Real Zero Leadership

Positive Practice in the Net Zero Pledges of Australian Companies

Prepared for Climate Integrity
by UTS Institute for Sustainable Futures

Climate Integrity

UTS Institute for Sustainable Futures

UTS and ISF acknowledge the Gadigal People of the Eora Nation, the Boorooberongal people of the Dharug Nation, the Bidiagal people and the Gamaygal people upon whose ancestral lands our university stands. We would also like to pay respect to the Elders both past and present, acknowledging them as the traditional custodians of knowledge for these lands.

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ISF is an independent research institute within the University of Technology Sydney. We conduct transdisciplinary, project-based research in line with our vision of creating positive change towards sustainable futures.

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Executive Summary

To limit long-term global warming to 1.5 degrees celsius (˚C), global emissions need to reduce by 43% below 2019 levels by 2030.[1] Yet at the end of 2024, worldwide emissions from fossil fuels had increased another 0.8% across the year compared to 2023[2] and it was the first year the global average temperature exceeded 1.5˚C above pre-industrial levels.[3,4]

A decade on from the Paris Agreement, it is clear that industry and governments are not doing enough to reduce emissions, despite the voluntary climate pledges covering over 90% of the global economy.[5] An increase in the ambition and credibility of corporate targets and transition plans is urgently needed to accelerate the transition.

Climate Integrity has commissioned the UTS Institute for Sustainable Futures (ISF) to assess companies identified as “real zero” leaders that prioritise science-based decarbonisation and commit to phase out fossil fuels without overreliance on contested measures like offsetting or carbon capture and storage.

Three companies were selected by Climate Integrity for assessment against the high integrity benchmark developed by the United Nations’ High-Level Expert Group on Net Zero Emissions Commitments of Non-State Entities (UN HLEG).[6] In addition, an interview was conducted with representatives of the three companies to provide further insights on elements of positive practice identified in the assessment. The companies included in this assessment are:

- Fortescue Limited
- Lendlease Corporation Limited
- Inter IKEA Systems B.V. / Ingka Holding B.V.

None of these companies fully align with every aspect of the UN HLEG recommendations. However, as could be expected, given the companies were selected on the basis of positive practice, the overall level of alignment is relatively high. Their targets are ambitious and, for some aspects, exceed the requirements of science-aligned decarbonisation pathways. The assessments and interviews also identified specific areas of positive practice relating to their net zero pledges. Four common areas of positive practice and leadership across the companies were identified:

- **Commitment to phase out fossil fuels for significant parts of the business,** including in the harder to abate sectors of mining and construction.
- **Commitment to achieve decarbonisation without reliance on offsets** and prioritise absolute emissions reductions within their value chains.
- **Efforts to collaborate and support sectoral reform through leadership and information sharing,** involving advocacy for real zero (not net zero), Scope 3 emissions protocol, and deep engagement across their value chains to progress decarbonisation solutions.
- **Strong internal leadership and commitment to real decarbonisation outcomes, fostering a culture of commitment to targets** is a core part of the companies’ culture, and climate and emissions reduction is embedded throughout the entire business.

[1] M. Pathak, R. Slade, P.R. Shukla, J. Skea, R. Pichs-Madruga, D. Ürge-Vorsatz,2022: Technical Summary. In: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926.002.
[2] International Energy Agency. (2025). *Global Energy Review 2025 CO2 Emissions*
[3] Copernicus. (2025). Copernicus: 2024 is the first year to exceed 1.5°C above pre-industrial level. European Commission.
[4] Notably, a single day, month or year above 1.5˚C (as recorded in 2024) does not mean the long-term temperature goal referred to in the Paris Agreement has been breached; as this is measured over a period of decades.
[5] Net Zero Tracker (2024) Net Zero Stocktake 2024: NewClimate Institute, Oxford Net Zero, Energy and Climate Intelligence Unit and Data-Driven EnviroLab Available at: https://netzeroclimate.org/wp-content/uploads/2024/09/Net_Zero_Stocktake_2024.pdf
[6] United Nations’ High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. (2022). Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions.

Contents

Introduction and methodology

Background

Climate Integrity was established to advocate for increased ambition, accountability and transparency in Australia's transition to zero emissions,

In 2023, Climate Integrity commissioned the UTS Institute for Sustainable Futures (ISF) to assess the net zero pledges of major Australian businesses against a high-integrity global benchmark developed by the United Nations' High-Level Expert Group on Net Zero Emissions Commitments of Non-State Entities (UN HLEG).[7] The research also assessed actual emissions reductions achieved by selected companies compared to their targets, and alignment of interim emissions reductions targets to a 1.5°C decarbonisation pathway. Amid a proliferation of net zero pledges by Australian companies, the research investigated the quality of pledges, associated climate transition plans and other climate-related reports.

The report, Net Zero Integrity: Assessment of the Net Zero Pledges of Australian Companies (February 2024)[8] found that all companies in the sample made a public net zero pledge and had interim emissions reductions targets, however none of the pledges fully aligned to the UN HLEG requirements. The net zero pledges largely lacked scientific rigour and less than half the companies were fully on track to meet their own targets.[9] No companies included in the assessment had made a public commitment to phase out fossil fuels. The research indicated that there is a need for more standardised, high ambition, scientifically aligned transition planning.

Climate Integrity has commissioned ISF to assess the net zero pledges of a further three Australian companies with a view to identifying and showcasing elements of positive practice in net zero pledges, particularly in relation to fossil fuel phase out. The intention of identifying positive practice is to demonstrate what can be done by companies to achieve a higher integrity net zero pledge and accelerate real decarbonisation efforts. This report presents assessments and positive practice case studies for the three selected companies.

Methodology overview

Net zero pledge assessment

The team used the assessment framework developed for the first research project based on the UN HLEG checklist and the UN HLEG *Integrity Matters* report. Assessment against the framework was based on public company disclosures, primarily for the most recently available reporting period, including Climate Action Plans, Sustainability Reports and Data Packs and Annual Reports. For notes on how criteria were applied in the assessment, see Appendix 1.

We acknowledge that there are components of the UN HLEG framework that may be difficult for companies to comply with in practice, particularly in relation to Scope 3 emissions reductions where the company may have limited control over decarbonisation activities and the application of universal reduction targets that may not align with the non-linear nature of decarbonisation of major assets.

[7] United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. (2022). *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions*.
[8] Atherton, A., Kobelentz, K., Noble, G., Berry, F., Niklas. S, Feenstra, M. and Teske, S. 2023. *Net Zero Integrity: Assessment of the Net Zero Pledges of Australian Companies, report prepared for Climate Integrity.* University of Technology Sydney, Institute for Sustainable Futures, Sydney, Australia.
[9] Ibid.

In addition to the framework assessment, we undertook the following two assessment components:

- Assessment of the progress companies have made against their own interim target/s, comparing actual company emission reductions against calculated emission reduction pathways based on base years and interim targets set by the company.
- Assessment of the alignment of the company's interim target/s with an accepted and relevant scientific decarbonisation pathway. For this, we used relevant publicly available results from 1.5 °C aligned pathways from the One Earth Climate Model (OECM)[10], developed by ISF and the Net-Zero by 2050 pathway from the International Energy Agency (IEA)[11]. In cases where there was not a comparable sectorial pathway, or insufficient company disclosure, this is stated and an alternative assessment measure was used.

A more detailed explanation of the assessment methodology is presented in the first (2024) assessment report.[12] In a departure from the original methodology, the three companies included in this assessment were provided with a draft assessment and given the opportunity to correct any inaccuracies, based on publicly available information only.

Assessments were undertaken and data collected between November 2024 to April 2025 (November-December 2024 for Fortescue, January-February 2025 for Lendlease, March-April 2025 for Inter IKEA/the Ingka Group).

Positive practice case studies

Information included in the positive practice case studies was identified through the review of publicly available information undertaken for the assessment and supplemented by a one-hour semi-structured interview with company representatives. Companies nominated interview participants who were primarily in senior sustainability, climate and/or external communications roles. The interview also provided a further opportunity to correct any inaccuracies in the assessment. This research received approval from the UTS ISF Ethics Committee.

Selection of companies

The companies included in this review were selected by Climate Integrity as case studies of positive practice in relation to fossil fuel phase out, focused on recognisable Australian companies, or those with significant Australian operations. The following companies are included in the assessment:

- Fortescue Limited (Fortescue)
- Lendlease Corporation Limited (Lendlease)
- Inter IKEA Systems B.V./Ingka Holding B.V. (Inter IKEA/The Ingka Group)[13]

Independence

No material conflicts of interest were identified for the project team. Further, all final assessments have been reviewed by a researcher not involved in the detailed assessment for consistency.

[10] Teske et al., (2023), Net-zero 1.5 °C sectorial pathways for G20 countries: energy and emissions data to inform science-based decarbonization targets, SN Applied Sciences. Online source: https://link.springer.com/article/10.1007/s42452-023-05481-x
[11] IEA, (2021), Net zero by 2050, Online source: https://www.iea.org/reports/net-zero-by-2050
[12] Atherton, A., Kobelentz, K., Noble, G., Berry, F., Niklas. S, Feenstra, M. and Teske, S. 2023. *Net Zero Integrity: Assessment of the Net Zero Pledges of Australian Companies, report prepared for Climate Integrity.* University of Technology Sydney, Institute for Sustainable Futures, Sydney, Australia.
[13] IKEA is a franchise business, with many companies operating under one IKEA brand. This includes: Inter IKEA Systems B.V (Inter IKEA) (the franchisor) and Ingka Holding B.V. (the Ingka Group) (the largest franchisee). IKEA in Australia is owned and operated by IKEA Australia Pty Ltd which is part of the Ingka Group, in the retail arm of the business.

Summary of key findings of net zero pledge assessment and positive practice

Heatmap of net zero pledge assessments

Criteria	Fortescue	Lendlease	Ikea
1. Net zero pledge			
Public pledge to achieve net zero emissions			
2. Setting net zero targets			
Short-, medium, long-term targets			
Target 50% below 2020 by 2030 and net zero 2050			
Absolute emissions reductions target			
Targets science aligned and verified			
Targets cover all scopes and value chain			
Targets cover all greenhouse gases			
Separate targets for material non-CO2 greenhouse gas emissions			
Targets cover embedded emissions in fossil fuel reserves			
Targets cover land-use emissions			
3. Using voluntary credits			
Voluntary credits not counted toward emissions reductions			
4. Creating a transition plan			
Publicly disclosed net zero transition plan			
Stated to be updated every 5 years			
States concrete actions to be taken to meet targets			
Contribution of actions to targets is quantified			
Disclosure of capex plans aligned with all targets			
Transition governance and linked executive compensation explained			
5. Phasing out fossil fuels and scaling up renewable energy			
Targets to end use/support of fossil fuels			
Target for renewable energy procurement			
Explanation of full phase out of fossil fuels from operations			
If company has operations in coal, oil or gas production:			
Target for 64% reduction in methane by 2023 from 2020			
Targets to end coal production for power generation			
Target to end coal plants by 2030 in OECD and 2040 elsewhere			
Targets to end oil or gas production			
6. Aligning lobbying and advocacy			
Disclosure of trade associations and positive climate advocacy			
Outline of specific policies and regulations needed			
Disclosure of lobbying consistent with net zero targets			
Disclosure of contribution to climate engagement across value chain			
7. & 9. People and nature and investing in just transitions			
If material land-use emissions stated how further loss will be eliminated			
Disclosure of nature risk and dependency in relation to transition			
Disclosure of contribution to Just Transition			
8. Increasing transparency and accountability			
Annual disclosure of ghg data, progress against target & plans			
Disclosure on UNFCCC Global Climate Action Portal			
Disclosure of approach to verification of targets, plan and progress			
Emissions reductions verified			

Key

Criteria fully met	Yes
Criteria not met	No
Criteria partially met	Partial
Not applicable	NA
No or insufficient disclosure to assess	ND

Key net zero pledge assessment findings

The net zero assessment framework is based on the UN HLEG checklist and the UN HLEG *Integrity Matters* report. Assessment against the framework is based on public company disclosures only.

The companies assessed in this research were selected for their positive practice in "real zero" leadership. Real zero[14] is defined in this assessment as completely phasing out fossil fuels, with no reliance on offsets or carbon capture and storage. Overall, their net zero pledges are ambitious and demonstrate leadership in one or more domains of decarbonisation. Importantly they have publicly committed to phasing out fossil fuels in core parts of their business and have pledged to achieve targets through absolute emissions reduction without reliance on offsets.

Public pledge on climate action

The three companies assessed in the report have all made a public net zero pledge, and have set ambitious interim emissions reduction targets, which for some aspects exceed the requirements of science-aligned decarbonisation pathways. Two companies (Inter IKEA/the Ingka Group and Lendlease) have interim targets that are independently verified as being aligned with a 1.5^{o}C pathway by the Science Based Targets Initiative (SBTi). Although the Ingka Group (largest IKEA franchisee) reports emissions of its forestland portfolio, none of the companies have disclosed their material land-use emissions, although one plans to do so (IKEA/Ingka) and another is considering it (Fortescue).

All three companies have published a standalone climate transition or action plan and overall, the plans provide good detail on how the companies plan to achieve their targets.

Decarbonisation plans

Two of the companies have pledged not to use voluntary carbon credits to count towards their interim emissions reduction targets (Fortescue and Inter IKEA/the Ingka Group). Further, two have pledged to avoid use of offsets to achieve long-term Scope 1, 2 and 3 emissions targets (Inter IKEA/the Ingka Group and Lendlease), and Fortescue will avoid using offsets for Scope 1 and 2 emissions in the long term.

The three companies have publicly committed to phasing out fossil fuels from significant parts of their operations. They all have a renewable energy target.

Level of public disclosure

Two of the three companies disclose trade association affiliations (Fortescue and Ingka Group) and all three have statements on the consistency of lobbying activities with net zero targets and engagement on climate change across their value chains. The three companies are in the early stages of addressing nature-based risk and dependency in relation to transition plans.

All companies have disclosed greenhouse gas (GHG) emissions data in the most recent reporting period. However, disclosure of progress against targets and transition plans is more variable. Two companies have not clearly and transparently reported quantified progress against targets and their baseline year (Fortescue and Lendlease). While all three companies have obtained some form of assurance or review on their current year emissions, only one has obtained explicit assurance on the emissions reductions achieved (Ingka Group).

Two of the three companies have good disclosures on their contribution to a Just Transition (Fortescue and Ingka Group).

[14] However, where we have referred to a specific company target we use the company's terminology e.g. Fortescue's Real Zero target or Lendlease's Absolute Zero Carbon target.

Progress against targets

Analysis of companies' progress against targets on a linear emissions reduction trajectory[15] found that two companies (Inter IKEA/the Ingka Group and Lendlease) are on track to achieve their interim targets.

Fortescue's interim Real Zero by 2030 target (Scope 1 and 2) is assessed as off track, as is the company's steelmaking physical intensity target. The increase in Scope 1 and 2 emissions is largely attributed to the ramp-up of a new iron ore mine, which is reliant on gas-fired power until new renewable energy projects are developed (with emissions expected to reduce thereafter). The remaining targets for Net Zero Scope 3 emissions by 2040 and its shipping physical intensity target were not assessable due to data methodology changes.

Inter IKEA/the Ingka Group are on track to meet interim targets of 50% emissions reduction by 2030 and net zero by 2050 (Scope 1, 2 and 3).

Lendlease reports its interim Net Zero Carbon by 2025 target (Scope 1 and 2) is on track. For its long-term Absolute Zero Carbon by 2040 target (Scope 1, 2 and 3), Scope 3 emissions are assessed as off track. Although not explained in public disclosures, Lendlease noted in interview and correspondence that this is due to challenges in data transparency, data gaps and emerging collection methodologies.

The comparison of targets to scientific decarbonisation pathways found core components of the three companies' targets are science-aligned.

A recurring issue is the absence of clear and concise presentation of progress against core elements of a transition plan. However, unsurprisingly given the positive bias in company selection, all three companies performed relatively well in the assessment, with Fortescue standing out for its strong commitments to decarbonise in a carbon intensive sector, Lendlease for its work and advocacy on Scope 3 emissions and fossil fuel free construction, and Inter IKEA/Ingka Group for its comprehensive disclosures and additional SBTi verified targets.

Positive practice summary

The positive practice case studies build on information identified through the review of publicly available information undertaken for the assessment and are supplemented by a one-hour semi-structured interview with company representatives. The positive practice case study sits separate to the net zero assessment for each company and includes information in addition to public disclosures.

All three companies assessed are demonstrating positive practice in relation to key components of their net zero pledges. While the companies operate in different sectors and therefore face unique challenges, common elements can be identified in their commitment and approach. In addition, they are each demonstrating leadership in specific areas relevant to their businesses.

Commitment to phase out fossil fuels for significant parts of the business

The companies in the assessment are demonstrating leadership by publicly committing to phase out fossil fuels from significant parts of their operations.

Fortescue has publicly committed to phase out fossil fuels from its carbon intensive Australian terrestrial iron ore operations by 2030 and is the only heavy industry company committed to a fossil fuel phase out.

Lendlease has publicly committed to phase out of fossil fuels in its construction business, which relies heavily on the hard to abate cement and steel sectors. The company has set a Fossil Fuel Free Construction goal and developed a *Fossil Fuel Free Construction Guide* to help achieve the target.

Inter IKEA has also pledged public support for the phase out of fossil fuels and has set short-term targets to phase out on-site fossil fuel use for heat and power and off-site coal use. Inter IKEA's biggest emissions source is the materials purchased to make its products. Inter IKEA has committed to phasing out fossil fuels from significant materials and products by 2030.

[15] Noting that the assessment, in the absence of published decarbonisation pathway data from companies, compares reductions to a linear pathway, which is known to be unrepresentative of how emissions reductions are achieved in practice.

Commitment to achieve real zero i.e. decarbonisation without reliance on offsets or carbon capture and storage (CCS)

All three companies have set decarbonisation targets that they pledge to achieve without using offsets, and one company has explicitly stated its target will not utilise CCS (Fortescue). Fortescue has set an ambitious 2030 target to achieve Real Zero for its Australian terrestrial operations (Scope 1 and 2) without use of offsets or CCS. Due to this commitment, Fortescue stopped purchasing voluntary carbon offsets in FY24 to instead allocate resources to decarbonisation.

While Lendlease is using offsets to achieve its interim Net Zero Carbon target, the company has committed to an Absolute Zero Carbon target by 2040 across all 3 emissions scopes based on decarbonisation without use of offsets.

Inter IKEA/the Ingka Group have set a 2050 SBTi verified target to achieve 90% absolute emissions reductions, with residual emissions removed through the IKEA value chain through forestry rather than offsetting. The Ingka Group has also adopted additional SBTi verified targets related to mobility, Scope 1 and 2 emissions and electricity.

Efforts to collaborate, and support sectoral reform through leadership and information sharing

Fortescue aims to showcase what is possible in real world decarbonisation through its real zero initiatives. The company shares its knowledge, expertise and practical experience to help accelerate decarbonisation of other companies. Fortescue engages in collaboration and advocacy in areas such as green shipping including investment in pioneering technology needed to decarbonise.

Lendlease is undertaking significant work to understand and address Scope 3 emissions, through engagement across its value chain. This includes development of the Lendlease Scope 3 Emissions Protocol, the Fossil Fuel Free Construction guide and co-founding of the Materials and Embodied Carbon Leadership Alliance (MECLA), aimed at driving reductions in embodied carbon in the building and construction sector. Like Fortescue, Lendlease proactively shares learning, engages and collaborates with industry and its value chain on its decarbonisation journey.

Inter IKEA/the Ingka Group advocate publicly for policies aligned with limiting warming to 1.5˚C. IKEA's Climate Roadmap and the Ingka Group's Net Zero Transition Plan set out the companies' actions to achieve its targets and aim to encourage others in the broader retail industry to do the same. Inter IKEA/the Ingka Group are sharing information and providing means for retail customers to undertake more sustainable behaviour.

Strong internal leadership and commitment to real decarbonisation outcomes, fostering a culture of commitment to achieve decarbonisation

Fortescue's leadership team has taken a clear and uncompromising position on decarbonisation. The company's culture strongly supports decarbonisation across the business.

Likewise, Lendlease's leadership team has publicly committed to the company's decarbonisation targets, making them whole of business targets. This has ensured continued support for the targets, even during challenging circumstances. Leadership buy-in was supported by an in-depth process with leaders across the organisation that focused on how the company could best respond to the science of climate change.

In addition to its net zero target, the Inter IKEA/the Ingka Group have set emissions reduction targets across the whole business from materials to product end-of-life. Sustainability is a key focus at the Ingka Group and has been integrated into business plans, goals and country-specific goals.

Company net zero pledge assessments and positive practice case studies

In the following sections, for each company, two components of the research are presented:

Net zero pledge assessment
The assessment of the companies' net zero pledges are based on the UN HLEG checklist and Integrity Matters report. Assessment against the framework is based on public company disclosures only.

Positive practice case study
The case study builds on publicly available information identified through the net zero assessment, and is supplemented by an interview with company representatives and further documentation which may not be publicly available.

Fortescue

“Real Zero is a particular language we use because it avoids all disinformation around offsets and carbon capture and storage and focuses on the real problem – which is fossil fuels.”

