

The role of Scope 3 in achieving Net Zero

Climate Finance Week 2022
Dublin

CDP Ireland Network
20th October 2022

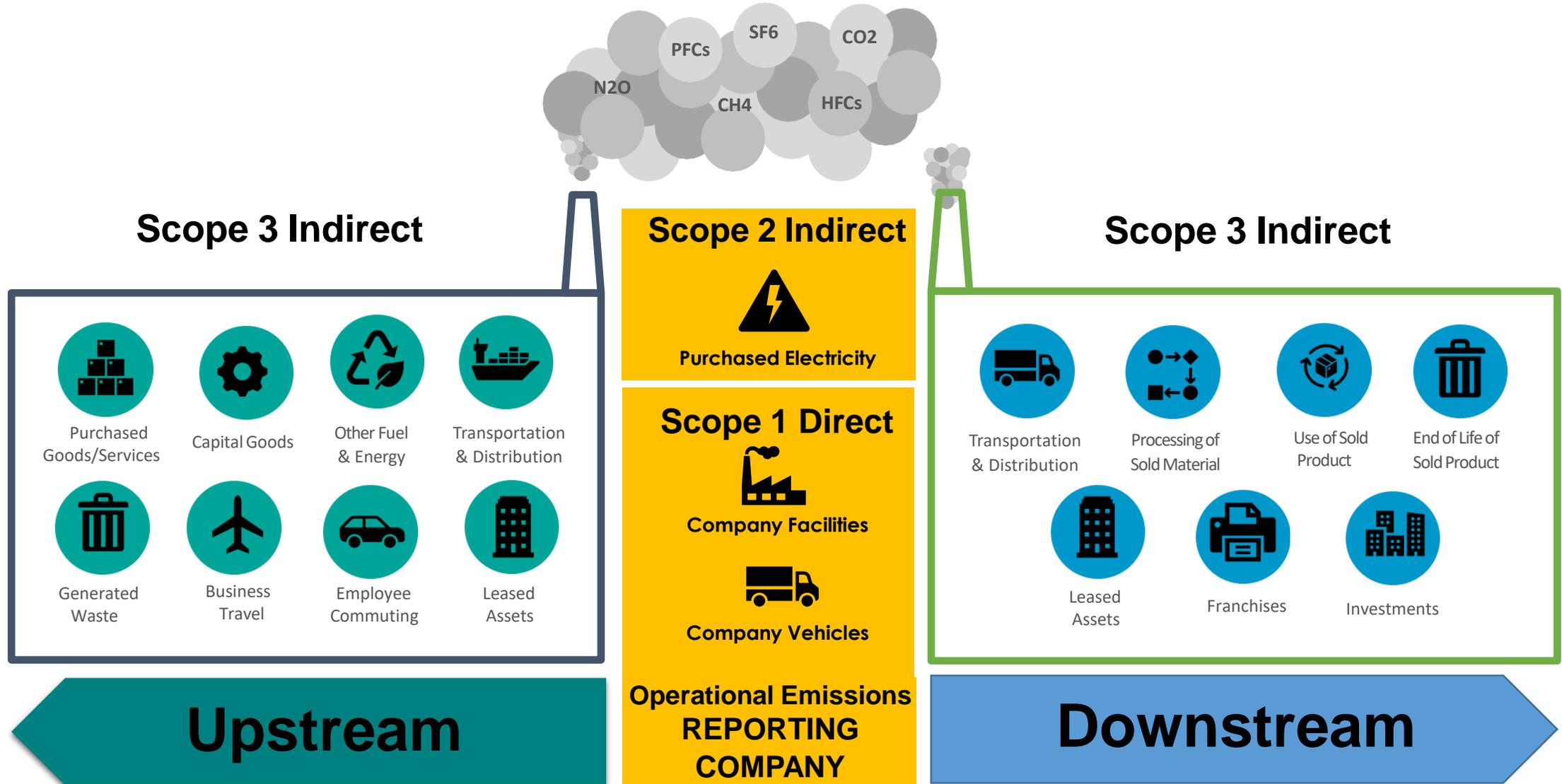


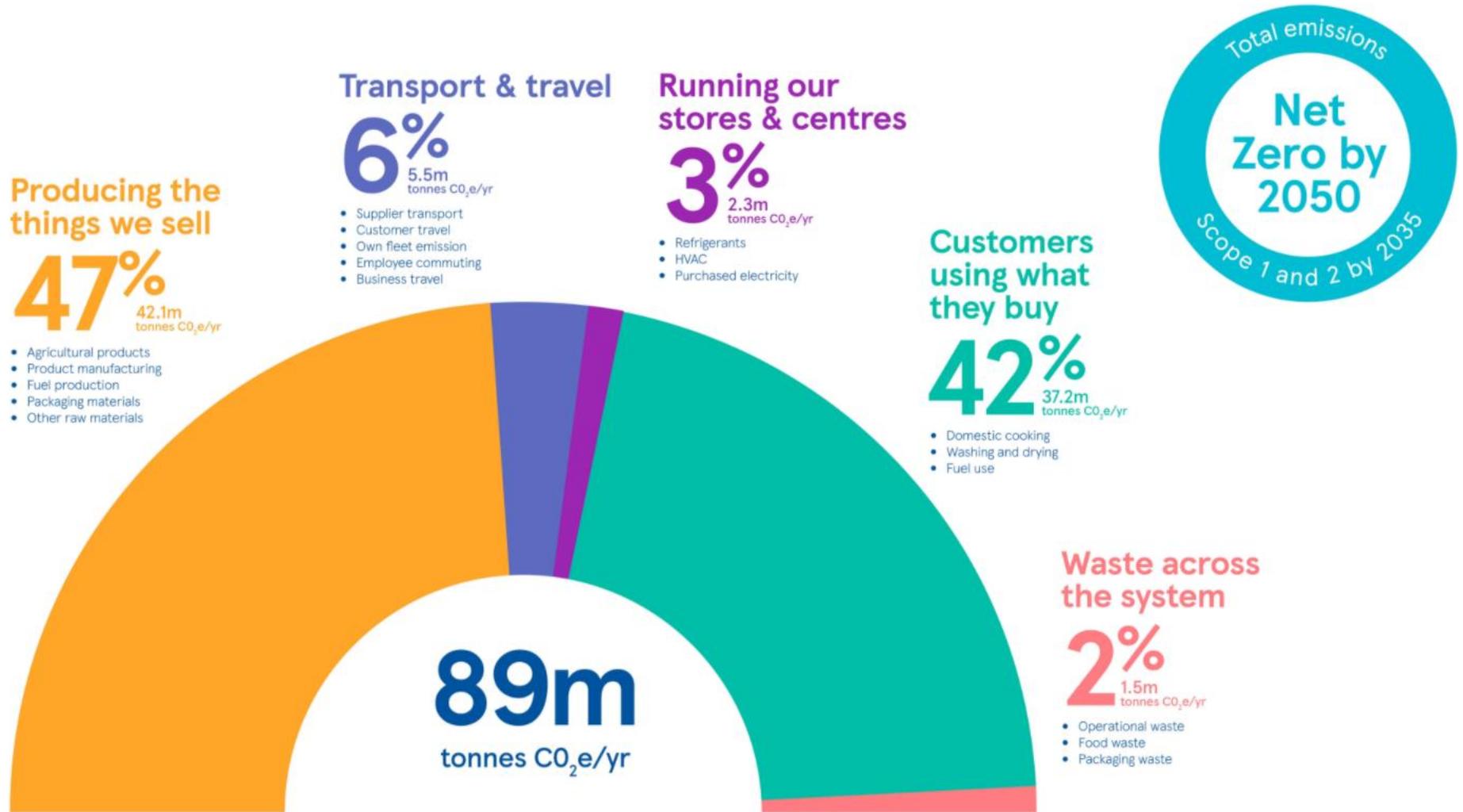
AGENDA



- Welcome from Chair - Eoin Fahy KBI
- Introduction to Scope 3 – Brian O’Kennedy, CDP Ireland Network
- The role of Scope 3 in achieving Net Zero - Aoife Devaney, Account Manager CDP Europe
- Panel Discussion
 - Brian O’Kennedy, CEO Clearstream Solutions (Moderator)
 - Neil Menzies, Director of Sustainability Hibernia Real Estate Group Limited
 - Des Ferris, Technical Director Keeling’s
 - Shane O’Reilly, Director, Sustainable Futures, KPMG Ireland
 - Aoife Devaney, Supply Chain Programme Account Manager at CDP
- Wrap up 12.30 Followed by light lunch hosted by KPMG

GHG Protocol - Scopes 1, 2 and 3

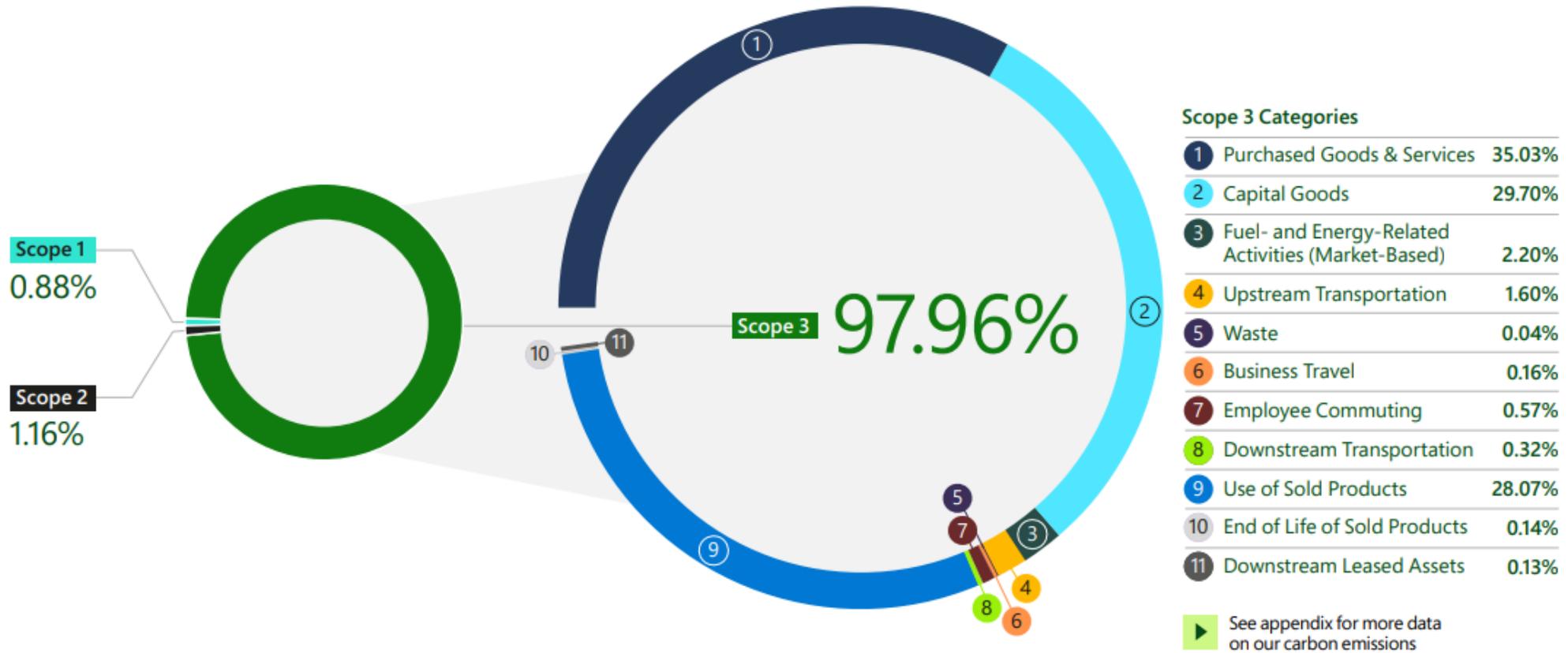




Microsoft 2021 Carbon Footprint

Breaking down of our FY21 Scope 3 emissions by source

Scope 3 represents the majority of Microsoft's emissions, and we are committed to reducing these emissions by more than 50 percent by 2030. Tracking and reporting against this category of emissions is critical for net zero progress.



The role of Scope 3 in achieving Net Zero

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Aoife Devaney
Account Manager, Sustainable Supply Chains
CDP Europe



Scope 3: The emissions that matter



Operational emissions vs value-chain emissions



Scope 1 – Direct GHG emissions from owned or controlled sources

Scope 2 – Indirect GHG emissions from the generation of purchased energy

Scope 3 – All indirect GHG emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream (supply chain) and downstream (use of products) emissions.

