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# 2019 CDP Supplier Engagement Rating Introduction

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CDP Climate Change 2019



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## Introduction to the CDP Supply Chain Program's Supplier Engagement Rating

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Purchasing organizations have potential to incentivize significant environmental changes in their supply chain. However, in 2018, just 51% of suppliers responding to the CDP climate change questionnaire reported that they engage with their own suppliers on GHG emissions and climate change strategies.

By establishing a system to evaluate supplier engagement practices and recognize best practice, CDP aims to increase buyer engagement to accelerate action on emissions in global supply chains. In particular, CDP seeks to address two key barriers companies face to beginning a supplier engagement strategy:

- ▼ **Companies don't know what best practice for sustainable supply chain management looks like.** The sheer scale of reviewing purchasing processes and creating a strategy to integrate environmental information into purchasing can be daunting, and many companies have trouble identifying best practice upon which to base their actions.
- ▼ **Companies don't think they get credit for supplier engagement on climate change.** CDP's experience shows that companies will improve their performance when presented with an opportunity to gain credit for their actions. CDP will recognize and award credit for achievements of excellence to support company action and lasting improvements in management practice.

Following on from a successful pilot year, CDP learned that all participating companies in the SER consultation thought the SER helped raise their supplier engagement work. Additionally, over half used it as a tool to help shape their supplier climate profile. In 2019, CDP will release the Supplier Engagement Rating for the fourth time.

### Organizations included in the Supplier Engagement Rating

Companies that respond to the full version of the CDP Climate Change request from their customer(s) or investors will be evaluated on supplier engagement. Responses must be submitted by the deadline communicated by CDP, or an On-Demand Score purchased, for inclusion. Companies that disclose to the minimum version of the questionnaire in 2019 will **not** be eligible to receive a Supplier Engagement Rating.

# Supplier Engagement Rating criteria

Organizations will be evaluated on their supplier engagement through their responses to questions in four key areas of the CDP climate change questionnaire related to governance, ambition, management (Scope 3) and supplier engagement. These specific questions offer the opportunity for a company to provide details on supplier engagement in the Governance, Targets, Scope 3 Emissions, and Scope 3 Emissions (Supplier Engagement) sections of the questionnaire. In addition, each company's overall performance across the CDP climate change questionnaire will be factored in to their rating as an overall assessment of company performance on climate change. Information provided through the forests and/or water security questionnaire or Supply Chain Module (Climate Change/Forests/Water) are not evaluated.

**To achieve a rating above D, companies must report engaging with their suppliers (see *Scope 3 Emissions: Supplier Engagement* for more details).**

Points awarded through each questionnaire section will be reflected in final supplier engagement rating, as follows:

Scoring Category	Weighting in the Supplier Engagement Rating
Governance	20%
Targets	15%
Scope 3 Emissions Accounting	20%
Supplier Engagement	35%
Overall CDP Climate Change performance	10%

The final SER will be determined by the overall percentage of points awarded throughout the questionnaire, based on the above weightings for each section. The value of this final percentage score will be equated to a final SER using the following thresholds. It is not possible for the score in any of the five scoring categories above to be higher than the final SER. Please note that as such, the final score that an organization is awarded for the full CDP Climate Change questionnaire cannot be considered directly comparable to the SER category of 'Overall Climate Change performance'.

Final SER Score	Threshold
A	76% - 100%
A-	66% - 75%
B	56% - 65%
B-	41% - 55%
C	26% - 40%
C-	16% - 25%
D	9% - 15%
D-	1% - 8%
F	0%

To achieve SER Leaderboard status you must respond publicly to a request from their customer(s) or investor(s). CDP reserves the right to review all companies that achieve the highest scores to ensure that nothing included in the CDP response or available in the public domain calls into question the company's suitability for inclusion in the SER Leaderboard. In 2019 CDP reserves the right to review data dating from the reporting year on a number of social and environmental topics related to CDP's programs and provided by the data provider RepRisk.

