

CDP

Supply Chains and Scope 3

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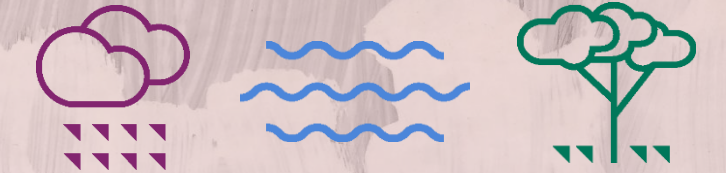
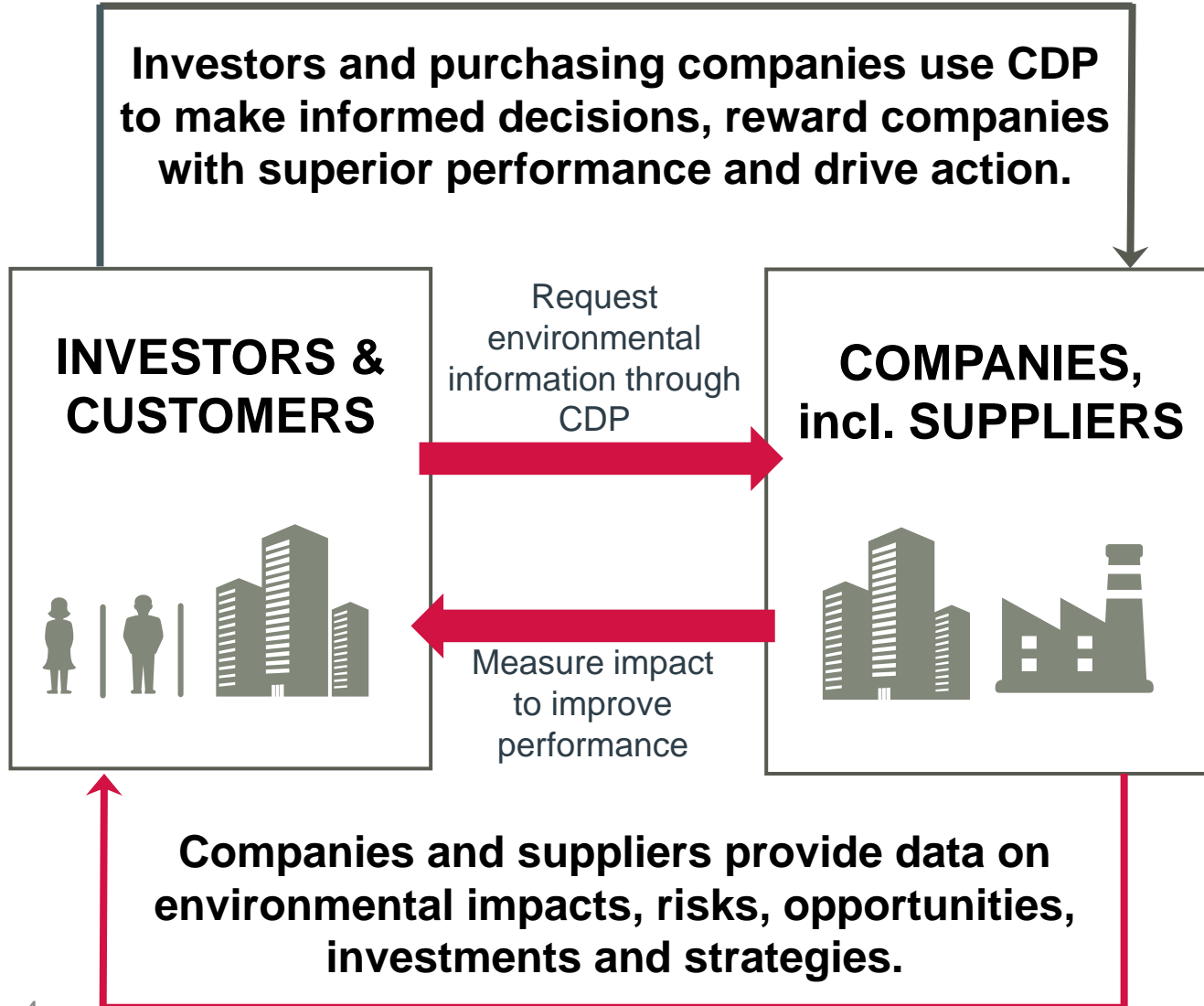
Agenda