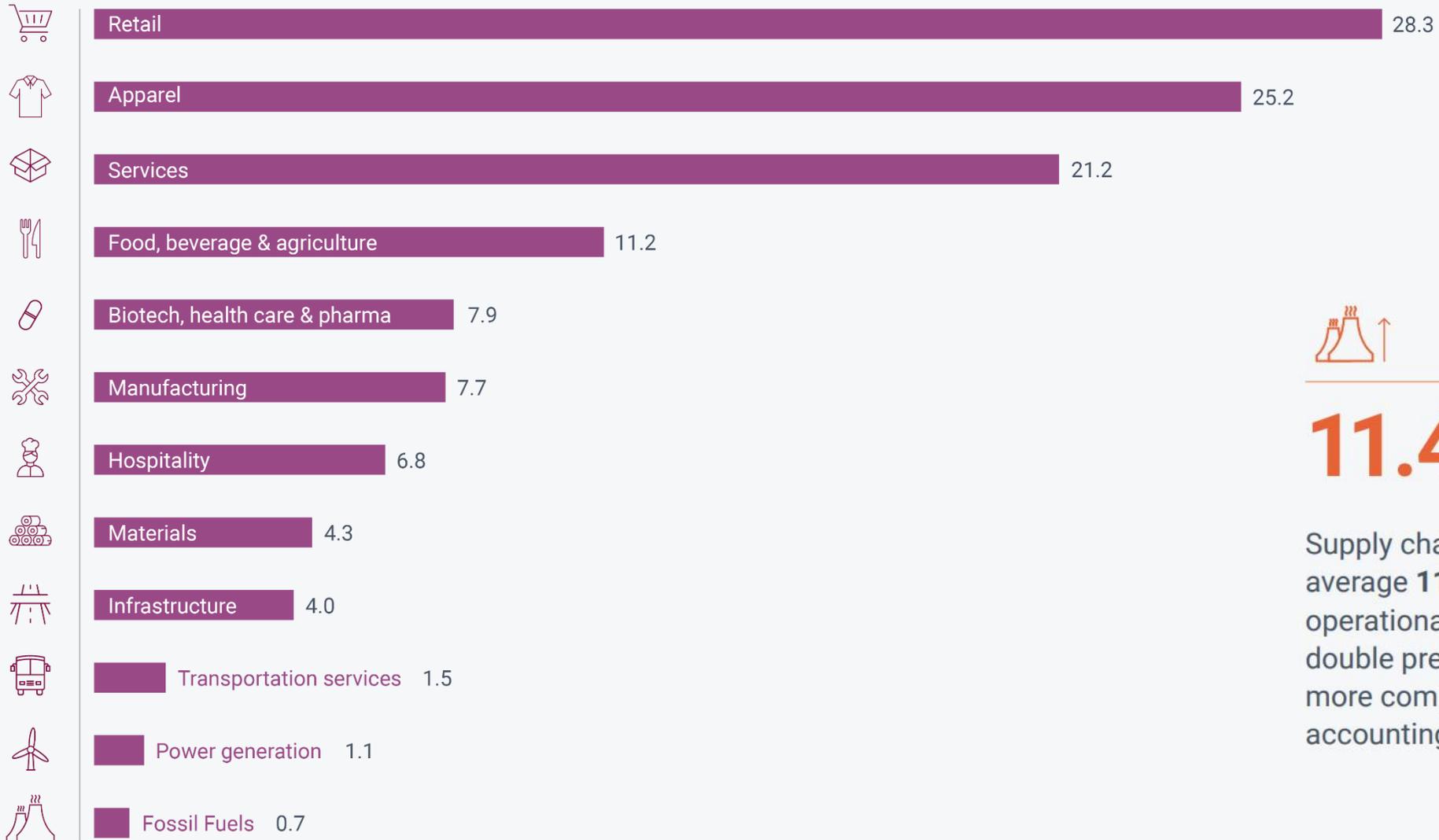
Operational emissions

Value chain emissions

Emissions along the value chain often represent a company's biggest greenhouse gas impacts.

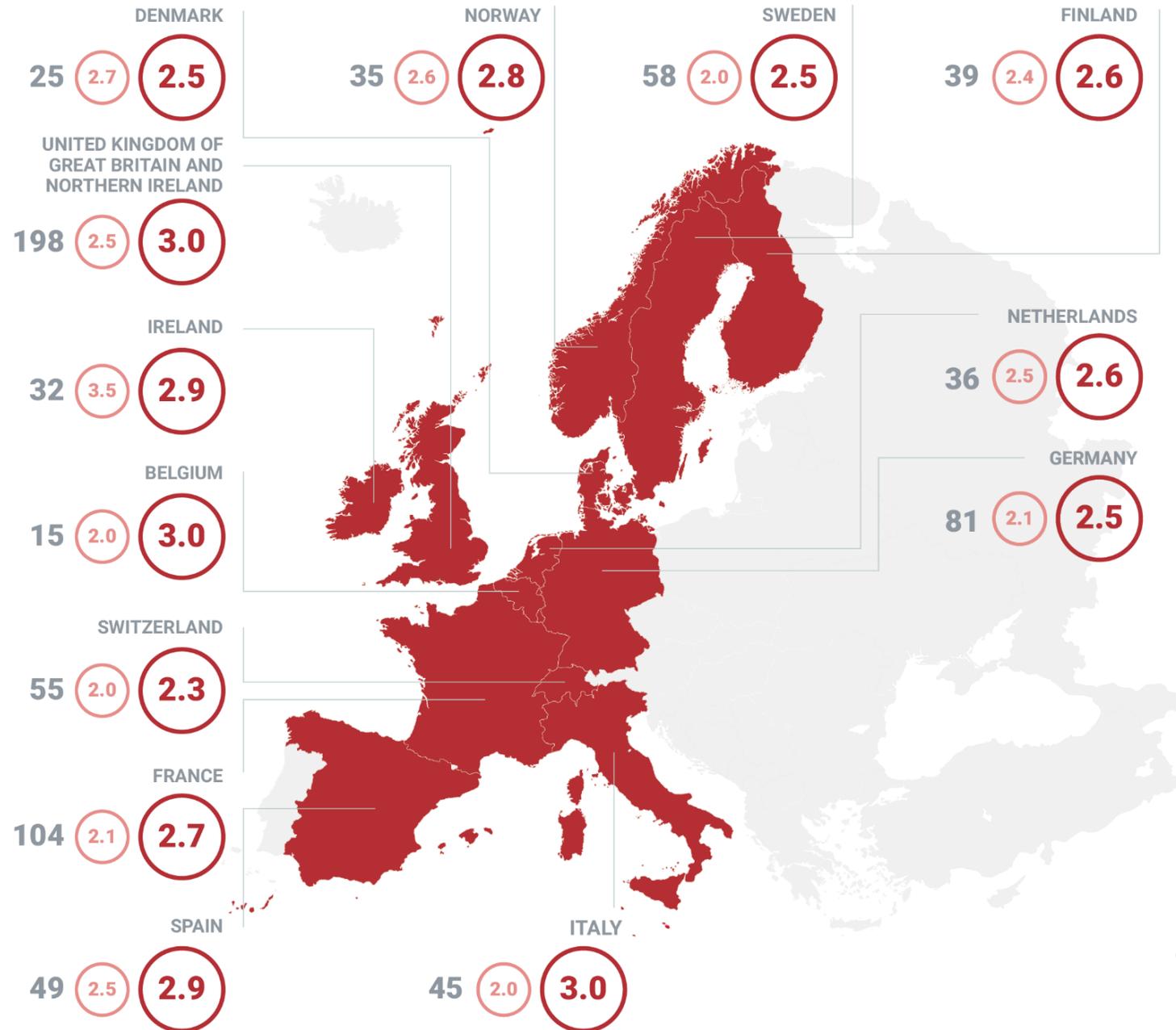
SCOPE 3: 11x MORE CLIMATE IMPACT

Ratio of supply chain emissions vs. Scope 1 + 2



11.4x higher

Supply chain emissions are on average **11.4** times higher than operational emissions, more than double previous estimate, due to more comprehensive emissions accounting.



