SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SCIENCE BASED TARGETS CASE STUDY: LAND SECURITIES

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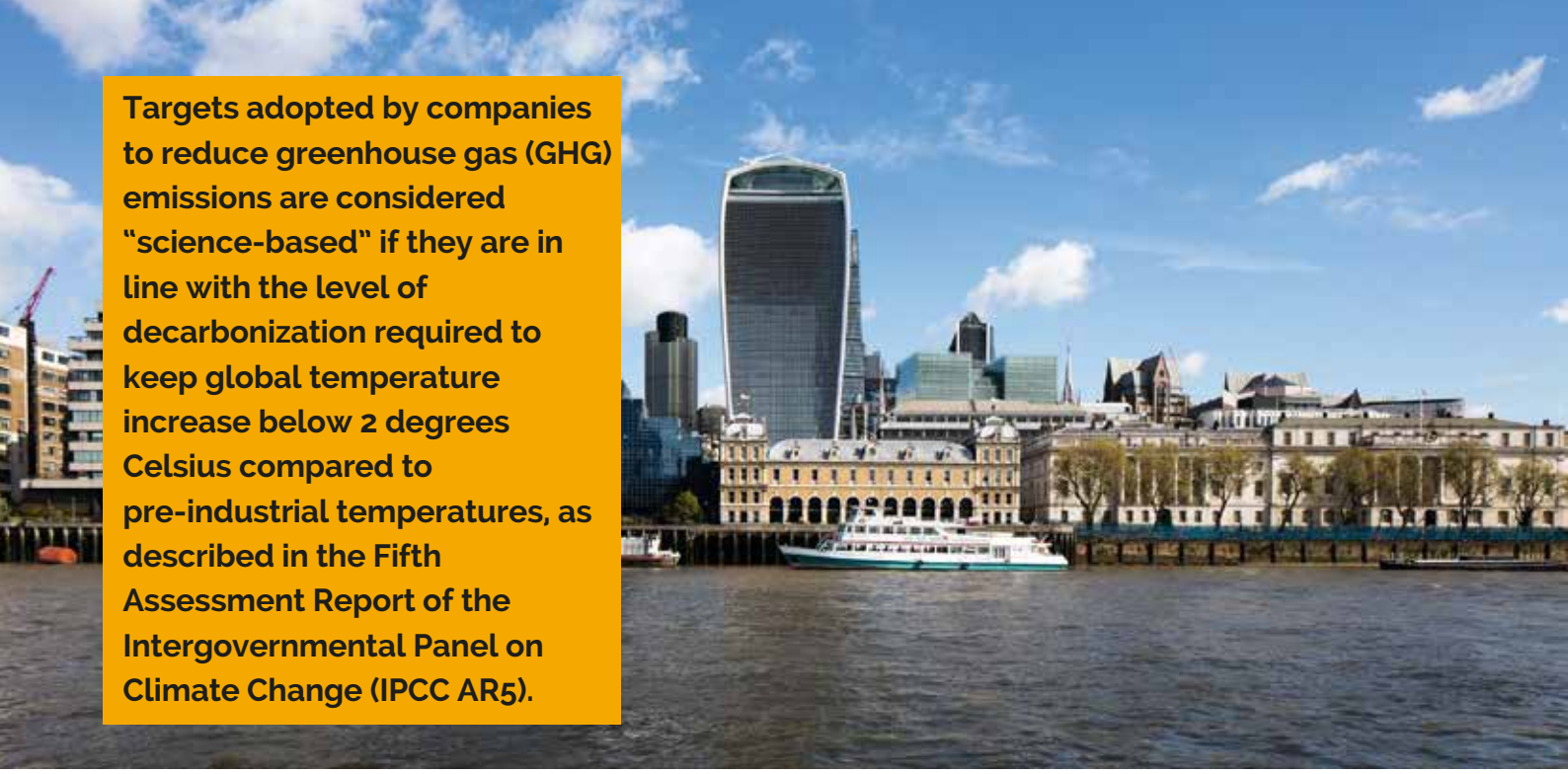


Targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC AR5).