Dr Shanta Barley, Chief Climate Scientist, Fortescue

Fortescue net zero pledge assessment

Key points from the net zero pledge assessment:

- Fortescue has a market-leading target to achieve Real Zero Scope 1 and 2 greenhouse gas (GHG) emissions across its Australian terrestrial iron ore operations by 2030.[16] This includes a commitment to phase out fossil fuels that is unique in its sector. It also has emissions intensity targets for Scope 1 and 3 shipping (50% reduction) and Scope 3 steelmaking (7.5% reduction) by 2030 and a net zero target for Scope 3 emissions by 2040.
- While Fortescue's Real Zero target currently applies to its Pilbara iron ore operations, these account for approximately 98% of Fortescue's Group Scope 2 (location-based) emissions and 86% of Group Scope 1 emissions, or 88% of combined Group Scope 1 and 2 emissions in FY24.
- Scope 1 and 2 emissions for Fortescue's Australian iron ore operations are primarily from onsite use of diesel and gas and purchased power, heavy mining equipment, rail, shipping and associated infrastructure. In FY24, Scope 3 emissions arising from processing of sold iron ore by steelmakers, primarily in China, account for approximately 97% of Fortescue's Scope 3 emissions, and 96% of the total Group Scope 1, 2 and 3 emissions.
- Fortescue's target setting methodology is not clearly publicly disclosed and the targets have not yet been independently verified.
- Non-CO_2 emissions reflected less than 1% of Fortescue's total emissions in FY22 and are therefore considered immaterial.
- In addition to its fossil fuel phase out commitment, Fortescue has a target to source 100% of its electricity demand from renewable energy by 2030.
- Fortescue's Real Zero (Scope 1 and 2) target is based on no offsets, no fossil fuels and no CCS. For this reason, Fortescue ceased purchasing voluntary carbon offsets in FY24 for Scope 1 and 2 emissions.
- Fortescue's Climate Transition Plan (CTP) released in September 2024 explains how fossil fuels will be phased out of its Australian terrestrial operations to meet its Scope 1 and 2 Real Zero target. It also discloses Fortescue's engagement strategy with steelmaking customers (largely in China) to address its significant Scope 3 emissions, including developing a green metal value chain and modifying an existing ship to run on dual-fuel (green ammonia and biodiesel).
- Fortescue's CTP includes concrete actions to meet targets as part of an implementation strategy (Scope 1 and 2) and engagement strategy (Scope 3). While it is acknowledged that not all actions are economically feasible (and not all technologies have been developed at scale), Fortescue is taking actions to address these issues, including initiatives in green hydrogen, green ammonia, green shipping technologies and a green metals project primarily to address Scope 3 emissions. Fortescue also intends to contribute to an economy-wide transition.
- Fortescue has committed US$6.2 billion in its capital investment plan for decarbonisation (Scope 1 and 2 Australian operations), including a FY24 and forward-looking budget. There is also a commitment of up to US$50 million for a green metal demonstration pilot plant in the Pilbara (to reduce Scope 3 emissions).
- Fortescue's targets for Real Zero by 2030 and net zero Scope 3 emissions by 2040 have been assessed as aligned to a scientific decarbonisation pathway, however, shipping and steelmaking intensity targets are not.
- Based on publicly available data, Fortescue is assessed as currently off track against its emissions targets for Real Zero and Scope 3 physical intensity for steelmaking (refer below) on a linear emissions reduction trajectory, partly due to the commissioning of a new magnetite mine which is fuelled by a gas-fired power plant until additional renewable energy is deployed.[17]

[16] Fortescue defines Real Zero as no fossil fuels, no voluntary offsets and without carbon capture and storage.
[17] Fortescue is currently commissioning its Iron Bridge magnetite mine, that will almost double its energy needs. In the interim as the company builds out their renewable energy supply, Iron Bridge is fuelled by a gas-fired power plant. Subsequently, Fortescue forecasts emissions will increase in the short term before declining to 2030 as more renewable energy is deployed.

Company overview

- Fortescue is a Western Australia (WA)-based, ASX-listed mining, metals and renewable energy and technology company with iron ore and other mining assets, associated infrastructure and green energy initiatives. Fortescue aims to transition its business to become a fully integrated, global green technology, metals and energy company, with an aim of "accelerating commercial decarbonisation of industry, rapidly, profitably and globally".
- Founded in 2003 (as Fortescue Metals Group), Fortescue had FY24 revenues of US$18.22 billion (90% from iron ore revenue, and 88% of revenues from China), and employs over 15,000 people globally. Fortescue ships over 190 million tonnes of iron ore annually, primarily to Chinese steelmakers.
- Iron ore mining operations are primarily located in the Pilbara, WA, and include both hematite (existing mines) and magnetite mines (the Iron Bridge magnetite mine is via a joint venture, and in ramp-up stage), together with associated infrastructure (power, rail and port) and iron ore shipping carriers and tugs.
- Fortescue's FY24 renewable energy usage was 1.48%. As Fortescue's Pilbara iron ore operations are in a remote location, there is limited power grid and power producers to source renewable energy. Fortescue's board has therefore approved significant capital investment to fund green power projects and transmission infrastructure to connect its mine sites.
- Metals exploration and potential development projects are also underway for iron ore and critical minerals in Australia, Africa (including the Belinga Iron Ore Project in Gabon) and Latin America. The Pilbara operations are the focus of Fortescue's decarbonisation and transition planning, as they account for the majority of its Scope 1 and 2 emissions.
- Fortescue also has various green energy and technology projects under development and feasibility study (primarily green hydrogen and green ammonia, some renewable energy and green industrial technology products) in Australia, North America (US and Canada), Europe (Norway) and Latin America (Brazil). Fortescue Zero recently completed an electrolyser manufacturing facility in Australia to be used in future green hydrogen production facilities, and it also develops batteries and battery management systems.
- Fortescue had Scope 1 and 2 (location-based) GHG emissions of 2.52 million tonnes of CO_2-e in FY24 and ranked at #30 in Australia based on NGER (2025) data.[18] As noted above, significant emissions arise from customers in the Scope 3 value chain.
- Key aspects to meet Real Zero (terrestrial emissions) targets and eliminate fossil fuels: i) green fuels and electrification to decarbonise Fortescue's heavy mining equipment, rail and shipping fleet and ii) renewable energy for stationary (on-site) power and purchased energy. Commercialisation and scale-up of green metals technology for steelmaking is key to meeting Scope 3 emissions targets, as well as ramp-up of the Iron Bridge magnetite mine.

Performance against UN HLEG recommendations

1. Announcing a Net Zero Pledge

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Public pledge to achieve net zero emissions	✓				Public Real Zero (Scope 1 and 2) and net zero (Scope 3) commitments

Commentary

Fortescue's Real Zero target (no fossil fuels, no CCS and no offsets) for Scope 1 and 2 for its Australian terrestrial iron ore operations is market leading. It also has emissions intensity targets (for steelmaking and shipping), as well as a net zero target for Scope 3 emissions.

[18] Australian Government Clean Energy Regulator (2025) Corporate emissions and energy data 2023-2024.

2. Setting Net Zero Targets

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Short-, medium- and long-term interim emissions reduction targets in a minimum of 5 yearly increments.			✓		Fortescue has the following targets (as per its CTP): Scope 1 and 2 (Real Zero): 100% GHG emissions reduction target (no fossil fuels and no offsets) by 2030 (FY22 baseline) Scope 3 steelmaking target (physical intensity): 7.5% reduction from steelmaking by Fortescue customers by 2030 (FY21 baseline) Scope 1 and 3 shipping target (physical intensity): 50% reduction from shipping of Fortescue iron ore by 2030 (FY21 baseline) Scope 3 (net zero): 100% GHG emissions reduction target by 2040 (FY21 baseline) Partial because targets are not in 5 yearly increments.
Target of at least 50% reduction below 2020 levels by 2030 and net zero by 2050 or sooner	✓				Target of Real Zero 100% reduction of Scope 1 and 2 for Australian terrestrial iron ore operations by 2030 (FY22 baseline), 7.5% (steelmaking) and 50% (shipping) intensity targets by 2030 (FY21 baseline) and net zero Scope 3 by 2040 (FY21 baseline)
Absolute emissions reduction targets (intensity if relevant)	✓				Scope 1, 2 and 3 targets absolute emissions targets, as well as intensity targets for steelmaking (Scope 3) and shipping (Scope 1 and 2)
Targets stated to be based on a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot, verified by third party			✓		Partial, as 1.5°C aligned targets, but methodology not clearly publicly disclosed. Fortescue is pursuing verification of targets (including SBTi), but targets are not yet verified.
Targets stated to cover all scope emissions and all operations along the value chain in all jurisdictions			✓		Real Zero (Scope 1 and 2) targets cover emissions in Australian iron ore operations. As projects in other jurisdictions are not yet operational, these are not currently covered in the targets. The Scope 3 targets cover emissions both in Australia and across the value chain but are outside of Fortescue's operational control (Net Zero 2040).
Targets stated to account for all greenhouse gas emissions	✓				All GHG emissions (consistent with NGER)
Where relevant, separate targets for material non-CO_2 greenhouse gas emissions				NA	No material non-CO_2 GHGs (less than 1% of total GHG emissions).

Where relevant, targets cover and separately account for embedded emissions within fossil fuel reserves				NA	No fossil fuel operations
Where relevant, targets cover and separately account for any land-use related emissions and risk adjusted sequestration in biomass, such as forests, peatlands and wetlands				ND	No disclosure of land-use related emissions. Unknown whether material.

Commentary

Overall, Fortescue's targets substantially align with, and indeed go beyond, UN HLEG criteria particularly its market-leading Real Zero targets. Partial ratings are given on a couple of criteria as the target setting methodology is not clearly publicly disclosed and targets are not yet verified (although verification is being sought) and targets are not set in 5 year increments.

3. Using Voluntary Credits

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Where the company has purchased voluntary carbon credits, they are stated to be used for beyond value chain mitigation and are not counted toward the company's interim emissions reductions				NA	Fortescue ceased purchasing voluntary carbon offsets in 2023 for Scope 1 and 2 emissions.

Commentary

Fortescue has shown positive practice in committing to meet its Real Zero target without using offsets. For this reason, Fortescue ceased purchasing voluntary carbon offsets in FY24 for Scope 1 and 2 emissions. Fortescue is required to purchase Australian Carbon Credit Units (ACCUs) to meet regulatory requirements under the Safeguard Mechanism. ACCUs are only purchased (and relinquished) to the extent required by legal and regulatory requirements.

4. Creating a Transition Plan

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Publicly disclosed net zero transition plan	✓				Climate Transition Plan (CTP) released in September 2024
Transition plan stated to be updated every 5 years	✓				Fortescue has stated that it will update the CTP annually on its website, with its first CTP released in 2023 and an update provided in 2024.
Transition plan states the actions it will take to meet targets - concrete and specific actions, stated to be technologically feasible and economically viable			✓		Detailed and concrete actions across value chains provided, including via an implementation strategy (for Scope 1 and 2 business operations) and engagement strategy (for Scope 3 value chain). Fortescue's 2024 CTP states, "Along with our other technology innovations, we believe we have firmly demonstrated that all of the solutions required to decarbonise

					even hard to abate industrial sectors exist today. The challenge now is to bring those solutions to commercial scale and to integrate them seamlessly." Although Fortescue state that technologies have been developed for decarbonisation, it is also acknowledged that technologies need to be proven at scale and economically (commercially) viable. Economic viability is also recognised as strongly linked with government policy action to reduce barriers and level the playing field with fossil fuels.
Quantification of the contribution of specific actions to the achievement of the overall target			✓		Some quantification of actions to achieve targets as part of the CTP implementation strategy, focused on reducing emissions from its Australian iron ore operations. This includes percentage linkages to current emissions and plans to meet targets.
Disclosure of how capital expenditure plans, research and development plans and investments are aligned with all targets			✓		Capital expenditure plans aligned with Scope 1 and 2 target (terrestrial): US$6.2 billion (real) in capital expenditure to decarbonise its Pilbara operations), but limited detail provided. No (or limited) disclosure of Scope 3 alignment capital expenditures
Explanation of governance structure for transition and verification. Description of how near- and long-term emission reduction targets are linked with executive compensation.	✓				Fortescue explains the governance structure for the CTP. The annual report sets out climate-related executive renumeration.

Commentary

Fortescue disclosed its most recent CTP in September 2024 (updated from the 2023 version). It provides details of decarbonisation plans and is fully aligned with some UN HLEG criteria and partially aligned with others.

Although there are many specific actions that Fortescue is taking (or will take) to achieve its targets, some actions still need to be proven at scale and commercially (economically) viable, including various emerging technologies that Fortescue is developing (for example, very large iron ore carriers to run on green ammonia and development of the green metal demonstration project to reduce Scope 3 emissions).

The CTP implementation strategy provides some quantification of specific actions to meet the targets, but these are not presented in the context of achieving the overall targets, so it is difficult to see whether the actions will result in achievement of the targets. Fortescue provides capital expenditure plans (US$6.2 billion capital investment to decarbonise its Pilbara operations, i.e., Scope 1 and 2), including FY25 forecast guidance. Capital expenditure plans for Scope 3 appear to be relatively limited at up to US$50 million for the green metals project.

5. Phasing out of Fossil Fuels and Scaling up Renewable Energy

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Targets aimed at ending the use of and/or support for fossil fuels	✓				The Real Zero target refers to no fossil fuels for Scope 1 and 2 Australian terrestrial iron ore operations. Shipping accounts for 13% of Scope 1 emissions, and although excluded from the Real Zero target, Fortescue is undertaking actions to decarbonise shipping operations (including investigating the viability of converting its fleet of very large ore carriers to run on green ammonia). Fortescue has a 2040 net zero Scope 3 target, and Fortescue is collaborating with steel mills in Asia and investing in research and development to enable green metal production without reliance on fossil fuels. Fortescue has a core aim to eliminate fossil fuels from its operations and supply chain. It also has an active global advocacy campaign aimed at eliminating fossil fuel use.
Target for renewable energy procurement	✓				Ambition to source 100% of electricity demand from renewable energy by 2030 (as per *FY24 Annual Report*). CTP includes goals for stationary (onsite) power and site electrification goals as well as purchased electricity.
Transition plan explains how fossil fuels will be fully phased out of its operations	✓				Timeline and action plan to end use of fossil fuels in Australian terrestrial iron ore operations to meet Real Zero target, including outline of objectives, levers and priorities. Zero and low emissions shipping to be in place by 2040.
If the company has operations in coal, oil or gas production:					
Target of minimum 64% reduction in methane emissions by 2030 from 2020 levels				NA	
For operations that include primary coal production for power generation, targets to end all aspects of coal production				NA	
For operations that include coal-based power generation, a target to end coal plants by 2030 in OECD countries and 2040 in the rest of the world				NA	
For operations that include oil or gas production, targets to end all aspects of oil or gas production				NA	

Commentary

Fortescue's commitment to phase out fossil fuels from its Australian terrestrial iron ore operations is unique in its sector. The company has also committed to scale up renewable energy such that 100% of electricity demand will be sourced from renewables by 2030.

6. Aligning Lobbying and Advocacy

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Disclosure of trade association affiliations and advocacy for positive climate action with associations	✓				*The FY24 Industry Associations Report* lists all the industry association memberships of Fortescue and its subsidiaries. Fortescue's climate and energy commitment/policy position is clearly outlined, as is its escalation policy if associations are not aligned with this.
Outline of specific policies and regulations needed to facilitate its transition plan, including the emissions reductions possible if the listed policies and regulation were in place			✓		The 2024 CTP outlines Fortescue's three priority public policy actions and 11 further policy asks across fiscal, carbon and trade areas. While the policy asks are detailed and specific, the emissions reductions possible under the policies are not specified.
Disclosure of how lobbying and policy engagement policies and activities are consistent with net zero targets	✓				The FY24 Industry Associations Report ranks each membership according to their alignment with Fortescue's outlined values and commitments.
Disclosure of how the company contributes to investor, supplier, consumer and employee engagement and how it works with peers to transform the economic sectors in which it operates	✓				The 2024 CTP and FY24 Annual Report outlines engagement with suppliers, industry, government, the public sector, communities and civil society, employees and investors.

Commentary

Fortescue is transparent about its industry associations and memberships. The *FY24 Industry Associations Report* outlines Fortescue's climate and energy commitment/policy position for industry associations to have "a climate policy to reflect their commitment to the Paris Agreement and the goal of limiting global temperature rise to 1.5˚C above pre-industrial levels." The report has a brief note on engagement for each membership.

The escalation policy is as follows: where an industry association is misaligned, membership is reassessed, further engagement may be undertaken, however, if Fortescue is unable to influence or reconcile views, the membership may be terminated. *The FY24 Industry Associations Report* ranks each membership on a scale from generally to partially aligned with Fortescue values and commitments. Fortescue has adopted a strong advocacy position on decarbonisation, reflected in its policy asks.

7. People and Nature in the Just Transition & 9. Investing in Just Transitions

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
If material land-use emissions, it is stated how operations and supply chains will be achieved and maintained that avoid the conversion of remaining natural ecosystems— eliminating deforestation and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030.				ND	Land use change emissions are not disclosed. These fall outside of NGER requirements and Fortescue is investigating the potential to add them in the future.
Disclosure of how nature-based risks and dependency are addressed in relation to the transition plan			✓		Nature-based risks and dependency are considered and pilot Taskforce for Nature-related Financial Disclosures have been prepared; however, this is not comprehensive or addressed in relation to the CTP.
Disclosure of how the transition plan contributes to a Just Transition	✓				The 2024 CTP has a comprehensive section on Just Transition with segments for workers, suppliers, purchased electricity, communities, and very briefly on customers.

Commentary

The Just Transition plan (included in the CTP) comprehensively addresses different stakeholder groups outlining current and planned actions for each. The CTP notes Fortescue's support of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the principles of free, prior and informed consent (FPIC), referring also to the company's *Human Rights Policy, Communities and Social Performance Standards* and their *FPIC Position Statement.*[19]

For nature-based risks, Fortescue has conducted pilot Taskforce on Nature-related Financial Disclosures (TNFD) for operational iron ore facilities in the Pilbara, the Belinga Project in Gabon and Fortescue's US-based Arizona Hydrogen site (findings not disclosed), has a Metals Biodiversity Strategy and catalogues critical biodiversity in the ESG Databook. Comprehensively addressing nature-based risks within the transition plan is an area for improvement, with useful existing work to build upon.

[19] This criterion specifically assesses the company's Just Transition plan disclosures. Other potentially related disclosures, such as Reconciliation Action Plans are not considered in the assessment, unless explicitly referenced in the company's Just Transition disclosures. The assessment does not incorporate consideration of the implementation of Just Transition plans beyond the company's disclosures.

8. Increasing Transparency and Accountability

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Annual disclosure of: - GHG data - net zero targets and transition plans and progress towards meeting these	✓				Annual GHG data reported for Scope 1, 2 and 3 emissions and real/physical intensity/net zero targets are disclosed. Reporting against emissions targets is undertaken. CTPs were disclosed in 2023 and 2024, with a narrative of progress in the latter.
Disclosure in a standardised, open format feeding into the UNFCCC Global Climate Action Portal	✓				Fortescue is listed on the UNFCCC Global Climate Action Portal.
Disclosure of detail of approach to verification and assurance of emissions, targets and transition plan and progress against these			✓		FY24 data for Scope 1, 2 and 3 emissions have been assured by KPMG (reasonable assurance for Group Scope 1 and 2 emissions (location and market based) and limited assurance for Group Scope 3 emissions). SBTi verification is planned for targets but has not been completed, and there is no assurance for progress against targets. There is no assurance for outcomes of the CTP or disclosed plan for this to be undertaken.
Emissions reductions are verified by an independent third-party		✓			While absolute emissions are assured on an annual basis, emissions reductions are not verified by a third party.

Commentary

Annual GHG emissions data for Scope 1, 2 and 3 emissions, respective targets, and FY24 progress against targets is reported in various public documents. Reporting on progress against targets is varied. The 2024 CTP is the most recent document, released in September 2024. The 2024 CTP includes explicit reference to year-on-year variance in emissions between FY23 and FY24 for Scope 1 and 2 Australian terrestrial emissions and Group Scope 3 emissions. There is no explicit reference to emissions reductions against targets' baseline year (e.g. FY22 for Scope 1 and 2 Australian terrestrial emissions, FY21 for Scope 3 physical intensity and net zero targets). However, FY22 baseline data is provided for Scope 1 and 2 Australian terrestrial emissions and FY21 baseline data for physical intensity shipping and steelmaking emissions; and can be reasonably calculated.

FY21 baseline data for the total Group Scope 3 emissions is contained in FY23 documents, although not disclosed in FY24 documents. For future improvement, Fortescue should clearly report on targets' progress from the baseline year, which should be assured by a third party. Further, targets should be externally verified by the SBTi, and include clear progress on actions in the CTP, including plans to have the CTP outcomes assured.

Sources

Fortescue Climate Transition Plan (September 2024), Sustainability Report 2024, Annual Report 2024 (including Climate Change Report), ESG Databook 2024, FY24 Emissions Calculation Methodology, FY24 Industry Associations Report, Metals Biodiversity Strategy (n.d.), FY23 Climate Change Report, Climate Disclosure Project (FY22 information) and Fortescue website.

Comparison of actual emissions reduction to company targets

Fortescue has set a Real Zero target to reduce Scope 1 and 2 emissions by 100% by 2030 (relative to FY22 levels). Physical intensity targets are to reduce emissions by 7.5% for steelmaking (Scope 3) and 50% for shipping (Scope 1 and 3), both relative to FY21 levels (Table 1). Fortescue has also set a long-term CO_2-e emission reduction target to achieve Scope 3 net zero emissions by 2040 (Relative to FY21 levels).