The key sections of the scoring methodology are outlined in further detail below, including a list of the relevant CDP questions and the rationale and summary methodology for each section. *Please refer to the CDP 2019 Supplier Engagement Rating Methodology document on the [CDP guidance page](#) for a detailed breakdown of the scoring methodology, including point values for each question.*

## Governance

### Question(s): C1.3, C1.3a Individual performance; C3.1 Integration into business strategy

- ▼ *C1.3a Provide further details on the incentives provided for the management of climate-related issues;*
- ▼ *C3.1 Are climate-related issues integrated into your business strategy?*

#### Rationale:

Whether a company provides staff incentives for supplier engagement is a simple indicator of the internal importance placed on company's approach to managing climate change in their supply chain.

Businesses' spend profiles are also heavily influenced by their overall corporate strategy. Integration of climate change issues into this strategy will feed into their sourcing priorities and supplier engagement.

#### Summary of the scoring methodology:

Points are awarded for reporting details on incentives related to supplier engagement on climate change. Full points are awarded for reporting monetary rewards and partial points are awarded for reporting other benefits related to the following:

- ▼ Buyers/purchasers or all employees are entitled to receive benefits for the management of climate change issues;
- ▼ Chief Purchasing Officer or Chief Financial Officer are entitled to receive benefits for the management of climate change issues;
- ▼ Incentivized performance indicators for environmental criteria included in purchases and/or supply chain engagement.

Full points given for integration of climate change issues into their business strategy. No points available if answers are left blank or climate change is not integrated into their business strategy.

## Targets

### Question(s): C4.1; C4.1a; C4.1b; C4.2 Targets

- ▼ *C4.1a Provide details of your absolute emissions target(s) and progress made against those targets;*
- ▼ *C4.1b Provide details of your emissions intensity target(s) and progress made against those target(s).*

#### Rationale:

Companies that establish an upstream Scope 3 emissions reduction target demonstrate awareness of emissions in their supply chain.

### Summary of the scoring methodology:

Points are awarded based on the details reported for absolute or intensity targets as follows. Note that in 2019, only certain details of absolute and/or intensity targets are assessed in the Supplier Engagement Rating:

- ▼ Full points are awarded for reporting absolute or intensity targets regarding “Scope 3: Purchased goods & services” or a target that includes Scope 3 (upstream) emissions (i.e. Scope 1 + 2 (market or location based) + 3);
- ▼ Partial points are awarded for reporting absolute or intensity targets in any other upstream category;
- ▼ Full points are awarded for reporting a target for ‘Engaging with suppliers’.

## Scope 3 Emissions

### Question(s): C6.5 Scope 3 Emissions

- ▼ *C6.5 Account for your organization’s Scope 3 emissions, disclosing and explaining any exclusions.*

#### Rationale:

Reporting upstream Scope 3 emissions demonstrates a company’s ability to measure the climate change-related impact of their supply chain.

### Summary of the scoring methodology:

Points are awarded for each category of evaluated and reported Scope 3 emissions (upstream). The criteria for this question is the same as for the general CDP climate change Scope 3 scoring criteria, with one important differentiation – a company can only achieve full points for “Purchased Goods and Services” if the category is reported as “Relevant, calculated” and both “Metric tonnes CO2e” and “Methodology” are completed.

## Supplier Engagement

### Question(s): C12.1; C12.1a; Supplier Engagement

- ▼ *C12.1 Do you engage with your value chain on climate-related issues?*
- ▼ *C12.1a Provide details of your climate-related supplier engagement strategy.*

#### Rationale:

Through these questions, companies are able to demonstrate the comprehensiveness and impact of their supplier engagement strategy in deeper context.

### Summary of the scoring methodology:

To achieve a rating above D companies must indicate they engage with suppliers in C12.1. Points will be awarded as follows for reporting details on supplier engagement.

- ▼ Points are awarded for reporting the number of suppliers that your company engages with and for reporting the proportion of your total spend that the suppliers represent
- ▼ The SER will award points based on the type of engagement and the percentage of spend or Scope 3 emissions. The type of engagement is judged on a maturity spectrum where points will be limited in relation to spend. These are noted in the table below.