of companies

Scope 1+2

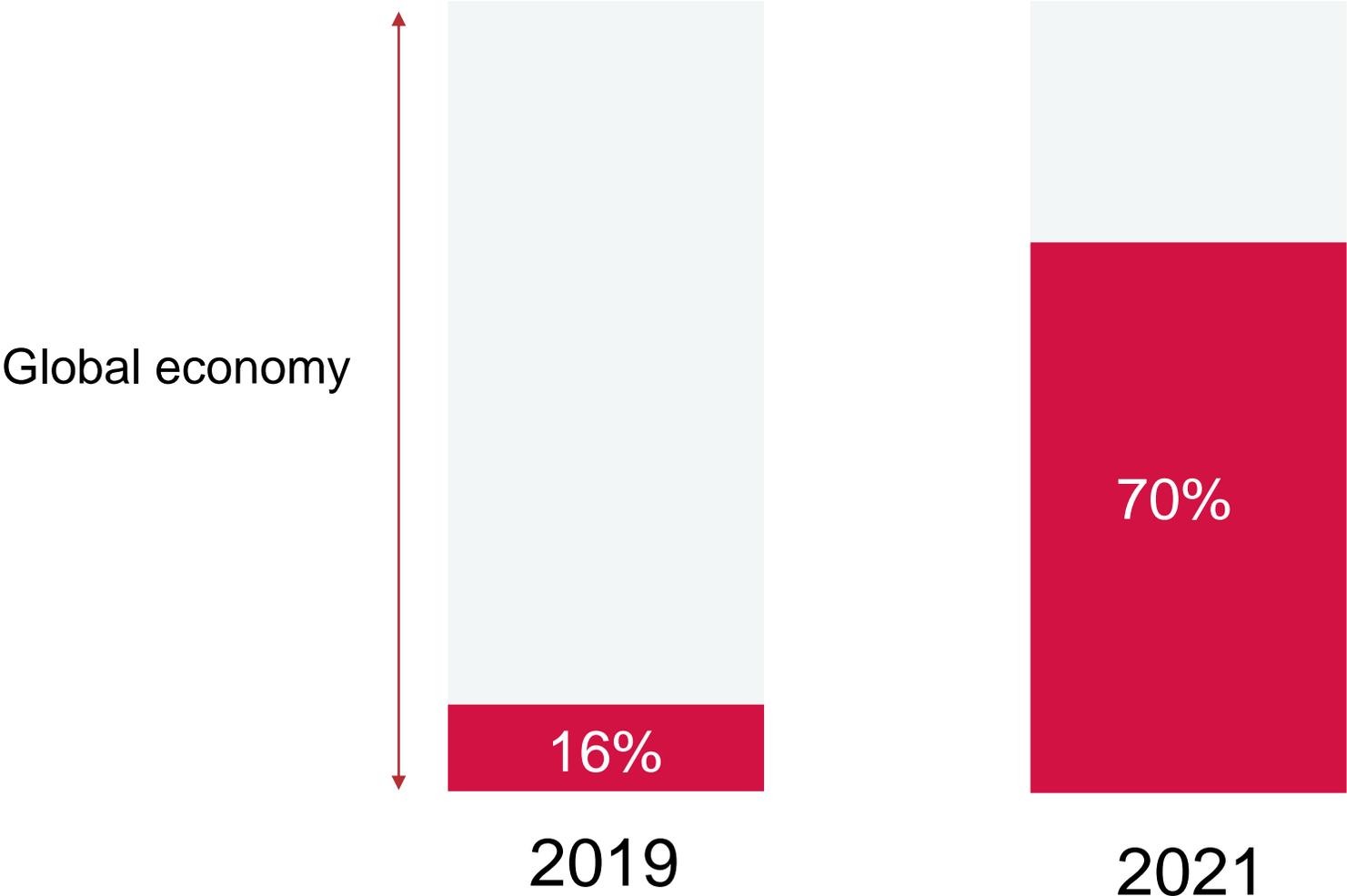
All scopes

SCOPE 3 IS KEEPING US HOT

Now for net-zero



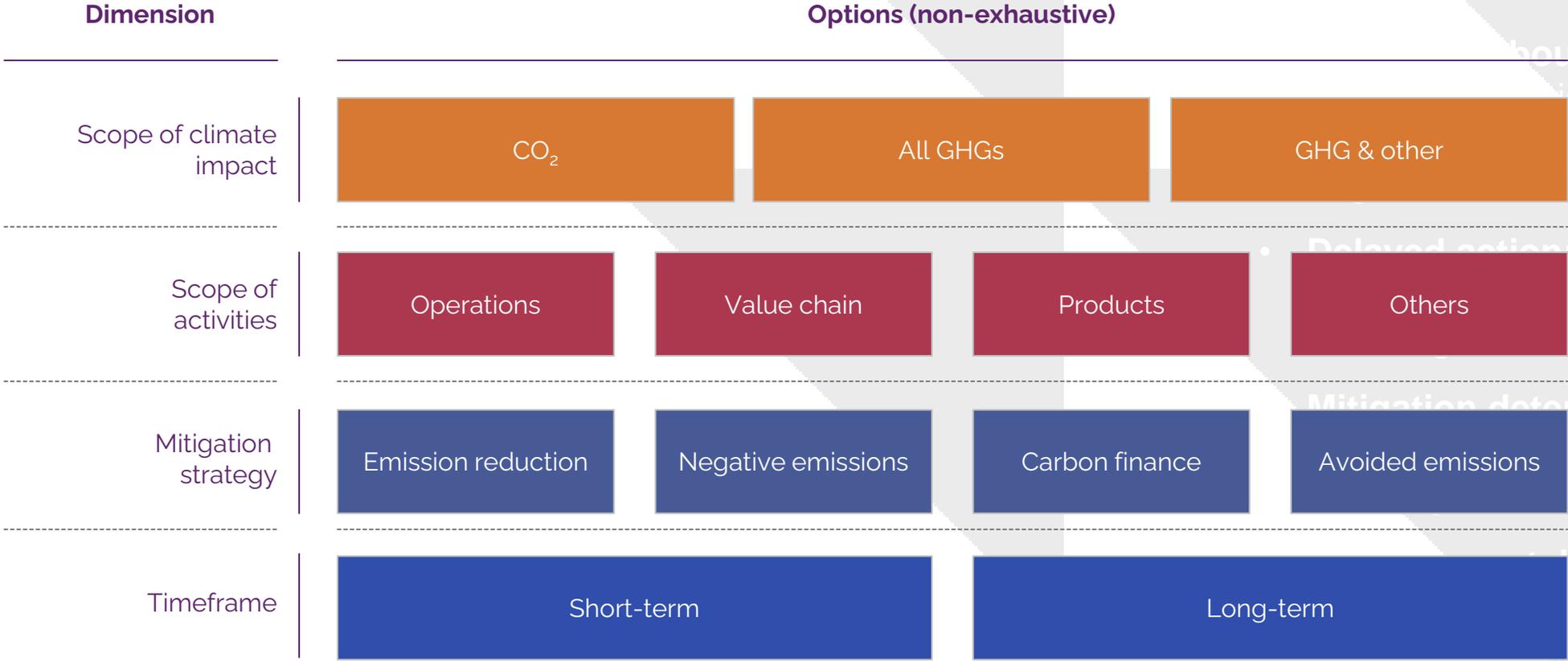
'NET-ZERO COMMITMENTS' HAVE GROWN RAPIDLY



