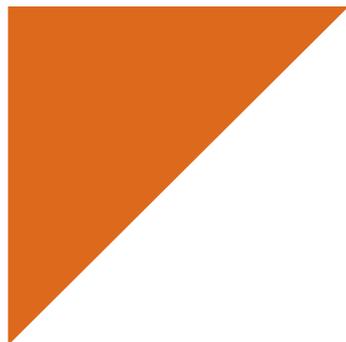


Committing to climate action in the supply chain



Committing to climate action in the supply chain

Emissions in the supply chain can be significantly higher than those of a company's own operational footprint, depending on industry sector and the degree of outsourcing.

Emissions of the anthropogenic greenhouse gases (GHG) that drive climate change and its impacts around the world are increasing. Governments from all around the world are meeting in Paris to reach an agreement and take the vital steps needed to protect the climate and our world as we know it.

In support of government policies, business leadership and commitments to manage emissions is key for companies to make progress. **Managing carbon emissions makes good business sense – it saves companies money, reduces risk, and can lead to innovations and other competitive advantages.**

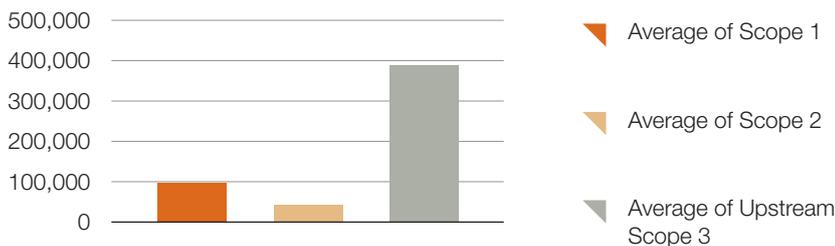
Once this is understood, strong leadership and commitment in the form of top-down endorsement are required to implement company policies and processes in support of emissions reductions that include the supply chain, represented by Scope 3 emissions which to date are not being addressed sufficiently by most companies.

When discussing emissions, most companies and people automatically start looking at electricity and other operational emission sources. **However, emissions in the supply chain are a substantial part of a company's footprint, and should not be ignored** just because they are outside of direct operational control. When analyzing over 4,000 companies' emissions inventories (reported through CDP in 2015) upstream emissions are on average over twice that of a company's own operational emissions (see figure below).

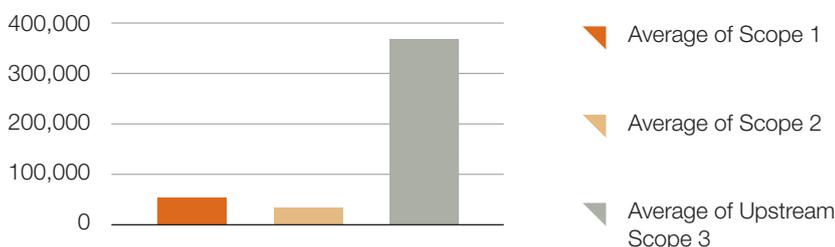
This average increases to four times the difference between operational emissions (Scope 1 and 2) and supply chain emissions (upstream Scope 3) when Energy and Mining companies (typically at the start of the supply chain) are removed from the data set (see figure below). **For retailers and consumer-facing companies this difference can increase up to seven times.**

Given the massive difference in the size of emissions between that of operations and their supply chain it is still somewhat surprising to see that of the 4,000 companies that disclosed to CDP supply chain only one third (1,130 companies) have reported even a partial Scope 3 inventory.

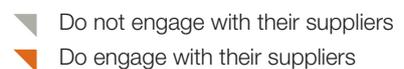
1. Average Emissions for Scope1, Scope 2 and Upstream Scope 3 (All sectors).



2. Average Emissions for Scope1, Scope 2 and Upstream Scope 3 (Energy & Mining sectors removed).



3. Proportion of disclosing companies who engage with their suppliers





Forward-looking companies – such as the members of CDP’s supply chain program – also appreciate that successful, resilient suppliers are good for business. Suppliers that are better able to tackle sustainability challenges, such as climate change and water risk, are simply better business partners.