Table 1 Fortescue – company emission reduction targets

Company targets relative to 2021/2022 levels	2030	2040
Scope 1 and 2 Australian iron ore operations CO_2-e gross emission reduction relative to FY22 levels*	100%	
Scope 3 steelmaking physical intensity CO_2-e emission reduction, relative to FY21 levels	7.5%	
Scope 1 and 3 shipping physical intensity CO_2-e emission reduction, relative to FY21 levels	50%	
Scope 3 CO_2-e net emission reduction, relative to FY21 levels		100%

**Real Zero refers to no fossil fuels, no offsets and no CCS.*

Actual emission reductions

- **Scope 1 and 2 emissions** – gross Real Zero emissions target which includes Australian terrestrial iron ore emissions, and covers 87% of Fortescue's total group Scope 1 and 2 emissions in FY22. Scope 1 shipping emissions are included in the Scope 1 and 3 shipping physical intensity target.
  - Based on company data, Fortescue's Scope 1 and 2 Australian iron ore emissions for FY24 were 2.38 million tonnes CO_2-e. This is an increase of 7.7% relative to FY22 levels, see Table 2. Fortescue attributes the increase to the increased consumption of gas to meet the power requirements for its Iron Bridge Facility (in ramp-up stage); these emissions are projected to reduce over time in line with Fortescue's decarbonisation plans and reduce Scope 3 emissions intensity (higher grade product).
  - According to the calculated emissions reduction curve[20], cumulative emission reductions by FY24 (relative to FY22 levels), required to meet the target for 2030, are 25%. As a result, Fortescue is assessed as off-track, see Table 2 and Figure 1.

Table 2 Fortescue actual emissions reductions compared to target – Scope 1 and 2 Australian iron ore emissions

Actual emissions relative to 2022 levels	2024	2030
CO_2-e emission reduction in %, required based on interim target relative to FY22 levels	-25%	-100%
CO_2-e emission increase in % – actual company data relative to FY22 levels	+7.7% (off track)	n/a

[20] Using an average annual percentage emissions reduction and cumulative emission reductions considering a linear trend, which for companies with lumpy decarbonisation (e.g. power generators) may be a less meaningful comparison.

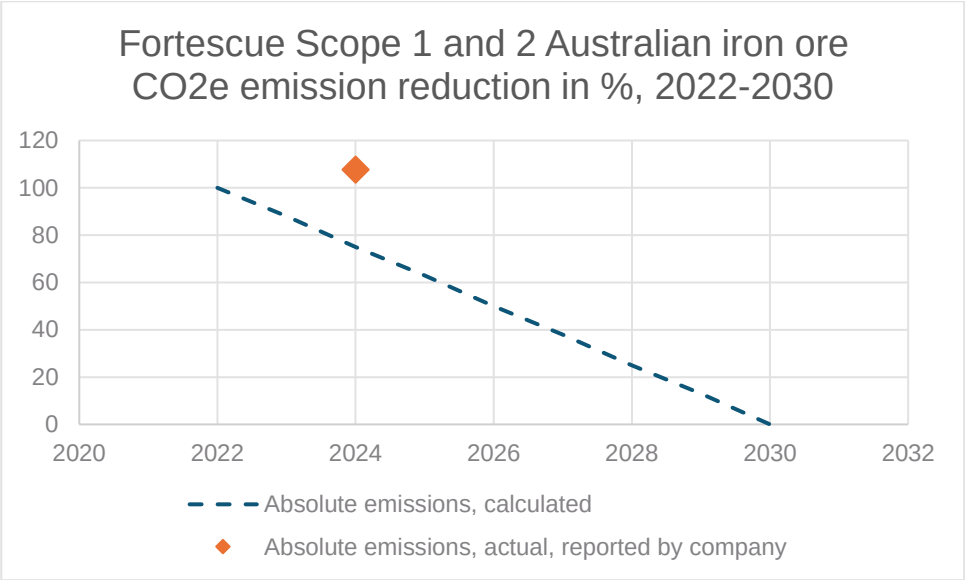

Figure 1 Fortescue CO_2-e Scope 1 and 3 emission reduction trajectory in %, 2022-2030, based on interim target to reduce Scope 1 and 2 emissions 100% by 2030 relative to FY22 levels, and actual emission reductions reported by company in FY2024 (orange).

The increase in Scope 1 Australian terrestrial iron ore emissions is primarily due to increased consumption of gas to meet the power demand of Fortescue's Iron Bridge operation, as it ramps up its operations. Emissions from Iron Bridge are expected to reduce in future as per Fortescue's decarbonisation roadmap.

- **Scope 3 steelmaking physical intensity** – gross emissions target
  - Based on company data, Fortescue's Scope 3 steelmaking physical intensity emissions for 2024 were 1.37 tonnes of CO_2-e per wet metric tonnage of ore shipped. This is an increase of 4.6% relative to FY21 levels, see Table 3. According to the calculated emissions reduction curve, cumulative emission reductions by FY24 (relative to FY21 levels) required to meet the target for 2030, are 2.5%. As a result, Fortescue is assessed as off-track, see Table 3 and Figure 2.

Table 3 Fortescue actual emissions reductions compared to target – Scope 3 steelmaking physical intensity emissions

Actual emission reductions relative to 2021 levels	**2024**	**2030**
CO_2-e emission reduction in %, required based on interim target relative to FY21 levels	-2.5%	-7.5%
CO_2-e emission increase in % – actual company data relative to FY21 levels	+4.6% (off track)	n.d.

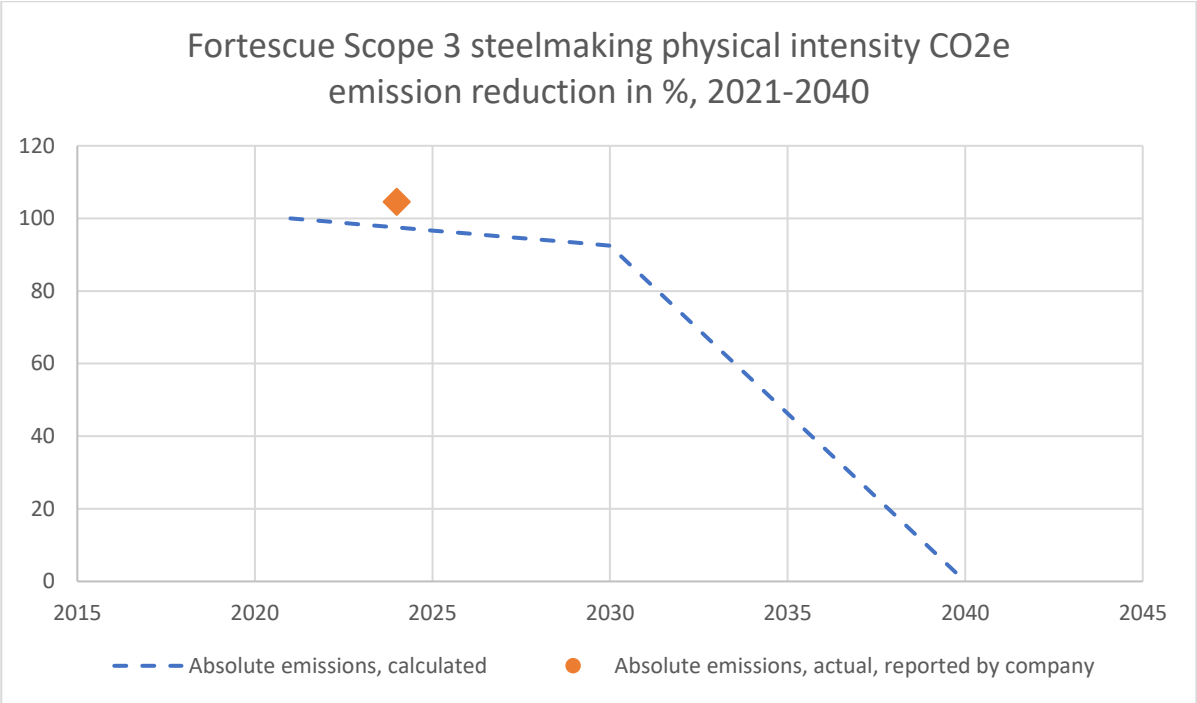

Figure 2 Fortescue Scope 3 CO_2-e emission reduction trajectory in %, 2021-2040, based on interim target to reduce Scope 3 physical intensity emissions 7.5% by 2030 relative to FY21 levels, and actual emission reductions reported by company in FY24 (orange). Fortescue has not set Scope 3 physical intensity steelmaking targets beyond 2030, this analysis assumes reaching zero by 2040 in line with Fortescue's Scope 3 net zero target by 2040.

- **Scope 1 and 3 shipping physical intensity** – gross emissions target which includes Scope 1 emissions from shipping (13% of FY21 Scope 1 emissions) and Scope 3 emissions from shipping (1% of FY21 Scope 3 emissions).
  - Based on company data, Fortescue's Scope 3 shipping physical intensity emissions for FY24 were 0.019 tonnes of CO_2-e per wet metric tonnage of ore shipped. Fortescue's update of emissions factors in line with the Global Logistics Council Framework v3.0 in FY24 means that FY24 shipping emissions are not directly comparable to those of previous years, therefore progress against the baseline year cannot be calculated. Fortescue plans to re-assess and restate emissions from previous years with the updated methodology.
- **Scope 3 – net zero emissions target**
  - Based on company data, Fortescue's total group Scope 3 emissions for FY24 were 269.31 million tonnes CO_2-e - this is 99% of total Group emissions. As outlined above, a change in emissions accounting means FY24 Scope 3 emissions are not directly comparable to those of previous years.

Requirements to meet the emissions reduction ("real" and net zero) targets

Fortescue is targeting net zero by 2040, a decade earlier than UN HLEG net zero by 2050 targets. Assuming a linear reduction pathway for Scope 1 and 2 Australian terrestrial iron ore emissions, the annual average reduction between 2022-2030 relative to 2022 is 12.5%. Assuming a linear reduction pathway for Scope 3 physical intensity steelmaking emissions, the annual average reduction between 2021-2030 relative to 2021 is 0.83%. While calculations for this assessment assume a linear year on year approach, Fortescue has noted that company emissions are increasing and will continue to increase in the near term due to development of the Iron Bridge iron ore mine i.e. actual emissions reductions are not linear.

Comparison of targets to scientific decarbonisation pathway

Fortescue is a large Australian mining company, with iron ore mining as its primary business component. Fortescue's net zero progress and targets can be compared against sectorial benchmarks for electrical power generation, heat, transport and steel manufacturing in 1.5ºC aligned pathways. For this comparison, data is used from pathways from the One Earth Climate Model (OECM) from UTS Institute for Sustainable Futures and the Net-zero by 2050 scenario from the International Energy Agency (IEA).

Electrical power generation

The alignment with targets for electrical power generation can be assessed, where both the OECM model and the IEA model contain specific net zero targets. Both models decrease the amount of CO_2 from the year 2020 onwards. In Australia's OECM 1.5°C scenario, coal, oil and diesel are completely phased out by 2035 and natural gas is phased out by 2045. In comparison, IEA's global 1.5°C scenario contains a key milestone for achieving net zero electricity in advanced economies by 2035. With Fortescue's Real Zero target for 2030, there would be no fossil fuel generated electricity in 2030. Therefore, Fortescue's target is more ambitious than the 1.5ºC sectorial pathways.

Transport

The progress of transport equipment can be compared to milestones from 1.5ºC decarbonisation pathways, with separate milestones for each mode of transport. Light road transport, such as passenger vehicles, is one the earliest sectors for decarbonisation. The IEA's targets include a steady decrease from 2020 values and more than 50% of light-duty vehicles are electrified by 2030. The OECM has an Australian target of 42% reduction of CO_2 emissions from all road transport in 2025, compared to 2019. This is followed by target of 66% reduction in emissions by 2030. Fortescue's Real Zero target by 2030, which includes light road transport, would be in alignment with the 1.5ºC pathways.

Heavier transport such as trucks and mining equipment have less strict targets for immediate decarbonisation. Achieving a full electric fleet powered by renewable energy in 2030 would be more ambitious than the criteria.

For rail transport, the IEA has a 65% electrification target in 2030 in its Net Zero by 2050 plan, while the OECM has a 91% electrification share for freight transport by rail. Fortescue's objective of decarbonising rail transport by 2027, will be more ambitious than both decarbonisation targets from the IEA and the OECM.

Fortescue has a shipping fleet for international transport of iron ore and towage, including eight very large iron ore carriers (VLOCs) and tugboats. For this mode of transport Fortescue set a target of 50% emission intensity reduction in shipping in 2030. For shipping, total emission reduction targets in the OECM are 14%, 31% and 75% for 2025, 2030 and 2040. Due to the difficulties in decarbonising the maritime industry, their corresponding net zero targets occur later in the timeline with the last use of fossil fuels in 2040. For shipping, the IEA sets a target of an annual emission decrease of slightly more than 6% per annum. This translates to an emission reduction target between 50% and 51% in 2030, when compared to 2019. This means that while Fortescue's targets for shipping emission intensity will steer towards the right technologies, the target will have to be backed up with additional targets to reduce overall shipping emissions by an annual percentage to align with the 1.5ºC models.

Steel manufacturing

The Scope 3 emissions originating from steel manufacturing can be compared with 1.5ºC pathway milestones. The IEA Net Zero by 2050 plan contains targets for transforming the steel sector by an increase in scrap-based input, a transition from the current steel process to clean steel-making processes such as green-hydrogen based steelmaking and applying carbon capture. This includes an increase from a global average of 32% scrap-input to 38% scrap in 2030 and 46% in 2050. In this period, hydrogen-based steelmaking increases from a 2% share to 29% in 2050. Lastly, to reach the decarbonisation targets for the steel sector, these technological advances are combined with the capture of 70 Mt CO_2 in 2030 and 670 Mt CO_2 in 2050. The IEA states a 2030 target of reducing CO_2 emissions in the steel sector by 25% compared to 2020 values.

In addition, the OECM contains net zero targets for transforming the steel sector by an increase in scrap-based production, a transition to a hydrogen-based steelmaking process and a decarbonisation of the high temperature process heat involved. This includes an increase in the share of secondary steelmaking from 21% in 2025 to 36% in 2030 and 41% in 2040. In addition, the percentage should increase to 10% hydrogen-based

steelmaking in both 2025 and 2030, followed by a further increase to 28% and 51% in 2035 and 2040. Lastly, heat utilised in the steel making process should transition to more renewable sources, with coal and oil last used in 2035, before transitioning to more renewable heat sources. Overall, this results in a total steel emission decrease in the OECM 1.5ºC model of 52% by 2030 and 65% by 2035.

Fortescue has set a steel emission intensity reduction target for 2030, where the intensity decreases by 7.5% from 2021 levels. This emission intensity number cannot directly be compared to the absolute steel reduction targets, however it would be very challenging to decrease overall steel emissions by 52%, with only a 7.5% emission intensity reduction, unless total steel production decreases strongly. If there is no strong decrease in overall steel production, then the 7.5% emission intensity decrease is not in alignment. Fortescue's target of Net Zero absolute Scope 3 emissions by 2040 would however surpass both the IEA's and the OECM's targets for the steel industry.

Fortescue positive practice case study

Areas of positive practice

Through the review of Fortescue's public documents and an interview with key sustainability staff, areas of positive practice were identified, including leadership on:

- Strategy and commitments;
- Demonstration, advocacy and collaboration;
- Scope 3 emissions and technology investment; and
- Addressing decarbonisation challenges.

Strategy and commitments

Fortescue has set a market leading Real Zero (Scope 1 and 2) target for its Australian terrestrial operations. The 'real' zero target is distinct from 'net' zero targets because it does not rely on offsets or CCS to achieve it. No other company in the resources sector has set a real zero target. This target is underpinned by Fortescue's work on technology development and Scope 3 emissions (see further detail below).

The timelines for targets are equally ambitious, with the Real Zero target to be achieved by 2030 and the company's Scope 3 net zero target to be achieved by 2040. The targets go beyond the requirements of science-based pathways and the UN High Level Expert Group recommendations. Fortescue has not set a target earlier than 2030 because it has committed to an ambitious target in an accelerated timeframe that it believes to be achievable.

Due to its commitment to achieve its Real Zero target without use of offsets, Fortescue ceased purchasing voluntary carbon offsets in FY24 for Scope 1 and 2 emissions. The company has elected to allocate resources to real decarbonisation measures over ongoing reliance on offsets to achieve targets. It has committed substantial capital expenditure to support achievement of its targets, including US$6.2 billion to decarbonise its Pilbara operations and a FY25 forecast of US$700-US$900 million for decarbonisation.

Fortescue's public commitment to phase out fossil fuels from its Australian terrestrial iron ore operations by 2030 is also unique. Fortescue is the only heavy industry company committed to phasing out fossil fuels.

> "We are world leading, there's no other company with our emissions within heavy industry that has committed to phasing out fossil fuels. Real Zero is a particular language we use because it avoids all disinformation around offsets and carbon capture and storage and focuses on the real problem – which is fossil fuels." – Dr Shanta Barley, Chief Climate Scientist

Importantly, Fortescue's leading and ambitious pledges are underpinned by an in-depth Climate Transition Plan which outlines concrete actions to meet its targets. Its strategy demonstrates the company's commitment to reimagine its business to align with a low carbon future. From powering its mines in remote Western Australia by renewable energy, to exploring and developing newer technologies like green hydrogen, green ammonia, green shipping technologies and green metals.

Demonstration, advocacy and collaboration

Fortescue is committed to supporting an economy-wide transition through demonstration, advocacy and collaboration. Fortescue aims to use its climate leadership position to demonstrate what can be achieved in a hard-to-abate sector. Fortescue's focus on Real Zero Scope 1 and 2 emissions is based on the view that the only way that the necessary emissions reductions will be achieved is if there is real investment in decarbonisation.

While many corporates and countries have committed to net zero, there is heavy reliance on voluntary offsets to achieve targets rather than sufficient investment in decarbonisation. Fortescue's Real Zero approach seeks to demonstrate that sufficient investment in decarbonisation can happen, the technologies are available, it is economically beneficial and there is no scientific basis for the purchase of voluntary offsets, which is a significant shift from the current global focus. Fortescue has a strong track record in this

area, including advocacy in calling out non-scientific practice and raising awareness in the media that the science requires a much faster approach to decarbonisation than the current focus on 2050.

Fortescue prides itself on a "scientific foundation" and working alongside key experts to bring science into decarbonisation. The Real Zero methodology has been peer reviewed by the 100 scientists who comprise the Lethal Humidity Council including Professor Johan Rockstrom and Professor Bill Hare. The methodology is based on carbon budgets, which requires entities to stop burning fossil fuels by 2030 to have a 50:50 chance of limiting warming to 1.5˚C by 2100.

> "We (Fortescue) constantly challenge accepted wisdom that's not science-based. We're not content to just sit around and … take the path of least resistance. If we see something that's not working, we will challenge it and bring in scientific expertise and become a funnel for that scientific wisdom." – Dr Shanta Barley, Chief Climate Scientist

As a first mover, Fortescue is gaining significant expertise and experience. The company makes its technology and expertise available for other individuals and organisations globally, including other mining companies.

> "Fortescue is a first mover. We're many decades into the climate crisis and yet, heavy industry isn't moving quickly. The learnings we bring from the real world decarbonisation … the work will save other companies globally so much time and accelerate their own abilities to decarbonise." – Dr Shanta Barley, Chief Climate Scientist

> "The benefit of being a commercial first mover is that we speak with experience." – Bronwyn Grieve, Director of Global Sustainability and External Affairs

Fortescue engages in national and international advocacy on decarbonisation. Alongside global partners, Fortescue is engaging on green shipping with the International Maritime Organisation (IMO). Fortescue has also engaged with the Science Based Targets Initiative (SBTi) to address some of the challenges of the Scope 3 methodology, where, although it is possible for companies to invest, it is difficult for them to set an absolute reduction target due to a lack of control over downstream activities such as how iron ore is used in steel making. This engagement is significant as SBTi is in the process of revising its Corporate Net-Zero Standard which addresses Scope 3 emissions in greater depth than previous versions of the corporate standard.

> "[In setting Scope 3 targets], the reality was external conditions needed to be met along the way for Scope 3 to be addressed in a meaningful way. There is a nuance that has to be addressed, there are things companies can do, but we cannot have an absolute emissions reduction target the way we do for Scope 1 and 2." – Dr Shanta Barley, Chief Climate Scientist

At a national level there are three priority areas Fortescue has identified to support the company's decarbonisation, as well as the economy-wide transition to renewables. First, ending fossil fuel subsidies which Fortescue considers to be the largest challenge in Australia, (including reform to the Fuel Tax Credit). Second, improving and streamlining regulatory processes for clean technologies, particularly for green ammonia and transmission line development. Third, government action to create an enabling environment and fair competition, not necessarily through grants but through strong policy, such as pricing carbon and an early review and reform of the Safeguard Mechanism.

Scope 3 emissions and technology investment

Fortescue is working with other actors globally on how to best address Scope 3 emissions, which are notoriously challenging. Fortescue is working on the green metals project to significantly reduce its Scope 3 footprint, noting the benefits of onshoring emissions and shifting its operations further up the value chain to higher value adding activities.