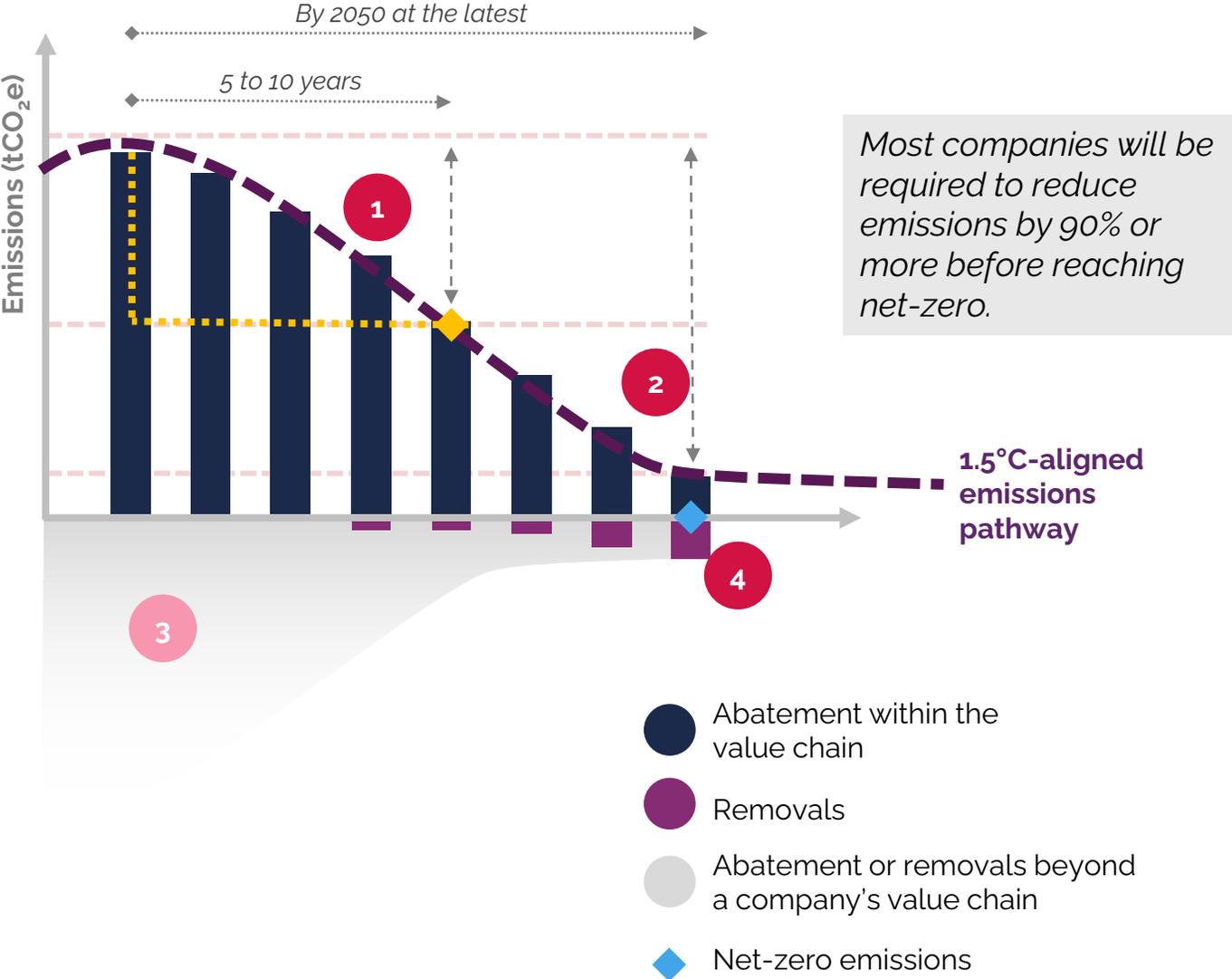
WHY HAS THE SBTi DEVELOPED A NET ZERO STANDARD?

Corporate net-zero targets play a critical role in addressing the climate emergency, but the lack of a robust benchmark has generated scepticism around the concept.

Net-zero targets differ across four key dimensions:



KEY ELEMENTS OF THE NET ZERO STANDARD



- 1 To set near-term science-based targets:**
5-10 year emission reduction targets in line with 1.5°C pathways
- 2 To set long-term science-based targets:**
Target to reduce emissions to a residual level in line with 1.5°C scenarios by no later than 2050
- Beyond value chain mitigation:**
In the transition to net-zero, companies should take action to mitigate emissions beyond their value chains. For example, purchasing high-quality, jurisdictional REDD+ credits or investing in direct air capture (DAC) and geologic storage
- 3**
- Neutralisation of residual emissions:**
GHGs released into the atmosphere when the company has achieved their long-term SBT must be counterbalanced through the permanent removal and storage of carbon from the atmosphere
- 4**

Required Recommended

FOUR CONSIDERATIONS FOR SETTING NEAR-AND LONG-TERM SBTS



Boundary

How much coverage or your emissions inventory is required?

Scope 1+2: **95%**

Scope 3: If **>40%** of total emissions, **67%** coverage



Ambition

What is the ambition level in terms of limiting temperature rise?

Scope 1+2: **1.5°C**

Scope 3: **Well-below 2°C**



Timeframe

What is the maximum timeframe to meet your targets?

5-10 years



Methods

What are the eligible methods to set your targets?

1. Absolute contraction
2. Physical intensity convergence
3. Renewable electricity
4. Supplier or customer engagement*
5. Economic intensity*
6. Physical intensity contraction*