Christiana Figueres, Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC)



Companies are still focused on emissions from their own operations, and cite many reasons as to why Scope 3 is being neglected or postponed.

However, increasingly companies are realizing that there is a need to also account for GHG emissions along their value chains and product portfolios to comprehensively manage GHG-related risks and opportunities.

Companies as purchasing entities with a large spend can have a significant impact on global emissions via influencing their supply chain.

A crucial part of managing Scope 3 emissions is supplier engagement. CDP works with over 75 multi-national organizations (CDP’s supply chain members) including giants such as the US Government, Walmart and L’Oréal, to help them engage with their key suppliers on carbon emissions and catalyze action to reduce emissions in their supply chain.

CDP’s supply chain program members are already driving emissions reduction activities in their supply chain. This year suppliers reported member engagement with them being directly responsible for over 3.5 million tons of carbon emissions reductions in the space of one year (2015). Planting 90 million trees would sequester the same amount of carbon.

Too few companies are engaging their suppliers on carbon. Of the 4,000 companies that disclosed to the program this year roughly a quarter reported engaging with their suppliers (see figure below).

With Scope 3 emissions being up to four times that of a company’s own operational emissions, and direct engagement being proven to lead to reductions (as witnessed by CDP’s supply chain members) it is time for others to follow suit. Leading companies must commit to leveraging their purchasing power and commit to affect positive climate action in their supply chain and contribute to the global transition to a low carbon economy.

CDP would like to celebrate those companies making commitments to increase this action and accelerate the transition to a low carbon economy.

For example, business leaders supporting a globally binding agreement at COP - in every region and industry sector - are committing to setting ambitious new targets, putting a price on carbon and procuring 100% renewable energy for their electricity (you can find out more at <http://www.wemeanbusinesscoalition.org/>).

Companies wishing to demonstrate leadership on emissions management are setting goals to demonstrate their commitment to leverage their purchasing power to drive more emissions reduction activities down the supply chain. Read directly from them on what their ambitions are, and what the impact of realizing those emissions would be.

Targets

There are many types of supplier engagement targets, ranging from increased transparency to increased levels of action to reduce emissions. Both have their merits and positive impacts on global emissions. Leading CDP Supply Chain members have committed to a suite of targets that focus on 2 areas:

- ▶ Action - Increased levels of activities to reduce emissions.
- ▶ Transparency - Increased levels of monitoring and reporting emissions.

Action targets to encourage emission reduction activities

Below are a selection of leading CDP Supply Chain members who have made commitments to raising the levels of emission reduction actions being taken by their suppliers. Many other members have internal targets or are currently working on developing new targets.

The featured members’ suppliers are reporting corporate emissions reductions totalling 15 million tonnes every year, this is the equivalent of the emissions from 4 coal fired power plants in 1 year. As these members make further efforts to achieve the targets detailed below, CDP expects this number be maintained if not increased annually. As such the expected additional emissions reductions will total 60 million tonnes by 2020.



Kellogg Co. will engage 75% of its tier 1 suppliers to annually report on carbon activities to reduce emissions through CDP’s supply chain program by 2020





By the end of fiscal 2020, Accenture will expand to 75% the percentage of its key suppliers who disclose their targets and actions toward emissions reduction



Impact: This new target aligns with Accenture's 2020 environmental goal to begin to measure and report the impact of its work with clients and suppliers in key areas of sustainability. Accenture believes disclosure is an important first step for its suppliers in managing their sustainability performance, and the company is encouraging more of them to advance their transparency, benchmarking and accountability by public disclosure wherever possible.

Supplier Engagement Feedback: "By asking us to take part in CDP, we have been encouraged to set in place a comprehensive monitoring and management system, together with a long term environmental strategy. We continue to work with Accenture to further reduce our emissions and improve our environmental performance." Go Native (Accenture supplier)

In fiscal 2014, Accenture more than doubled the number of suppliers invited to participate in the CDP supply chain program, and continues to see more suppliers disclosing. If Accenture achieves its goal, the company would expect its key suppliers to report additional CO₂ reductions by 2020.