> "Our main strategy when it comes to Scope 3, is to say, let's bring as much of it as we can within our control. We see the benefit not only in emissions reduction, but a huge economic benefit for ourselves as a company, but also for the country." – Bronwyn Grieve, Director of Global Sustainability and External Affairs

About 10% of global emissions come from steelmaking, and there is currently no globally accepted zero emissions technology. Given issues with decarbonising the steel industry, Fortescue is investing in new technologies and expects to trial these at larger scales than have been done before. But there are challenges in terms of approvals required for energy supply. There is however strong interest from China for lower emission products, and an opportunity exists to develop a new structure with developing green iron in Australia and financing steel mills in China, and how these two countries can work together to support the shift.

To address Scope 3 shipping emissions, Fortescue has taken actions including investing in the "Green Pioneer" dual-fuel ship, plans to develop green ammonia for its own shipping fleet and encouraging companies to have dual-fuel ships (green ammonia and biodiesel). There are also reforms expected in the IMO in 2025, including carbon pricing and fuel specifications, that may lead to significant shifts. Although it is possible to phase-out fossil fuels for upstream Scope 3 emissions, Fortescue views fossil fuel phase-out for downstream emissions as much more difficult.

> "We are looking at ways through our green metals projects to reduce the Scope 3 footprint and bring it into our Scope 1 emissions … a way of onshoring the emissions and the economic benefit that comes from moving up the value chain." – Bronwyn Grieve, Director of Global Sustainability and External Affairs

Addressing decarbonisation challenges

As Fortescue operates its Pilbara mines in a remote and off-grid location (with no ability to import or export power), it is technically very challenging for decarbonisation, especially in achieving the 100% renewable energy target. As this is a challenge for other mining companies in the area, Fortescue intends to share its learnings through an open-source platform.

Fortescue is proactively advocating that challenges with decarbonising shipping can be resolved. The Green Pioneer has proved that the technology to power a ship based on sustainable dual-fuel can work, but there are other areas that need to be technologically developed, such as ship re-fuelling using ammonia and addressing the technical and regulatory aspects to make local ports ammonia-friendly. Fortescue is investing in proving these technologies and also intends to make its very large iron ore carriers zero emissions by 2030.

Decarbonisation has become a key part of the Fortescue story. Fortescue's leadership team has taken a strong stance on profitable decarbonisation. There is a "clear, inspirational, uncompromising position" (Bronwyn Grieve) on undertaking positive action, and internal culture shift to support the company's high levels of climate ambition over the last five years.

> "A lot of people like working for Fortescue because of the decarbonisation plan." – Bronwyn Grieve, Director of Global Sustainability and External Affairs

> "[Fortescue] has never walked the line in terms of net zero being something you do later in 2050. We understand the science says we need to go much faster and that waiting relegates us all to a doomed future … [we are] really walking the walk because we know our credibility relies on us decarbonising." – Dr Shanta Barley, Chief Climate Scientist

Lendlease

“We've always been an organisation that inherently looks to do better every time and ratchet up.

That was the ethos and DNA of the organisation when it came to then setting the new agenda.”

Cate Harris, Group Head of Sustainability & Global Head of Lendlease Foundation

Lendlease net zero pledge assessment

Key points from the net zero pledge assessment

- Lendlease has a market-leading target to achieve Absolute Zero Carbon by 2040 for Scope 1, 2 and 3 emissions, within the Lendlease defined boundaries (FY14 baseline for Scope 1 and 2, FY21 baseline for Scope 3). This includes an interim target for Net Zero Carbon by 2025 for Scope 1 and 2 emissions (FY14 baseline).[21]
- Both targets have been verified by the Science Based Targets Initiative (SBTi) and aligned with the Paris Agreement goal of limiting warming to 1.5˚C. While the Net Zero Carbon by 2025 target uses offsets, the Absolute Zero Carbon target will not.
- The targets cover all jurisdictions Lendlease operates in – Australia, Asia, Europe and the Americas and all business activities – construction, development, investments and tenants' emissions.
- In FY24, Scope 1 and 2 emissions account for 5% of total Group emissions, primarily originating from construction activities and Lendlease's investments portfolio respectively. Scope 3 emissions account for 95% of total group emissions with more than 50% of this from purchased goods and services.
- In FY24, Australia accounted for the largest share of Group Scope 1, 2 and 3 emissions (40%), while the Americas, Asia and Europe accounted for 26%, 20% and 13% respectively.
- In FY21, Lendlease released its climate transition plans, named Mission Zero Roadmaps, which were undertaken by region. The four Roadmaps detail specific regional strategies and timeframes for actions to achieve the two Mission Zero targets (including the Net Zero by 2025 and Absolute Zero Carbon by 2040 targets).
- Lendlease's commitment to Absolute Zero Carbon and phasing out fossil fuels is reflected in its launch of the *Lendlease Scope 3 Emissions Protocol V.1* in 2023, which outlines the company's relevant Scope 3 emission categories.
- Lendlease has a Fossil Fuel Free Construction goal and released a *Fossil Fuel Free Construction Guide* in 2023 which shares guidelines with the broader industry on decarbonisation.
- Lendlease's target for Net Zero Carbon by 2025 has been assessed as aligned to a scientific decarbonisation pathway for electricity and heat and fuel consumption. The Absolute Zero Carbon by 2040 target surpasses scientific decarbonisation pathways.
- Based on company data, for its Net Zero Carbon by 2025 target Lendlease has reduced Scope 1 and 2 gross emissions by 53% relative to 2020. The company reports it is on track to achieve this target on 1.5˚C aligned trajectory. For its Absolute Zero Carbon by 2040 target, Scope 3 emissions are currently off track based on a linear emissions reduction trajectory.[22]

[21] Lendlease defines Absolute Zero Carbon as including Scope 1, 2 and 3 emissions, within the Lendlease defined boundaries and without the use of offsets.
[22] Acknowledging that companies have less control over Scope 3 emissions and that the application of universal reduction targets may not align with the non-linear nature of decarbonisation of a company's supply chain.

Company overview

- Lendlease is an ASX-listed, Australian multinational construction and real estate company headquartered in Barangaroo, New South Wales.
- Founded in 1958, Lendlease had FY24 revenues of $9.2 billion.
- Lendlease has a target of 100% renewable electricity by 2030. In FY24, globally, 65% of Lendlease's electricity use was from renewable sources.
- The business has three components:
  - Investments, an international fund and asset management platform and the Group's real estate co-investment portfolio with $47.3 billion funds under management, $33.8 billion assets under management and a $3.6 billion co-investment portfolio;
  - Development of mixed-use precincts in Australia including offices and apartments; and
  - Construction primarily in the defence, social infrastructure and commercial sectors.
- Lendlease currently operates across four regional subdivisions: Australia, Asia, the Americas and Europe. In May 2024, the company announced it will end all international property development and sell its overseas construction divisions, exiting or selling more than $4 billion worth of international works over the next three years.[23]
- Lendlease had Scope 1 and 2 GHG emissions of 95,110 tonnes of CO_2-e for Australian operations in FY24 and ranked at #266 in Australia based om NGER (2025) data.[24] Embodied carbon emissions from building materials such as steel, cement, aluminium and glass represent a significant portion of Lendlease's Scope 3 emissions.

Performance against UN HLEG recommendations

1. Announcing a Net Zero Pledge

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Public pledge to achieve net zero emissions	✓				Absolute Zero Carbon by 2040 (Scope 1, 2 and 3 emissions) Net Zero Carbon by 2025 (Scope 1 and 2 emissions)

Commentary

Lendlease's Absolute Zero Carbon target (no offsets) for Scope 1, 2 and 3 emissions is market leading. Its Net Zero Carbon by 2025 target for Scope 1 and 2 emissions should also be noted.

2. Setting Net Zero Targets

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Short-, medium- and long-term interim emissions reduction targets in a minimum of 5 yearly increments.			✓		Lendlease has the following targets: Net Zero Carbon by 2025 for Scope 1 and 2 emissions (FY14 baseline), noting that the split between absolute emissions reductions and offsets to achieve the target is not clearly stated. Absolute Zero Carbon by 2040 for Scope 1, 2, and 3 emissions and no offsets (FY14 baseline for Scope 1 and

[23] The Australian Financial Review by Weinman, A. and Macdonald, A. (2024) *Lendlease to end global ambitions and put $4b in assets on the market. https://www.afr.com/companies/financial-services/lendlease-to-end-global-ambitions-and-put-4b-in-assets-on-the-market-20240524-p5jgf0*

[24] Australian Government Clean Energy Regulator (2025) Corporate emissions and energy data 2023-2024.

					2 emissions, FY21 baseline for Scope 3 emissions) Partial rating as emissions targets are not in 5 yearly increments.
Target of at least 50% reduction below 2020 levels by 2030 and net zero by 2050 or sooner	▯				Target for Net Zero Carbon Scope 1 and 2 emissions by 2025 (FY14 baseline) and Absolute Zero Carbon for Scope 1, 2 and 3 by 2040 (FY14 baseline for Scope 1 and 2 emissions, FY21 baseline for Scope 3 emissions).
Absolute emissions reduction targets (intensity if relevant)	▯				Scope 1, 2 and 3 absolute emissions reduction target through the Absolute Zero Carbon by 2040 target.
Targets stated to be based on a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot, verified by third party	▯				Targets are stated to align with 1.5˚C and verified by the SBTi.
Targets stated to cover all scope emissions and all operations along the value chain in all jurisdictions	▯				Net Zero Carbon by 2025 covers Scope 1 and 2 emissions, while Absolute Zero Carbon by 2040 covers Scope 1, 2 and 3 emissions. Targets cover all jurisdictions Lendlease operates in (Australia, Asia, Europe and the Americas) and all parts of its business (development, construction, investments and tenants' emissions).
Targets stated to account for all greenhouse gas emissions	▯				Targets relate to reported emissions that are calculated using recognised methodologies (NGER reporting, GHG Protocol).
Where relevant, separate targets for material non-CO_2 greenhouse gas emissions				ND	No disclosure of separate targets for non-CO_2 greenhouse gas emissions. Unknown if material. Refrigerants are reported as part of emissions.
Where relevant, targets cover and separately account for embedded emissions within fossil fuel reserves				NA	No fossil fuel operations.
Where relevant, targets cover and separately account for any land-use related emissions and risk adjusted sequestration in biomass, such as forests, peatlands and wetlands				ND	No disclosure of land-use related emissions. Unknown whether material.

Commentary

Overall, Lendlease's targets substantially align with, and indeed go beyond the UN HLEG criteria. The Absolute Zero Carbon target is market leading in its coverage of emission scopes (defined by the Scope 3 emissions protocol) and exclusion of offsets to meet the target. A partial rating is given as targets are not set in 5 yearly increments.

The interim Net Zero Carbon by 2025 target for Scope 1 and 2 emissions includes offsets and does not specify the percentage of emissions reduction required. However, Lendlease is transparent about their gross and net Scope 1 and 2 emissions and progress on reductions.

3. Using Voluntary Credits

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Where the company has purchased voluntary carbon credits, they are stated to be used for beyond value chain mitigation and are not counted toward the company's interim emissions reductions		☒			High quality carbon offsets are purchased for unavoidable emissions to achieve the interim target of Net Zero Carbon by 2025 for Scope 1 and 2 operational emissions. However, the Absolute Zero Carbon by 2040 for Scope 1, 2 and 3 emissions excludes use of voluntary offsets.

Commentary

Lendlease has shown positive practice in committing to meet its long-term target, Absolute Zero Carbon by 2040 without using offsets. However, it receives a no rating as voluntary offsets are currently used to meet the interim Net Zero Carbon by 2025 target for Scope 1 and 2 emissions. Lendlease reports its gross and net Scope 1 and 2 emissions and has set absolute reduction targets (Carbon KPI) each year regardless of offsets. In FY24 Lendlease offset 19% of its gross Scope 1 and 2 emissions of 99ktCO_2-e, reducing net Scope 1 and 2 emissions to 80ktCO_2-e.

4. Creating a Transition Plan

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Publicly disclosed net zero transition plan	☒				The Mission Zero Roadmaps by region (Australia, Asia, Europe, the Americas) are Lendlease's climate transition plan. The Roadmaps are supported by Mission Zero Minimum Requirements (not publicly available).
Transition plan stated to be updated every 5 years	☒				Frequency of updates is not clearly stated, however actual updates to the Mission Zero Minimum Requirements are occurring every five years or less. The Roadmaps were released in 2021, with plans to revise the Mission Zero Minimum Requirements for FY25 through FY27.
Transition plan states the actions it will take to meet targets - concrete and specific actions, stated to be technologically feasible and economically viable			☒		The Mission Zero Roadmaps by region contain high level actions to fulfil the Net Zero Carbon and Absolute Zero Carbon targets organised by Scope 1, 2 and 3 emissions on a timeline to 2040. Actions and outcomes listed in the Roadmaps vary, some are more specific, while others are broad and less concrete. The Americas Roadmap notes some actions rely on technology that does not yet exist. Other documents outline challenges in technological feasibility for materials and that some solutions are not economically viable currently.

Quantification of the contribution of specific actions to the achievement of the overall target		▯			No clear quantification of the contribution of specific actions to the achievement of the overall target. While the Mission Zero Roadmaps by region contain high level actions plotted on a timeline to 2040, there is no quantification of the emissions reduction these actions will bring.
Disclosure of how capital expenditure plans, research and development plans and investments are aligned with all targets		▯			No disclosure of how capital expenditure plans are aligned with targets. Research and development activities align with targets, such as Lendlease's Scope 3 emissions work, the *Fossil Fuel Free Construction Guide* and continued research into low embodied carbon building materials.
Explanation of governance structure for transition and verification. Description of how near- and long-term emission reduction targets are linked with executive compensation.	▯				Sustainability governance is overseen by functional working groups made up of senior leadership. Quarterly reports on targets tracking progress are provided to the Board and Sustainability Committee. Executive compensation is tied to sustainability and carbon emissions.

Commentary

Lendlease released its climate transition plan in 2021, through separate one page Mission Zero Roadmaps for Australia, Asia, Europe and the Americas. The Roadmaps are organised by Scope 1 (Fuels we burn), Scope 2 (Power we consume) and Scope 3 emissions (Materials and services we buy and Tenant Emissions). The Australia Roadmap also contains a category for "beyond boundary commitments".[25] In each Roadmap, separate initiatives and outcomes fall under each scope of emissions, plotted on a timeline from 2021 through to 2040.

The Mission Zero Roadmaps are supported by Mission Zero Minimum Requirements detailing shorter-term actions, however these are not publicly disclosed. Lendlease's Roadmaps could be strengthened by disclosing more detail, including the Mission Zero Minimum Requirements and quantification of how planned actions will help achieve the overall target.

Key documents such as the *FY24 Annual Report* (including Sustainability Report) and the Roadmaps by region do not substantively detail technological feasibility or economic viability of actions required to meet targets. Although the Americas Roadmap notes, "these roadmaps in certain places assume that technology exists in the future that doesn't currently exist". The *Mission Zero Roadmap: 2023 Progress Report Lendlease Europe* provides the most detailed account of challenges relating to technological feasibility for gas replacement options, concrete and cement, steel, timber and biobased materials. The *Fossil Fuel Free Construction Guide* also outlines emerging solutions and issues with the cost competitiveness of some actions.

No disclosure on capital expenditure tied to Mission Zero targets was found.

[25] This covers emissions outside of Lendlease's defined boundaries, as disclosed in its Scope 3 Emissions Protocol.

5. Phasing out of Fossil Fuels and Scaling up Renewable Energy

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Targets aimed at ending the use of and/or support for fossil fuels	▯				Lendlease has a Fossil Fuel Free Construction goal, aiming for zero use of fossil fuels in construction by 2030 (Australia Roadmap). The company's long-term Absolute Zero Carbon by 2040 target includes Scope 1, 2 and 3 emissions. Over 90% of Lendlease's emissions originate from Scope 3 emissions and Lendlease is working with designers, suppliers, clients and the broader industry to reduce embodied carbon in materials; alongside engaging with tenants to encourage the shift to renewable energy.
Target for renewable energy procurement	▯				Lendlease has a target of 100% renewable electricity by 2030. Globally, 65% of electricity was from renewable sources in FY24. This includes, optimising onsite renewable energy generation and storage in all developments, assets and off grid sites by 2030, and 100% renewable electricity purchase or dedicated generation by 2025 (Australia Roadmap).
Transition plan explains how fossil fuels will be fully phased out of its operations	▯				Lendlease has a Fossil Fuel Free Construction goal. The Roadmaps outline how the company will phase out fossil fuels from its operations and supply chain.
If the company has operations in coal, oil or gas production:					
Target of minimum 64% reduction in methane emissions by 2030 from 2020 levels				NA	
For operations that include primary coal production for power generation, targets to end all aspects of coal production				NA	
For operations that include coal-based power generation, a target to end coal plants by 2030 in OECD countries and 2040 in the rest of the world				NA	
For operations that include oil or gas production, targets to end all aspects of oil or gas production				NA	

Commentary

Lendlease has an ambitious Fossil Fuel Free Construction goal and the *Fossil Fuel Free Construction Guide* (released December 2023) provides background information, learnings and plans for Australia to phase out fossil fuels, first by prioritising electrification and second by fuel switching to biodiesel and renewable diesel where electric options are not available. The document outlines a number of case studies, for example

electrification in One Sydney Harbour through the use of electric machinery and equipment (concrete pump, two tower cranes, two hoists, elevated work platforms and a formwork hoist).

The Australian Mission Zero Roadmap outlines actions to phase out fossil fuels to 2040, from Scope 1 emissions: phasing out fossil fuels in construction, all electric designs for developments, retrofitting existing assets; Scope 2 emissions: all developments, assets and off grid sites with onsite renewables and energy storage, 100% renewable electricity purchase or dedicated generation; and Scope 3 emissions: 100% of projects meeting zero embodied carbon design standard, all supplier contracts include zero carbon requirements, 100% renewable energy use for resident and tenants (including retrofitting existing assets), all assets include resident and tenant renewable energy and storage.

The key steps to Absolute Zero Carbon reflect Lendlease's commitment to phasing out fossil fuels, particularly phasing out diesel and gas in its operations and using 100% renewable electricity.

6. Aligning Lobbying and Advocacy

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Disclosure of trade association affiliations and advocacy for positive climate action with associations		✓			There is no comprehensive disclosure of trade association affiliations and advocacy across the company.
Outline of specific policies and regulations needed to facilitate its transition plan, including the emissions reductions possible if the listed policies and regulation were in place			✓		The *FY24 Annual Report* describes policy advocacy Lendlease is engaged in. While it specifies some policies needed to facilitate the company's transition (Low Carbon Liquid Fuels policy and renewable diesel fuel standard), the emissions reductions associated with these policies are not detailed.
Disclosure of how lobbying and policy engagement policies and activities are consistent with net zero targets			✓		Policy engagement is consistent with targets.
Disclosure of how the company contributes to investor, supplier, consumer and employee engagement and how it works with peers to transform the economic sectors in which it operates	✓				The *FY24 Annual Report* outlines engagement with customers, suppliers, investors, employees, designers and clients. The company is showing sectoral leadership in its work on Scope 3 emissions for the built environment and involvement in the Materials and Embodied Carbon Leaders' Alliance (MECLA).

Commentary

Lendlease does not publicly disclose all industry associations and memberships across the group, and there is no escalation policy should any groups be misaligned with Lendlease's Absolute Zero Carbon target and position.

Engagement occurs across the value chain and internally, with a Mission Ready carbon literacy eLearning Module completed by 2000 employees in 2022. Lendlease is also a key member of MECLA in Australia, a consortium of organisations working together to drive reductions in embodied carbon in the building and construction industry.

7. People and Nature in the Just Transition & 9. Investing in Just Transitions

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
If material land-use emissions, it is stated how operations and supply chains will be achieved and maintained that avoid the conversion of remaining natural ecosystems— eliminating deforestation and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030.				ND	No disclosure of land use emissions. Unknown if material.
Disclosure of how nature-based risks and dependency are addressed in relation to the transition plan			□		Nature is one of six focus areas in *Lendlease's Sustainability Framework*. The company has developed a framework to disclose against nature-based risks that draws on the Taskforce for Nature-related Financial Disclosures; however, this is not comprehensive or addressed in relation to the Roadmaps.
Disclosure of how the transition plan contributes to a Just Transition		□			Although Lendlease has a Social Value Target, this is not tied to the Just Transition. The Roadmaps make no reference to a Just Transition.

Commentary

Lendlease's Social Value Target is commendable, aiming to create $250 million in social value through the work of its shared value partners funded by the Lendlease Foundation. However, this is not tied to the Just Transition or linked to broader social consequences and impacts of climate mitigation actions.

The Roadmaps similarly make no reference to creating a Just Transition, or how the Roadmaps integrate the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the principles of free, prior and informed consent (FPIC). However, the *Human Rights Position Statement* notes the Reconciliation Action Plan is aligned with the UNDRIP. Lendlease could strengthen its Roadmaps by more clearly articulating the role of the Social Value Target in supporting a Just Transition.

8. Increasing Transparency and Accountability

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Annual disclosure of: - GHG data - net zero targets and transition plans and progress towards meeting these	☒				Annual GHG data for Scope 1, 2 and 3 emissions is disclosed. Progress towards targets is reported for the Net Zero Carbon target, however not against the baseline year (FY14). Progress against Mission Zero Roadmaps is reported, but not updated consistently across regions.
Disclosure in a standardised, open format feeding into the UNFCCC Global Climate Action Portal	☒				Lendlease is listed on the UNFCCC Global Climate Action Portal.
Disclosure of detail of approach to verification and assurance of emissions, targets and transition plan and progress against these			☒		Targets for Net Zero Carbon and Absolute Zero Carbon have been verified by SBTi. FY24 Scope 1, 2 and 3 emissions have been assured by KPMG (limited assurance). While the underlying emissions have been assured and progress against targets is stated, the emissions reduction figure is not assured. There is currently no assurance for outcomes of the Roadmaps or disclosed plan for this to be undertaken.
Emissions reductions are verified by an independent third-party		☒			While absolute emissions are assured on an annual basis, emissions reductions are not verified by a third party.