Near-term science-based target



Long-term science-based target

Scope 1+2: **95%**

Scope 3: **90%**

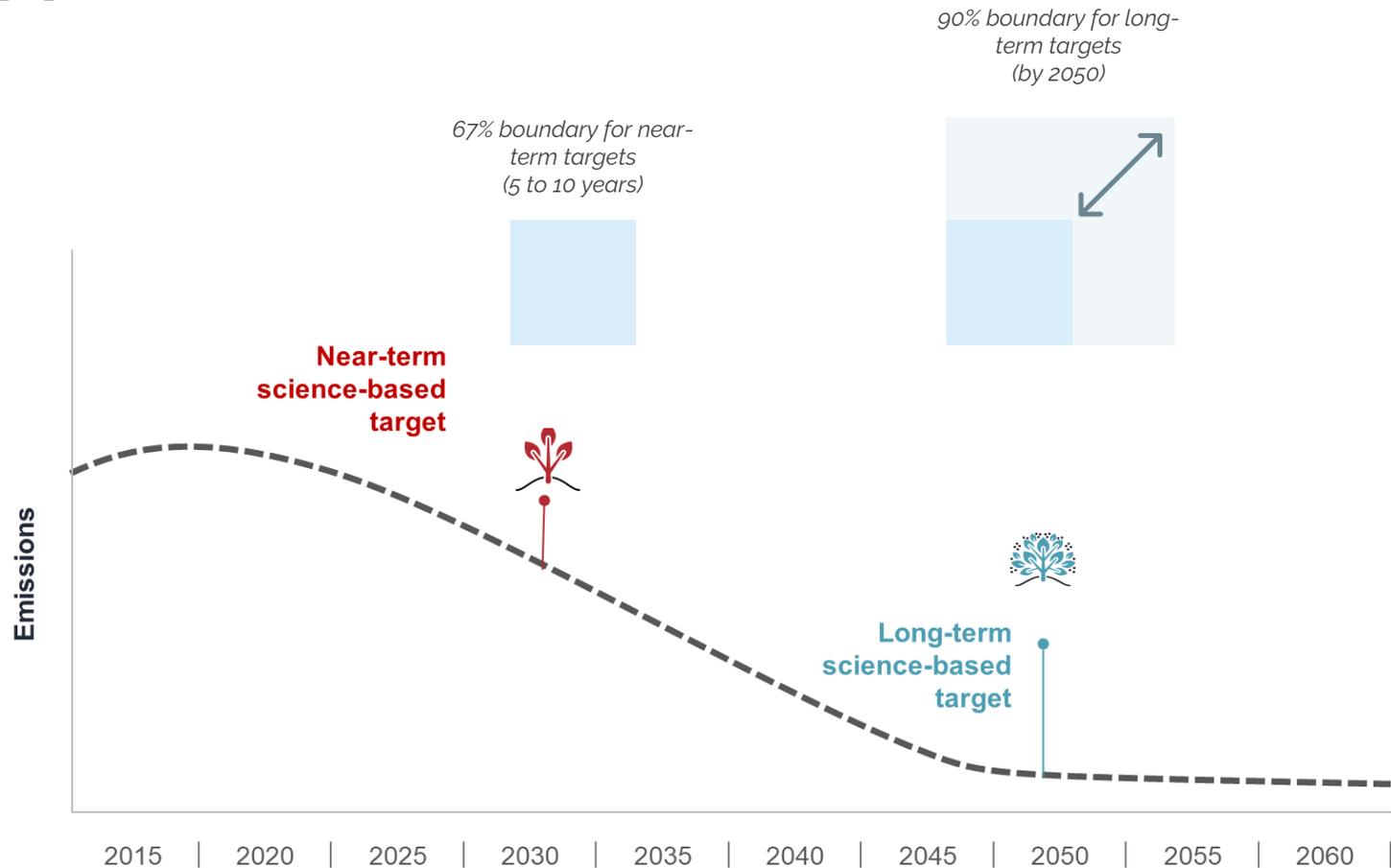
Scope 1+2+3: **1.5°C**

2050 latest

1. Absolute contraction
2. Physical intensity convergence
3. Renewable electricity
4. Economic intensity*
5. Physical intensity contraction*

* Scope 3 only

Acknowledging challenges with Scope 3, the Standard is following an expansive boundary approach



A comprehensive target boundary is necessary for companies to make credible net-zero claims. However, acknowledging the challenges with Scope 3 data, the Net-Zero Standard is following an expansive boundary approach.

This gradual increase in ambition:

- Provides opportunities to **collaborate across the whole value chain** to support suppliers and customers to decarbonize
- Allows companies to focus now on making steep cuts in their **most material emissions**
- Affords **time to work through the complexity** of scope 3

Introduction to CDP Supply Chain

About CDP



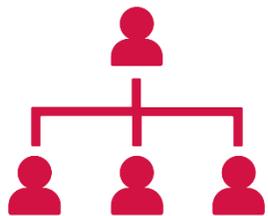
680+ investors

with **US\$130 trillion in assets** request information on climate change, water or forests.

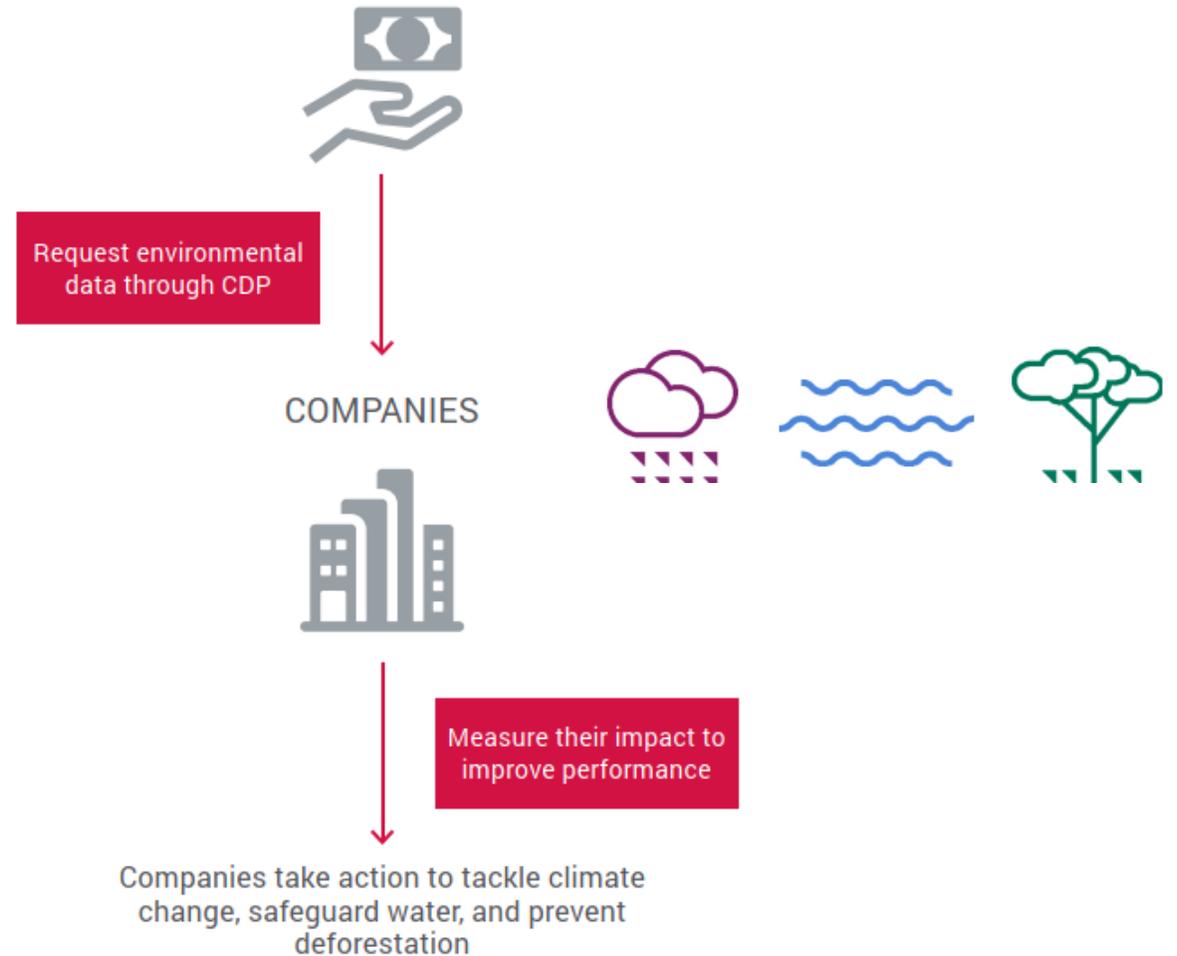


280+ major purchasers

representing combined **purchasing power of \$6.4 trillion** request information on climate change, water or forests.



