



A4S

**CFO LEADERSHIP
NETWORK**

OUR PATHWAY TO NET ZERO

Case study: Heathrow



THE PRINCE OF WALES'S
CHARITABLE FUND

Heathrow



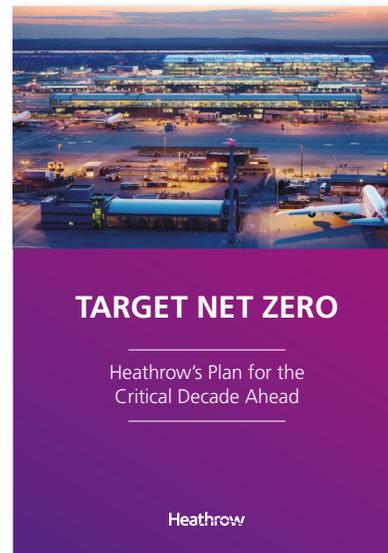
WHAT?

Heathrow is an aviation hub which, in 2019, had over 80 million passengers and nearly 8,000 employees. As a result of the COVID-19 pandemic, Heathrow, along with the global aviation sector, has seen a significant fall in traffic in 2020. The latest information on the impact of the pandemic can be found on our [website](#). However, climate change remains a significant mid-term challenge and we are continuing to focus on our climate plan as outlined below.

In February 2020, we published [our roadmap](#) for getting to net zero carbon emissions by 2050. We also champion net zero in the aviation sector and contributed to the [Sustainable Aviation Decarbonization Roadmap](#).

Our goal to get carbon emissions in aviation to net zero is supported by an eight-step plan. This sets out the actions we will take to bring our own infrastructure to net zero and how we will work with partners, passengers and the government to reduce carbon throughout our value chain.

Heathrow's finance and sustainability teams collaborate in working towards this goal. Getting to net zero requires major investments in infrastructure and renewable energy, and finance plays a lead role in sustainability investment appraisal. Finance also owns our climate-related disclosures in the annual report and handles questions from investors.



WHY?

Aviation is a critical industry for economic growth, but our CEO knows that 'we cannot fly at any cost'. We believe that climate change is an existential challenge that demands urgent action. Failing to reduce global carbon emissions will be disastrous for us, our sector and our world. So, we must play our part in achieving a zero-carbon future.

Our carbon goals are guided by science. Until recently, the accepted goal for the global aviation sector was a 50% cut in net carbon emissions by 2050, and this is still its target. However, the [2018 IPCC report](#) changed the industry's understanding of what must be done: the scientific evidence is now that we need to get to net zero by 2050.

In line with the IPCC guidance, we and the UK aviation sector decided to set out our own path to net zero.

HOW?

We started by committing ourselves to net zero carbon emissions. Although we had yet to work out in granular detail how we would get there, we knew that was the right ambition. Our roadmap came next, broken down into eight concrete steps. Making our plan tangible helped to bring others along with us, showing that there were specific actions that would get us to net zero. We then identified the risks and opportunities that we could face, which fed into our strategic planning.

We also worked with partners across the sector and contributed to the UK aviation sector's decarbonization roadmap. As an airport, most carbon emissions in our sector are outside of our direct control. So we decided to publish our plan after the sector plan, as this enabled us to position our roadmap as part of a sector-wide commitment and made our own ambitious targets credible.

We have summarized our key learnings on the following pages.

