



# Crossing the Line to Zero

The state of Net Zero commitments



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Remarks from CEO Renat Heuberger

## Net Zero is not just a buzzword; leaders must show they are serious about climate action

After decades of glacially slow steps to address the climate emergency, we are finally seeing an uptick in climate commitments by high profile companies and countries. Along the way, an avalanche of governments and organisations have publicly enshrined commitments to reduce greenhouse gas (GHG) emissions down to zero<sup>1</sup>, but how many are serious about meeting their targets and taking concrete steps to decarbonise?

### The chasm between Net Zero ambition and action

In a recent poll of C-level executives and sustainability focused professionals, South Pole found that a major chasm exists between Net Zero ambition and concrete action. Aspirations are high, but action is concerningly low.

The good news: 61% of the organisations polled had either set a Net Zero target (NZT), or a Science-based target (SBT). Another 33% were considering setting one of these targets. This is encouraging, since NZTs and SBTs are major external commitments that reflect serious internal movement towards decarbonisation, and guide the quantity and speed of GHG emission reductions along a company's entire value chain to constrain global warming to 1.5 degrees Celsius. In the multi-stakeholder world we live in, these are not steps to be taken lightly.

Drilling down further, we see that only 11% of the surveyed companies have set an SBT. This is key, since

while companies can set NZTs, they need to also develop decarbonisation strategies in line with climate science. Such a strategy is by definition integral to an SBT, and therefore is conceivably a more ambitious commitment. It is worrisome that many more companies are setting NZTs instead of SBTs, as this may be an indication that while they are setting targets, they are not looking at the science-based steps needed to reach such targets.

To that point, only 48% of those with NZTs had also set milestones to get there. This is like having an aspiration to 'get fit after the holidays' by just buying the gear, but without proactively changing one's diet and lifestyle and keeping to a schedule. There is a risk that CEOs and boards have adopted NZTs as a means to drive goodwill and manage reputational risk, but too many of them are not taking the difficult steps to restructure their business models and decarbonise their supply chains to reach these targets on time.

### Greenwash called on 'toothless' Net Zero commitments

The problem with the surge of commitments is that the fundamental transformation required for a Net Zero company strategy often gets lost after the press launch. Some NGOs are calling brands out for using Net Zero as a veil to disguise climate inaction. Cynics may say that given the average lifecycle of a CEO is only five years, many of them may not be held accountable for what does - or does not - happen after they are gone. To inoculate themselves and their organisations from suspicion of greenwash, leaders must ensure that targets and milestones are woven into the fabric of their business strategy so that current and future leaders can be held accountable.

### COVID-19 is making organisations 'Net Zero-ready'

Despite the concerning lack of milestones to reach Net Zero targets, our research also indicates that the post-COVID-19 recovery can be a catalyst for the innovative business thinking and approaches needed for climate action.

Excitingly, organisations' climate commitments are not only showing some immunity to the COVID-19 crisis, but many are actually using this pandemic to recognise and analyse their vulnerabilities, and accelerate climate action. Most organisations' climate mitigation efforts (65%) have either remained the same through COVID-19 (38%), or their climate mitigation efforts have actually accelerated (27%).

The COVID-19 crisis has seemingly given rise to a new 'Net Zero-ready' mindset. The majority of respondents to our survey reported an increased focus on innovation and collaboration, plus supply chain resilience, following the pandemic. This is an exciting indication that the incremental change we have seen over decades is possibly being replaced by bigger, bolder action, which certainly supports the journey to Net Zero.

Crucially, C-level executives (including CEOs and CFOs) are trusted by most CSR and environment professionals to have the knowledge and expertise to lead the race to Net Zero. That is key, given that the risks and opportunities associated with climate change are so integral to the success of an organisation. It is also key that awareness of the issues now seems to have spread beyond only the sustainability departments.



Turning a threat into an opportunity: The post-COVID-19 recovery can be a catalyst for innovative thinking and enhanced climate action.

### Leaders must seize back control of Net Zero to mitigate risk

To pivot from the current pandemic response to a full focus on decarbonisation, it is time Net Zero journeys are fully incorporated in an organisation's business strategy to show stakeholders they are serious about preparing for future shocks. In other words, NZTs need to be set and milestones to get there must be communicated to stakeholders - not only to build trust and manage risk, but also because it makes financial sense. Boards that set NZTs do not do so simply out of goodwill; climate action is a proxy for efficiency and profitability - the triple bottom line benefit is clear.

Now is not the time to stall. The organisations that fully embrace Net Zero should set in motion the mechanisms for value chain transformation to minimise losses from the oncoming economic and climate disruption. But first, they must cement their aspirations with accountable and transparent milestones. It is high time organisations earn their claim on Net Zero.

Renat Heuberger  
CEO of South Pole

<sup>1</sup> UNFCCC 2020, [Commitments to Net Zero Double in Less Than a Year](#)

# Introduction

Since the publication of the special report by the Intergovernmental Panel on Climate Change (IPCC), limiting global warming to 1.5 degrees Celsius and achieving Net Zero have become synonymous with real and ambitious action on climate change – the ultimate goal for a greener future.

Today, the COVID-19 pandemic has propelled Net Zero and climate action to the top of the corporate agenda, as companies and countries recognise their vulnerability to global events and make efforts to build resilience across value chains.

In the autumn of 2020, South Pole conducted a survey of over 120 sustainability leaders from key sectors, including industry, consumer goods and services, property and construction, and finance.

Based on this research, the results show that, perhaps contrary to some predictions, the private sector seems to be taking the impact of COVID-19 as a wake up call to dial up action on climate mitigation. We call this an emerging ‘Net Zero-ready’ mindset, where an avalanche of companies are setting Net Zero targets and dialing up their sustainability action.