INTRODUCTION

Land Securities is the largest commercial property company in the UK and a member of the FTSE 100. Founded in 1944, Land Securities owns and manages more than 23.6 million square feet of property, worth £14.6bn. Its focus is London offices, and UK retail and leisure. Its portfolio includes the iconic 20 Fenchurch Street, also known as the 'walkie-talkie

We spoke to Energy Manager, Tom Byrne, about the company's science-based target.

WHY DID YOU SET A SCIENCE BASED TARGET?

It was late 2015 and we felt the time was right for us to step back and review our sustainability targets. Investors had been increasingly asking about our sustainability goals, and there was a lot of attention on climate change in the run up to the big UN meeting in Paris (COP 21). We decided we needed to move the industry forward and meet the issues head on. Our CEO set us a challenge: to become the sustainability leader in the real estate sector.

At the time, we didn't have a carbon reduction target. We had a target to reduce energy consumption within our top 5 consuming buildings by 15% by 2020, compared to a 2013/14 baseline, which we achieved four years early. We decided that we would benefit from setting a more ambitious company-wide target to reduce carbon emissions.

WHAT WAS THE PROCESS?

The CEO appointed a new Head of Sustainability, Caroline Hill, who went to COP 21 in Paris and came back and said to me: "I want to set a science-based target – can you find out how we can do this?" We'd been hearing more and more about the concept of science-based targets and it seemed to us that this was what leading companies should be doing.

I stumbled across the Science Based Targets initiative by chance online, which was really lucky. It was the perfect place to start because I found all the information I needed about what science-based targets were, how to set them, and the different methodologies you could choose from.

We then got in touch with the Carbon Trust, and spoke to someone we knew who had been involved in developing the Sectoral Decarbonization Approach with the Science Based Targets initiative. We decided we would work with the Carbon Trust to apply the Sectoral Decarbonization Approach to our company. This was a first for us, and a first for the Carbon Trust. We were really interested to see what numbers would come out.

At the same time as working with the Carbon Trust to develop our target, we held a bunch of internal meetings and workshops to get people on board. We asked, 'what does leadership mean to you'? We used this to identify opportunities for change, and to get internal buy-in.

THE TARGETS

Land Securities commits to reduce GHG emissions 40% per square meter by 2030, from a 2014 base-year (scope 1, scope 2 and a portion of scope 3 emissions from downstream leased assets). This will set the company on the path to accomplish an 80% carbon intensity reduction by 2050 from the same base-year.

The company also commits to engage with all main contractors (lead construction partners) to encourage them to set science-based targets by 2023, so that the embodied carbon from key materials can be reduced in line with what is required for a 2 degrees pathway. Additionally, the company will ensure that all leased floor area has an energy efficiency rating of at least an E (ratings are A-G) by 2023, in order to reduce the operational carbon emissions associated with that floor area.

By May 2016, we had developed a target and had it signed off internally. But when we presented it to the initiative's experts for approval we discovered we hadn't fulfilled the criteria for Scope 3 emissions – i.e. the ones that are produced when we develop buildings and when our customers use them. We had some calculations on these emissions but not the full data. So we had to go back to the drawing board and do a full Scope 3 assessment and then work out how we could reduce these emissions as well. It was actually a really useful process because it enabled us to see just how and where we were having an impact.

Having done this, we re-submitted our target to the Science Based Targets initiative and they approved it in December 2016. In all, the process took about a year.

