

IMPLEMENTING AN ADVANCED CORPORATE CLIMATE STRATEGY



TABLE OF CONTENTS

Introduction	3
A Smart Strategy Benefits the Business	4
Know Your Greenhouse Gases	4
Inside the Target-Setting Process	5
Anticipate Challenges in Advance	6
New Science-Based Target Route for SMEs	6
Gain Control over Scope 3 Emissions	7
Determining Ice Cream’s Carbon Footprint	9
Walmart Creates Calculators for Suppliers	10
Identify Effective Projects and Initiatives	10
Create Opportunities for Growth	11
References	12

INTRODUCTION

The covid-19 pandemic shut down factories, emptied offices, strained supply chains, and threw a wrench into business operations worldwide. Even as corporate leaders hunkered down to manage the unimaginable, one thing was clear: Those with significant climate commitments weren't about to back away from them.

More than 900 companies, including Walmart, VF Corporation, Seventh Generation, and Ben & Jerry's, have adopted science-based targets to reduce greenhouse gases in line with what scientists say is needed to meet the Paris Agreement goals and limit global warming. The Science Based Targets initiative (SBTi), a collaboration of CDP, the United Nations Global Compact, the World Resources Institute, and the World Wide Fund for Nature (WWF), provides companies with a path for target setting.

These targets are essential to an advanced corporate climate strategy. Having the SBTi's robust standardized methodology helps



Setting science-based targets can be challenging, but is also an opportunity for companies.”

– Tim Greiner, Pure Strategies

corporate sustainability professionals gain confidence in their goals, says Tim Greiner, managing director and cofounder of the sustainability consulting firm Pure Strategies.

“Setting science-based targets can be challenging, but is also an opportunity for companies,” Greiner said. “It gets them thinking differently, which can uncover innovative approaches, new business models, new growth opportunities, new partners.” Staying focused on the bigger climate picture also builds resiliency, which has become more crucial than ever for businesses.



A SMART STRATEGY BENEFITS THE BUSINESS

Numerous environmental nonprofit organizations are increasing the pressure on companies to address climate issues. Corporate investors and shareholders expect environmental action as well, Greiner pointed out.

The business case for setting science-based targets has never been clearer. Advantages include increased resilience, more credibility, and improved profitability and competitiveness.

In November 2016, Walmart became the first retailer to announce a science-based target. Zach Freeze is the company's senior director of strategic initiatives for sustainability. "The Science Based Targets initiative is a gold standard that aligns well with Walmart's strategy," he said. "It paved the way to our clearly-defined timebound target."

Natural household products company Seventh Generation looks to external frameworks and guidance for the best thinking from experts who are looking holistically at climate issue areas, whether that's water or air quality, said global director of advocacy and sustainability Ashley Orgain.

"Having outside expertise inform our strategy enables us to tap into the latest science and innovative approaches to science-based targets," she said.

Jeannie Renne-Malone, vice president of global sustainability for the apparel, footwear, and accessory company VF Corporation, credits the targets with ensuring that collective efforts

Continued on page 5

KNOW YOUR GREENHOUSE GASES

The Science Based Targets initiative requires companies to follow the GHG Protocol Corporate Standard, the result of a partnership between the World Resources Institute and the World Business Council for Sustainable Development to help companies and other organizations manage their emissions.

Under the standard, a company's GHG emissions fall into one of three scopes:

- **Scope 1:** Direct emissions from owned or controlled sources.
- **Scope 2:** Indirect emissions from the generation of purchased energy.
- **Scope 3:** All indirect upstream and downstream emissions not included in Scope 2 that occur in the reporting company's value chain.

"Companies need to provide clear and complete information on how they calculated avoided emissions and what product or range of products they used for comparison," the GHG Protocol advises. "They should always report a complete corporate value chain inventory, including Scope 1, Scope 2, and Scope 3 emissions." 🌀

Continued from page 4

across their industry are in line with the Paris Agreement. “From a reputation perspective — for consumers as well as investors — it’s no longer optional for brands and companies to have a commitment to environmental and social responsibilities,” she said.