Our poll found that – despite the uncertainty and financial and social chaos of the past year – the momentum to decarbonise is continuing apace. In fact, for many companies COVID-19 seems to be a wake up call and an opportunity for sweeping organisational resets to accelerate their responses to the even greater threat of a climate breakdown.

This new ‘Net Zero-ready’ mindset promises to help organisations break out of old cycles of incrementalism to achieve real impact by investing in innovation, collaborating with other industry players to find solutions, and enhancing supply chain resilience.

However, our research also indicates there is still work to be done to bridge the disconnect between organisations’ ambition and their climate action: half of the executives polled in our survey work for organisations that have set Net Zero targets, but about half of those organisations (48%) have not set tangible milestones to reach their targets.



Despite an emerging ‘Net Zero-ready’ mindset, there is still work to be done: half of the organisations with Net Zero targets have not yet set tangible milestones, such as Science-Based targets, to reach their goals.

To further contextualise our findings, we compared our survey results to the Net Zero commitments made by the FTSE100, the most widely used performance indicator of major companies listed in the UK, where the majority of our responses came from. While the findings in both samples align on multiple fronts, a much larger proportion of FTSE100 companies have an SBT in place (34%) compared to the sustainability leaders we surveyed (11%), or both a Net Zero target *and* an SBT (21%). These findings are analysed further below in our section titled ‘Market Context: Net Zero and FTSE100’.

Organisations big and small now need clear plans to reduce and compensate for emissions in the near term, plus a view to realise cost-effective carbon removal opportunities, through practices such as nature-based solutions and technological solutions, over the long term. Decarbonisation represents a key opportunity to insulate organisations from the risk of future external shocks, including the pandemic and climate change, while earning brand leadership positions in the nascent Net Zero space.

As corporate boards take stock and revamp their strategies, now is the time to align COVID-19 recovery plans with pathways to Net Zero.



65%

of companies report that climate mitigation efforts have stayed the same or accelerated through COVID-19



69%

are more open to adopting transformational innovation for climate action



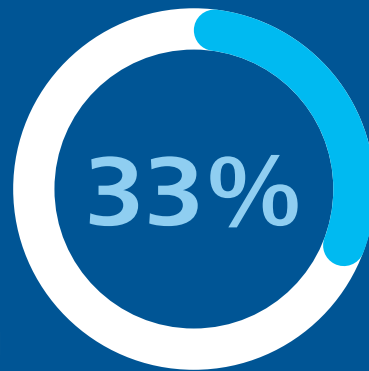
63%

are keen to collaborate with other industry players on climate solutions



50% have set a Net Zero target

and



33% are considering to set one

Just

11%

of organisations have set a science-based target (SBT)

0

none of the **surveyed** organisations with Net Zero targets have set an SBT



2030

the target year for most corporate Net Zero targets



53%

are turning to solutions in energy and resource efficiency

and



20%

to technological or nature-based carbon removals to reach Net Zero targets



54%

see Net Zero as an opportunity to lead and define the climate action space



49%

believed that C-level leadership, plus Operations teams, were the best equipped to lead the journey to Net Zero



# Approach

South Pole’s research was conducted via an online poll, with multiple choice questions on Net Zero, Science-Based targets and decarbonisation milestones, in the context of organisations’ current climate ambitions. The research primarily collated the views of executives that attended the world’s first Net Zero Festival, a virtual event aimed at sustainability professionals held October 2-4, 2020 by Incisive Media. The event was attended by 1,100 sustainability-focused executives, and focused on Net Zero action, including leadership, innovation and culture.

Over 120 executives participated in the poll, representing professionals from a range of sectors, including Industry & Manufacturing; Consumer Goods & Services; Technology & Telecoms; Property & Construction; Finance & Investment; Agriculture; Public Sector & Government; Climate Change; and International Development / NGOs.

Most respondents (35%) worked in CSR/Sustainability departments. The sample also included other job roles, including C-Suite executives such as CEOs and COOs (17%), as well as Marketing & Communications (22%) and Procurement (8%).

South Pole also examined the findings within the broader marketplace context, and compared survey results to the Net Zero commitments and Science-Based targets set by the FTSE100, the most widely used performance indicator of major companies listed in the UK, where the majority of poll responses came from. This was done via desk review by researching the publicly disclosed Net Zero targets and SBTs, as well as the overlap between the two, for each company listed on the FTSE100.

## Job role of survey respondents



## Breakdown of surveyed sectors





# Key findings

## The emergence of a Net Zero mindset

Our poll of over 120 sustainability leaders shows a great deal of promise and ambition, but milestones for concrete climate action to reach ambitious goals are still missing.

Many organisations have become addicted to incrementalism, as innovation typically takes place over 40-year cycles. However, COVID-19 has encouraged organisations to break out of these cycles, and to seek innovative solutions to enable decarbonisation.

The pandemic has, among others, focused the minds of organisations on their vulnerability to external shocks. Both the C-suite and managers agree that more collaboration and innovation is required in their efforts to enhance supply chain resilience and to address the climate emergency. Nearly 70% of respondents said that COVID-19 had made them more open to innovation and innovative approaches to address systemic risks, such as climate change. The second largest group (63%) responded that their organisations are more open to collaborating with other industry players, even competitors, on solutions to reduce climate-related risk.

Innovation and collaboration will be key in strengthening corporate value chains, which the pandemic has brought to the fore: Over half of respondents said that the pandemic has forced them to concentrate more on the resilience of their supply chains to climate-related effects (58%), but also on the impacts of their supply chains on the environment (57%). However, many organisations still struggle to integrate science-based thinking into their

strategy, with just 44% indicating that the pandemic has steered them towards science-based modelling to measure risk. This reveals a gap in applying science-based approaches to align companies with a Net Zero target.