Spend or Scope 3 emissions	Compliance & onboarding	Information collection OR Engagement & incentivization	Innovation & collaboration
0%	0/8	0/8	0/8
1-39%	2/8	4/8	6/8
40-100%	4/8	8/8	8/8

## Overall CDP Climate Change performance

### Question(s): C1-C14

#### Rationale:

Companies that demonstrate strong management over their own overall climate change impacts will be best placed to show leadership when engaging with suppliers.

#### Summary of the scoring methodology:

Points will be awarded based on the overall CDP climate change score awarded to the company.

CDP score	A	A-	B	B-	C	C-	D	D-	F
Points	10/10	9/10	6/10	5/10	4/10	3/10	2/10	1/10	0

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## Availability of the Supplier Engagement Rating results

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Companies that are requested by their customer(s) and disclose to the 2019 climate change questionnaire and members of the CDP Supply Chain Program in 2019 that disclose to the climate change questionnaire will be assessed on their supplier engagement and receive feedback on their rating in January 2020.

The rating will be represented in the form of a letter band, in line with other CDP scoring and rating systems. Per CDP policy, ratings will not be shared publicly\* and will only be provided to the disclosing company and their requesting customer(s). Ratings will be provided to the disclosing company in the form of an email from CDP to the individual that submitted the CDP response.

### **\*Exception: Leaders**

Companies that meet leadership criteria through the Supplier Engagement Rating will be highlighted as leaders in the annual CDP Supply Chain report, released in January 2020. Leaders will be provided with materials to help highlight their achievement, including a CDP badge of recognition.

## Timeline and Key Dates

The timeline for the 2019 Supplier Engagement Rating system and the dates for scheduled announcements are as follows:

Activity	Timing
Supplier Engagement Rating methodology published on the CDP website	April 2019
CDP evaluation of companies with Supplier Engagement Rating methodology	September – December 2019
Leader recognition in annual CDP Supply Chain report and events	January 2020

## Questions on this methodology

Please contact [respond@cdp.net](mailto:respond@cdp.net) for questions about this methodology.



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## Frequently Asked Questions (FAQs)

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### **What is the CDP Supplier Engagement Rating (SER)?**

An organization's average upstream emissions are around 5.5 times greater than their direct operations. Because of this, organizations have much greater potential to reduce global emissions by influencing their supply chains.

The SER is a letter grade that indicates how effectively companies are engaging their suppliers on climate change and is released to coincide with the publication of CDP's Supply Chain report (you can [read the latest report and see a list of 2018 SER leaders on our website](#)).

[Listen to our webinar introducing the SER](#), where we explain the drivers for it and present the 2019 methodology or read our [Introduction to CDP's 2019 Supplier Engagement Rating](#).

### **How is the SER calculated?**

CDP assesses performance on supplier engagement using a company's response to selected questions on governance, targets, scope 3 emissions, and value chain engagement in the CDP Climate Change questionnaire. The [2019 SER methodology](#) is available on our [guidance page](#) along with other CDP scoring methodologies.

### **Does CDP publish SERs?**

SERs are private and will not be published on CDP's website or in any reports, unless a company receives an A. They will be made available to companies via email and their corporate dashboard. SERs based on responses submitted in 2019, will not be shared with requesting investors, but will be shared with requesting customers if submitted to them. Companies responding to investors for the first time can choose to make their scores private and to not be included in the SER Leaderboard if they achieve an A.

### **Do companies need to complete a separate questionnaire/answer additional questions to be assessed for the SER?**

No. CDP uses a company's existing response to the CDP Climate Change questionnaire to assess selected questions on governance, targets, scope 3 emissions, and value chain engagement. The [SER methodology](#) is available on CDP's guidance page.

### **Who receives an SER?**

From 2019, CDP will be providing a Supplier Engagement Rating (SER) to all companies who respond to the full version of CDP's Climate Change questionnaire, in addition to the Climate Change score. To be eligible companies must respond by the deadline or purchase an On-Demand Score. Companies who respond to the minimum version of the questionnaire are not eligible. CDP Supply Chain members and companies who responded to customer requests, have been receiving the SER since 2016. From 2019, CDP are expanding this rating to companies requested by investors only.

