



Pacific Basin Economic Council

Circular Economy, Green finance and ESG

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What is the need of SBTs?



Scientific community

Need to reach net-zero global CO₂ emissions by mid-century (2050) in order to limit global warming to 1.5°C and to reduce the destructive impacts of climate change on human society and nature



Intergovernmental Panel on Climate Change (IPCC), 2018

To limit global warming to 1.5°C, the world needs to halve CO₂ emissions by around 2030 from 2010 levels and reach net-zero CO₂ emissions by mid-century



Net zero

That point when “anthropogenic emissions of greenhouse (GHG) gases to the atmosphere are balanced by anthropogenic removals over a specified period”

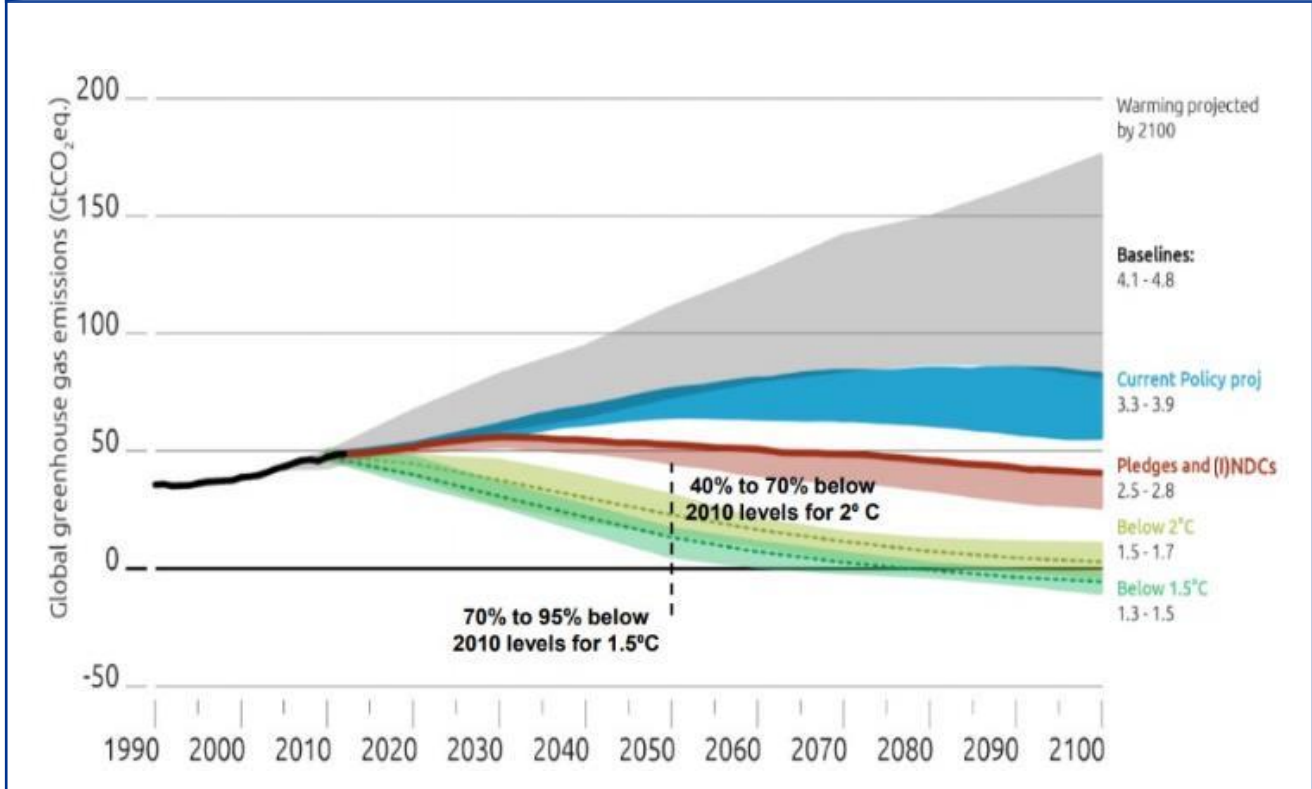


SBTs

Science Based Targets serves as a guiding methodology for corporates to effectively set and achieve these targets

Source: Foundations for Net-Zero Target Setting in the Corporate Sector (2020), Climate Action Tracker 2017

Understanding emission reduction targets based on climate science for keeping warming below 1.5°C



Summary: Human-induced warming has already reached about 1°C above pre-industrial levels. By the decade 2006-2015, human activity has warmed the world by 0.87°C (+0.12°C) compared to pre-industrial times (1850-1900). If the current warming rate continues, the world would reach human-induced global warming of 1.5°C around 2040.