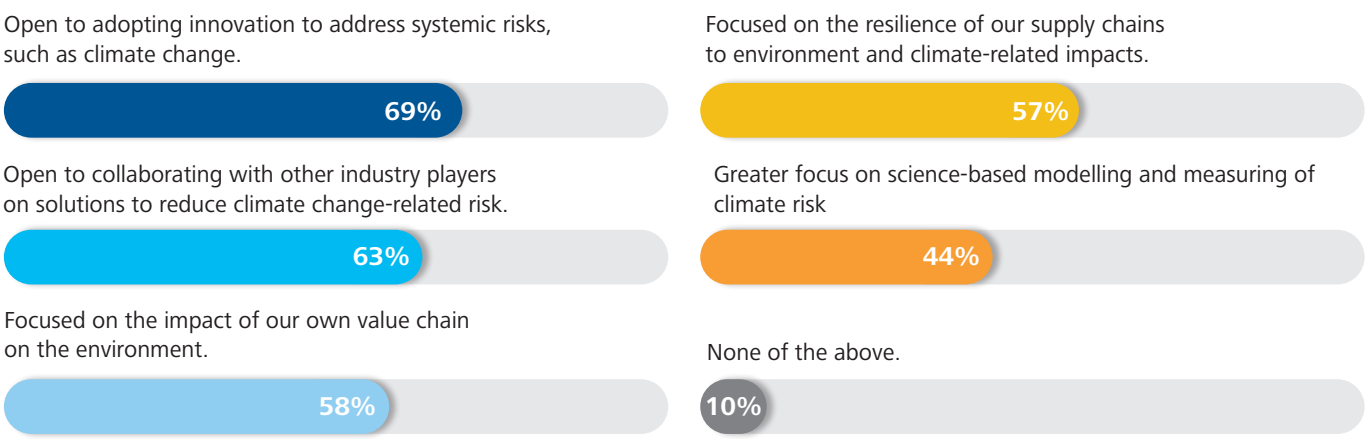
Supply chains are a double-edged sword as the most fertile but also the most challenging ground for organisations' Net Zero pathways. It is essential that Net Zero ambitions include and focus on Scope 3 emissions (the indirect emissions along the value chain), and that both procurement teams and suppliers are equipped with the tools and incentives to be engaged in this transformation. More than ever, companies must understand the hotspots across their carbon footprints and scale up R&D to areas with the greatest potential to cut carbon emissions and build resilience.

Despite the challenges of COVID-19, the momentum for climate action among most organisations (65%) remains unhindered, signalling that sustainability is being viewed as a proxy for efficiency and profitability in the current economic climate. And while there is no one-size fits all solution for Net Zero, there are major opportunities for entire sectors to collaborate and innovate to create sustainable systems by maximising knowledge-sharing and building on existing areas of strength.

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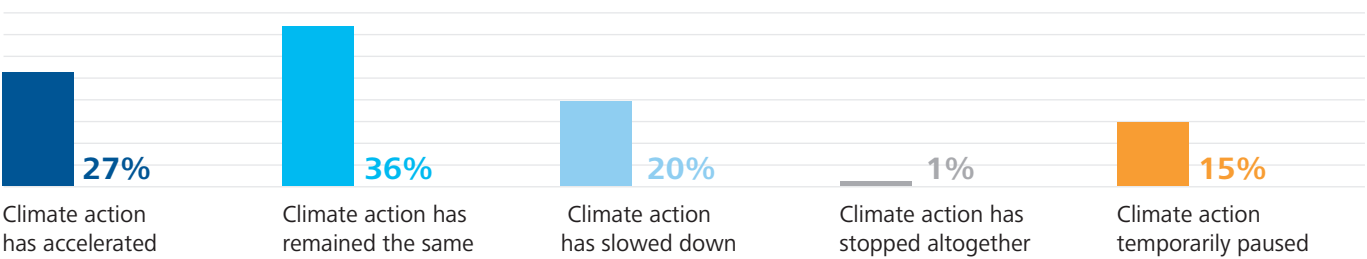
Despite the challenges of COVID-19, the momentum of most organisations on climate action is unhindered, signalling that sustainability is being viewed as a proxy for efficiency and profitability in the coming global depression.

## COVID-19 has made organisations climate-ready

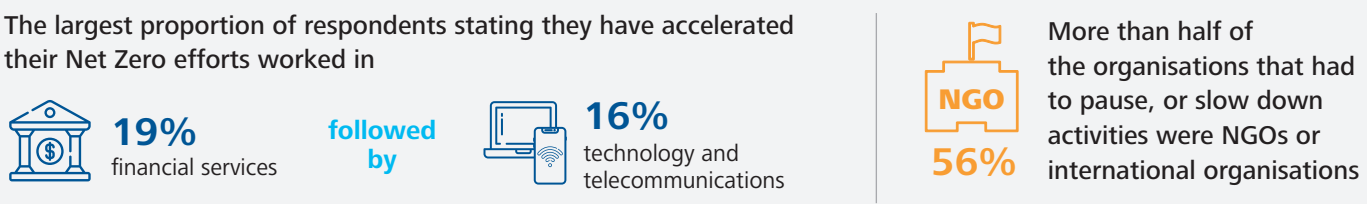


Views from different levels of leadership regarding the impact of the pandemic	C-Suite (CEOs, COOs, CFOs)	C-suite and directors (combined)	Managers (senior & middle)
Increased openness to adopting innovation to address systemic risks, such as climate change	88%	69%	72%
More willing to collaborate with other industry players on solutions to reduce climate change-related risk	89%	62%	70%
Renewed focus on the resilience of the supply chain to climate-related impacts	67%	62%	58%

## Corporate climate action has stayed the same – and even accelerated during the pandemic



### Industries leading the charge on climate action



# Key findings

## The C-Suite is Trusted to Lead on Net Zero

The risks of a climate crisis affect all units of an organisation. Similarly, delivering on something as transformational as Net Zero requires collaboration across functions – from management, product development, R&D, sales and marketing, to corporate finance, risk and compliance, procurement and HR.