INVESTORS AND COMPANIES



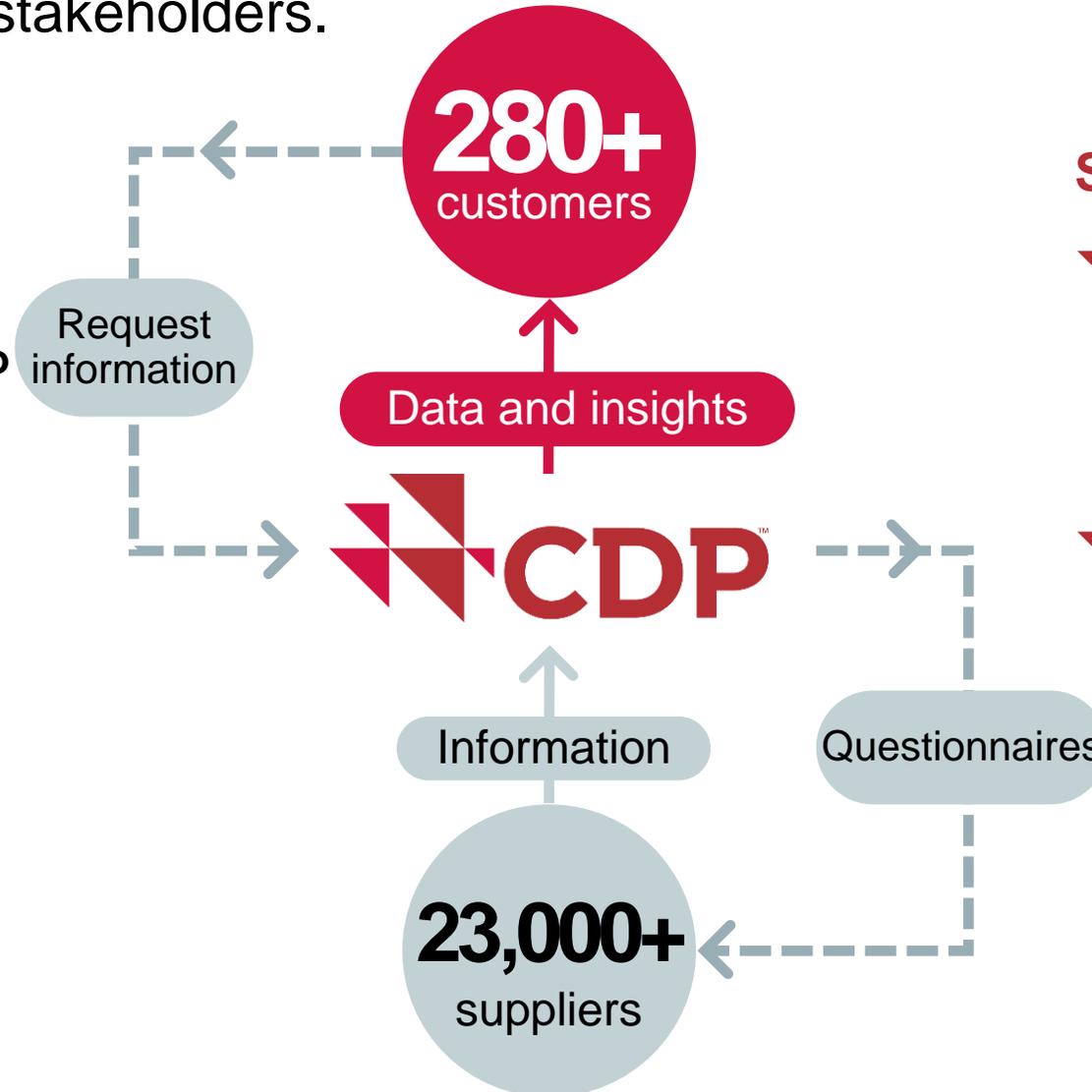
CDP Supply Chain Program

One response. Multiple stakeholders.



Customers

- Customers (Supply Chain Members) identify strategic suppliers and **request them to disclose** climate-related information.
- Customers use the reported data to **measure supplier environmental impacts** and to track progress of internal and external sustainability goals and/or commitments.



Suppliers

- Requested suppliers are asked to **report qualitative and quantitative information** in a standardised way, via CDP questionnaire.
- Suppliers improve their responses and performance** through feedback from Customers, CDP's action exchange initiative, and scoring documents.