SBTi facilitates greater ambition to set emission reduction targets in line with the latest climate science

Hutchison Ports Holdings (HPH) is developing a net zero target in accordance with guidance from the Science-based Targets Initiative (SBTi)

Science-based target companies accelerate climate action...



SBTi companies deliver excess reductions at an accelerated rate compared to their peers



Tools, methodologies & support provided to every company to calculate and reach their target



Climate leaders have SBTi targets or commitments



World Business Council for Sustainable Development (WBCSD) only accepts companies having an SBTi target set

Science-based target setting makes business sense...



Future proof in changing environmental and regulatory landscapes



Boosts investor confidence and saves money by investing in the long term

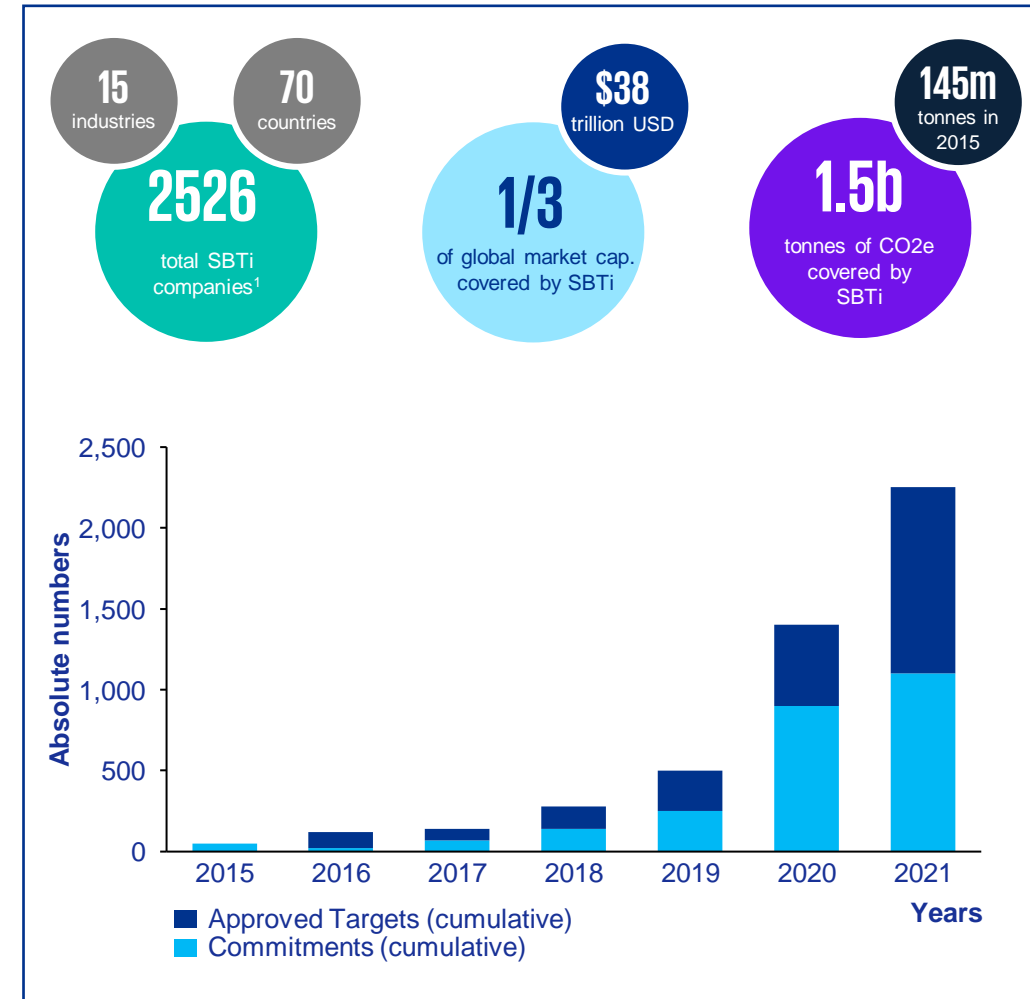


Innovation and competitiveness is spurred as companies set on journey of achieving targets