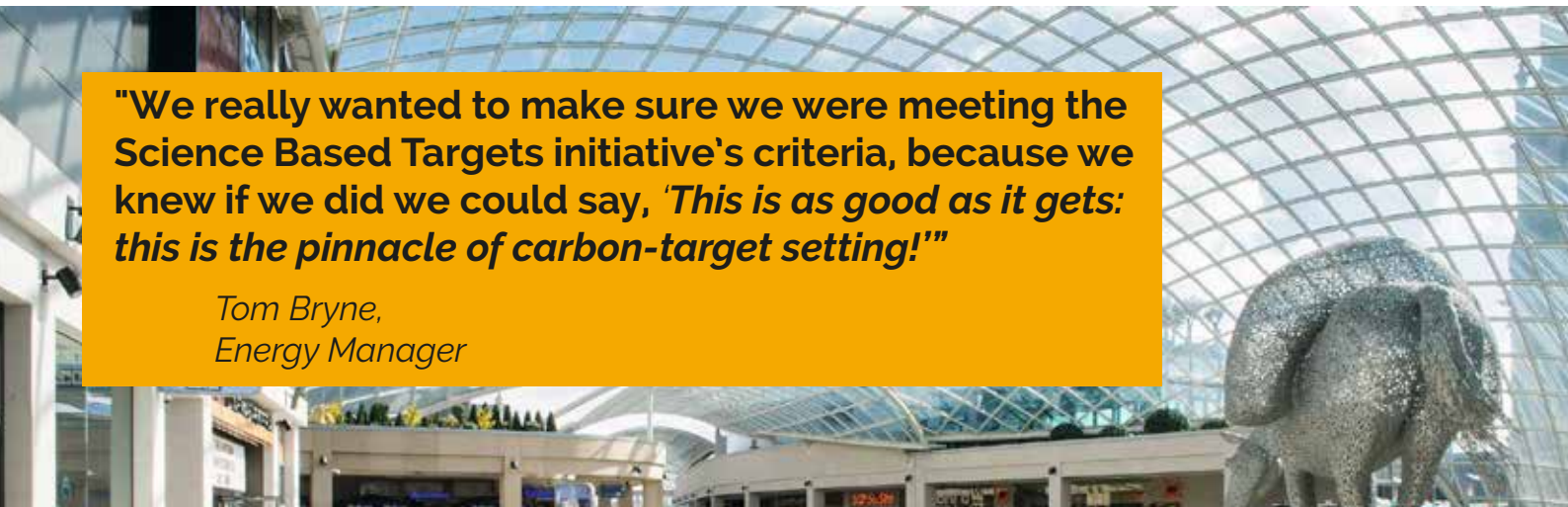
WHAT CHALLENGES DID YOU ENCOUNTER? AND WHAT DID YOU LEARN?

One thing we learned is that we probably should have consulted the Science Based Targets initiative more as we went along, rather than presenting our finished target to them as a fait accompli. We didn't realize how stringent their requirements would be – especially on Scope 3 emissions – and what data we would need to set those targets successfully. This meant that our target was rejected the first time we submitted it, and the process took longer than we expected. That said, it was a really important learning curve for us, and great to work with the initiative to agree Scope 3 targets that were acceptable to them, and realizable for us.

The fact that we were the first company in our sector to set a science-based target also meant that things took a bit longer, as the initiative's experts had to work out how to assess our target in the context of the overall emissions reductions the sector needs to make to help keep global warming below 2 degrees.

Other things we learned included that it is important to have good data that you can trust to inform the target setting. You also need an analytical brain, and ideally some experience of target setting: it's complex stuff. For this reason, working with the Carbon Trust was good because they brought lots of experience and expertise that really helped us.

It is fundamentally challenging to set long-term targets in a short-term world. The methodologies available from the Science Based Targets initiative are helpful for this because they allow you to set interim targets, which put you on track to achieve longer-term ambition. You can see the pathway, and believe in your ability to walk



"We really wanted to make sure we were meeting the Science Based Targets initiative's criteria, because we knew if we did we could say, *'This is as good as it gets: this is the pinnacle of carbon-target setting!'*"

Tom Bryne,
Energy Manager

it. You can also adjust things along the way as more data becomes available, and if the science is updated.