Collective work on saving the climate provides resiliency to Ben & Jerry’s agricultural supply chains, which are affected by extreme weather, said global social mission officer Dave Rapaport. “Those benefits extend beyond supply chains to the wellbeing of everybody who we hope will be buying our ice cream,” he said.

INSIDE THE TARGET-SETTING PROCESS

Setting a target through the Science Based Targets initiative involves sending a commitment letter and developing a target that meets the latest SBTi criteria for direct Scope 1 and indirect Scope 2 and 3 greenhouse gas emissions. Companies then submit their targets to the initiative for validation. To date, the SBTi has formally approved science-based targets for more than 400 companies.

“It’s one thing to set goals, but it’s another to have them approved by a third party.”

—Jeannie Renne-Malone, VF Corporation

“After doing the inventory by scope, depending on the output from inventory, you have to set targets based upon where the majority of emissions exist,” Orgain explained. Seventh Generation aims to lower Scope 1 and 2 emissions 100%, Scope 3 emissions from the use of sold products 90%, and remaining Scope 3 categories 80% by 2030 from a 2012 baseline.


As an SBTi pioneer, Walmart committed to reducing absolute Scope 1 and 2 emissions 18% by 2025 from 2015 levels — and reduce carbon dioxide equivalent emissions from upstream and downstream Scope 3 sources by 1 billion metric tons between 2015 and 2030.

“We’ve had the benefit of reporting and disclosing our emissions to CDP for over 10 years now,” Freeze said. “Through the goal-setting process, we developed a more specific target for renewable energy of 50% by 2025.” The SBTi’s sector guidance made it easier to disclose a specific year, Freeze added.

Ben & Jerry’s set targets in 2018 to lower Scope 1 and 2 emissions 100% by 2025 using a 2015 base year. The ice cream brand also committed to reducing value chain GHG emissions — Scope 1, 2, and 3 — 40% per pint of product sold by 2025 against a 2015 baseline.

In 2019 VF Corporation agreed to reduce Scope 1 and 2 emissions 55% and Scope 3 emissions





30% by 2030 from a 2017 base year. “It’s one thing to set goals, but it’s another to have them approved by a third party, especially a reputable entity like the Science Based Targets initiative,” Renne-Malone said.

ANTICIPATE CHALLENGES IN ADVANCE

Science-based targets are usually more aggressive than past corporate commitments, Greiner pointed out. Setting them requires new ways of thinking and working within the organization as well as externally, he said. Sometimes figuring out how to get these advanced models working with the right investments, staffing, and partnerships is hard. It takes a lot of due diligence.

Balancing tradeoffs can be an enormous challenge, Orgain observed. Currently most of Seventh Generation’s ingredients are plant-based, which come at a premium. Pursuing sustainable inputs well into the future comes at an additional cost, affecting how the company prices their products in the marketplace, Orgain said.

Convincing suppliers to rethink their processes represents another potential challenge. “Any time you’re talking about changing a way a farmer runs their business, you’re talking about something that potentially carries significant risks to their livelihoods,” Rapaport said. “There is an understandable resistance to change. Farmers are, by and large, independent.”

Continued on page 7

NEW SCIENCE-BASED TARGET ROUTE FOR SMES

In April, the Science Based Targets initiative introduced a streamlined route for small and medium-sized enterprises — SMEs — to achieve target validation.

“Aligning a company’s initial plans with the requirements for SBTi validation can be an iterative and relatively resource-intensive process, for which smaller companies often lack capacity,” according to the initiative.

Instead, the new path for independent companies that employ fewer than 500 employees was designed to simplify the process, offering SMEs the choice of two targets: one aligned with well-below 2°C of warming or one below 1.5°C.

In addition, the route requires smaller companies to measure and reduce their Scope 3 emissions but they don’t have to set quantified targets, the initiative said. Starting July 15, 2020, enterprises can use a **Target Setting Letter for SMEs** to pursue validation.