Our research found that, outside of sustainability departments, it was C-level executives, including CEOs and CFOs, as well as Operations who were the most trusted to drive corporate Net Zero, both receiving 49% of responses.

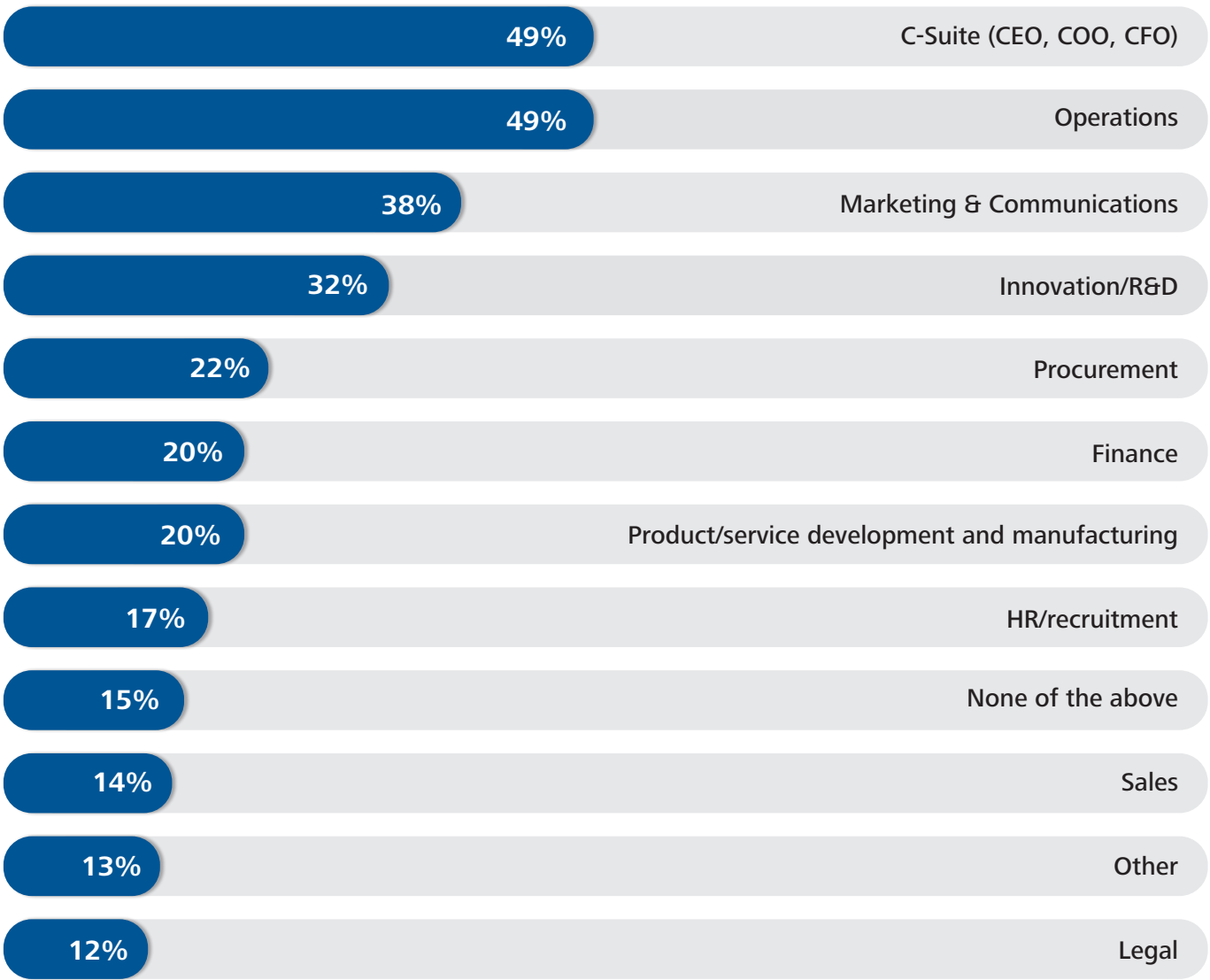
Marketing and communications departments received 38% of responses for their knowledge and expertise to support Net Zero, followed closely by innovation and R&D (32%). The lowest ranked job roles trusted to lead on Net Zero were HR and recruitment (17%); sales (14%) and legal (12%).

The high levels of confidence in the C-suite to lead on Net Zero is cause for optimism and signals a major opportunity, as the risks of climate catastrophes are so integral across organisations that the C-suite must be prepared to lead.