Conscious consumers are demonstrated with concrete sustainability commitments

Note: ¹Total of SBTi companies as of June 17, 2022. The number is increasing on a weekly basis



SBTi requirements

Science based target



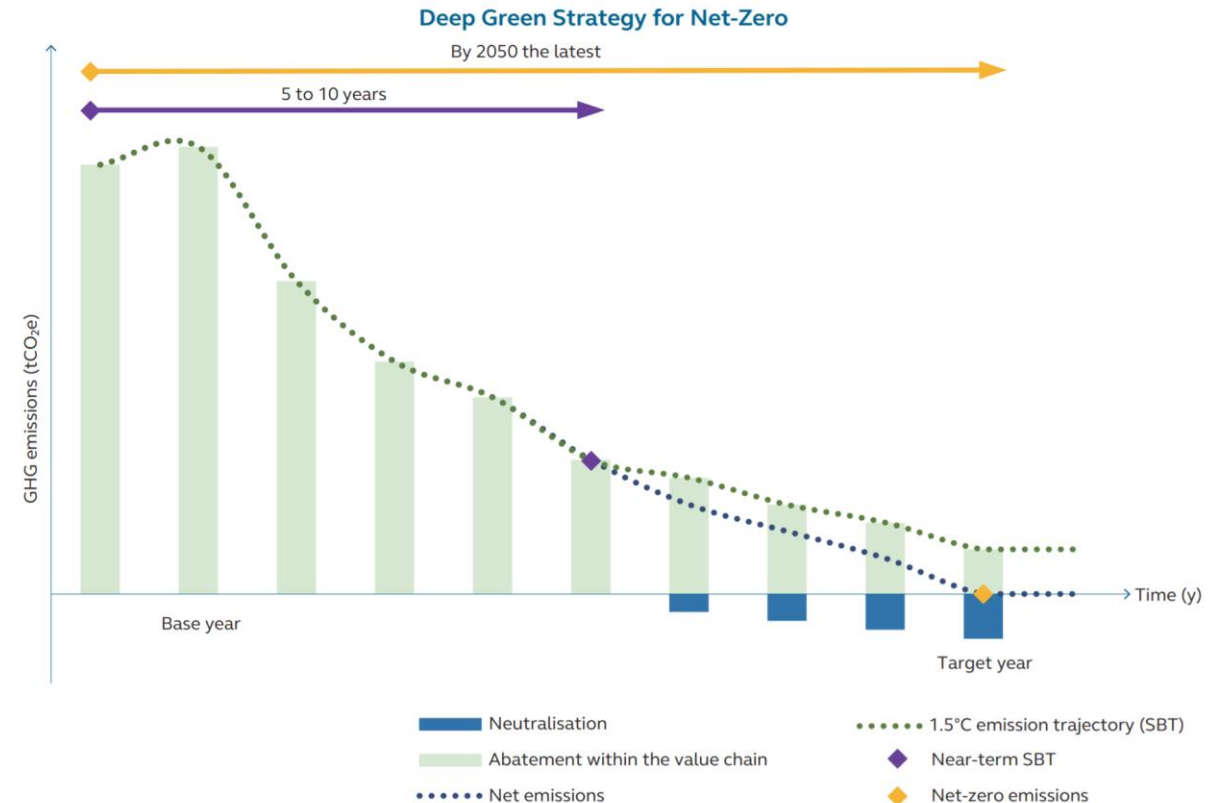
- In line with selected **pathway** (i.e. 1.5°C)
- Must show that company is following the trajectory of chosen pathway
- Near term SBT are **target year-dependent**: Mitigation pathways **inform the rate of emissions reductions** or emissions intensity reductions that are needed