- ▼ CDP Overview
- ▼ Why Supply Chains
- ▼ Setting & Achieving Science-Based Targets
- ▼ Supply Chain GHG Disclosure
- ▼ Retailers & Supply Chain Sustainability

CDP Overview



ABOUT CDP



Companies take action to tackle climate change, safeguard water resources and prevent the destruction of forests.



Why Supply Chains?



#CDPSupplyChain

Suppliers
disclosing
through CDP
in 2020...



REDUCED
EMISSIONS BY
**619 MILLION
TONS**



SAVING
**US \$33.7
BILLION**

Supply chain
emissions are

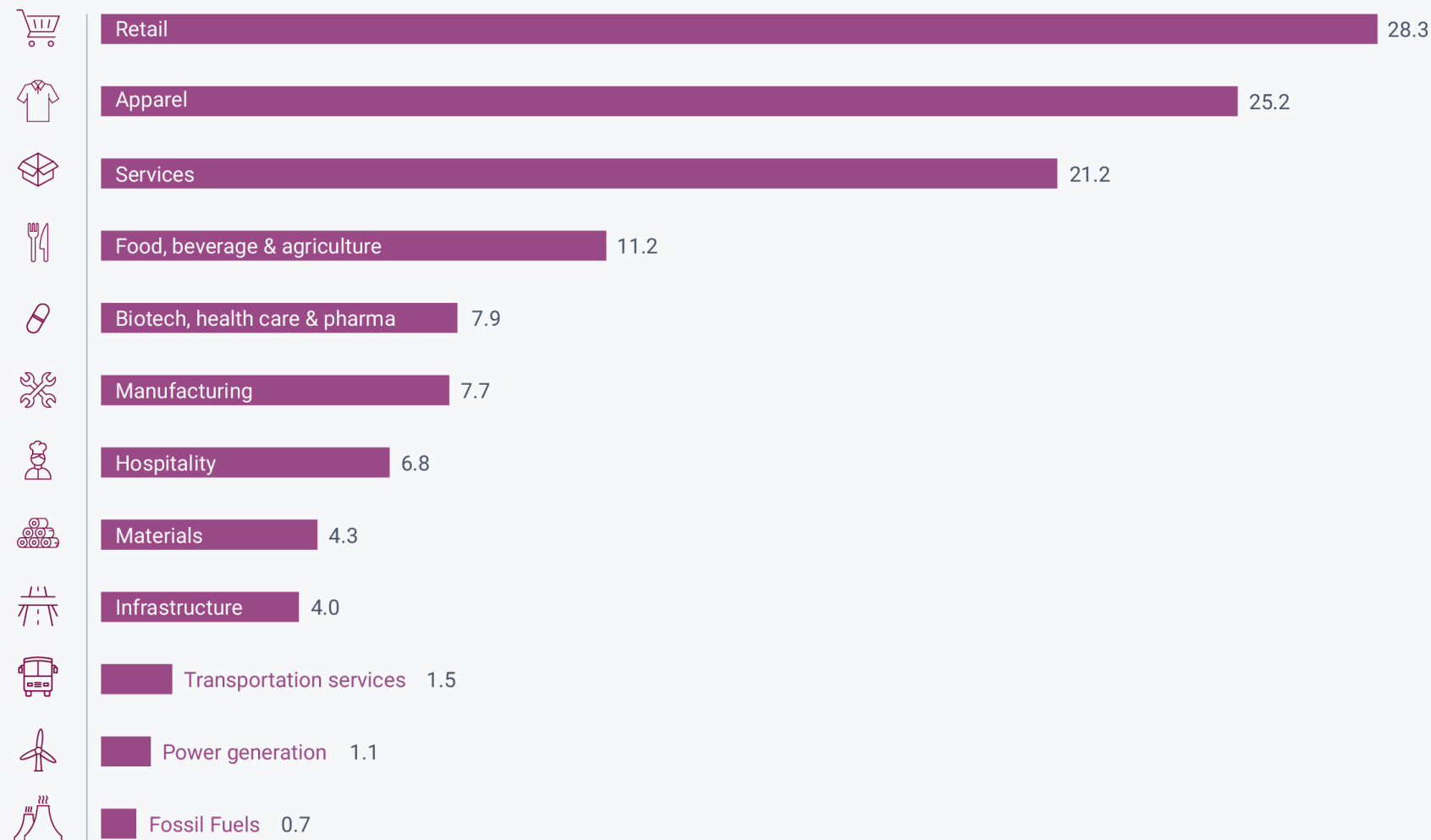
11.4x higher

than operational
emissions.

Reported by 8,033 suppliers
through CDP in 2020.



YOUR IMPACT LIES IN YOUR SUPPLY CHAIN



11.4x higher

Supply chain emissions
are 11.4 times higher than
operational emissions

▲ Average of final ratio (Scope 3 [supply chain emissions] : Scope 1 +2 [operational emissions and direct emissions])

Setting & Achieving Science-Based Targets



THE SCIENCE BASED TARGETS INITIATIVE (SBTi)

Overview



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Partner Organizations:



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



In collaboration with **WE MEAN
BUSINESS**

1420+

*Companies have formally
committed to set SBTs*

700+

*Companies have approved
targets*

540+

*Business Ambition for 1.5°C
companies*

THE SBTi CRITERIA (V.4)

Scope 3 overview



Latest SBTi Criteria

This slide represents a summary and not a comprehensive overview. Please refer to the SBTi website for the full criteria and recommendations



Scope 3: When Scope 3 emissions cover more than 40% of total emissions, an ambitious, measurable Scope 3 target is required



Boundary: Target(s) must collectively cover at least 2/3 of Scope 3 emissions



Timeline: 5-15 years into the future; from date target is submitted to SBTi for official validation (supplementary, long-term targets recommended)



Ambition: The following targets are considered ambitious:

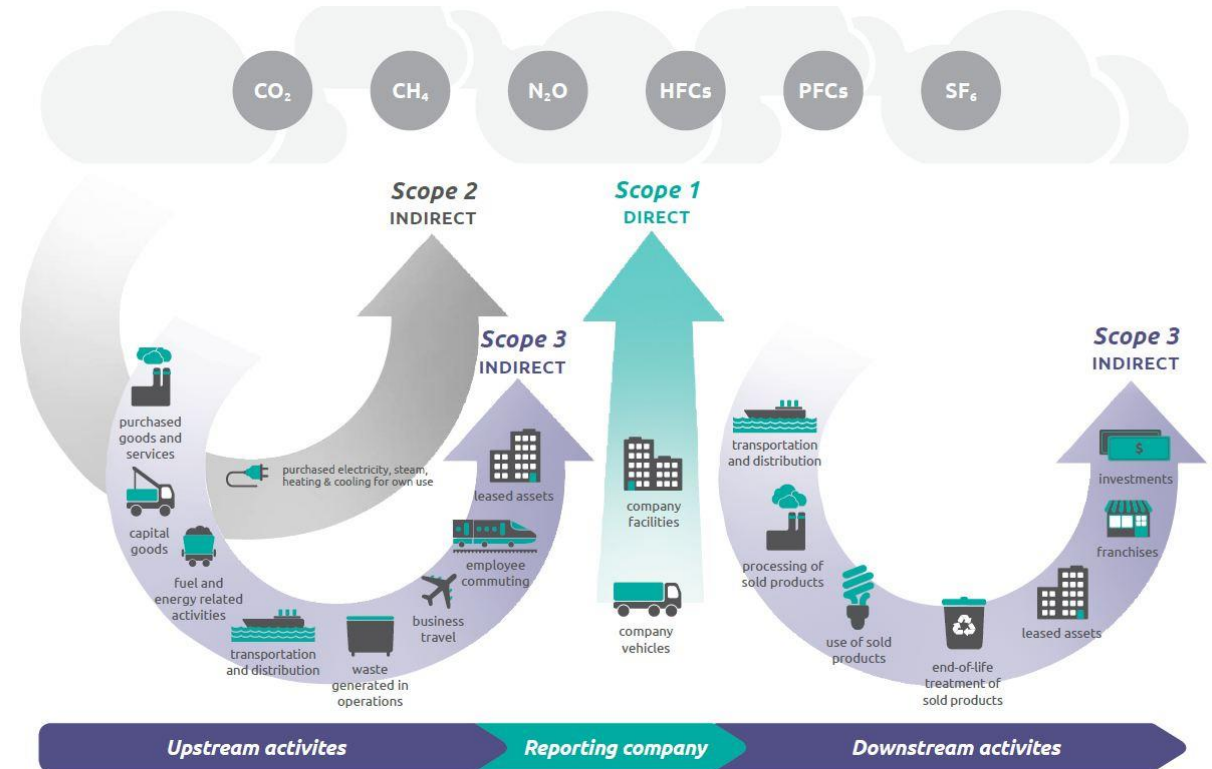
1. Absolute reduction targets consistent with keeping temp. increase below 2°C
2. Intensity targets consistent with keeping temp. increase below 2°C (SDA for physical intensity, min. annual intensity reduction rate of 7% for economic intensity).
3. Other emission reduction targets that do not result in absolute emissions growth and lead to a 2% annual linear physical intensity reduction.

Alternative: Supplier/Customer Engagement Targets

SCOPE 3 EMISSIONS

Scope 3 category

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets
9. Downstream transportation and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments



EXAMPLES OF APPROVED TARGETS



PayPal Holdings, Inc. commits to reduce absolute Scope 1, 2, and 3 (from fuel and energy-related activities) GHG emissions 25% by 2025 from a 2019 base year. PayPal Holdings Inc. also commits that 75% of its suppliers by spend covering purchased goods and services, capital goods, business travel, upstream transportation and distribution will have science-based targets by 2025.



Mondelez International Inc. commits to reduce absolute Scope 1, 2, and 3 (purchased goods and services and waste generated in operations) GHG emissions 10% by 2025 from a 2018 base year.

