounded in planetary thresholds and rooted in company's ability to influence and impact
Who is accountable for managing this issue?	Shared ownership for goal achievement across the business
Which stakeholders need to be engaged?	Responsive to stakeholder input
What is the level of ambition?	Stretch
What is the metric?	Impact-focused and quantifiable
What is the deadline?	Clear deadline for targets

Table 5: [SustainAbility Targeting Value – Process for Setting Sustainability Targets](#)

### Actions for Meeting Climate-Related Targets

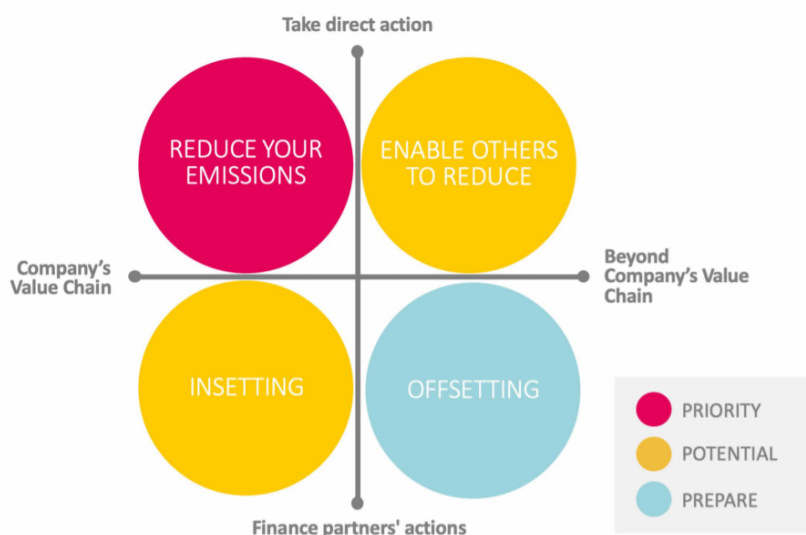


Figure 3 : [Meeting Net Zero Targets](#)

**Reduce your emissions:** This should be the top priority, where companies can consider going beyond just the low-hanging fruit to reduce emissions; shifting thinking of business model from emitting less to no emissions needed.

**Offsetting:** Companies aiming for net zero in short-term generally rely on purchasing of offsets. While it allows organizations to start their net zero journey, offsetting should not be chosen at the expense of making actual reductions.

**Insetting:** Engaging value chain and suppliers to reduce emissions.

**Enable others to reduce emissions:** Through development of technologies and solutions; not counted towards a company's own emissions.



## Checklist: Long-Term Ambitious Sustainability Targets

### Ambition

- ✓ Is the target challenging enough that meaningful progress will drive innovation across all levels of the organization?
- ✓ Has an outside-in approach been employed i.e. is the level of ambition supported by science, planetary boundaries or external societal/global needs that your business can address?  
*Alignment with external standards based on the type of goal can assist with this (e.g. science-based climate target, circular economy focused waste goal, aligning with SDGs etc.)*
- ✓ Have internal and external stakeholders been involved in the target-setting process?

### Timeframe

- ✓ Is a long-term mindset being used? I.e. Is the goal at least 5-6 years long?
- ✓ Does the target year align with broader societal efforts? i.e. 2030 for SDGs, 2050 for Paris Agreement?
- ✓ Have the short-medium term milestones to advance progress against the target been identified?

### Action Plan

- ✓ Does the action plan consider changes required within the business to meet the aspirational targets?
- ✓ Does the target take into consideration clear understanding of trade-offs between cross-functional areas?
- ✓ Is there an internal framework for measuring progress and assigning accountability for pursuing targets within the organization?
- ✓ Have plans to meet the targets been clearly defined, including rationale for elements included in the action plan?

### Communication [Internal & External]

- ✓ Are the targets published in a consistent way in a location that is easily accessible? For e.g. [Ikea's People and Planet Positive Strategy](#), [Shell's 2050 Net Zero Carbon Target](#).
- ✓ Is the target setting process explained? For e.g. [Microsoft detailed plans](#).
- ✓ Are the following aspects listed: baseline year, target year, metric, scope?
- ✓ Is the context for the ambition provided and benefits of the goal clearly communicated? E.g. provide rationale for type of target chosen (absolute vs. intensity) and how that resonates with the impact your company hopes to achieve.
- ✓ Is there senior leadership support for the target?
- ✓ Are different audiences considered (e.g. investors, employees vs. media)?
- ✓ Are the plans to meet the goal clearly and transparently outlined?
- ✓ Are the metrics to assess performance against the targets focused, transparent, grounded in objective data and tied to value creation?

## Additional Resources

The following table is a compilation of additional resources that are focused on developing ambitious long-term sustainability targets.

Name	Author	Description
<a href="#">Deeds not Words: New Research Reveals the Climate Action of Fortune Global 500 Companies</a>	Natural Capital Partners	Research report showcasing growth of climate action in the corporate world
<a href="#">2019 Directors' Alert: Taking a Long-Term View</a>	Deloitte	Best practices on how boards and integrate ESG considerations in management practices, and the role of sustainability goals in guiding companies towards greater sustainability in the long-term.
<a href="#">The Investor Revolution</a>	Harvard Business Review	Overview of the shifting investor landscape and the merits of sustainable investing driving long-term goals.
<a href="#">Science-based Targets: Raising the Bar Report</a>	Science-Based Targets	Overview of the long-term science-based climate targets, including, progress to date, impact, and process
<a href="#">Targeting: Value Setting, Tracking &amp; Integrating High-Impact Sustainability Goals</a>	SustainAbility	Comprehensive overview of what long-term sustainability target setting entails, including deep insights into drivers and barriers for sustainability target setting.
<a href="#">SDG Compass</a>	WBCSD, GRI, UNGC	Includes an overview of sustainability target setting within the context of SDG, emphasizing the importance of embedding goals across all functions within a company.