Net zero target



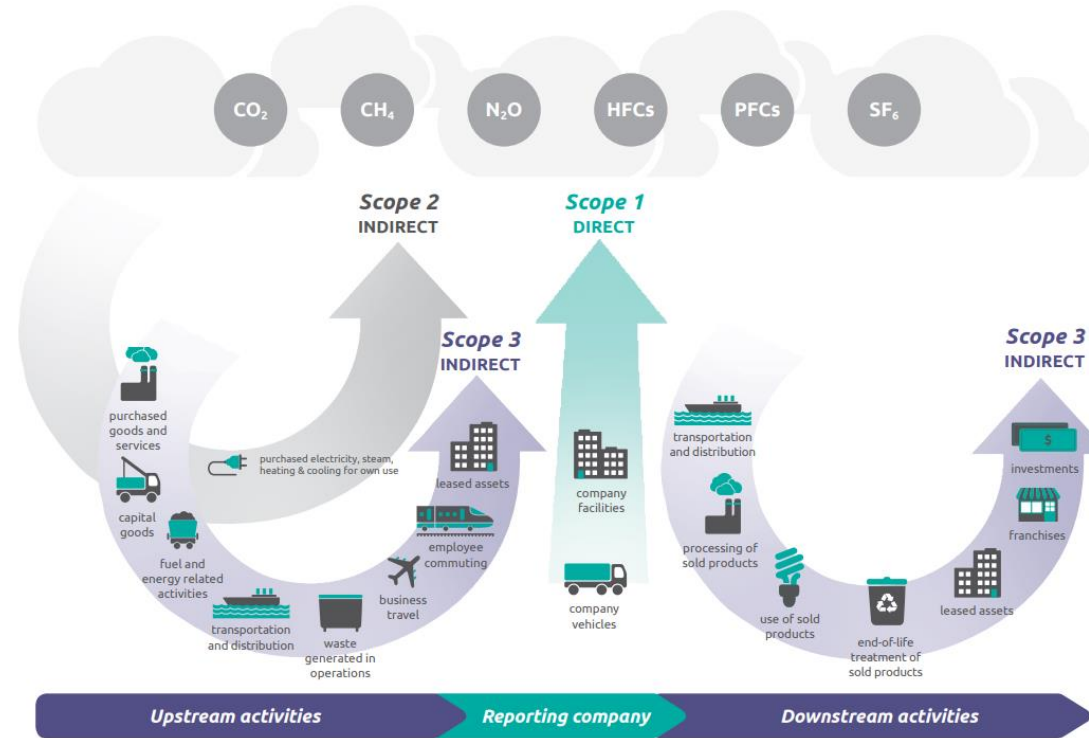
- Must reach net zero sometime **between 2030 and 2050**
- Long-term net zero targets are **target year-independent**: **Inform the overall emissions reduction** or convergence intensity that must be reached to be aligned with net-zero at the global or sector level

Visualisation of SBT and Net Zero target



Source: SBTi Corporate Manual (Dec 2021); Net Zero Standard (2021); HKEX Practical Net-Zero Guide for Business (2021)

Assess emissions across the value chain and identify emissions abatement levers



Scope 2 – Purchased electricity, direct heating, direct cooling and steam

GHG emissions from generation of purchased electricity, direct heating, direct cooling and steam used by the company.

Potential abatement levers:

- Renewable energy procurement (e.g. through power purchase agreements (PPAs))



Scope 1 – Direct GHG Emissions

GHG emissions that occur from sources that are owned or controlled by the company, for example emissions from facilities and vehicles.

Potential abatement levers:

- Energy efficiency measures
- Electrification of equipment
- Fuel switch (e.g. to hydrogen)



Scope 3 – Other indirect GHG emissions

All other GHG emissions that occur as a consequence of the activities of the company. Categories in Scope 3 are for instance purchased goods and services, purchased transports and business travel.

Potential abatement levers:

- Supply chain decarbonization





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