280+ Supply Chain Members in 2022



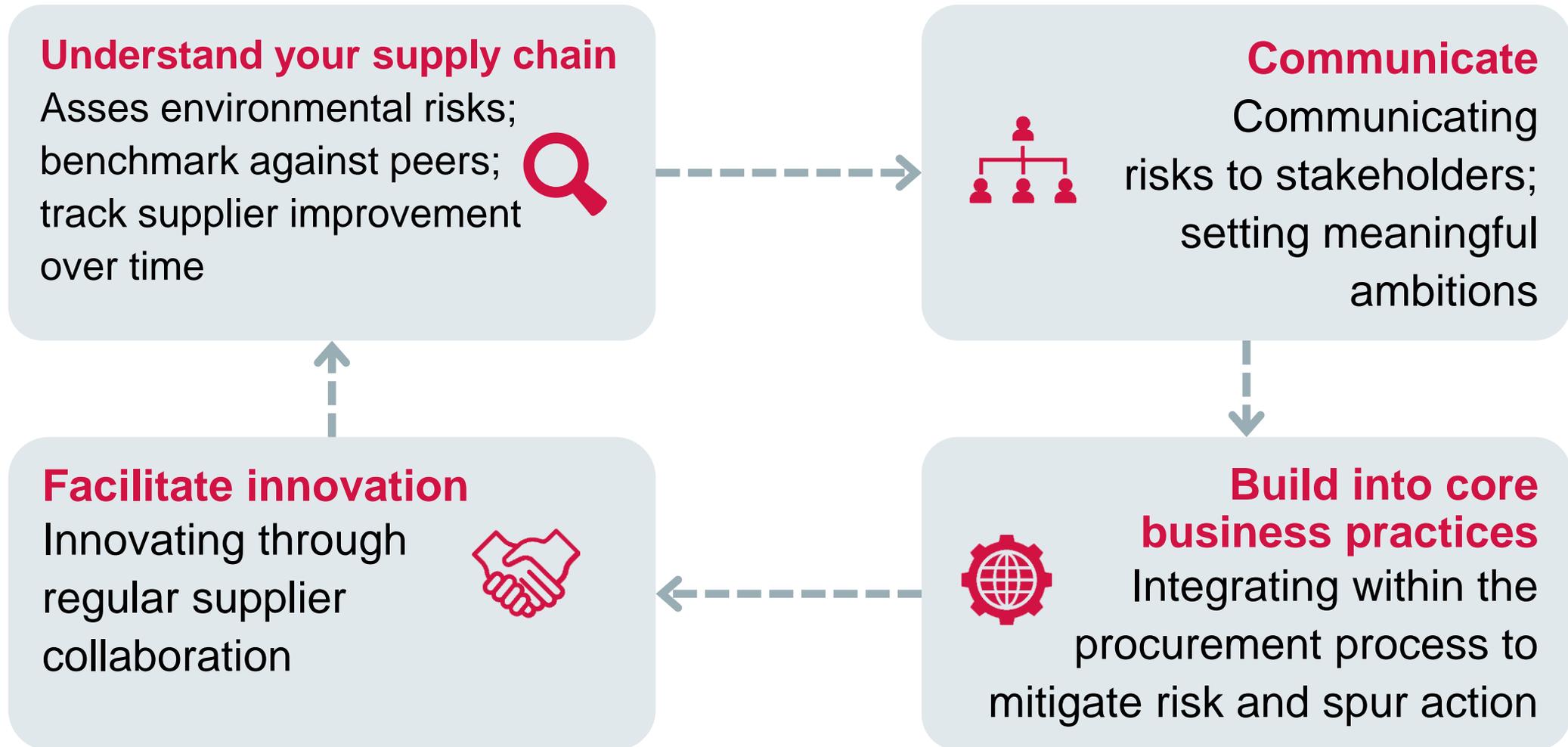
DISCLOSURE INSIGHT ACTION



Cascading action throughout the value chain

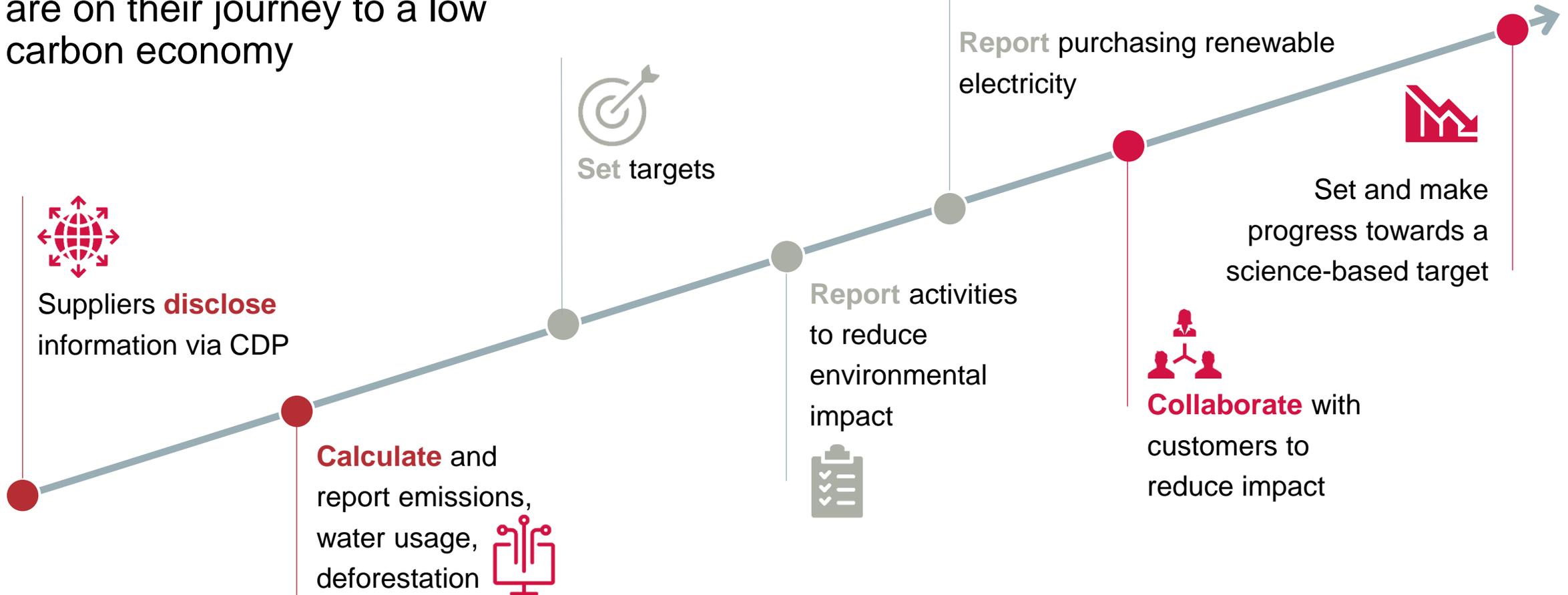


Using supplier data to drive action and change industries



Typical member KPIs

Assessing where suppliers are on their journey to a low carbon economy



Phase 1: Establish foundation

Phase 2: Build capacity

Phase 3: Improve performance

SBT strategy with CDP Supply Chain



1. Data collection, engagement and tracking

- **One point of access** for all supplier emissions data, fundamental to creating your supplier engagement strategy and achievement of SBT
- **Streamline communication** about your SBT to suppliers through a single channel, including tailored comms on KPIs and engagement webinars



2. Best in class framework

- CDP questionnaire is the **gold standard** for environmental reporting and is designed to be used as a tool for companies to develop their environmental strategies and enable them to set SBTs



3. Strategy

- Where to **focus engagement** efforts on key suppliers who you need to set an SBT to help build their capacity through guidance and support
- Create a **risk scenario** based on suppliers' current performance and likelihood to set SBTs by end date

Summary



- ▼ **Your impact lies in your supply chain.**
- ▼ **You can't manage what you don't measure:** Leveraging primary supplier data enables you to track year on year progress against scope 3 targets
- ▼ **Supplier engagement** is the bedrock of a robust supply chain climate management:
 - ▼ It helps **build supplier awareness and capacity around disclosure & emission reduction** in line with a 1.5°C-aligned world
 - ▼ It helps with **improving the granularity and quality of supplier data** year on year
 - ▼ Enables **data-driven procurement processes**, e.g. management of risks and opportunities, spurring climate action
 - ▼ Unlocks opportunities for **innovation and decarbonisation within your supplier relationships**, benefiting both parties, and the planet
- ▼ Supplier engagement is a long game. **Get started today.**

Thank you



Please contact aoife.devaney@cdp.net
with questions

Panel



Brian O'Kennedy

CEO, Clearstream
Solutions



Shane O'Reilly

Director, Sustainable
Futures, KPMG
Ireland



Neil Menzies

Director of
Sustainability,
Hibernia Real
Estate Group
Limited



Des Ferris

Technical Director
Keeling's



Aoife Devaney

Supply Chain
Programme
Account Manager
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Thank You!

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