“It gives smaller companies an on-ramp, especially since the starting point in sustainability is usually working to address impacts within a company’s direct control,” Pure Strategies’ Tim Greiner said. However, he cautioned that SMEs that have third parties do manufacturing or other operations may need additional support and guidance to address these emissions. The same is true for companies with notable Scope 3 GHGs. 🌀

Continued from page 6

One of the most common scenarios Pure Strategies encounters when companies begin to implement science-based targets is that they need to engage more upstream in their supply chains — and help those supply chains reduce emissions, Greiner said. Although embracing new ways of doing things can create discomfort for corporate executives, understanding the full supply chain ultimately prepares them to manage big issues effectively.

GAIN CONTROL OVER SCOPE 3 EMISSIONS

All the indirect emissions that don't fall under Scope 2 go into the catch-all that is Scope 3. Examples, according to the GHG Protocol, include the extraction and production of purchased materials, transporting purchased fuels, and consumer use of products and services. At first these emissions might seem impossible to change.

The majority of Seventh Generation's emissions exist in Scope 3 through the consumer end use of the products, says Orgain. "We learned that the Scope 3 emissions were the most significant part of our footprint back in 2009, when we did our very first ever footprint analysis," she said. Pure Strategies collaborated with the company and found that more than 90% of their footprint was from the use phase — mainly electricity from consumers running washing machines and dishwashers.

"We're good at selling laundry detergent, but figuring out how to green the grid at scale is not

“ There is an understandable resistance to change. Farmers are, by and large, independent.”

— Dave Rapaport, Ben & Jerry's

what our team is designed to do,” Orgain said. In response to this challenge, Seventh Generation creates partnerships and networks to help drive down consumers' energy emissions. The company participates in public policy advocacy,

procures renewable energy with supply chain partners, and invests directly in the grid's transition.

Changing consumer behavior has never been easy, but it frequently comes up within Scope 3. Ben & Jerry's wants to increase sales for

products that have lower carbon footprints. “We're coming out with a wider range of nondairy products, but ultimately how fast they

Continued on page 9





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Continued from page 7

sell and how fast they grow as a portion of our portfolio is not up to us,” said Rapaport.

VF Corporation discovered that almost all of their emissions are from Scope 3, with 42% of those from raw materials specifically. The company is concentrating on the top nine materials, pinpointing where to make changes. “We’re in the process of assessing material choices within the areas of responsibly-sourced, renewable, and recyclable to identify the greatest opportunities for environmental impact reduction,” Renne-Malone said.

Addressing Scope 3 emissions requires Walmart to work with their suppliers at various stages of sustainability maturity. “We have leading companies out there with science-based targets that are making great progress,” Freeze said. “But we also have others that have never worked on climate or had a public goal.”

Through Walmart’s Project Gigaton, an initiative introduced in 2017 to work with suppliers to avoid one billion metric tons of greenhouse gases from the company’s global value chain by 2030, the retailer seeks to meet suppliers where they are and then encourage them to level up. Currently more than 2,300

DETERMINING ICE CREAM’S CARBON FOOTPRINT

In order for Ben & Jerry to reduce emissions, they had to measure them. The ice cream brand tapped a startup to perform a life-cycle analysis (LCA) of their products, tracing the carbon emissions from all the ingredients, manufacturing, and retail involved in making 21 different flavors.

This LCA found that each single pint of Ben & Jerry’s ice cream in the United States emits the equivalent of 2 pounds of CO₂ from farm to spoon, the company said:

52% Ingredients
14% Outbound Transportation
10% Packaging
10% Retail
7% Production
2% Use
2% End of Life

With that analysis in hand, Ben & Jerry’s began undertaking projects to lower their emissions. They also asked Pure Strategies to help them find a way to measure farm-related GHG emissions from crop production, cows, and manure.

The consultancy recommended a stand-alone tool developed by the USDA’s Natural Resources Conservation Service and Colorado State University called **Comet-Farm** that allows users to calculate reductions in greenhouse gas emissions based on anticipated fuel savings.