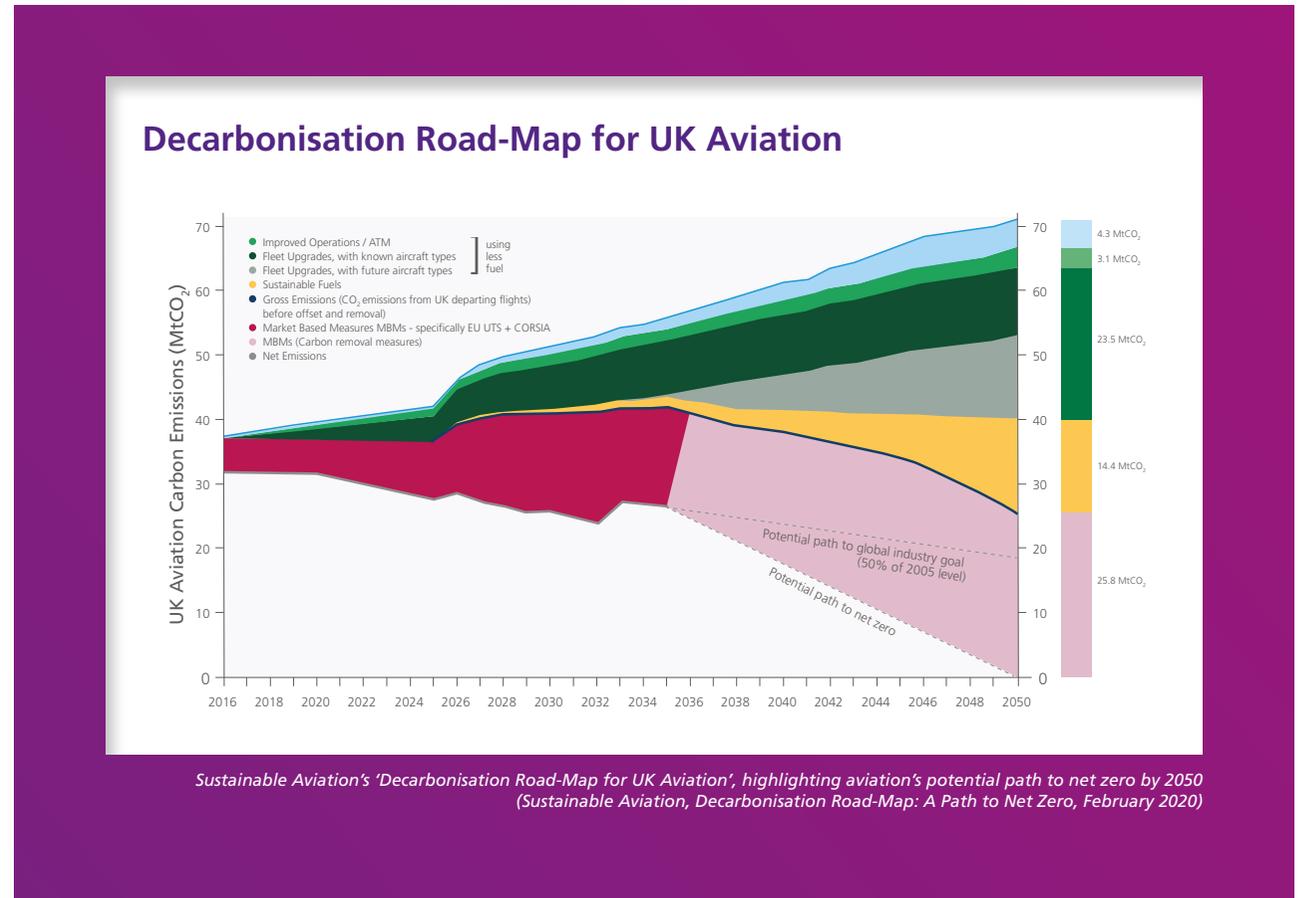


Chart taken from 'Target Net Zero: Heathrow's Plan for the Critical Decade Ahead, p.15



SHOWING LEADERSHIP

Our net zero journey was defined from the outset by leadership and ambition, and both our CEO and CFO have been championing this agenda. Back in 2017, we published our [Heathrow 2.0 plan](#) to achieve sustainable growth. This set out the four big sustainability outcomes we wanted to achieve, including a goal that Heathrow's growth would be carbon neutral. Committing to net zero has raised the bar but it has not changed our fundamental approach.

For us, leadership is, in part, about setting bold goals, even if you are not sure of every specific solution to achieve them. It is important to define your ambition first, focusing on where you as an organization can make the most difference. In setting our goal, we have prompted conversations and actions throughout our organization and the aviation sector; that is how we start to make change happen.

COLLABORATING WITH THE SECTOR AND OTHER PARTNERS

While we can set out what we want to achieve, we cannot do it alone. We directly control only a small portion of carbon emissions in our value chain; it is still important to bring these to net zero, but the bulk of aviation emissions are from aircraft – operated by the airlines not the airport. Taking net zero seriously means we must work hand-in-hand with our sector.

For several years, we have worked with the UK, EU and global aviation bodies to tackle carbon emissions. We are also working with Airports Council International Europe, which has a longstanding carbon accreditation scheme for airports. Sector-wide collaboration helps to amplify our impact and promote best practice.

Our net zero plan includes other ground-level emissions that we can influence, working with our partners and passengers. We can support partners to switch to zero-carbon vehicles; create easier ways for people travelling to us by ground to reduce their emissions; and set carbon targets for building works.



ROLE OF FINANCE

The finance function is critical for achieving our net zero agenda, which requires us to invest in infrastructure and renewable energy. Finance plays a major role in appraising investments and developing business cases. We have developed a sustainability investment appraisal tool that applies both financial and nonfinancial measures, including the carbon saved per pound of investment. Finance developed the tool with technical input from the sustainability team and external experts.

The finance and commercial teams financially model incentives and charges to reduce carbon emissions at the airport. For many years, our landing charges have been weighted to incentivize quieter and cleaner aircraft, and we are now consulting on the potential to incentivize sustainable aviation fuels as well.

Investors are increasingly interested in making sure that we are actively managing the risks and opportunities of climate change. Finance communicates with our investors and leads on our implementation of [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) recommendations, with the support of our sustainability experts. We made significant progress in our 2019 Annual Report and Accounts disclosures and will develop it even further in our 2020 Report.

NEXT STEPS

One challenge we are facing is that there is not yet an accepted standard for what net zero means. We have interpreted it to mean that we need to get emissions as low as possible before offsetting residual emissions using only ‘carbon removals’. What we want though, is an agreed, robust standard that we can be independently evaluated against. This will assist us to plan our route to net zero in more detail and publish a credible deadline for achieving net zero.



TOP TIPS

BE BOLD

Think big and set an ambitious goal guided by the science even if you are not yet sure of the specific steps that will get you there. Making the commitment shifts the discussion on net zero from 'whether' to 'how' and kick-starts essential conversations. From there you can do your research and develop a plan.

ADOPT THE TCFD FRAMEWORK

This is a robust, internationally accepted framework for thinking about climate-related risks. It will guide you to think about all the right things in terms of transition and adaptation risks. It is also a great way to bring sustainability and finance teams together to address climate change.

HAVE A WELL-MEASURED CARBON FOOTPRINT

Each element of your carbon footprint needs to be clearly defined, including your scope 3 emissions. A strong understanding of emissions throughout your value chain is essential when you are planning how to get to net zero.

COLLABORATE

Climate change is too big an issue for any one organization to solve alone. Working with others in your sector and value chain will help to push for change on a broader scale and make it more likely that you will achieve your own goals.

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