### **Why is CDP expanding the rating to companies only requested by investors?**

The SER was driven by demand from purchasing organizations (CDP supply chain members) for a greater understanding of best practice on supplier engagement and for visibility of how effectively their engagement with suppliers is being cascaded further into their supply chain. As such, the SER was initially applied to CDP Supply Chain members and companies who responded to customer requests. However, because an organization's average upstream emissions are around 5.5 times greater than their direct operations and organizations have much greater potential to reduce global emissions by influencing their supply chains, this rating is a useful indicator for all companies responding to the CDP Climate Change questionnaire.

### **Where can companies find their SER?**

SERs are emailed to the main user of the CDP Climate Change response. SERs will be displayed on the "scores and responses" section of the corporate dashboard.

### **When will companies get their SER?**

The release of SERs coincides with the publication of the CDP Supply Chain report (normally end of January of the year following the disclosure) e.g. companies who respond in 2019 will receive their SER in January 2020.

### **Are SERs shared with investors?**

SERs based on responses submitted in 2019, will not be shared with requesting investors.

### **Are SERs shared with customers?**

SERs will be shared with requesting customers (CDP supply chain members) if a company submits to them.

### **How is the SER used?**

Supply Chain members use it to identify best practice in supplier engagement and to see how effectively they and their suppliers are cascading action on climate change into their supply chains. Companies use it to see how effective their own supplier engagement is. The SER Leaderboard highlights companies who achieve an A rating so companies can see what best practice looks like.

### **How long has the SER been going?**

The SER was introduced in 2016, based on 2015 responses to the CDP supply chain climate questionnaire (now known as the CDP Climate Change questionnaire as requested by customers). CDP Supply Chain members and companies who responded to customer requests have been receiving the SER since 2016. From 2019, CDP are expanding this rating to companies requested by investors only.

### **Does the SER affect my CDP Climate Change score?**

No.

### **Does my CDP Climate Change score affect my SER?**

Yes. The overall CDP Climate Change score is part of the SER assessment criteria. See the [SER methodology](#) for more information.

### **How do companies get feedback on their SER?**

A SER feedback chart is available for all companies on their dashboard (this is not available for companies only requested by investors prior to 2019). ADEC Innovations (CDP's global scoring partner) offer SER feedback as part of a CDP Climate Change score feedback call. Companies can register for a climate change score feedback call with ADEC Innovations through the registrations link in the score feedback email received from CDP.

### **Why can companies get a different score for their value chain engagement category in the CDP Climate Change scoring methodology to the SER?**

The CDP Climate Change score - and its categories – are not comparable to the SER. The value chain engagement section within the CDP climate change score focuses on the answers to questions C12 – on both upstream and downstream value chain engagement. The SER focuses on upstream only using answers not just on C12, but also on other areas such as governance and the overall CDP score. The reason for this difference is because of the purposes and aims of each score. The value chain engagement section category score concentrates on a company's upstream and downstream value chain strategy as part of the wider CDP Climate Change methodology – it is one part of wider indicators used to inform stakeholders, and benchmark companies on their overall approach to managing climate change. However the SER is developed to highlight supplier engagement leaders and help companies benchmark their impact on cascading action to their supply chain and necessarily must include an element of a company's wider approach to climate change, in order to cascade this action effectively. The SER was created partly because the CDP Climate Change score doesn't provide companies with a communicable score about their supplier engagement achievements, and therefore does not enable recognition of the work companies are specifically doing to tackle supply chain emissions, which are on average

5.5 times more than those from direct operations. The SER methodology is also still in its infancy, compared to the more mature CDP Climate Change methodology – many companies are still not taking the action needed beyond their direct operations and so the methodology to identify SER leaders is much simpler, though like the other CDP methodologies we plan to modify and tighten the SER methodology over time to meet the needs of its users and drive the appropriate corporate behaviours.

<b>Version No.</b>	<b>Date</b>	<b>Owner</b>	<b>Change</b>
V1	25/03/2019	A. Nay	First version
V2	29/04/2019	A. Nay	Addition of FAQs