Commentary

Annual GHG emissions data for Scope 1, 2 and 3 emissions are reported in parts in various public documents. Key documents should explicitly state the baseline year for targets consistently and report progress against the baseline year. For example, the FY24 Annual Report states a 53% reduction in gross Scope 1 and 2 emissions since Mission Zero launched in 2020, but the Net Zero Carbon target's baseline year is FY14. The FY24 Annual report discloses progress since 2020 against the Net Zero Carbon by 2025 target and includes FY24 and FY23 Scope 1 and 2 emissions data, but there is no data for the baseline target year.

Scope 3 emissions are disclosed in FY24 ESG databook, however not in the FY24 Annual Report. The FY24 Annual Report and other documents (e.g. *Fossil Fuel Free Construction Guide)* share progress and actions toward the Absolute Zero Carbon target for Scope 1, 2 and 3. For future improvement, Lendlease should clearly report on targets' progress from the baseline year, which should be assured by a third party. Progress against Mission Zero Roadmaps should be undertaken annually for all regions, with plans to have outcomes from the Roadmaps assured.

Sources

Lendlease 2024 Annual Report, FY24 Environmental Data Summary Basis of Preparation, FY24 ESG Databook, Mission Zero Roadmap: 2023 Progress Report Lendlease Europe February 2024, Mission Zero Roadmap Summary (Lendlease Australia), Mission Zero Roadmap Summary (Lendlease Europe), Mission Zero Roadmap Summary (Lendlease Asia), Mission Zero Roadmap Summary (Lendlease Americas), Fossil Fuel Free Construction Guide, Absolute Zero by 2040 - Lendlease's Scope 3 Emissions Protocol V.1, Sustainability Policy (February 2020), Lendlease website., SBTi Target Dashboard.

Comparison of actual emissions reduction to company targets

Lendlease has set a Net Zero Carbon target to reduce Scope 1 and 2 emissions by 2025 (including the use of offsets). Lendlease has also set a long-term CO_2-e emissions reduction target for Absolute Zero Carbon by 2040 including Scope 1, 2 and 3 emissions and no use of offsets (Table 4).

Table 4 Lendlease Company emission reduction targets

Company targets relative to FY14/FY21 levels	**2025**	**2040**
Scope 1 and 2 CO_2-e net emission reduction relative to FY14 levels	100%	
Scope 1, 2 and 3 CO_2-e absolute emission reduction relative to FY14 (Scope 1 and 2) and FY21 levels (Scope 3)		100%

Actual emission reductions

- **Net Zero Carbon target for Scope 1 and 2 emissions** – net emissions target
  - Based on company data, Lendlease's total group Scope 1 and 2 gross emissions for FY24 were 95,584 tonnes of CO_2-e (t CO_2-e). Gross FY24 emissions decreased 53% relative to FY20 levels, see Table 2 (data source: FY24 Annual report, p.34 (for progress) and FY24 ESG databook (for actual emissions)).[26] Lendlease discloses that their Mission Zero targets continue to track well below its 1.5˚C aligned target. No further assessment on progress of the Net Zero by 2025 target against the baseline has been undertaken, as the FY24 ESG databook does not provide FY14 data for Scope 1 and 2 emissions.
- **Absolute Zero Carbon for Scope 1, 2 and 3 emissions** – gross emissions target
  - Based on company data gross Scope 1 and 2 emissions for FY24 were 95,584 tCO_2-e. As outlined above this is a reported decrease of 53% relative to 2020 levels.
  - Based on company data, Lendlease's Scope 3 emissions for FY24 were 1,892,610 tCO_2-e. This is a decrease of 7.8% relative to FY21 levels (the first year Lendlease disclosed Scope 3 emissions), see Table 5. According to the calculated emissions reduction curve, cumulative emission reductions byFY24 (relative to FY21 levels) required to meet the target for 2040, are 16%. As a result, Lendlease is assessed as off-track for Scope 3 emissions reductions, see Table 5 and Figure 3.

Table 5 Lendlease actual emissions reductions compared to target

Actual emissions reductions relative to FY21 levels	**2024**	**2040**
Scope 3 CO_2-e actual emissions reduction relative to FY21 levels	7.8%	100%
Scope 3 CO_2-e required emissions reduction relative to FY21 levels	16% (off track)	

[26] Lendlease's note on progress from the *FY24 Annual Report*: This figure excludes emission reductions achieved through divestment of non-core businesses. Scope 2 emissions have been calculated using the market-based method, which includes the use of renewable energy certificates, power purchase agreements, renewable tariffs and the benefit of inherent grid renewable electricity where we have evidence that there is no claim by another entity.

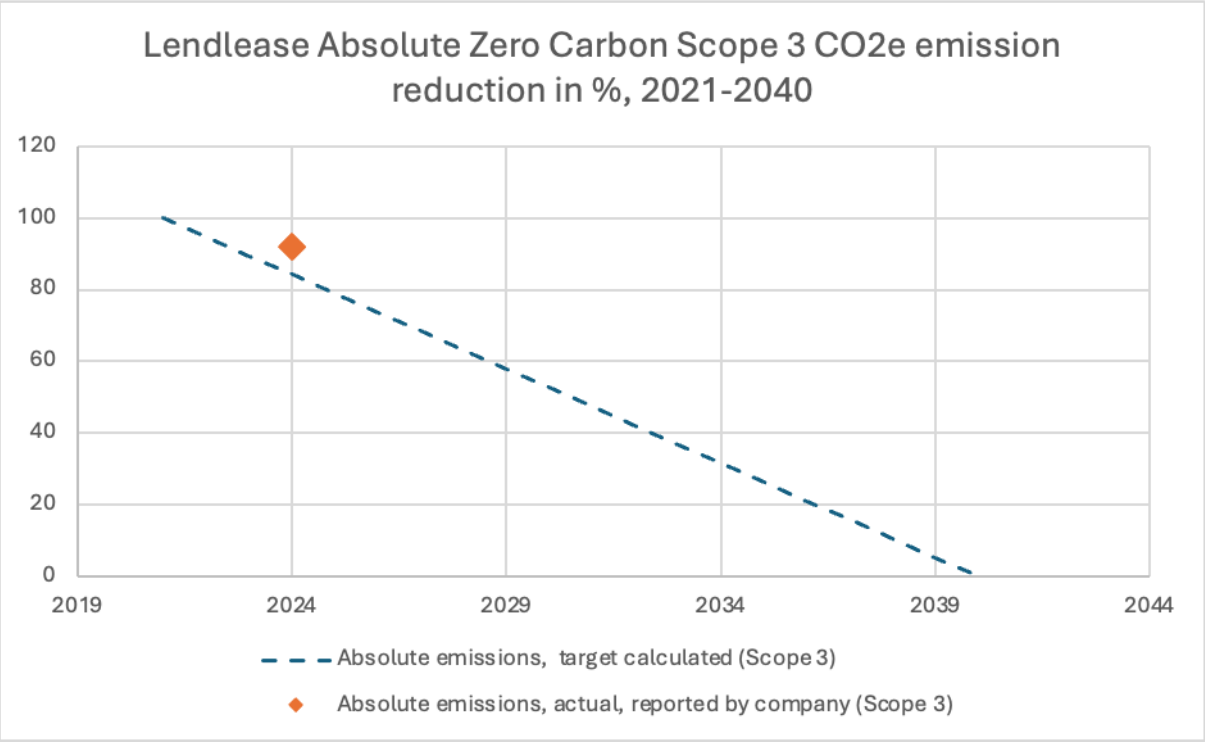

Figure 3 Lendlease, Scope 3 CO_2-e emission reduction trajectory in %, 2021-2040, based on Absolute Zero Carbon target to reduce Scope 3 emissions to zero. Scope 3 emissions by 2040 relative to FY21 levels (first year of reporting), and actual emission reductions reported by company in FY24 (orange).

Requirements to meet the emissions reduction (Net Zero Carbon and Absolute Zero Carbon) targets

Lendlease is targeting Absolute Zero Carbon by 2040, a decade earlier than UN HLEG net zero by 2050 targets. For Scope 3 emissions, the annual average reduction between 2021-2040 relative to 2021 is 5.3%.

Comparison of targets to scientific decarbonisation pathway

Comparison of targets to scientific decarbonisation pathways

Lendlease is an Australia-based construction and real estate company, which operates internationally. The company's activities within Australia can therefore be compared against sectorial pathways for the building, power, heat, cement and steel sectors in 1.5ºC aligned pathways. For this comparison, data is used from pathways from the One Earth Climate Model (OECM) from UTS Institute for Sustainable Futures and the Net zero by 2050 scenario from the International Energy Agency (IEA).

Electricity

For the power sector, both the OECM and the IEA 1.5ºC scenarios contain specific milestones. In Australia's OECM 1.5°C scenario, coal, oil and diesel are completely phased out by 2035 and natural gas is phased out by 2045. In addition, emissions from the power sector are reduced by 94.5%, 99.5% and 99.9% for the years 2030, 2035 and 2040 in the OECM 1.5 °C scenario. In comparison, IEA's global 1.5 °C scenario contains a key milestone for achieving net zero electricity in advanced economies by 2035. Lendlease's Scope 2 emission data presents that the emissions from electricity consumption from Lendlease's Australian activities have decreased by 65% from 2020 to 2024. The OECM has a 39% reduction of electricity related emissions for the next financial year of 2025, compared to the 2020 base year, meaning that Lendlease's FY24 already aligns with 2025's 1.5ºC OECM milestone. In addition, the sharp increase in electricity produced from renewable sources showcases a high level of ambition (39% in FY21 to 65% in FY24). Moreover, Lendlease's target for achieving net zero by 2025 for their Scope 1 and 2 emissions would align and surpass the OECM and IEA's power sector milestones.

In addition, Lendlease has electricity targets (within its Scope 3 category) for tenants and residents in its Mission Zero Roadmap for Australia with 100% renewable electricity by 2030 for tenants and 2040 for residents. Both targets overall are aligned with the OECM and IEA 1.5ºC scenarios.[27]

Heat and fuel consumption in the building sector

For energy use for heating buildings, the IEA still has 30% fossil fuel use in 2030 and 2% in 2050. The OECM 1.5 ºC trajectory contains a 33% reduction of greenhouse gases from fuel use by 2025 from fuel use, 80% by 2030, 86% by 2040 and 100% by 2050.

Lendlease presents a considerable decrease in Scope 2 and Scope 3 emissions, but it is challenging to exactly pinpoint the total decrease in heating related emissions in Australia. Global Scope 2 Lendlease tenancy emissions have decreased by 91% from FY20 to FY24 and Australian Scope 3 Fuel and Energy related activities decreased by 29% in that timeframe. It is however hard to determine the exact fraction of fuel emissions related to heating Lendlease's own buildings or buildings occupied by tenants or residents. Lendlease's Net Zero Carbon target by 2025 for Scope 1 and 2 emissions aligns or surpasses the OECM and IEA's fuel consumption targets for the building industry.

The OECM 1.5ºC scenario has a net zero emission target by 2050 for the entire industrial sector for all energy forms used (including industrial fuel use and heavy machinery). Similarly, the IEA's scenario contains a 93% emission reduction target for all heavy industry.

Lendlease has a Fossil Fuel Free Construction goal by 2030, which directly impacts the company's Scope 1 and 2 emissions in electricity, heat and fuel consumption and transport. However subsequent research *Stepping up the Pace: Fossil Fuel Free Construction* by the University of Queensland finds that Fossil Fuel Free Construction is more probable by 2040 with full electrification and absolute zero emissions by 2050. Lendlease is working towards this goal by prioritising use of electric construction machinery and equipment and using biofuels such as biodiesel and renewable diesel where electric options are not available. It is important that biodiesel and renewable diesel should meet minimum sustainability and GHG criteria similar to

[27] Alignment for the resident target (100% renewable energy by 2040) is overall aligned with OECM and IEA 1.5˚C scenarios, however will depend on the rate of electrification. In order to be aligned with OECM 1.5˚C scenarios, the majority of emissions from residents' electricity must be reduced by 2030 (94.5% reduction) with smaller reductions in 2035 and 2040 (99.5% and 99.9% respectively).

biofuels in the EU.[28] The emissions for Lendlease's industrial construction activities are aligned with the OECM 1.5ºC and IEA targets.

Transport

The 1.5ºC aligned pathways from the IEA and the OECM contain decarbonisation targets for milestones for each mode of transport. Light road transport, such as passenger vehicles, is one the earliest sectors for decarbonisation. The IEA's targets include a steady decrease from 2020 values and more than 50% of light-duty vehicles electrified by 2030. The OECM has an Australian target of 42% reduction of CO_2 emissions from all road transport in 2025, compared to 2019. This is followed by target of 66% reduction in emissions by 2030.

Lendlease's Australia Mission Zero Roadmap contains a target for EV charging availability at all assets and developments, with an implementation timeline between 2025 and 2030. If EV charging is coupled with a sufficient amount of renewable energy, this could align with the 1.5ºC milestones for light road transport. No further specific targets were specified for Lendlease's heavier modes of transport or construction vehicles.

Scope 3 activities

For Lendlease's Scope 3 activities such as the emissions related to cement and steel, emissions would have to reach net zero by 2050 to align with the OECM and the IEA 1.5ºC scenarios. In addition, each of these sectors should have their own intermediary targets.

Steel and cement

There are no clear targets for emissions reductions from steel and cement.

The IEA Net Zero by 2050 plan contains targets for transforming the steel sector by increasing scrap-based input, transitioning from the current steel process to clean steel-making processes such as green-hydrogen based steelmaking and applying carbon capture. This includes an increase from a global average of 32% scrap-input to 38% scrap in 2030 and 46% in 2050. In this period, hydrogen-based steelmaking increases from a 2% share to 29% in 2050. Lastly, to reach the decarbonisation targets for the steel sector, these technological advances are combined with the capture of 70 Mt CO_2 in 2030 and 670 Mt CO_2 in 2050.

In addition, the OECM contains net zero targets for transforming the steel sector by increasing scrap-based production, transitioning to a hydrogen-based steelmaking process and decarbonising the high temperature process heat involved. This includes an increase in the share of secondary steelmaking from 21% in 2025 to 36% in 2030 and 41% in 2040. In addition, the percentage should increase to 10% hydrogen-based steelmaking in both 2025 and 2030, followed by a further increase to 28% and 51% in 2035 and 2040. Lastly, heat utilised in the steel making process should transition to more renewable sources, with coal and oil last used in 2035, before transitioning to more renewable heat sources. Overall, this results in a total steel emission decrease in the OECM 1.5ºC model of 52% by 2030 and 65% by 2035.

Cement

Both the IEA Net Zero by 2050 plan and the OECM contain pathways for the cement industry which is a crucial component for the construction sector. Both scenarios rely on a lower fraction of cement clinker in the cement mix, an increase in technology efficiency and a renewable energy source for the process heat. However, there are unavoidable process emissions from the limestone material without a technical solution for this emission source. In the IEA Net Zero Scenario, a 40% emission reduction is achieved by 2030, compared with 2020. After 2030, the IEA Net Zero scenario compensates emissions with application of carbon capture and storage. In the OECM 1.5ºC aligned scenario, cement emissions are reduced by 44% by 2030 and 69% by 2040. All energy related emissions are zero in 2050, and total emissions are reduced by 89%.

Absolute Zero Carbon Scope 1, 2 and 3 by 2040

Lendlease's Absolute Zero Carbon by 2040 target surpasses the milestones set by the OECM and IEA 1.5ºC trajectories. However, the intermediary progress for FY24 compared to FY21 cannot be assessed, due to lack of granularity in the Scope 3 emission data. This would require emission data for specific industrial sectors (e.g. cement, steel etc.) to conduct a more detailed assessment.

[28] European Commission (n.d.) Biofuels and biogas in co-processed fuels. https://energy.ec.europa.eu/topics/renewable-energy/bioenergy/biofuels_en

Finally, it is important to note that an essential component of the 1.5ºC trajectories is an immediate decrease in emissions from 2020 onwards. This means that reported Scope 3 subcategories where there is an emission increase from FY21 to FY24, such as “Upstream Transport & Distribution”, “Waste Generated in Operation”, and “Business travel” are automatically not aligned with 1.5 ºC trajectories.[29]

[29] Noting that Scope 3 emissions for Capital Goods and Use of Sold Product were included from FY23 onwards after the launch of the Lendlease Scope 3 Protocol.

Lendlease positive practice case study

Areas of positive practice

Through the review of Lendlease's public documents and an interview with key sustainability staff, areas of positive practice were identified, including leadership on:

- Ambitious business targets driven from the top;
- Scope 3 emissions and fossil fuel free construction;
- Industry capacity building through openness and collaboration; and
- Transparency and honesty in disclosure.

Ambitious business targets driven from the top

Lendlease has a long history of sustainability leadership, from involvement in establishing the Green Building Council of Australia, to adopting climate targets in 2014, to its more recent Mission Zero targets and Scope 3 emissions initiative.

Lendlease has set market leading Mission Zero targets, through its Net Zero Carbon target by 2025 (Scope 1 and 2) and its Absolute Zero Carbon target by 2040 (Scope 1, 2 and 3). Many corporates and countries have committed to net zero, however there is heavy reliance on voluntary offsets to achieve targets rather than sufficient investment in decarbonisation. While Lendlease's Net Zero Carbon by 2025 target relies on offsets, the Absolute Zero Carbon target aims to decarbonise without offsets.

The timelines for targets are ambitious, with Absolute Zero to be achieved by 2040. The SBTi verified targets go beyond the requirements of science-based pathways and the UN High Level Expert Group (HLEG) recommendations.

> "We've always been an organisation that inherently looks to do better every time and ratchet up. That was the ethos and DNA of the organisation when it came to then setting the new agenda." – Cate Harris, Group Head of Sustainability & Global Head of Lendlease Foundation

The company's carefully designed approach to setting its Mission Zero targets enabled senior leadership buy-in and eventually, organisation-wide responsibility and action. The Recommendations of the Taskforce for Climate-related Financial Disclosures were released just as Lendlease was revisiting its sustainability strategy and provided a valuable framework to engage with leadership. The sustainability team ran one day climate risk and opportunity workshops with 200 leaders across the organisation in all Lendlease's major cities globally. Within a "safe space" the sustainability team provided background on climate science and what actions could look like for Lendlease; while leaders shared their in-depth business knowledge.

> "We were able to create a safe space because we said, we don't need you to be climate scientists, we'll bring that information to the table. We just need you to bring your business knowledge because no one knows the business better than you, your market, your supply chain, your clients, your reputation." – Cate Harris, Group Head of Sustainability & Global Head of Lendlease Foundation

> "We got them there because they took the time to allow us to educate them and give them the information to be able to make an informed decision." – Cate Harris, Group Head of Sustainability & Global Head of Lendlease Foundation

The workshops themselves and entire Mission Zero target setting process were underpinned by deep, rigorous research across Lendlease to understand the implications of any targets that were set and what should be included. From exposure to gas across the business and access to renewable energy, through to the role of offsets and examining the progress of solutions across the value chain.

> "So before we announced the Mission Zero targets to the market we had done a lot of rigorous analysis to understand, what was our exposure to gas across the business, what were the bookends of our targets." – Cate Harris, Group Head of Sustainability & Global Head of Lendlease Foundation

Importantly, the process provided confidence in the business value proposition of decarbonisation. The targets and the level of ambition were ultimately decided and set by the leadership team. This was a deliberate choice to ensure that the Mission Zero targets became whole of business targets that everyone become responsible for, rather than siloed climate targets. Public commitment to, and ownership of, the targets by the company's Leadership Team has ensured that, despite challenging conditions including COVID-19, downturns in construction and a restructure, Lendlease's targets have remained and progress has continued.

> "They really have to buy into whether it's a valuable proposition for the organisation and I think that's what we've got our leadership to do" – Cate Harris, Group Head of Sustainability & Global Head of Lendlease Foundation

> "It was important that leadership decided what targets and what level of ambition they were going to set for the organisation because they were going to be the business' targets. Targets for which day-to-day decisions across the business would determine our success or otherwise." – Cate Harris, Group Head of Sustainability & Global Head of Lendlease Foundation

> "It was a voice from the leaders … that these are our businesses targets. It's a subtle, but a very purposeful strategy that has again lent weight and gravitas to us continuing on this journey." – Cate Harris, Group Head of Sustainability & Global Head of Lendlease Foundation

Scope 3 emissions and fossil fuel free construction goal

Lendlease is undertaking significant work on understanding its Scope 3 emissions, both internally and externally, by engaging with its value chain. Scope 3 emissions make up 95% of Lendlease's total group emissions and the company's Absolute Zero Carbon target, aims for these to be reduced to zero by 2040. In 2023, the company released *Lendlease Scope 3 Emissions Protocol* V.*1* outlining the Scope 3 emission categories relevant to its value chain that contribute to the Absolute Zero Carbon by 2040 target. The Protocol has also provided a platform for national and global advocacy (see more below). There are undoubtedly challenges in reducing Scope 3 emissions, particularly for raw materials in hard to abate sectors such as cement, concrete and steel.