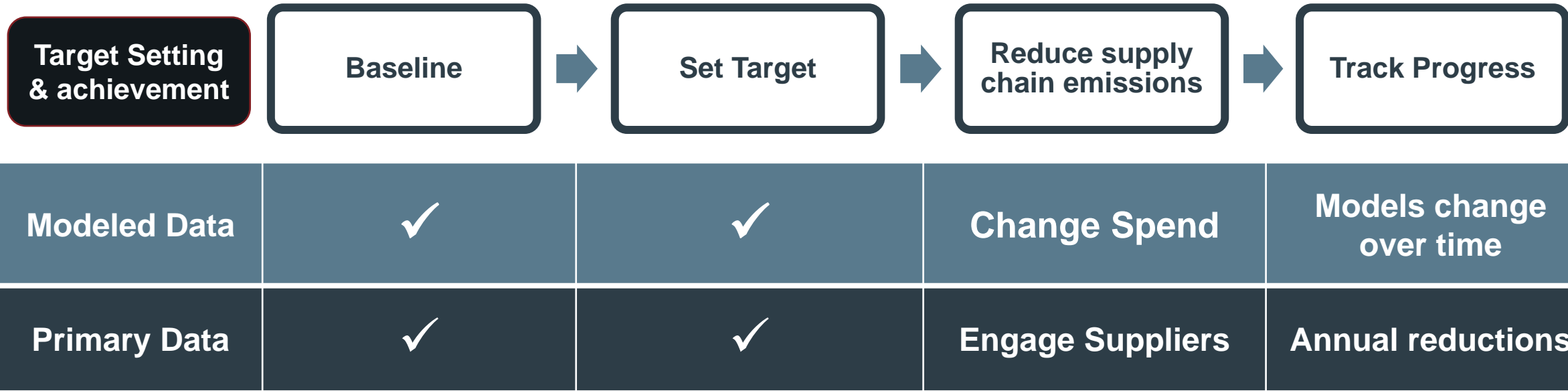


Owens Corning commits to reduce absolute Scope 1 and 2 GHG emissions 50% by 2030 from a 2018 base year. Owens Corning also commits to reduce absolute Scope 3 GHG emissions 30% within the same timeframe.



94% of companies with approved science-based targets have **set value chain targets.**

FROM TARGET-SETTING TO ACHIEVEMENT



Supply Chain GHG Disclosure



BENEFITS FOR SUPPLIERS PARTICIPATING IN CDP



Measure and reduce environmental impact and benchmark impact against peers



Identify cost savings and areas to improve operational efficiency



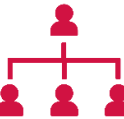
Identify risks and opportunities and communicate risk management practices



Propose collaborative opportunities and increase value from customer relationships



Demonstrate transparency and operational competence to their customers



One response for all customers and stakeholders

Supplier KPIs: Disclose

- ▼ **Get started** – partial responses are better than no response
- ▼ **Qualitative data** is valuable
- ▼ Going through the disclosure process builds **buy-in**
- ▼ **Public disclosure** builds transparency and accountability



Supplier KPIs: GHG Emissions & Energy Use

Scope 1 – Greenhouse gases that your company emits (C6.1)



Company
Facilities



Company
Vehicles

Scope 2 – Greenhouse gases that others emit due to your energy use (C6.2 & C6.3)



Purchased electricity, steam,
heating & cooling, for own use

Scope 3 – Everything else (C6.5)



Supplier
emissions



Product use



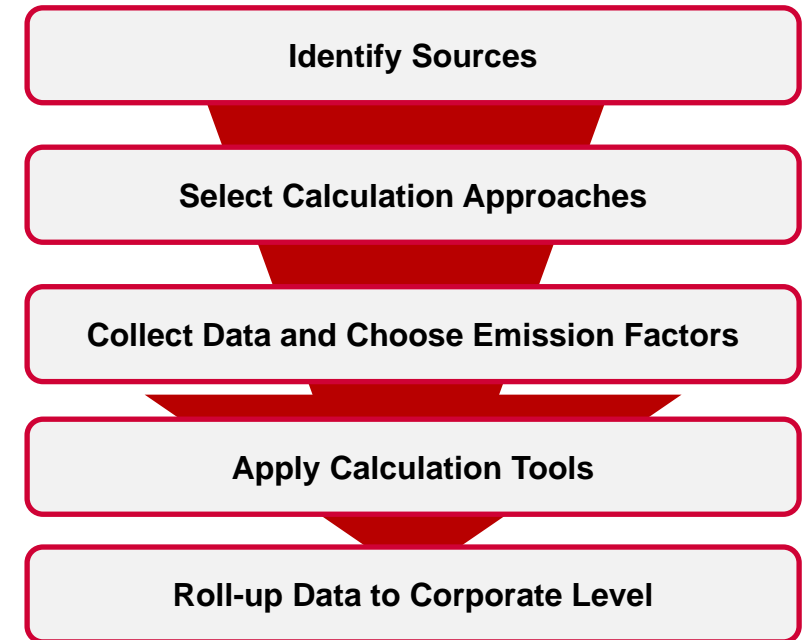
Employee
commuting

Supplier KPIs: Scope 1 emissions

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO₂e?