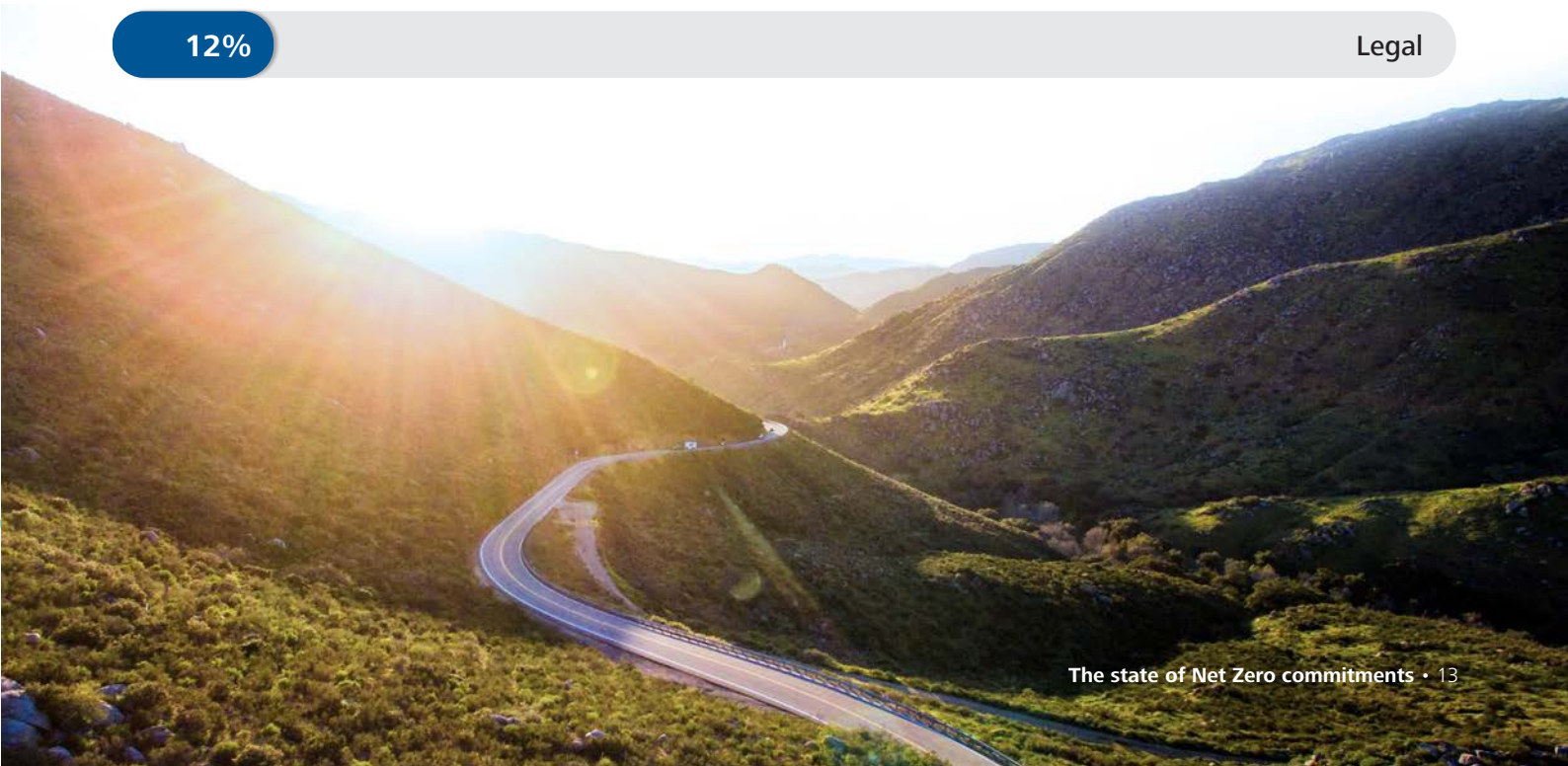
However, the low ranking of sales (14%) reflects a disconnect between the opinion of their ability to lead and the high customer demand for low-carbon products. Since ‘growing stakeholder demand for low-carbon products, goods and services’ was the second highest-ranking driver of carbon mitigation efforts (46%), it would seem important for sales to be fully on board with a Net Zero strategy.

The low rankings of key roles such as HR and legal is also a key challenge, since hiring ‘climate-smart’ skills and managing the legal obligations of climate-related financial disclosure and risk are key to an organisation’s holistic, integrated response to climate change.

### C-suite leaders are seen as most ‘climate savvy’, with the knowledge and expertise to support a shift to Net Zero.



The confidence of sustainability leaders in the C-suite to drive Net Zero transformations signals a major opportunity: the risks of climate breakdown are so integral across organisations that the C-suite must be prepared to lead.



# Key findings

## Net Zero Drivers and Enablers

Our research explored the key drivers and enablers of surveyed sustainability leaders to fully integrate Net Zero into their corporate strategies. Overall, decarbonisation represents a key opportunity for organisations to insulate from future external shocks, including the pandemic and climate change, while earning brand leadership positions in the nascent Net Zero space.

The highest-ranking drivers of Net Zero among respondents were all related to protecting brand loyalty (54%) and reputation (45%), whereas better, more granular oversight of supply chain risk scored relatively lowly (17%), indicating an underestimation of the risks related to and benefits of effective programmes to address Scope 3 emissions.

Moving from drivers to enablers, organisations are planning for Net Zero based on how the commercial availability of solutions aligns with their own Net Zero journey. Energy and resource efficiency ranked as the most popular solutions for reaching corporate Net Zero targets, followed closely by greening supply chains – the latter often a major, if not the major, source of companies’ GHG emissions. Enabling and facilitating emission reductions across all levels of corporate supply chains (Scope 3) are central to achieving Net Zero transformations.

The potential of carbon removals – a key aspect of Net Zero – was not well understood by sustainability leaders: carbon removal solutions (technological or nature-based) allow companies to remove carbon from the atmosphere within or beyond their value chains. Many of these solutions can already be implemented today, for example, through reforestation and soil carbon sequestration, or using technologies such as direct carbon capture and storage. Similarly, robust carbon offsets enable companies to contribute to climate change mitigation beyond their value chains immediately, while actively supporting other important goals, such as climate change adaptation, climate finance, and the UN Sustainable Development Goals.

Ultimately, it will be the breadth, robustness, and pace of a company’s climate action to realise Net Zero ambitions that will set leaders apart.

“Decarbonisation represents a key opportunity to insulate organisations from the risk of future external shocks, including ones related to the pandemic and climate change, while earning brand leadership positions in the nascent Net Zero space.