Lendlease also has a Fossil Fuel Free Construction goal, an explicit commitment to phase out of fossil fuels in its construction business. The *Fossil Fuel Free Construction Guide* outlines Lendlease's approach to decarbonising construction, first prioritising electrification of construction plant and equipment where options are available, and where they are not available, using biodiesel and renewable diesel. This hierarchy acknowledges that the current outlook within the 2040 horizon predicts significant supply challenges for electric plant and equipment in Australia. As the company is setting up its development pipeline to phase out gas, one of the key challenges is ensuring access to renewable electricity and that substations and infrastructure rolled out by the network operator will be aligned with Lendlease's future construction and development plans.

Industry capacity building through openness and collaboration

Lendlease has established itself as a decarbonisation leader within the construction and development sector. The company proactively shares learning, engages and collaborates with industry and the broader value chain on its decarbonisation journey. From the company's perspective this is, "a race we all need to be in", and engaging with suppliers, clients, tenants, the broader industry and government is a core part of that.

Industry leadership is reflected in Lendlease's co-founding of the Materials and Embodied Carbon Leadership Alliance, aimed at driving reductions in embodied carbon in the building and construction sector. Lendlease's collaborative approach is demonstrated in development of the *Scope 3 Emissions Protocol V.1*, *Fossil Fuel Free Construction Guide* and other reports to share insights and help build industry capacity. By sharing documents publicly, Lendlease aims to help others on their decarbonisation journey and stimulate industry dialogue around consistent measurement and metrics.

> "When we learn something significant that is impacting our transition, we've been super happy to share that." – Rebecca Hanlon, Head of Sustainability Engagement and Disclosure

> "We've taken the *Scope 3 Emissions Protocol* public to help others in our sector with their own scope 3 journeys. But also to spark conversation across the sector to hopefully drive a consensus view on

> defining Scope 3 reporting boundaries. We've had really positive engagement … it's starting to create that sort of collaborative spirit [and] that consensus view moving forwards." – Darryl Stucky, Head of Environmental Sustainability

Lendlease is reaping benefits from its position as a first mover and its decarbonisation maturity relative to competitors, as tenants and clients are demanding more sustainable offerings. Examples include clients who want to include embodied carbon reduction targets on projects, or tenants who want to lease buildings that help them achieve their own sustainability targets. For other clients and tenants, Lendlease is helping drive market acceptance, particularly around switching from gas to induction cooking. Lendlease's support of the Global Cooksafe Coalition, advocates for safe, affordable, fossil fuel-free cooking for everyone.

> "The whole market is shifting and our ambition and maturity in decarbonisation is really helping now because we're that much further along." – Rebecca Hanlon, Head of Sustainability Engagement and Disclosure

On the supply side, Lendlease is engaging deeply with providers across the supply chain to encourage adoption of decarbonisation solutions and send a strong market signal that these products are in demand. From steel and concrete to glass and aluminium, many of these products are harder to abate and require significant research and development and investment. Lendlease's Mission Zero targets and commitment to fossil fuel free construction help to give suppliers the confidence to invest in their own transitions and decarbonised products.

> "There's still a long road ahead. We're seeing lots of positive signs and some incredible advancements happening, but we need more and faster and at pace and scale." – Darryl Stucky, Head of Environmental Sustainability

Given the investment decarbonisation requires, capital expenditure is a significant challenge, both internally and for supply chain partners. Lendlease is aiming to better understand transition costs and how it can work with partners to support decarbonisation. For example, on the One Sydney Harbour residential project, Lendlease released retainer funding early so that the subcontractor had the money to invest in an electric concrete pump.

Lendlease's openness and collaborative approach across sectors, clients, tenants and suppliers has built its reputation in sustainability and lends authority to its advocacy work. The company's *Scope 3 Emissions Protocol V.1* has achieved global reach, including discussions with the previous US Biden administration and the Business Council in Singapore, and significant media attention in Asia. Lendlease was also able to use its experience to drive initiatives in other regions, particularly affordable commercial renewable diesel in the UK.

Transparency and honesty in disclosure

Lendlease prioritises transparency and honesty in its disclosures, reporting on both its achievements and the challenges it faces. Part of this is attributed to the company's culture, "we're an organisation that's comfortable with feeling uncomfortable". Lendlease acknowledges that decarbonisation takes time, solutions may need to be iterated, and the environment is continually changing. Examples of this include sourcing low embodied carbon aluminium for the facade on One Sydney Harbour, which took until the third tower (the third iteration) to achieve, and organisational changes that prompted SBTi re-certification and Mission Zero Roadmap renewal.

> "Our annual reports are balanced in saying this is what we've done and achieved. But also, this is what we're finding challenging, these are some of the barriers that we're facing. It's honest and deliberately so because we're in a very challenging space to decarbonise, we want to call out the areas that we need full industry participation and everyone on board to transition." – Rebecca Hanlon, Head of Sustainability Engagement and Disclosure

The company acknowledges both the value in climate-related financial disclosures and the tension with resources going towards disclosure processes that could be spent on decarbonisation projects instead. This is not only an internal tension, but one with the company's supply chain as well. There is still significant work in data exchange within Lendlease's supply chain to track emissions with a high degree of accuracy, while

ensuring “the burden of data provision” is not too prohibitive. However, the company is committed to the “game-changing” role of disclosures in “really closing that gap between business as usual and leadership”.

IKEA

“Gone are the days where sustainability is on the edge of the business ... it’s not about having big sustainability teams, it's about baking it into the business plans, your goals, your country goals, and making sure that it's part of running business.

Otherwise it just won't happen.”

Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

Inter IKEA/the Ingka Group net zero pledge assessment

Key points from the net zero pledge assessment

- IKEA is a franchise business, with many companies operating under one IKEA brand. This includes: Inter IKEA Systems B.V. (the franchisor) and Ingka Group (the largest franchisee). IKEA in Australia is owned and operated by IKEA Australia Pty Ltd which is part of the Ingka Group, in the retail arm of the business.
- Inter IKEA has a near-term target to reduce emissions 50% by FY30 for Scope 1, 2 and 3 emissions (FY16 baseline) and a long-term absolute reduction target of at least 90% for Scope 1, 2 and 3 emissions (FY16 baseline) by FY50. The Ingka Group developed its targets in collaboration with Inter IKEA, setting the same targets.
- Both Inter IKEA and Ingka group targets have been separately verified by the Science Based Targets Initiative (SBTi) separately and aligned with the Paris Agreement goal of limiting warming to 1.5˚C. Achieving the targets will not rely on offsets. The remaining 10% of emissions in 2050 will be neutralised by removing and storing carbon from the atmosphere within IKEA's value chain.
- The Inter IKEA climate footprint covers the entire IKEA value chain, including production, product transport, IKEA retail and other operations for all of the IKEA franchisees, including product use-at-home and product end-of-life.
- In FY24, Scope 1 and 2 emissions account for 2% of Inter IKEA's total emissions. Scope 3 emissions account for 98% of total Inter IKEA emissions, with 63% of this from purchased goods and services, mainly from materials. In FY24, Scope 1 and 2 emissions account for around 1% of the Ingka Group's total emissions. Scope 3 emissions account for 99% of total Ingka Group emissions.
- In 2025, the Ingka Group (IKEA's largest franchisee) released its first Climate Transition Plan (CTP). Inter IKEA's FY24 Climate Report contains "The IKEA climate roadmap".
- Inter IKEA is committed to phasing out fossil fuels from its value chain, from power generation and transport and logistics to materials in IKEA products.
- Inter IKEA/the Ingka Group's targets have been assessed as aligned to a scientific decarbonisation pathway for the power sector, however there was insufficient information to determine alignment for heat, transport and materials.
- Based on company data, in FY24 Inter IKEA has reduced its Scope 1, 2 and 3 emissions by 28% relative to 2016. It is on track to achieve its interim target and long term target. In FY24 The Ingka Group has reduced its Scope 1, 2 and 3 emissions by 30.1% relative to 2016.[30]

[30] The FY16 baseline (28,229,938 tCO_2e) excludes FY16 customer travel (2.2 $MtCO_2e$) as customer travel emissions are not covered by SBTi methodology.

Company overview

- IKEA is a privately owned, Swedish retail company which designs and sells furniture and household goods. It is one of the world's largest furniture retailers.
- Founded in 1943, the company has FY24 revenue of EUR 45.1 billion and 216,000 employees.
- The Ingka Group operates 574 IKEA retail locations in 31 countries and generated 87.8% of total IKEA retail sales in FY24. Ingka Group is made up of three businesses: IKEA Retail, Ingka Centres and Ingka Investments. There are an additional 11 franchisees which operate in 32 markets.
- While Inter IKEA and the Ingka Group are separate legal entities with separate SBTi verified targets, as the largest retailer of IKEA products, the Ingka Group contributes significantly to achieving the Inter IKEA Group's targets.
- IKEA has 10 stores in Australia, primarily on the east coast alongside one store in Adelaide and one in Perth. There are a further six pick up and three plan and order points across the same states and territories.
- In FY24 IKEA Australia's total sales were $1.725 billion, with over 17 million store visits. 2025 marks the 50th anniversary of IKEA in Australia.

This assessment refers to both Inter IKEA (the whole company) and the Ingka Group (IKEA's largest franchisee) and clearly differentiates between both.

Performance against UN HLEG recommendations

1. Announcing a Net Zero Pledge

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Public pledge to achieve net zero emissions	✓				Inter IKEA has an interim target to reduce Scope 1, 2 and 3 emissions 50% by FY30 (FY16 baseline) and a long term target to reduce Scope 1, 2 and 3 emissions by at least 90% by FY50 (FY16 baseline). Although Inter IKEA and the Ingka Group are separate legal entitles, the Ingka Group developed its targets in collaboration with Inter IKEA and has set the same net zero target.

Commentary

Both Inter IKEA and the Ingka Group's targets cover Scope 1, 2 and 3 emissions, with an interim target to halve emissions by 2030 and reach net zero by 2050. The remaining 10% of emissions in 2050 will be neutralised by removing and storing carbon within the company's value chain.

2. Setting Net Zero Targets

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Short-, medium- and long-term interim emissions reduction targets in a minimum of 5 yearly increments. First target 2025.			✓		Inter IKEA has an interim target to reduce Scope 1, 2 and 3 emissions 50% by FY30 (FY16 baseline) and a long-term target to reduce Scope 1, 2 and 3 emissions by at least 90% by FY50 (FY16 baseline). The Inter IKEA and the Ingka Group (the largest IKEA franchisee) have set additional emissions reduction targets for parts of its business.

					Partial rating as emission targets are not in 5 yearly increments.
Target of at least 50% reduction below 2020 levels by 2030 and net zero by 2050 or sooner	✓				Both Inter IKEA and the Ingka Group aim to halve Scope 1, 2 and 3 emissions by 2030 and achieve at least a 90% reduction by 2050 (FY16 baseline).
Absolute emissions reduction targets (intensity if relevant)	✓				Scope 1, 2 and 3 absolute emissions reduction through Inter IKEA and the Ingka Group's target.
Targets stated to be based on a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot, verified by third party	✓				Inter IKEA's targets are stated to align with 1.5˚C and verified by the SBTi. As separate targets, the Ingka Group's net zero target is also SBTi verified. The Ingka Group has additional targets for mobility, scope 1 and 2 emissions and electricity which have been verified by the SBTi.
Targets stated to cover all scope emissions and all operations along the value chain in all jurisdictions	✓				Inter IKEA and the Ingka Group's net zero target covers Scope 1, 2 and 3 emissions.
Targets stated to account for all greenhouse gas emissions	✓				Both Inter IKEA and the Ingka Group's targets relate to reported emissions that are calculated using recognised methodologies (GHG Protocol and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard).
Where relevant, separate targets for material non-CO_2 greenhouse gas emissions				ND	Inter IKEA discloses its air pollution inventory including non CO_2 greenhouse gas emissions. Inter IKEA also has targets to reduce food-related and waste emissions, including food waste, which is a source of biogenic methane as it decomposes. However, it is not stated whether non CO_2 emissions are material.
Where relevant, targets cover and separately account for embedded emissions within fossil fuel reserves				NA	No fossil fuel operations.
Where relevant, targets cover and separately account for any land-use related emissions and risk adjusted sequestration in biomass, such as forests, peatlands and wetlands			✓		Forestry, land and agriculture emissions are considered material and included in Inter IKEA and the Ingka Group's net zero targets. Following the publication of the Land Sector and Removals Guidance by the Greenhouse Gas Protocol in 2025, both Inter IKEA and the Ingka Group plan to set separate near- and long-term targets for land-use emissions.

Commentary

Overall, Inter IKEA and the Ingka Group's targets substantially align with the UN HLEG criteria. The companies have an interim target to reduce emissions 50% by 2030 and at least 90% by 2050 (from a 2016 baseline). A partial rating is given as emissions reduction targets are not set in 5 yearly increments.

Inter IKEA has also set additional emissions reduction targets for FY30 for each component of its climate footprint against a FY16 baseline across materials, food, product, product transport and logistics services, IKEA retail and other operations, co-worker commuting and business travel emissions, home deliveries, product use at home, and product end of life. For example, a 50% reduction in materials' emissions by FY30 (FY16 baseline).

The Ingka Group's additional emissions reduction targets include: reduce absolute Scope 1 and 2 emissions 85% by 2030 (FY16 baseline), reduce absolute GHG emissions from downstream transportation and distribution from customer travel by 40% by FY30 (FY16 baseline), and increase annual sourcing of renewable electricity from 69.7% in FY16 to 100% in FY25, and to continue active annual sourcing of 100% renewable electricity up to FY30. These four additional targets are verified by the SBTi.

3. Using Voluntary Credits

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Where the company has purchased voluntary carbon credits, they are stated to be used for beyond value chain mitigation and are not counted toward the company's interim emissions reductions				NA	Inter IKEA and the Ingka Group's net zero target will not rely on carbon offsets. Instead, the remaining 10% of emissions in 2050 will be neutralised by removing and storing carbon from the atmosphere within the companies' value chain.

Commentary

Inter IKEA and the Ingka Group have shown positive practice in committing to meet its long-term target, Net Zero by 2050, without purchasing voluntary carbon offsets. Instead, Inter IKEA and the Ingka Group undertake carbon "insetting", by implementing nature-based solutions to reduce emissions within the company's own value chain.

Ingka Investments, the investment arm of Ingka Group, owns 319,000 hectares of forestland in seven countries. In FY24 the company's forestry portfolio removed and stored 675,519 CO_2e. The forestland portfolio contributes to Ingka Investments Forest, Land and Agriculture (FLAG) emissions and removals. KPMG conducted limited assurance on GHG emissions and removals from FLAG.

Inter IKEA and the Ingka Group should strengthen its target to reduce emissions 100% by 2050, while continuing to maintain its forestland portfolio.

4. Creating a Transition Plan

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Publicly disclosed net zero transition plan	✓				Inter IKEA released 'The IKEA Climate Roadmap' as part of its FY24 Climate Report. The Ingka Group released its Net Zero Transition Plan (NZTP) in February 2025.
Transition plan stated to be updated every 5 years	✓				The Ingka Group states the transition plan will be regularly updated, with an annual updated plan from FY27.
Transition plan states the actions it will take to meet targets - concrete and specific actions, stated to be technologically feasible and economically viable			✓		Inter IKEA's Climate Roadmap focuses on actions to 2030. Similarly, the Ingka Group's NZTP outlines concrete and specific actions from 2024 to 2030, but does not extend beyond this.

					The Ingka Group's NZTP and Inter IKEA's Climate Roadmap examine the company's climate footprint's key dependencies, including the need for further technological developments and efficiencies.
Quantification of the contribution of specific actions to the achievement of the overall target			✓		Inter IKEA's Climate Roadmap contained in the FY24 Climate report, outlines emissions reduction targets for each part of its climate footprint - materials, food ingredients, production, product transportation and logistics services, Inter IKEA retail and other operations, co-worker commuting and business travel, home deliveries, product use at home, product end of life and other. The Ingka Group's NZTP is organised around the same categories, also including investments and construction materials categories. Partial rating as actions for Inter IKEA and the Ingka Group are only out to 2030, not 2050.
Disclosure of how capital expenditure plans, research and development plans and investments are aligned with all targets			✓		Inter IKEA's Climate Roadmap and The Ingka Group's NZTP disclose some information on capital expenditure plans for renewable energy and carbon removal and storage. Partial rating as this is not comprehensive.
Explanation of governance structure for transition and verification. Description of how near- and long-term emission reduction targets are linked with executive compensation.			✓		IKEA's Climate Roadmap and the Ingka Group's NZTP outline the governance structure for the climate transition plan and sustainability governance. The Ingka Group also has Value Creation Goals, including one linked to carbon budget. However, this goal and emission reduction targets are not explicitly linked to executive compensation.

Commentary

As part of its FY24 Climate Report, Inter IKEA published the IKEA Climate Roadmap and the Ingka Group released its first Net Zero Transition Plan in FY2025.

Not all actions are stated to be technologically feasible and economically viable. In particular, the availability and scalability of lower emission materials and technologies and zero-emission solutions for ocean shipping. Inter IKEA notes that many new materials and technologies are at the research stage, including metals (29% of Inter IKEA's climate footprint), wood (22%), textiles and comfort materials (18%), rigid plastic (12%) and paper (10%). Inter IKEA's Climate Report FY24 examines each of these materials and solutions available.

For capital expenditures, Inter IKEA's Climate Report FY24 notes an investment of EUR100 million in financing for the on-site generation of renewable energy. In 2019, Inter IKEA allocated EUR100 million to develop and implement carbon removal and storage initiatives. The Ingka Group discloses capital expenditures mainly related to renewable energy, for example EUR1.5 billion in heat pumps, renewable

technologies and energy efficiency improvements; EUR4.2 billion in wind and solar farms and wider renewable investments to date with a target to reach EUR7.5 billion by 2030.

5. Phasing out of Fossil Fuels and Scaling up Renewable Energy

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Targets aimed at ending the use of and/or support for fossil fuels	✓				Inter IKEA explicitly "supports the phase out of fossil fuels" focusing on actions to reduce any potential dependency in fossil energy. Inter IKEA has set near term targets to phase out on-site fossil fuels by FY27 and completely phase out off-site coal by FY30. The company has targets for phasing fossil fuels out of significant materials and products between FY25 and FY30. By 2040, Inter IKEA will only procure zero-emission medium and heavy-duty vehicles and only purchase zero-emission ocean transport services. The Ingka Group has set further targets for 90% zero emissions vehicle deliveries and leases by 2028.
Target for renewable energy procurement	✓				Inter IKEA and the Ingka Group aim to secure 100% renewable electricity consumption across Inter IKEA and Ingka Group owned operations by 2025. Inter IKEA and the Ingka Group are also targeting 100% renewable energy (electricity, heating, cooling and fuels) across the IKEA value chain by 2030.
Transition plan explains how fossil fuels will be fully phased out of its operations	✓				Inter IKEA's Climate Report FY24 outlines actions to phase out fossil fuels from core elements of its operations and supply chain.
If the company has operations in coal, oil or gas production:					
Target of minimum 64% reduction in methane emissions by 2030 from 2020 levels				NA	
For operations that include primary coal production for power generation, targets to end all aspects of coal production				NA	
For operations that include coal-based power generation, a target to end coal plants by 2030 in OECD countries and 2040 in the rest of the world				NA	
For operations that include oil or gas production, targets to end all aspects of oil or gas production				NA	

Commentary

Inter IKEA's Climate Report FY24 and the IKEA Climate Roadmap and the Ingka Group's NZTP examine IKEA's climate footprint for fossil fuel usage. The Inter IKEA Climate Report is explicit in the "phase out" and "elimination" of fossil fuels, that the company identifies as the "main cause of climate change". Inter IKEA is working toward the complete phase out of on-site coal, oil and oil based-fossil fuels by FY27 (including on-site coal at its remaining seven supplier factories). For example, phasing out on-site coal for heating in some locations by switching to rice husks and chicken manure. By FY30 Inter IKEA aims to phase out all off-site coal.

Actions to phase out fossil fuels span Inter IKEA's supply chain. The company has targets to eliminate fossil fuels from its materials: no virgin fossil-based plastic in IKEA products by FY30; zero virgin fossil-based polyester by FY25 where possible; phasing out fossil-based paraffin in candles by FY30; and moving away from fossil-based glues (currently approximately 5% of the total IKEA climate footprint). IKEA has expanded the use of bio-based glues; increased recycling for steel, aluminium, plastic and more; replacing fossil-based paraffin in candles with more diverse sources of vegetable-based waxes. The Ingka Group has a partnership with Stegra for green steel.

For transport and logistics, Inter IKEA aims for 100% of transport for customer deliveries and services to use electric vehicles, aims to procure only zero-emission medium and heavy-duty vehicles by 2040 and only purchase zero-emission ocean transport services by 2040. The Ingka Group also has zero emission vehicle targets to achieve more than 90% of home deliveries made by zero-emissions vehicles by 2028 and for more than 90% of company-owned and leased vehicles used in its operations to be zero-emissions vehicles by 2028.