- ▼ Direct GHG emissions from sources a company owns or controls
 - ▼ Generation of electricity, heat, or steam
 - ▼ Physical or chemical processing
 - ▼ Transportation of materials, products, waste, and employees
 - ▼ Fugitive emissions
- ▼ Inclusion in GHG inventory: required

Steps in identifying and calculating GHG emissions



Source: Chapter 6, GHG Protocol, A Corporate Accounting and Reporting Standard

Supplier KPIs: Scope 2 emissions



(C6.3) Describe your organization’s approach to reporting Scope 2 emissions.

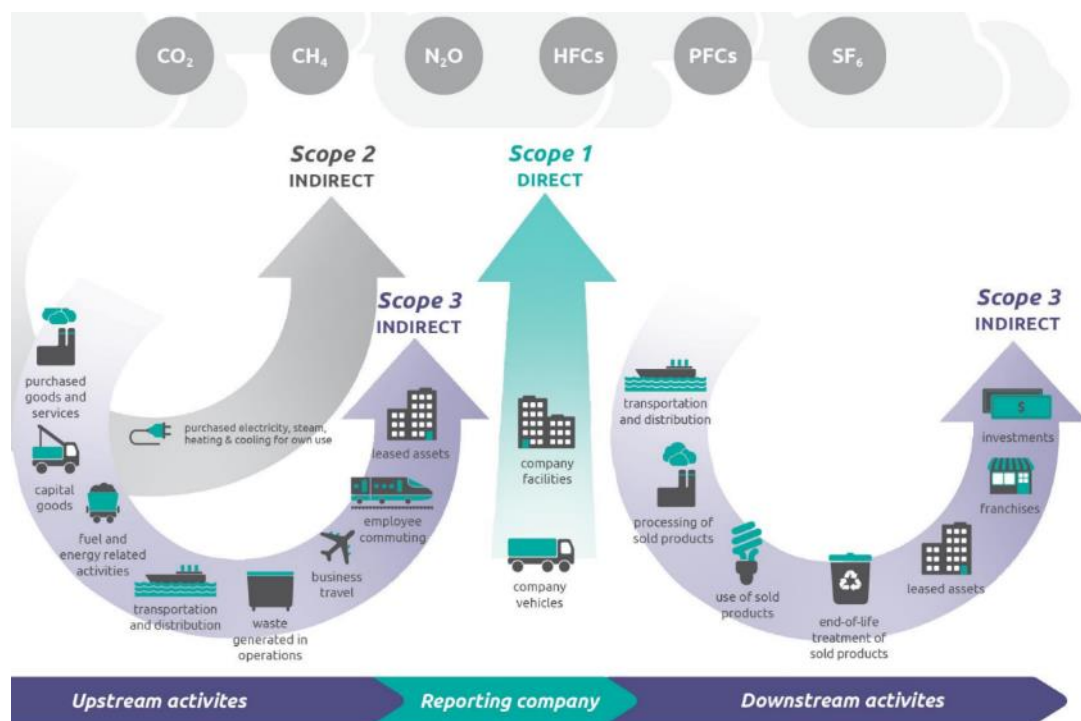
- Indirect GHG emissions from sources a company does not own or control
- Emissions from purchased electricity, steam, heating and cooling
- Two calculation approaches depending on region and type of energy purchased



	Location-based	Market-based
What is it?	Reflects the average emissions intensity of grids on which energy consumption occurs	Reflects emissions from electricity that companies have purposefully chosen (via bundled or unbundled certificates)
To which markets does it apply?	All electricity grids	Markets providing consumer choice of differentiated electricity products or supplier-specific data

Supplier KPIs: Scope 3 emissions

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.