### Main drivers for Net Zero



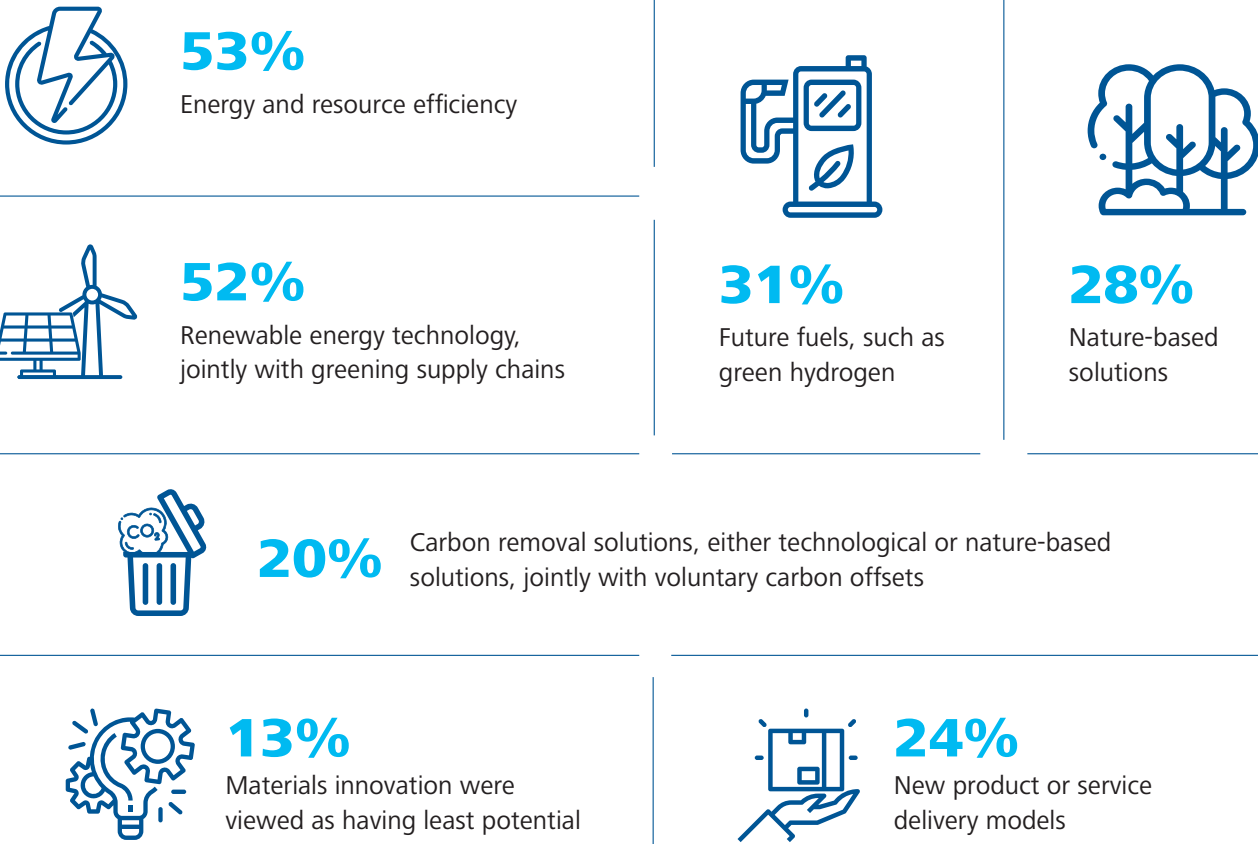
The opportunity to lead and define the climate action space

Growing stakeholder demand for low-carbon products, goods and services

Improved reputational risk management

Better, more granular oversight of supply chain risk

### Most popular solutions and enablers for reaching Net Zero targets





# Market context

## Net Zero and the FTSE100

One of the most eye-catching findings from our research was that none of the surveyed organisation’s with a Net Zero target had also set a Science-Based target (SBT). We wanted to contextualise the answers of our 120 sustainability leaders against the FTSE100, the most widely used performance indicator of major companies listed in the UK, where the majority of our responses came from.

After scrutinising the list of FTSE100 companies for their Net Zero commitments and SBTs, we found that well over a third of organisations in both samples – our Net Zero survey and the FTSE100 – have committed to Net Zero (50% and 35% respectively). In the case of the FTSE100, the financial services and retail sectors are the most active in setting Net Zero targets (14.3% each), while in the case of the South Pole Net Zero survey, the financial services (18%) and industry & manufacturing (17%) were the most active.

How does the sample of organisations and companies between the two analyses compare? While the FTSE100 companies are generally larger, we do see some similarity in terms of sectors represented: financial services, industry & manufacturing, and property & construction all have the highest representation in both samples.

Notably, compared to the South Pole Net Zero survey, a much larger proportion of FTSE100 companies have an SBT in place (34%<sup>2</sup>), and in many cases, a Net Zero target *and* an SBT (21%<sup>3</sup>). Such major external commitments reflect serious internal movement towards decarbonisation in line with a 1.5 degrees Celsius warming scenario.

With the latest climate change reporting rules imposed by the UK government<sup>4</sup>, listed companies, such as those in the FTSE100, are being pressed to provide a more detailed

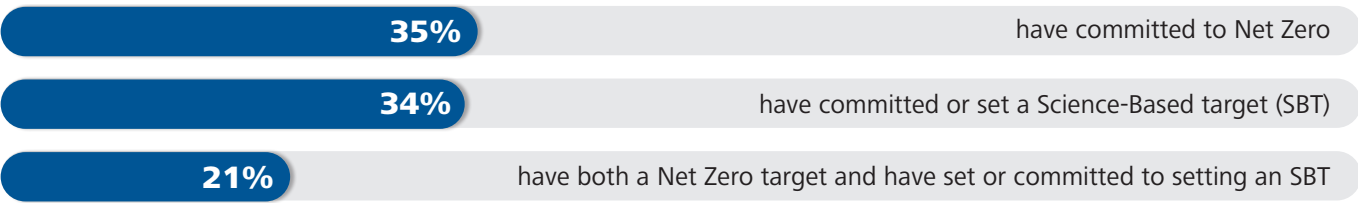
disclosure of how climate-related risks are affecting their businesses and what specific actions they are taking to manage them. Stronger policy signals, alongside stakeholder demands, will inevitably help companies fall in line as national governments work towards Net Zero emissions. Those under higher scrutiny – such as publicly listed companies – will be under stress to act faster.