6. Aligning Lobbying and Advocacy

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Disclosure of trade association affiliations and advocacy for positive climate action with associations	✓				The *Ingka Group Industry Association Climate Position Review 2023* reviewed 253 associations and lobbying partners in 2023 for their alignment with IKEA's climate position. The Review also outlines the company's escalation policy.
Outline of specific policies and regulations needed to facilitate its transition plan, including the emissions reductions possible if the listed policies and regulation were in place			✓		Inter IKEA's Climate Report FY24 outlines three key climate policy areas to accelerate action. Ingka Group's NZTP also outlines IKEA's broad policy positions for reducing emissions and alignment with 1.5˚C, alongside more specific recommendations such as EV charging infrastructure. Partial rating as the emissions reductions possible from policies are not specified.
Disclosure of how lobbying and policy engagement policies and activities are consistent with net zero targets	✓				The *Ingka Group Industry Association Climate Position Review 2023* states the company's engagement process, including addressing misalignment and moving to a remediation process to encourage closer alignment.
Disclosure of how the company contributes to investor, supplier, consumer and employee engagement and how it works with peers to	✓				Ingka Group's NZTP outlines engagement with co-workers, suppliers, customers, its Young Leaders Forum, and collaborations and partnerships within and beyond industry.

transform the economic sectors in which it operates					

Commentary

Inter IKEA's Climate Report FY24 outlines three key climate policy areas the company is pursuing:1) accelerating the transition to renewable energy-based systems and supporting the decarbonisation of all industry sectors, 2) promoting sustainable sourcing and products, as well as circular business models, and 3) protecting forests and making responsible forest management the norm.

IKEA, through Ingka Group, is transparent about its industry associations and memberships. The NZTP notes IKEA's B+ rating on InfluenceMap which identifies companies achieving best practice in climate policy advocacy, the highest rating awarded to a retailer. The *Ingka Group Industry Association Climate Position Review 2023* conducted 252 assessments, including 36 industry associations in 25 countries, across seven policy areas. 2% of associations were misaligned and 20% did not have a public policy position on the Ingka Group's climate policies.

An area of positive practice is the Ingka Group's engagement with young people. The Ingka Young Leaders Forum is a global youth advisory council comprised of 20 young leaders aged 17 to 30, who regularly engage with the company, including to review the NZTP.

7. People and Nature in the Just Transition & 9. Investing in Just Transitions

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
If material land-use emissions, it is stated how operations and supply chains will be achieved and maintained that avoid the conversion of remaining natural ecosystems— eliminating deforestation and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030.	✓				Inter IKEA and the Ingka Group have material forestry, land and agriculture (FLAG) emissions. Currently, the company has no separate FLAG emissions targets and these emissions are included in the IKEA's headline targets. The companies intend to set near and long term goals for removing and storing carbon in this sector following the publication of the Land Sector and Removals Guidance is by the Greenhouse Gas Protocol in 2025. Inter IKEA is committed to no deforestation and no forest degradation across its primary deforestation-linked commodities by December 2025.
Disclosure of how nature-based risks and dependency are addressed in relation to the transition plan			✓		*The IKEA focus on nature and biodiversity* commitment was released in 2024. It includes key goals across climate, circularity, water and forestry agendas and outlines some risks and dependences. Partial, as more in-depth disclosures aligned with the TNFD would be more comprehensive. Inter IKEA is in the process of developing Science-Based Targets for Nature (SBTN). The Ingka Group plans to commence TNFD reporting in 2026.
Disclosure of how the transition plan contributes to a Just Transition	✓				The Ingka Group's NZTP explains how it is contributing to a Just Transition, with further detail in the Annual Summary and Sustainability report FY24 on human rights. The Ingka

					Group is developing a new company-wide Human Rights and Environmental Due Diligence (HREDD) framework.

Commentary

Inter IKEA and the Ingka Group have material land-use emissions and plans to set separate targets for FLAG emissions in 2025. Inter IKEA aims to secure deforestation-free sourcing of soy, palm oil, beef, leather, coffee, cocoa, rubber and sugarcane by FY25. All wood used in Inter IKEA products is sourced from responsibly managed forests which do not contribute to deforestation. Inter IKEA is aiming for at least one-third of the IKEA wood-based range to be made from recycled wood by 2030.

The IKEA focus on nature and biodiversity outlines metrics for reducing freshwater withdrawal from production in the top 15 river basins that face high levels of water stress (50% by FY30), and reducing freshwater withdrawal from production in the remaining river basins the company operates in globally (20% by FY30%).

The Ingka Group's NZTP outlined plans to identify and prioritise 'hotspots' of potential climate actions with a significant social impact and the importance of working with communities most impacted by climate change. The *Ingka Group Annual Summary and Sustainability Report FY24* is developing a new company-wide Human Rights and Environmental Due Diligence framework. This should outline alignment to the United Nations Declaration on the Rights of Indigenous Peoples.

8. Increasing Transparency and Accountability

HLEG Criteria	Yes	No	Partial	NA/ND	Rationale
Annual disclosure of: - GHG data - net zero targets and transition plans and progress towards meeting these	✓				Annual GHG data reported for Scope 1, 2 and 3 emissions. Inter IKEA released the IKEA Climate Roadmap as part of its FY24 Climate Report and the Ingka Group's first NZTP was released in 2025.
Disclosure in a standardised, open format feeding into the UNFCCC Global Climate Action Portal	✓				Inter IKEA and Ingka Holding B.V. are listed on the UNFCCC Global Climate Action Portal.
Disclosure of detail of approach to verification and assurance of emissions, targets and transition plan and progress against these			✓		Inter IKEA and the Ingka Group's headline net zero target has been verified by SBTi. The Ingka Group's has four additional targets which have been verified by the SBTi on mobility, electricity and Scope 1 and 2 emissions. Ingka Group's FY24 data for Scope 1 and 2 emissions have been assured by KPMG (limited assurance). Scope 3 emissions within the company's operational control have been assured by KPMG (limited assurance), however Scope 3 emissions from home furnishing products and food purchased have not been assured. Progress against targets has also been assured (limited). However, there is no reference to assurance for Inter IKEA's Climate

					Report FY24 or IKEA's Sustainability Report FY24.
Emissions reductions are verified by an independent third-party	✓				Ingka Group's NZTP emission reductions figures have limited assurance.

Commentary

Annual GHG emissions data for Scope 1, 2 and 3 emissions, respective targets and FY24 progress against the targets' baseline are reported in various public documents. Inter IKEA and the Ingka Group demonstrate positive practice by clearly reporting against the company's baseline, not only for its net zero target, but across all the categories included in its climate footprint and additional targets the company has set.

Scope 1, Scope 2 and Scope 3 emissions in the Ingka Group's operational control have been assured (limited). Disclosure could be strengthened by assuring additional Scope 3 categories. The Ingka Group shows positive practice by assuring the company's progress against targets.

Sources

Ingka Group Annual Summary and Sustainability Report FY24, Ingka Group Net Zero Transition Plan FY25, Ingka Group industry association climate position review 2023, IKEA Climate Report FY24, IKEA Sustainability Report FY24, The IKEA focus on nature and biodiversity, IKEA Australia FY24 Sustainability and Annual Summary Report.

Comparison of actual emissions reduction to company targets

Inter IKEA/the Ingka Group have set a long-term CO_{2}-e emission reduction target to achieve Net Zero by 2050 and an interim target to reduce emissions by 50% by 2030 relative to 2016 levels (Table 6).

Table 6 Inter IKEA/the Ingka Group – Company emission reduction targets

Company targets relative to 2016 levels	**2030**	**2050**
CO_{2}-e emission reduction in %– targets, set by company, relative to 2016 levels	50%	
CO_{2}-e emission reduction in %– targets, set by company, relative to 2016 levels		90%*

*Remaining 10% of emissions in 2050 will be neutralised by removing and storing carbon within the company's value chain. Please note that Inter-IKEA and the Ingka Group are separate entities, however the two companies have matched net zero targets.

Actual emission reductions (Inter-IKEA)

- Based on company data, Inter IKEA's total group Scope 1, 2 and 3 emissions for FY24 were 29.55 million tonnes of CO2e. FY24 emissions have decreased by 28% relative to FY16 levels (data source: IKEA Climate Report FY24, p.13).
- According to the calculated emission reduction curve, cumulative emission reductions by 2024 (relative to 2016) required to meet the target for 2050 are 28.6%. As a result, Inter IKEA is assessed as on-track, see Table 7 and Figure 4.

Table 7 Inter IKEA actual emissions reductions compared to target

Actual emission reductions relative to 2016 levels	**2024**	**2030**	**2050**
CO_{2}-e emission reduction in %, required based on interim target relative to 2016 levels	-28.6%	-50%	-100%
CO_{2}-e emission increase in % – actual company data relative to 2016 levels	-28% (on track)	n.d.	n.d.

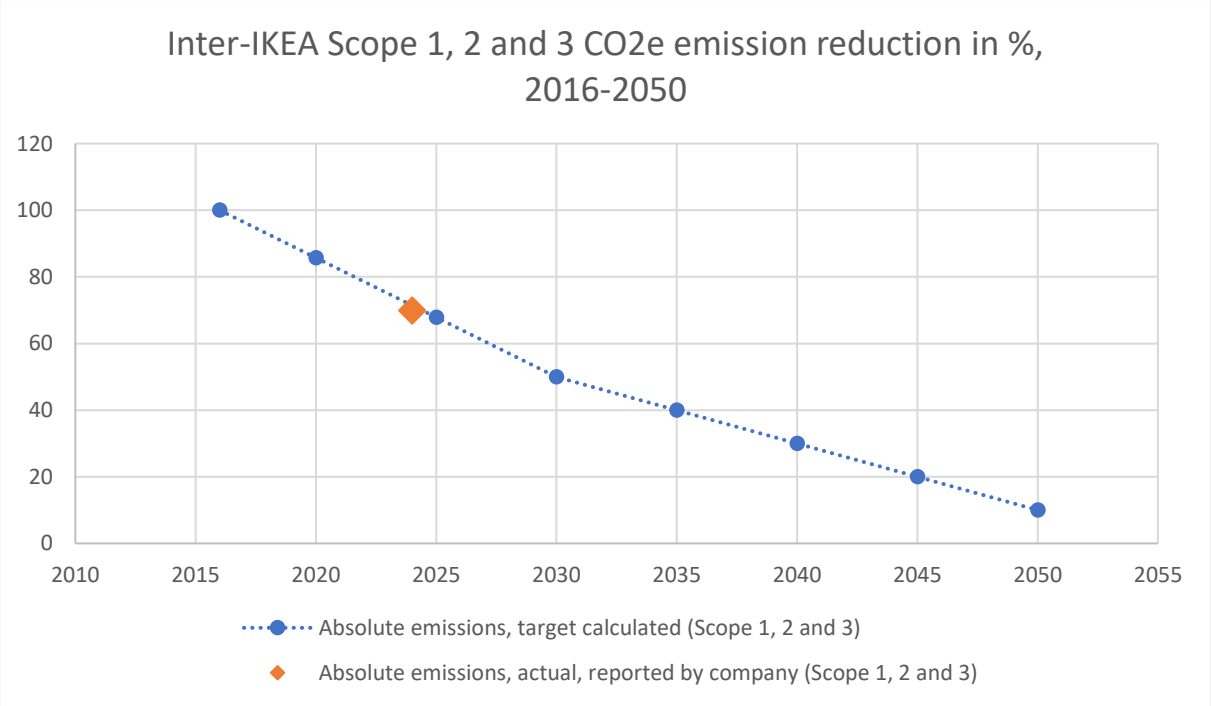

Figure 4 Inter IKEA, CO_{2}-e emission reduction trajectory in %, 2016-2050, based on interim target to reduce 50% by 2030 relative to 2016 levels, a long term target to reduce emissions at least 90% by 2050 relative to 2016 levels, and actual emission reductions reported by company in FY2024 (orange).

Requirements to meet the 2050 target (Inter IKEA)

The medium-term emission reduction target of 50% by 2030, shows a half-way mark. Assuming a linear reduction pathway, the annual average reduction between 2016-2030 relative to 2016 is 4.0%. After 2030, based on its long-term target, Inter IKEA's annual average reduction relative to 2016 would decrease to 2.0%. Note that, although the absolute reduction is constant (under the assumed linear pathway), the year-to-year reduction increases over time.

Actual emission reductions (the Ingka Group)

- Based on company data for emissions within the SBTi target scope, the Ingka Groups Scope 1, 2 and 3 emissions for FY24 were 19.7 million tonnes of CO_2e.[31] This figure excludes customer travel emissions which are optional under SBTi methodology. FY24 emissions have decreased by 30.1% relative to FY16 levels (data source: Ingka Group Annual Summary and Sustainability Report FY24, p.5). As the company's verified target this is referenced in Table 8 and Figure 5.
- Based on company data for full value chain emissions (including customer travel), the Ingka Group's total group Scope 1, 2 and 3 emissions for FY24 were 30.44 million tonnes of CO2e. This FY24 emissions have decreased by 29.3% relative to FY16 levels (calculation from Ingka Group FY24 Annual Summary and Sustainability Report).
- According to the calculated emission reduction curve, cumulative emission reductions by 2024 (relative to 2016) required to meet the target for 2050 are 28.6%. As a result, Ingka Group is assessed as on-track, see Table .

Table 8 Ingka Group actual emissions reductions compared to target

Actual emission reductions relative to 2016 levels	**2024**	**2030**	**2050**
CO_2-e emission reduction in %, required based on interim target relative to 2016 levels	-28.6%	-50%	-100%
CO_2-e emission increase in % – actual company data relative to 2016 levels	-30.1% (on track)	n.d.	n.d.

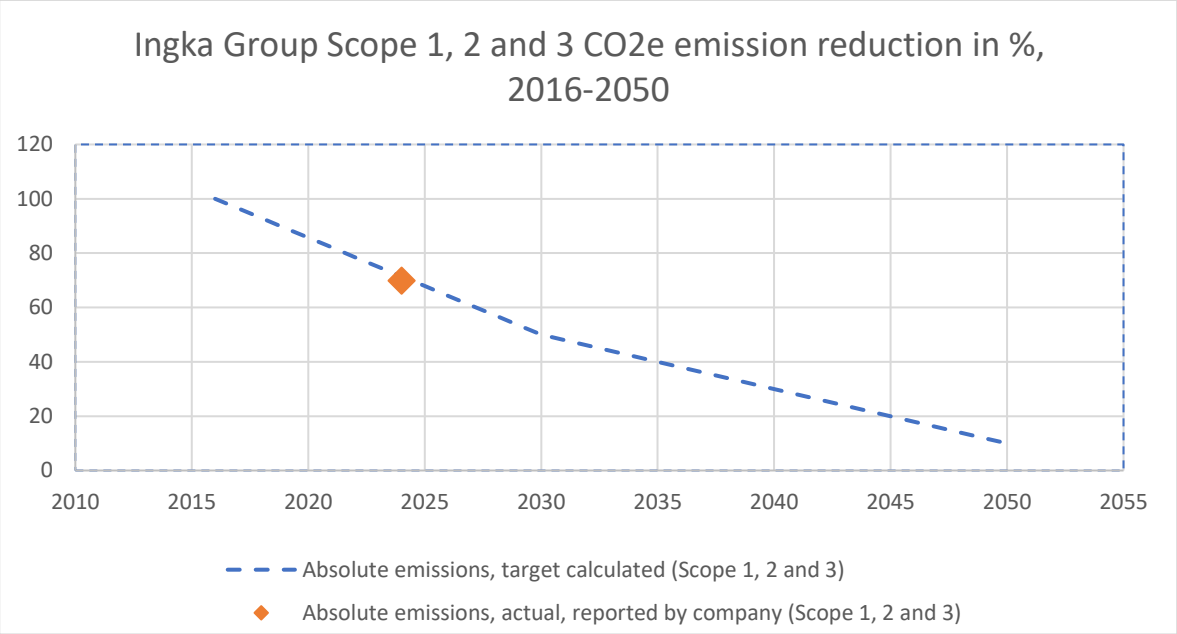

Figure 5 the Ingka Group, CO_2-e emission reduction trajectory in %, 2016-2050, based on interim target to reduce 50% by 2030 relative to 2016 levels, a long term target to reduce emissions at least 90% by 2050 relative to 2016 levels, and actual emission reductions reported by company in FY2024 (orange).

[31] FY24 total scope 1, 2 and 3 emissions (21,516,179 $MtCO_2e$) excluding FY24 customer travel (1,793,339 $MtCO_2e$) resulting in SBTi emissions scope of FY24 Scope 1, 2 and 3 emissions of 19,722,840 $MtCO_2e$.

Requirements to meet the 2050 target (the Ingka Group)

The medium-term emission reduction target of 50% by 2030, shows a half-way mark. Assuming a linear reduction pathway, the annual average reduction between 2016-2030 relative to 2016 is 4.0%. After 2030, based on its long-term target, the Ingka Group's annual average reduction relative to 2016 would decrease to 2.0%. Note that, although the absolute reduction is constant (under the assumed linear pathway), the year-to-year reduction increases over time.

Comparison of targets to scientific decarbonisation pathway

IKEA is a franchise business, with many companies operating under one IKEA brand. This includes: Inter IKEA Systems B.V. (the franchisor) and Ingka Group (the largest franchisee). IKEA in Australia is owned and operated by IKEA Australia Pty Ltd which is part of the Ingka Group.

The company's activities within Australia can be compared against sectorial pathways for the overall emissions, power, heat, materials sectors in 1.5ºC aligned pathways. For this comparison, data is used from pathways from the One Earth Climate Model (OECM) from UTS Institute for Sustainable Futures and the Net zero by 2050 scenario from the International Energy Agency (IEA).

Progress total emissions

To achieve 1.5ºC scenarios, there is a need for immediate reductions of overall global greenhouse gases.[32] Therefore, progress in overall emission reduction is considered an important milestone for alignment with 1.5ºC scenarios.

In 2024, Inter-IKEA reduced its emissions by 5% compared to FY23 and 28% compared to FY16. This means that overall reductions so far align with 1.5ºC pathways. In addition, Ingka achieved a FY24 reduction of 30.1 % across Scope 1, 2 and 3 compared to FY16.

Electricity

For the power sector, both the OECM and the IEA 1.5ºC scenarios contain specific milestones. In Australia's OECM 1.5 °C scenario, coal, oil and diesel are completely phased out by 2035 and natural gas is phased out by 2045. In addition, emissions from the power sector are reduced by 94.5%, 99.5% and 99.9% for the years 2030, 2035 and 2040 in the OECM 1.5 °C scenario. In comparison, IEA's global 1.5 °C scenario contains a key milestone for achieving net zero electricity in advanced economies by 2035.

Inter-IKEA & Ingka group

Inter-IKEA and Ingka reached 53% and 69.7% of annual renewable energy sourcing in FY16 and have targets for increasing this percentage by 2025 and 2030. Both Inter-IKEA and the Ingka group have a FY25 target for 100% renewable energy through annual sourcing - which would include both passive and active methods for increasing renewable energy. A passive method could be a guarantee of origin or a renewable energy certificate. More importantly, Inter-IKEA and Ingka has a renewable energy target that includes 100% active annual sourcing, which is a target for the percentage of directly bought and used electricity. This target would align and surpass the OECM's and IEA's power sector milestones.

Heating

For energy use for heating buildings, the IEA has 30% fossil fuel use in 2030 and 2% in 2050. The OECM 1.5 ºC trajectory contains a 33% reduction of greenhouse gases from fuel use by 2025, 80% by 2030, 86% by 2040 and 100% by 2050.

Inter-IKEA

Inter-IKEA has a target for completely phasing out on-site use of coal, oil and oil based-fossil fuel by 2027. However, this target could still include natural gas fuelled heat production, which still produces fossil fuel emissions. In addition, they will "strive for 100% renewable energy (electricity, heating, cooling and fuels) in production by FY30" – however this is framed more as an ambition than a target. If this ambition for energy in production is converted to an overall Inter-IKEA target, then there would be alignment with the OECM and IEA's 1.5ºC pathways.

Ingka Group

Ingka Group has a target for reducing Scope 1 and 2 emissions by 85% by 2030 compared to FY16. It is hard to directly compare this to pathways for heat, because the 85% reduction is a combined target for Scope 1 and 2 and therefore mixes with the electricity targets.

[32] IPCC. "Urgent climate action can secure a liveable future for all." IPCC. https://www.ipcc.ch/2023/03/20/press-release-ar6-synthesis-report/ (accessed Apr. 11, 2025).

Transport

The 1.5ºC aligned pathways from the IEA and the OECM contain decarbonisation targets for milestones for each mode of transport. Light road transport, which includes passenger vehicles, is one the earliest sectors to decarbonise. Here, the IEA's targets include a steady decrease from 2020 values and more than 50% of light-duty vehicles are electrified by 2030. The OECM has an Australian target of 42% reduction of CO_2 emissions from all road transport in 2025, compared to 2019. This is followed by target of 66% reduction in emissions by 2030. Due to the difficulties in decarbonising the maritime industry, their corresponding net zero targets occur later in the timeline with the last use of fossil fuels in 2040. For shipping, the IEA sets a target of an annual emission decrease of slightly more than 6% per annum. This translates to an emission reduction target between 50% and 51% in 2030, when compared to 2019.

Inter-IKEA

Inter-IKEA has several goals for the transport sector for FY30, with a 70% transport emission reduction for product transport compared to FY17, an 80% emission reduction for logistics services compared to FY17, a 50% reduction in co-worker commuting and business travel emissions compared to FY16, and a 30% reduction in home deliveries' emissions compared to FY16.

There is currently insufficient information about the total road transport emissions reduction target to assess alignment with the OCEM 1.5˚C model. However, if overall efforts result in a 66% emissions reduction for road transport by 2030 relative to FY19, there would be alignment with the OECM 1.5˚C model. In addition, Inter-IKEA aims to procure only zero-emission vehicles by 2040, however due to missing information about the total vehicle fleet, it cannot be determined if that is aligned with 1.5ºC pathways. Inter-IKEA's business strategy involves shipping as a mode of transport. Its target includes only purchasing zero-emission ocean transport by 2040. This is hard to compare to 1.5°C pathways for the shipping industry, because IKEA has an existing chartered vessel fleet.[33] In the case that the future zero-emission ocean transport services represent all shipping activities from IKEA, then the company's shipping activities would align with 1.5 °C milestones from the IEA and the OECM in 2040.