Scope 3 Evaluator tool: <https://ghgprotocol.org/scope-3-evaluator>

- Indirect GHG emissions from sources a company does not own or control
- 15 categories grouped:**
 - Upstream activities: e.g.,**
 - Purchased goods and services (for agriculture – cradle to farm gate or processing or manufacturing)
 - Upstream transportation and distribution
 - Downstream transportation and distribution
 - Downstream activities: e.g.,**
 - Use of sold product
 - End of life treatment of sold products
- Inclusion in GHG inventory: optional



Supplier KPIs: Allocating Emissions

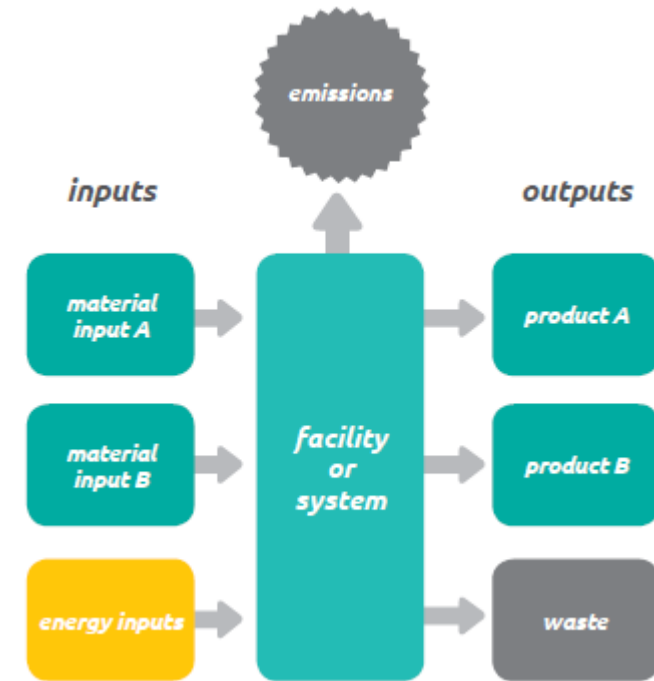
Allocation is the process of partitioning GHG emissions from a single facility or other system (e.g., production line, business unit, etc.) among its various outputs.

Allocation is needed when:

- ▼ A single facility or other system produces multiple outputs; and
- ▼ Emissions are only quantified for the entire facility or system as a whole

When allocation is not needed

When using primary data, allocation is not necessary if:
a facility or other system produces only one output; or
emissions from producing each output are separately quantified.



Source: Chapter 8, Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Tackling Scope 3 Emissions



▼▼ "For more than 10 years, The Estée Lauder Companies has reinforced its commitment to environmental stewardship by disclosing through CDP to ensure consistent, transparent reporting around its environmental impact. Now, in this critical decade for the planet, the company is taking even more decisive action on climate change. As we take on the broader scope of addressing carbon impact beyond the company's direct operations, we're excited to deepen our collaboration with CDP by becoming a supply chain member. With ambitious science-based targets for Scope 3 emissions at the forefront of our climate agenda, the CDP Supply Chain program will support the implementation of integrated solutions for emissions reduction across the company's supply chain, and foster joint value creation with supply chain partners and third-party manufacturers. ▼▼

**Gregory F. Polcer, Executive Vice President, Global Supply Chain,
The Estée Lauder Companies**

Tackling Scope 3 Emissions



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**Gregory F. Polcer, Executive Vice President, Global Supply Chain,
The Estée Lauder Companies**

Retailers & Supply Chain Sustainability



HOW ARE RETAILERS USE CDP SC?

WHY CDP SUPPLY CHAIN?



Target:

- ▼ Engages brands, indirect suppliers, and categories other than own-brand apparel manufacturers through CDP.
- ▼ Work with CDP SC to set and achieve supply chain emissions reductions goals including scope 3 component of SBT.
- ▼ Use disclosure process to engage suppliers and communicate expectations

Walmart

- ▼ Engages suppliers across multiple categories through CDP SC
- ▼ Use CDP SC to track progress towards **Project Gigaton** which is the supply chain component of their Science-based target.
- ▼ Review 2 main KPIS – emissions reductions activities and targets
- ▼ Use the disclosure process to engage suppliers to take ambitious actions and recognize success
- ▼ Use suppliers' data to calculate their own scope 3 emissions.





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Thank You!