Learn more at accenture.com/environment



Our ambition is to help customers cut carbon emissions by at least three times the end-to-end carbon impact of our business by 2020



Impact: As we consider our end-to-end carbon impact, we undertake reduction activities not only in our own operations, but also in our supply chain and look at what our technology can do to help our consumer and business customers live and work more sustainably. The carbon emissions associated with our supply chain represents 71% of our end to end impact, those of our own operations 5% and those associated with our customers using our products and services 24%.

The award winning BT Better Future Supplier Forum reinforces our engagement with suppliers to drive collaboration, innovation and sustainability practices including carbon reduction and embedding circular economy principles at the earliest stage of design.

We also participate in the CDP supply chain program asking our suppliers to disclose their climate information to us on an annual basis. This year BT suppliers reported undertaking activities that reduced their operational emissions by over 8 million tonnes through CDP. Reducing supplier emissions is an important part of our 2020 goal. We will continue to encourage more supplier action on reducing carbon emissions and would expect to see additional suppliers engaged and committed to undertake emissions reduction activities.



Reduce absolute greenhouse gas emissions from direct operations by 50%, and achieve a 30% reduction along the total supply chain by 2020



Impact: Recognising that the impact on the environment is not limited to just Diageo owned sites, our 2020 targets reflect the need to better manage water stewardship and carbon emissions across our whole supply chain. This integrated approach means that we will work increasingly with suppliers, striving even further to decouple the growth of our business from our impact on the environment. Through our membership of CDP supply chain, we work with key suppliers to collect climate change information and reduce emissions.



By 2020: L'Oréal's suppliers representing 80% of direct spend (Raw Materials, Packaging Components and Contract Manufacturing) will set an emissions reduction target and report activities to reduce emissions through CDP



Impact: In 2015, L'Oréal's suppliers reduced their emissions by an average of 207,000 metric tonnes per year. L'Oréal aims to help suppliers build capacity and engage more deeply on their climate change strategies. We anticipate similar reductions going forward.



Eliminate 20 million metric tons of greenhouse gas (GHG) emissions from Walmart's global supply chain by the end of 2015

Impact: Walmart achieved its goal of eliminating 20 million metric tons of GHG emissions from its global supply chain ahead of schedule, eliminating 28.2 million metric tons to date. It is the equivalent of taking more than 5.9 million cars off the road for an entire year.

Collaborating with CDP & EDF, Walmart implemented various measures across both its global operations and those of suppliers, including enhanced energy efficiency, the execution of numerous renewable energy projects and collaborating with suppliers on the Sustainability Index to track progress towards reducing overall carbon footprint.



2020, 80% of KPMG in the UK's strategic suppliers will be reporting their scope 1 and/or Scope 2 emissions and report emissions reductions. KPMG aims to work with strategic suppliers to deliver two (2) emissions reduction collaboration projects each year

Impact: Should KPMG meet its target, modelling historical levels of emissions collected by CDP we anticipate our suppliers reporting activities resulting in an additional 350,000 tonnes of emissions saved by 2020.



Johnson Controls has pledged to support 60 additional suppliers over the next three years (2019) by having energy experts visit the plants of their suppliers and train their in-house teams on identifying and implementing low-cost/no-cost energy efficiency improvement measures

Impact: The Scaling Energy Efficiency in Corporate Supply Chains Clinton Global Initiative Commitment to Action expands an existing Johnson Controls supplier efficiency pilot program in which company energy experts visit the plants of their suppliers and train their in-house teams on identifying and implementing low-cost/no-cost energy efficiency improvement measures. As part of the CGI Commitment to Action, Johnson Controls, a global multi industrial company, has pledged to support 60 additional suppliers over the next three years.