Ingka Group

Ingka Group has a target to reduce absolute emissions from downstream transportation and distribution by 40% by FY30, when compared to FY16. More information is needed to determine if this aligns with the Inter-IKEA's various transport targets (should the targets combined deliver a 66% reduction in road transport emissions by 2030 relative to FY19).

Its subgoal of more than 90% share for zero-emission vehicles for home deliveries and company-owned and leased cars in 2028 aligns with the IEA Net Zero by 2050 milestone.

Materials

Inter-IKEA & Ingka Group

There is not enough granular information to assess the 1.5ºC alignment of the goals set for Inter-IKEA's and Ingka's materials. However, there are positive aspects from IKEA's roadmap that match with contributing elements to individual 1.5ºC sector pathways, for example:

- Reduce absolute GHG emissions from materials by 50%.
- Increase recycled content in steel, aluminium and plastic
- Maximising the use of recycled materials for plastic
- Optimising the mix of renewable and recycled feedstock for paper.
- No virgin fossil-based plastic in IKEA products by FY30
- Zero virgin fossil-based polyester by FY25 where possible; phasing out fossil-based paraffin in candles by FY30

[33] Ikea is Buying Containers and Chartering Vessels. The Maritime Executive, 2 September 2021. Available at: https://maritime-executive.com/article/ikea-is-buying-containers-and-chartering-vessels.

- Phasing out fossil-based paraffin in candles by FY30
- Moving away from fossil-based glues

The Ingka Group positive practice case study

Areas of positive practice

Through the review of Inter IKEA (IKEA franchiser) and the Ingka Group's (largest IKEA franchisee) public documents and an interview with key Ingka Group and IKEA Australia (part of Ingka Group) sustainability staff, areas of positive practice were identified, including leadership on:

- *Climate transition plans to galvanise action*
- *Recognising decarbonisation dependencies*
- *Comprehensive and transparent disclosure*
- *Scope 3 emissions and circularity*

While the company assessment examines both Inter IKEA and the Ingka Group, this positive practice piece primarily relates to the Ingka Group who participated in the interview.

Climate transition plans to galvanise action

Climate is the "biggest sustainability topic in IKEA" (Ingka Group interview) and one the Ingka Group has chosen to be a leader on externally. The Ingka Group advocates for climate action and policies in line with 1.5˚C, including the Ingka Group's CEO co-chairing the World Economic Forum's Climate Leaders Alliance and various other forums. Sustainability is reflected in Ingka's personnel, business plans, Group goals and country goals.

> "Gone are the days where sustainability is on the edge of the business … it's not about having big sustainability teams, it's about baking it into the business plans, your goals, your country goals, and making sure that it's part of running business. Otherwise it just won't happen." – Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

The Ingka Group have an interim target to halve emissions by 2030 and reduce emissions at least 90% by 2050 (from a FY16 baseline). The remaining 10% of emissions in 2050 will be neutralised by removing and storing carbon from the atmosphere. These targets were separately verified by the SBTi in 2024.

The Ingka Group is committed to avoiding offsets to achieve targets. Ingka sees its first responsibility "to decarbonise our actual business" and prioritise genuine emissions reductions (Ingka Group interview). There is an acknowledgement that offsets could detract from the continual innovation and significant drive required for rapid decarbonisation.

> "The minute you let the pressure off by allowing offsetting you risk stopping the innovation in your value chain. For us it is about keeping up maximum pressure to decarbonise even when it's difficult." – Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

In 2025, the Ingka Group published its *Net Zero Transition Plan* (NZTP), outlining actions to 2030 across key emissions categories for the IKEA Group net zero target. The NZTP is acknowledged for its significant benefits as a "north star". It integrates the goals into the business and galvanises staff to deliver against them and aims to set a standard that inspires the broader business community to go further.

> "Goals are great, but until you know how you're going to get there, there isn't really much momentum. Too few companies have SBTi aligned goals and really too few have transition plans. It's part of our job to inspire the community and drive others to action." – Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

Recognising decarbonisation dependencies

The process of crafting the Ingka Group's NZTP was incredibly useful in gaining a bird's eye view of the company, its operations, and "the intersections across and between the dependencies" (Ingka Group interview). Each emission category in the NZTP contains a "Key dependencies" section which outlines key policy, regulation, infrastructure, technology or data required to support decarbonisation. For example, the "product end of life" emission category notes key dependencies as: greater technological innovation around recycling, policy change for circularity and shifting consumer behaviour.

> “A lot of the dependencies are gaps in regulation or some of the more systemic challenges that we need to fix. There you see that sort of red thread - this is bigger than IKEA. We need to fix the system.” – Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

At a global level, the Ingka Group highlighted the key enablers for IKEA to achieve its net zero targets as: policies aligned with 1.5˚C, removing fossil fuel subsidies, a carbon price, and infrastructure (particularly for electric vehicles). At a national level, IKEA Australia is advocating for a strong Nationally Determined Contribution to provide certainty for businesses to invest; harmonisation of Federal and State/Territory level policies which would enable more efficient use of resources and business to accelerate action; a dedicated national strategy for electric commercial vehicles; product stewardship schemes for recycling and renewing materials; and infrastructure particularly within energy networks and for waste and material recycling.

While “policy stability” is noted as a key enabler, the Ingka Group is clear the transition is unstoppable, no matter who is in government.

> “The net zero transition is inevitable. Whoever's…in power. It doesn't mean we don't have to work bloody hard to make it happen, but we don't want to be on the wrong side of a transition where fossil fuels are no longer part of the economy” – Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

As a retail company, the Ingka Group is acutely aware of a different kind of dependency on the path to net zero – responsibility to its customers. In FY24 IKEA stores around the world welcomed 899 million visitors and total sales reached EUR45.1 billion for IKEA products, food and services to customers. IKEA’s vision is “for the many” and a crucial part of that is a liveable planet and providing affordable and sustainable offerings for the many.

> “You can't really be a company for the many on a planet that's burning because it's the people with thinner wallets that will suffer the most from climate change. So, it's the right thing to do”. – Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

Comprehensive and transparent disclosure

The Ingka Group’s sustainability documents provide relatively comprehensive disclosure, reporting progress and emissions against the baseline year, transparency in challenges the companies are facing and assessing industry associations for alignment with the Ingka Group’s climate position.

The Ingka Group aims to be honest and transparent in its disclosures, using missed milestones as opportunities for further action, advocacy and collaboration. One example in Australia is the electrification of deliveries from the store or distribution centre to customers’ homes. Originally Ingka Group’s target was for 100% zero emissions deliveries by 2025, which has almost been achieved in metro areas in Australia but requires further technology and infrastructure to reach regional areas.

> “We are of the mindset that it's really important to come out and be honest about the fact that we're not going to be able to achieve [a target], but actually use that as an opportunity to advocate, to say that here's what we've done that's within our control and here's what needs to happen from a variety of actors – including IKEA – to come together.” – Lauren Sinfield, Public Affairs Leader, IKEA Australia

The Ingka Group’s transparency is also reflected in The Ingka Group industry association climate position review, which examined 36 industry associations in the countries Ingka operates in for alignment with the company’s climate position. The review has proven to be valuable in engaging with industry bodies globally on areas of (mis)alignment.

The Ingka Group is open about the challenges it faces in its journey to decarbonise both from a strategic perspective, in devising its NZTP and also from an operational perspective, for Scope 3 emissions and decarbonising materials (further details below). The NZTP is Ingka’s first transition plan and three key challenges arose during its formation: lack of a blueprint for company climate transition plans, which meant that Ingka Group ultimately drew on a host of sources (CDP, Corporate Sustainability Reporting Directive (European Sustainability Reporting Standards 1 and 2) and the Transition Planning Taskforce), the need to balance transparency with innovation gaps and plans that were still under development, and simplifying the language and complex subjects to make the plan more understandable for a wide audience.

Scope 3 emissions and circularity

To date the Ingka Group has reduced its Scope 1, 2 and 3 emissions 30% since its FY16 baseline. However, the company notes that a lot of the progress to date has been from "low hanging fruit" in Scope 1 and 2 emissions reductions and the harder to abate Scope 3 emissions are far more challenging, where solutions may not exist yet and are more expensive (Ingka Group interview).

Reducing Scope 3 emissions is "a huge, huge challenge." The Ingka Group's Scope 3 emissions include the IKEA product value chain, which is overseen by its franchiser, Inter IKEA. In FY24 Scope 3 emissions accounted for 98% of Inter IKEA's total emissions and 99% of the Ingka Group's total emissions. The majority of Inter IKEA's Scope 3 emissions comes from materials: metals (29% of Inter IKEA's climate footprint), wood (22%), textiles and comfort materials (18%), rigid plastic (12%) and paper (10%). Balancing sustainable materials with affordability is critical for a retail organisation like IKEA.

> "For a company that is about the many, we want to make sustainability affordable. That is a huge consideration for us: how do we move those materials to a more sustainable profile without adding cost for our customers. I would say that's the biggest challenge and if we can fix that, then we're 50% of the way there to 2050." – Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

Inter IKEA aims to be a fully circular business by 2030. Ingka Group highlights the necessity of embedding circularity to its climate targets: "we can't meet our goals without becoming a circular business", but acknowledges circular practices also present a "massive challenge for a retailer of our scale" (Ingka Group interview). There are a few circular pilots, including "IKEA Preowned", a second-hand online marketplace where customers can trade pre-owned IKEA products. The marketplace is hosted on IKEA's website and originally piloted in Madrid and Oslo in August 2024, with an ambition to roll out more broadly across the world.

As outlined in the IKEA Australia *FY24 Sustainability and Annual Summary report*, in FY24 IKEA Australia diverted nearly one million products from landfill, almost 36,000 products were bought and re-sold in its Buy Back service, and 37,000 customers used IKEA Australia's free spare parts offer. In partnership with charity Good360, IKEA Australia supported more than 1300 people with almost $140,000 in IKEA products that otherwise would have gone to landfill.

Despite these initiatives, the Ingka Group notes circularity is "less mature" in the business. Currently, circular practices are primarily in the pilot phase and need to be scaled up and the challenge now is embedding circularity into the business.

> "Getting the reverse flows in so that customers can bring back products we refurbish and reuse those materials and get them back into the products. That circular economy piece is massively complex. Scaling from pilots to a proper integrated business model that's going to take a lot of heavy lifting. – Simon Henzell Thomas, Climate and Nature Manager, Ingka Group

Another challenge with circularity and Scope 3 emissions, is calculating the emissions reduction from re-used products. There is no established, robust methodology within carbon accounting beyond measuring the emissions avoided if the re-used product had gone to landfill. Ingka Group highlights that the "link between circularity and climate is actually quite hard to make", even if the business becomes circular it is unclear how that will impact its emissions footprint.

Appendix 1: Assessment notes

1. Announcing a Net Zero Pledge

HLEG Criteria	Notes on application of criteria
Public pledge to achieve net zero emissions	A public net zero target, pledge, ambition, commitment or goal was accepted. This criterion assesses only the public commitment to net zero.

2. Setting Net Zero Targets

HLEG Criteria	Notes on application of criteria
Short-, medium- and long-term interim emissions reduction targets in a minimum of 5 yearly increments. First target 2025.	Yes rating awarded for targets in at least 5 yearly increments. Partial awarded if there was one or more interim target in less than 5 yearly increments.
Target of at least 50% reduction below 2020 levels by 2030 and net zero by 2050 or sooner	Yes rating awarded if a net zero by 2050 target was present and a 50% or higher by 2030 target (or equivalent from a different baseline year). This criterion was applied regardless of scope of coverage which is assessed in separate criteria. Partial if only one present or interim target not equivalent to or higher than 50% by 2030 from 2020 baseline.
Absolute emissions reduction targets (intensity if relevant)	Yes if the targets were presented as absolute emissions reductions targets i.e. not only intensity targets or not only targets 'net' of offsets.
Targets stated to be based on a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot, verified by third party	Yes if the target was stated to be consistent with limiting warming to 1.5°C with no or limited overshoot and the methodology for calculating the target was stated and the target has been verified by a third party (verification of scopes 1 and 2 was accepted) Partial if some but not all of the above were met.
Targets stated to cover all scope emissions and all operations along the value chain in all jurisdictions	Yes if the target was stated to cover Scopes 1, 2 and 3 emissions (material Scope 3 accepted) and all operations in all jurisdiction. Partial if some but not all of the above were met.
Targets stated to account for all greenhouse gas emissions	Yes if either it was explicitly stated that all greenhouse gases were included in the target, OR if the target was based on an emissions inventory that was compiled using a methodology that requires coverage of all greenhouse gas emissions (e.g. NGER)
Where relevant, separate targets for material non-CO_2 greenhouse gas emissions	Yes if material non-CO_2 greenhouse gas emissions were disclosed and a separate target was disclosed. No if material non-CO_2 greenhouse gas emissions are relevant and no separate target was disclosed. ND if there was no disclosure of material non-CO_2 greenhouse gases and relevance is unknown
Where relevant, targets cover and separately account for embedded emissions within fossil fuel reserves	This criterion was applied only to companies with fossil fuel operations Yes if a separate target for embedded emissions within fossil fuel reserves was disclosed No if no separate target disclosed

Where relevant, targets cover and separately account for any land-use related emissions and risk adjusted sequestration in biomass, such as forests, peatlands and wetlands	Yes if material land-use emissions were disclosed and a separate target was present ND if there was no disclosure of material land-use emissions (meaning it was not possible to assess relevance)

3. Using Voluntary Credits

HLEG Criteria	Notes on application of criteria
Where the company has purchased voluntary carbon credits, they are stated to be used for beyond value chain mitigation and are not counted toward the company's interim emissions reductions	Yes if voluntary carbon credit purchases were disclosed and stated to be not counted towards interim emission reduction targets No if voluntary carbon credit purchases were disclosed and stated to be counted towards interim emission reduction targets ND if there was no disclosure on voluntary carbon credit purchases NA if it was disclosed that voluntary carbon credits are not currently purchased

4. Creating a Transition Plan

HLEG Criteria	Notes on application of criteria
Publicly disclosed net zero transition plan	Yes if an identifiable standalone transition plan, such as a Climate Action Plan was published (for other criteria, evidence was accepted from other publications such as Sustainability Reports)
Transition plan stated to be updated every 5 years	Yes if a clear statement was present relating to frequency of review and update of the standalone plan within 5 years, including frequency of putting to a shareholder vote
Transition plan states the actions it will take to meet targets - concrete and specific actions, stated to be technologically feasible and economically viable	Yes if there was a high level of detail on specific and concrete actions to be taken to achieve the target, with direct reference to comprehensive achievement of targets and where the plan did not rely on actions that are not yet technologically feasible or economically viable Partial if there was some disclosure of concrete actions that would contribute to achievement of targets No if there was no or very little disclosure of concrete actions
Quantification of the contribution of specific actions to the achievement of the overall target	Yes if the contribution of specific actions was quantified comprehensively in direct relation to achievement of the total emissions reductions required to achieve the target Partial if there was some but not comprehensive quantification of targets or if quantification was not directly linked to proportionate contribution to the overall target No if there was no or very little quantification of specific actions
Disclosure of how capital expenditure plans, research and development plans and investments are aligned with all targets	Yes if there was disclosure of a comprehensive capital expenditure plan detailing expenditure on actions required to achieve the overall target Partial if there was some but not comprehensive disclosure of capital expenditure plans

	No if there was no or very little disclosure of capital expenditure plans
Explanation of governance structure for transition and verification. Description of how near- and long-term emission reduction targets are linked with executive compensation.	Yes if there was detailed disclosure of governance structure for managing the transition and a direct connection to executive compensation Partial if some but not all of the above was disclosed No if there was no or very little disclosure

5. Phasing out of Fossil Fuels and Scaling up Renewable Energy

HLEG Criteria	Notes on application of criteria
Targets aimed at ending the use of and/or support for fossil fuels	Yes if there were specific targets aimed at explicitly ending the use of and/or support for fossil fuels in line with IPCC and IEA net zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot No if there were no targets explicitly aimed at ending the use of/and or support for fossil fuels (targets contributing to phase down of fossil fuels were not sufficient)
Target for renewable energy procurement	Renewable energy was defined as stationary energy, does not include transport fuels Yes if a renewable energy target was present, no if it was not Note: this criterion did not assess the quality of the renewable energy target
Transition plan explains how fossil fuels will be fully phased out of its operations	Yes if there was a clear commitment to and explanation of full phase out of fossil fuels from significant parts of operations No if there was no clear commitment to and explanation of full phase out of fossil fuel from operations (actions contributing to phase down/partial phase out of fossil fuels without clear commitment to phase out (e.g. RE targets) were not sufficient and are assessed under transition plan criteria)
The following criteria were applied only to companies that have operations in coal, oil or gas production	
Target of minimum 64% reduction in methane emissions by 2030 from 2020 levels	Yes if a target of, equivalent to, or greater than, 64% reduction in methane emissions by 2030 from 2020 levels was present. This applied only to energy-related methane emissions, not biogenic methane. No if 64% or greater target not present
For operations that include primary coal production for power generation, targets to end all aspects of coal production	Yes if targets to end all aspects of coal production were present
For operations that include coal-based power generation, a target to end coal plants by 2030 in OECD countries and 2040 in the rest of the world	Yes if a target was present to end coal plants (coal-fired power plants) by 2030 in OECD countries and 2040 in the rest of the world
For operations that include oil or gas production, targets to end all aspects of oil or gas production	Yes if targets to end all aspects of oil or gas production were present

6. Aligning Lobbying and Advocacy

HLEG Criteria	Notes on application of criteria

Disclosure of trade association affiliations and advocacy for positive climate action with associations	Yes if company trade association affiliations were disclosed and it was stated that the company encourages its associations to advocate for positive climate action and had disclosed an escalation strategy if they do not, including the option of leaving the association if the necessary changes are not made. Partial if some but not all of the above were present. No if no or very little disclosure on the above.
Outline of specific policies and regulations needed to facilitate its transition plan, including the emissions reductions possible if the listed policies and regulation were in place	Yes if there was disclosure of specific policies and regulations, including carbon pricing, needed to facilitate the company's transition plan and including disclosure of the emissions reductions possible if the listed policies and regulation by authorities and jurisdictions were in place Partial if some but not all of the above were present. No if no or very little disclosure on the above.
Disclosure of how lobbying and policy engagement policies and activities are consistent with net zero targets	Yes if there was a reasonable level of disclosure of how the company's lobbying and policy engagement policies and activities are consistent with its net zero targets Partial for limited disclosure of the above No if there was no or very little disclosure
Disclosure of how the company contributes to investor, supplier, consumer and employee engagement and how it works with peers to transform the economic sectors in which it operates	Yes if there was a reasonable level of disclosure of how the company contributes to investor, supplier, consumer and employee engagement and how it works with peers to transform the economic sectors in which it operates Partial for limited disclosure of the above No if there was no or very little disclosure

7. People and Nature in the Just Transition & 9. Investing in Just Transitions

HLEG Criteria	Notes on application of criteria
If material land-use emissions, it is stated how operations and supply chains will be achieved and maintained that avoid the conversion of remaining natural ecosystems— eliminating deforestation and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030.	Yes if material land-use emissions were disclosed and it was stated how operations and supply chains will be achieved and maintained that avoid the conversion of remaining natural ecosystems— eliminating deforestation and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030. Partial if there was some but not full disclosure of the above ND if there was no disclosure of material land-use emissions (meaning it was not possible to assess relevance)
Disclosure of how nature-based risks and dependency are addressed in relation to the transition plan	Yes if there was disclosure of nature-based risks and dependency and these were addressed in relation to the transition plan Partial for some but not detailed disclosure, or not related to the transition plan No if there was no or very limited disclosure (because disclosure of nature-based risks is a UN HLEG requirement)

Disclosure of how the transition plan contributes to a Just Transition	Yes if there was disclosure of the company's contribution to a Just Transition in its transition plan i.e. how it will deliver its net zero pledge in a way that delivers fairness and tackles inequality and injustice Partial for limited disclosure No if there was no or very limited disclosure (because disclosure of contribution to Just Transition is a UN HLEG requirement) Note: this criterion did not assess the quality of Just Transition contributions, only the extent of disclosure

8. Increasing Transparency and Accountability

HLEG Criteria	Notes on application of criteria
Annual disclosure of: - GHG data - net zero targets and transition plans and progress towards meeting these	Yes if there was annual disclosure (at least in the last two years) of greenhouse gas emissions data and progress against net zero targets and transition plans (with clear disclosure of progress against targets) Partial if there was disclosure of some but not all of the above
Disclosure in a standardised, open format feeding into the UNFCCC Global Climate Action Portal	Yes if the company was found on a search of the UNFCCC Global Climate Action Portal web database: https://climateaction.unfccc.int/
Disclosure of detail of approach to verification and assurance of emissions, targets and transition plan and progress against these	Yes if there was disclosure of verification of emissions, targets, transition plan and progress reporting Partial if there was disclosure of some but not all of the above No if there was no disclosure of verification or assurance
Emissions reductions are verified by an independent third-party	Yes if there was explicit disclosure of year-on-year emissions reductions (for the most recent reporting period) and the emissions reductions were verified or assured by an independent third-party


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