Another challenge was how to make the link between the macro issue of climate change, which people see on the news, and the specific details of a science-based target. In this sense, the internal consultations and workshops were really important. We started with the sustainability team and moved out, via more senior directors who we knew were interested in these issues (the 'early adopters'), to the most senior reps who we needed to convince. By having others on board already, and by being able to show how the science informs the target and links back to the global situation, it was much easier to get sign off from the top. We had a really powerful message that empowered people and made the ambitious targets much more palatable.

WHY WAS IT IMPORTANT TO HAVE APPROVAL FROM THE SCIENCE BASED TARGETS INITIATIVE?

The Science Based Targets initiative website was the first place that we came across decent information on the concept. It's obviously the leading initiative on this issue, and the central repository of the most relevant information and knowledge. The fact that it is backed by really credible organizations – CDP, WRI, WWF and the UN Global Compact – is amazing. It shows that the initiative is relevant, innovative and leading.

We really wanted to make sure we were meeting the Science Based Targets initiative's criteria, because we knew if we did we could say, 'This is as good as it gets: this is the pinnacle of carbon-target setting!' Of course there were times when we were tempted to say 'This is too hard, it's not worth it' but to have the initiative's approval gives us credibility, confidence internally, and enhances our reputation with external stakeholders.

WHAT CHANGES CAME ABOUT AS A RESULT OF HAVING SET A TARGET?

Having a science-based target has affected the way we work across our three main areas of operations, namely buying buildings, developing building and managing buildings. We have introduced our first Responsible Property Investment Policy, which means we consider the impact on our target of introducing a new building to our portfolio, and take requisite measures to address any issues. We are also now deliberately designing and developing buildings in a way that aligns with our agreed decarbonization pathway and energy goals. Finally, we're making sure that the buildings we manage are as energy efficient as possible, without compromising on affordability for our clients.

This last issue - of energy efficiency – is an interesting one in the real estate sector. We have a responsibility to our tenants to ensure they are not paying above the odds for floor space. So we have to balance the drive to make buildings more energy efficient with the need for cost-effectiveness. Investments we make need to pay off quickly, and not result in large costs being passed on to customers. This means that rather than changing everything in a building, we focus on assets that need replacing or upgrading, and then choose the most energy-efficient replacements, that are also cost-comparable over a reasonably short period of time. It also means investing time in understanding our buildings and our customers' needs, and being smart in the way we manage and use existing technology and equipment.

WHAT BENEFITS HAVE YOU EXPERIENCED AS A RESULT OF SETTING A SCIENCE BASED TARGET?

Setting a science-based target has helped us achieve our ambition for sustainability leadership in the real estate sector. Before, we were kind of playing catch up, now we're hopefully ahead of the game. The other companies who have had their targets approved by the Science Based Targets initiative are all leaders in their sectors. To be alongside them on the website really matters to us: it sends a signal to investors and others that we are taking sustainability seriously. Media coverage, like the front-page piece in the Financial Times on the £4m fuel cell system we installed in the basement of 20 Fenchurch Street, also helps.

Having our target approved has undoubtedly enhanced our reputation and relationship with investors. We are now an even better long-term investment prospect. As long as we keep updating it

in line with the latest science, our target future-proofs us for investor requirements for the next 50 years. In the sustainability team we are increasingly taking calls from investors who want to talk about what we're doing. Some are thinking about setting their own science-based targets, while others are thinking of making them a requirement for companies they invest in.

I think the target also puts us in a good position vis-à-vis government regulation. We are fully compliant with the UK government's existing targets, and would be well placed were they to introduce more stringent regulation for companies. Indeed, I think that industry is now leading government on this: we are showing what companies can do on their own, and hopefully creating an environment in which others will follow suit and the bar will be raised.

Ultimately, the science brings meaning, and grounds our ambition in reality: targets are no longer numbers pulled from thin air, they are goals linked to a real issue. Science-based targets commit us to what is required, not just what is achievable. In this sense, they prove leadership and provide the 'spine' of a long-term sustainability strategy.

www.sciencebasedtargets.org

Science Based Targets @sciencetargets info@sciencebasedtargets.org

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