MetLife is requiring 100 of its top suppliers to disclose their GHG emissions and emission-reduction activities by 2020

Impact: As a financial services company, MetLife's supply chain is one of the largest sources of greenhouse gas emissions beyond our global operations. MetLife is proud to advance supply chain environmental stewardship and will continue using this key business strategy to promote a healthy environment for our customers, their families and the communities that we serve. This year our suppliers reported actions to reduce their operational emissions that totalled to over 4 million tonnes through CDP. Through encouraging suppliers to report and reduce emissions reduction activities, we can generate supplier climate action and create a significant reduction in our own GHG emissions. We hope to see similar levels of dedication from our suppliers as we move forward towards our goal.

Transparency targets to encourage emissions accounting and reporting.

The first step of any corporate journey is to first understand what their corporate footprint is and report it publicly. What is not measured cannot be managed. This is also true for supply chain emissions management. In many cases when a company engages its suppliers on carbon emissions they

will find a group of suppliers who have never been asked these questions or done a carbon footprint exercise before. We have seen that just by asking the question of what a suppliers emissions are, companies can bring about behavioural change that leads to reducing emissions.



By the end of 2015, a majority of spend with strategic suppliers will be with those who track greenhouse gas (GHG) emissions and have specific GHG emissions goals

Impact: AT&T's greenhouse gas (GHG) emissions goal, established in 2011, was intended to motivate AT&T's suppliers to establish their own GHG emissions goals. By the end of 2014, one year early, suppliers representing more than 50 percent of AT&T's spend reported that they are tracking GHG emissions and have GHG reduction goals. AT&T is on track to also exceed the goal in 2015.

Look forward: In the fourth quarter of 2015, AT&T posted 2020 and 2025 sustainability goals that include supply chain.

2020 Goal: We will lead our supply chain to improve its social and environmental impacts by integrating sustainability performance metrics into our sourcing decisions for 80% of our spend.

2025 Goal: We will work with our industry peers to develop and promote adoption of sustainability metrics that will transform the environmental and social impact of technology supply chains.

Learn more at www.about.att.com/csr/goals



By end of FY16, 100% of Cisco's key suppliers will report their GHG emissions to CDP and we will increase the percentage of key suppliers that set GHG reduction goals in their CDP reports to 75%. Additionally, we want to achieve and maintain CDP disclosure from our Supply Chain Partners representing:

- 100% of contract manufacturing spend
- 90% of approved Vendor List (AVL) components spend
- 90% of global transportation spend

Impact: Sustainability has been integrated into our business scorecard and now represents between 3-8% of a supplier's total score, including GHG reporting through CDP. This has helped us achieve a 100% CDP response rate from manufacturing partners and logistics providers, and 89% from component suppliers. 100% of our manufacturing partners have now set a GHG emissions reduction target, 73% of logistic suppliers and 58% of component suppliers.

"All of our manufacturing partners and logistics providers now report GHG emissions data related to Cisco products, and through our new Supply Chain Emissions Reduction Program, emissions reporting will be embedded into our prioritized supply chain processes and tools, and we will work with suppliers to enhance CDP data specific to Cisco's products.



Target to get 80% of National Grid's top 250 suppliers reporting Scope 1 and 2 emissions by 2020



Engage our top 50 most carbon intensive suppliers to publically report their carbon emissions and targets through CDP

Impact: Sky UK engages with our most carbon intensive suppliers each year through CDP Supply Chain. In 2015 35 of our most intensive suppliers reported their emissions through CDP, and 28 have set a target to reduce these emissions going forward. In 2015 33 of Sky UK's most carbon intensive suppliers reported undertaking activities to reduce their operational carbon emissions by over 2.4million tonnes.



100% of strategic suppliers responding to CDP supply chain by 2016

Impact: We achieved our goal this year – 1 year earlier than the target year. We have been a CDP supply chain member for 5 years and in 2015 each of our suppliers saved an average of 70,000 tonnes of emissions. By engaging with the suppliers that are strategically important to Rexam we are able to demonstrate our commitment to stakeholders and customers, as well as supporting our suppliers to reduce their emissions and prepare for a low carbon economy.

This is based on modelling the current levels of emissions reductions reported by their suppliers through CDP data in 2015.

“Strategic”, “Top” or “Key” suppliers are identified by the member companies and are not highlighted by a uniform methodology. Each company has a different definition of materiality.

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