This may explain the difference between the findings of our poll and the findings of our FTSE100 analysis. While companies who attend a Net Zero event and respond to a poll may be interested in climate neutrality, they may not be a publicly traded company and may also be smaller than a typical FTSE100 company, and hence under less scrutiny. This may explain why none of the companies in our poll had set both a NZT and an SBT.

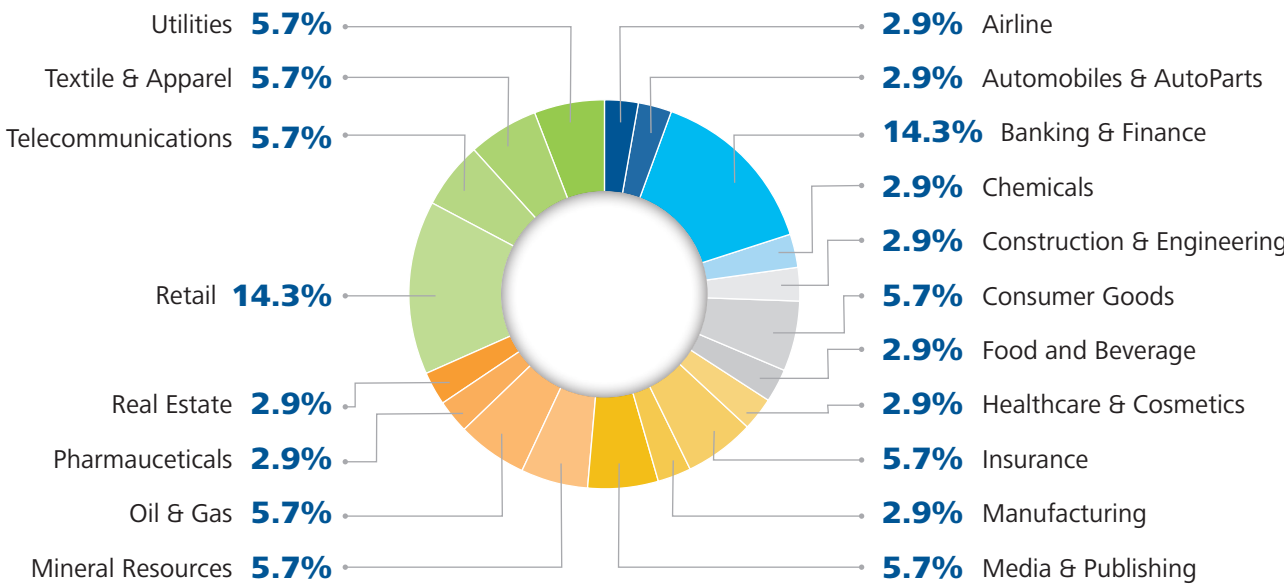
How do we apply the same level of accountability and urgency to underpin Net Zero targets with critical milestones across all organisations, big and small? Our survey provides new insight into the state of and sentiments around Net Zero ambition and action among a significant group of sustainability leaders. And while the emerging ‘Net Zero-ready’ mindset of surveyed respondents is an encouraging sign, our research also indicates there is still work to be done to bridge the disconnect between these organisations’ ambition and their climate action.

<sup>2</sup> as of 18 November 2020  
<sup>3</sup> as of 18 November 2020  
<sup>4</sup> Holder, M. (2020) ‘[Watchdog orders UK firms to improve climate accounting in 2021](#)’. Business Green. 13 November; HM Treasury 2020, [Interim Report of the UK’s Joint Government-Regulator TCFD Taskforce](#)

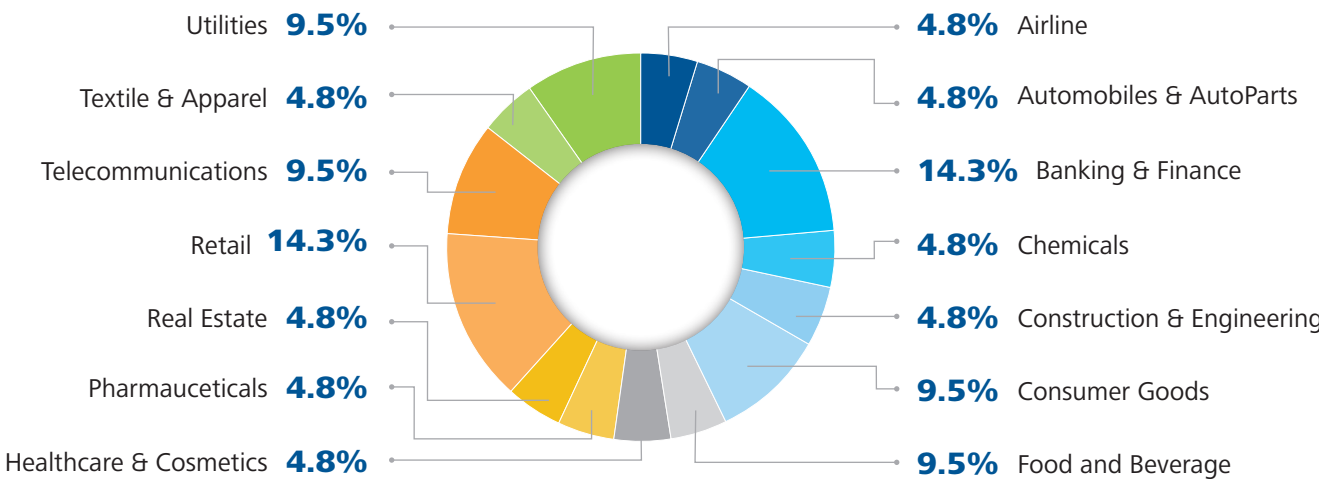
### The FTSE100 – commitments



### FTSE100 Net Zero targets: industry breakdown



### FTSE100 Net Zero targets and SBTs: industry breakdown





# Conclusions

## Planning the Journey to Net Zero

There are key steps to be taken to successfully embed a Net Zero target into an organisation's climate strategy and as an integral part of their operations.