“With Comet, producers can better manage the carbon footprint reductions they gain from improved herd management, sustainable tilling practices, crop rotation, cover cropping, and other practices,” according to Pure Strategies. 🌀



WALMART CREATES CALCULATORS FOR SUPPLIERS

Partners including the WWF and Environmental Defense Fund helped Walmart develop calculators within the Project Gigaton platform to capture emissions savings from a specific supplier action.

“For suppliers that do not report to CDP, or wish to report emissions reductions that were not included in their CDP disclosure, Walmart has created an alternative pathway to report directly to Walmart using their Project Gigaton Account,” the retailer explained.

Companies can calculate the emissions savings associated with their energy, waste, packaging, agriculture, forests, product use and design, and other emissions goals for Project Gigaton reporting. For example, using more recycled content in a packaging type — paper, pulp, plastic, aluminum — produces quantifiable results.

“We try to make it easy for suppliers,” Zach Freeze said. “Our hope is they see the benefits they can create, and are encouraged to do more. ☺

Continued from page 9

suppliers from 50 countries reported 230 million metric tons of avoided emissions, Freeze said.

“Once we get people more comfortable disclosing information and working on sustainability, the easier it is for them to do more,” he said. That transparency allows Walmart to start a conversation around a supplier’s next steps, and how the retailer might support them in getting there.

IDENTIFY EFFECTIVE PROJECTS AND INITIATIVES

Making a science-based target work requires finding the right strategies, internal engagement, and external partners, Greiner said. It also means developing projects and initiatives, internally or externally, that will make the biggest difference in reducing emissions based on an environmental analysis.

Having well-defined targets allowed VF Corporation to prioritize their investments, Renne-Malone said. The company joined the global corporate renewable energy initiative RE100, agreeing to using 100% renewables for all owned and operated facilities by 2025. Signing virtual power purchase agreements for renewable energy saves them money and contributes to lower emissions.

VF Corporation is also pursuing recommerce and rental models. Renne-Malone said that a good methodology for quantifying the GHG benefits from these types of businesses has yet to be developed so the company joined working groups to help create them.

Rapaport noted that dairy, which represents just over half of the company’s carbon footprint, is a main focus area. Ben & Jerry’s currently has three small-scale anaerobic digester pilots for



lowering emissions from manure management. An internal carbon tax, which funds their GHG reduction efforts, supports these projects. If the pilots are successful, the company could use their tax to scale the program up for farmers — with a reasonable price on carbon as a subsidy, Rapaport said.

The ice cream brand established 2020 standards for regenerative practices to build soil health through their Caring Dairy farmer program. Ben & Jerry's also has a partnership with the University of Vermont to fund regenerative agriculture research and support solutions that seem viable at the initial research stage.

CREATE OPPORTUNITIES FOR GROWTH

The climate crisis hasn't paused while leaders confront the pandemic. CEOs worldwide are calling for economic recovery plans that emphasize sustainability. A low-carbon future is still possible, they argue, but it means setting ambitious goals and following through with significant steps to achieve them.

The pandemic highlights the importance of science-based policy and shows us what's required to move forward, Rapaport observed. "I think we're going to come out of it with more commitment to making the progress we need."

Covid-19 prompted the Seventh Generation team to give more thought to the social implications of sustainability. "Our work around climate is based on climate justice and our understanding that the most impacted are the most vulnerable," Orgain said. "For us to address the climate means that we're going to be ensuring the health of future generations."

Climate change is likely to persist as a critical issue for companies around the globe. "I do think that generally there will continue to be focus on climate," Greiner said. "The risk is still extreme and there's a need for meaningful action."

“We're good at selling laundry detergent, but figuring out how to green the grid at scale is not what our team is designed to do.”

— Ashley Orgain, Seventh Generation

Managers who pursue science-based targets understand what's at stake. They don't shy away from serious challenges. These executives know that adopting a smart climate strategy rooted in science puts their organizations on a path to protecting limited natural resources, building financial resilience, and future-proofing growth. 🌀



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