### The vision of Net Zero

The IPCC defines Net Zero as a state where there is no incremental addition of greenhouse gases into the atmosphere. This means all avoidable emissions have been reduced and residual emissions have also been removed from the atmosphere.

To achieve this, an organisation must:

- **Reduce:** Plan a trajectory to reduce emissions across the entire value chain. Set a Net Zero target based on science, with interim milestones on how to get there, consistent with a 1.5°C mitigation pathway.
- **Compensate:** Become climate neutral by financing projects to further avoid and remove emissions
- **Neutralise:** Eventually eradicate unavoidable residual emissions with carbon removals to achieve Net Zero

### The components of a credible Net Zero strategy

#### Reducing emissions in line with science

Organisations must reduce emissions within their value chains at a pace and scale consistent with mitigation pathways that limit global warming to 1.5°C, as laid out by the IPCC. Compensation and neutralisation measures

should supplement and enhance Net Zero strategies, but are not considered a substitute for science-based emission reduction pathways.

The first step on any Net Zero journey is understanding the organisation's impact on the planet by calculating its carbon footprint – an assessment of the annual GHGs along its entire value chain. The next step is to develop a strategy to reduce this footprint. This can be done through a wide range of measures, including energy and resource efficiency; switching to renewable energy; targeted supply chain interventions; and product or service delivery model innovation.

The cost of tackling climate change increases with every year of delay, and organisations can make this cost more tangible and evident in their business by creating an internal price on carbon. This would ideally drive further emission reductions. For example, compensating emissions by purchasing carbon credits not only enables a company to take immediate climate action but it also creates an internal cost of sorts that can be used to encourage teams to reduce emissions across the value-chain and factor emissions into their future investment decisions.

### Compensation and neutralisation: activating all available levers to achieve Net Zero

In addition to continuous decarbonisation, organisations must simultaneously make the most of critical levers at their disposal today, whilst proactively financing and planning to adopt new innovations, such as Future Fuels, based on the estimated timelines of when they will become commercially available.

By activating these levers, companies can achieve the interim milestone of Climate Neutrality while transitioning towards Net Zero. Avoiding or removing emissions by purchasing carbon credits enables companies to contribute to tackling climate change beyond their value chains today, while actively supporting other important goals, such as climate justice and the Sustainable Development Goals (SDGs). For example, supporting forest conservation projects is key to protecting our declining ecosystems and avoiding biodiversity loss. As we work towards Net Zero, we must make sure to invest in solutions that mitigate climate change and support those who are hardest hit by the impacts of it.

### Getting to Zero: Bringing the whole organisation on the journey

The first movers to pursue corporate Net Zero targets will be the leaders and advocates for changing the way we do better business. And the business benefits of pursuing a Net Zero strategy are many, as highlighted by this report – from aligning with the global climate policy agenda, managing risk, or driving reputation and competitive advantage.

**Net Zero acts as a process of transformation**, one that instils a framework for decision-making, driving profitability and resilience through a virtuous circle of innovation, collaboration and investment.

**Net Zero is a 'whole organisation' initiative.** To be successful, the journey to Net Zero must be driven from the inside out – permeating every function and level. To do this, leaders must steer departments to understand the relevance of Net Zero to their own interests, and break the journey into clear, actionable milestones that focus the efforts and monitor the progress of every department. At its core, Net Zero is an opportunity to reset the ambition of organisations, to unify them under a single initiative, and define the journey for entire industries and sectors.

The triple bottom line benefit of pursuing a Net Zero journey with robust milestones is clear. Now is an opportune moment for organisations to align COVID-19 recovery plans with pathways to Net Zero.

### Levers under compensation and neutralisation include:



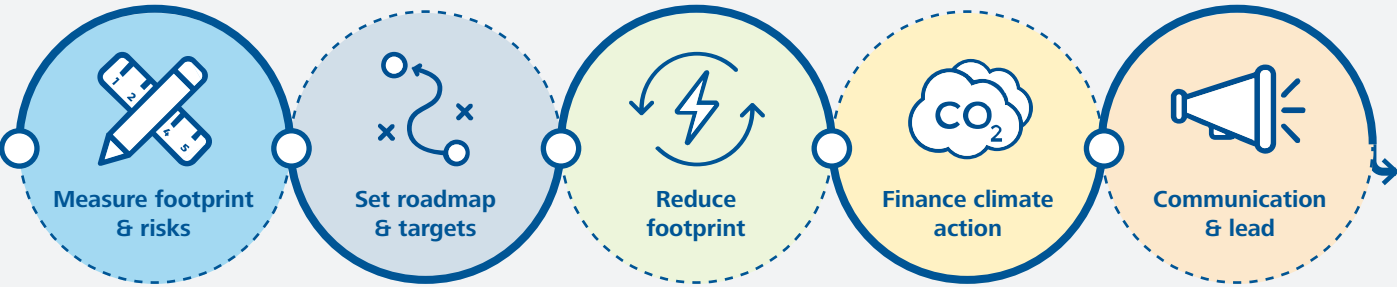
#### Carbon avoidance

Carbon avoidance entails financing projects that avoid the emission of GHGs. Such projects could include the recovery and utilisation of biogas, the replacement of inefficient cookstoves with less polluting ones, waste management and recycling, or investments in energy efficiency.



#### Carbon removals

Carbon removals can be achieved in a range of ways, for example through nature-based solutions, such as reforestation and soil carbon sequestration, or using technological solutions, such as direct carbon capture and storage.



Every step of an organisation's Climate Journey offers opportunities to reduce, avoid and remove emissions and to communicate transparently about progress. Ultimately, to cement Net Zero aspirations with accountable and transparent milestones





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