

CBSR: NET ZERO WORKING GROUP **INSETTING & VALUE CHAIN TARGETS**

Friday, May 12th, 2023
1:00 – 3:00 pm EST



@CBSRNews



VIRTUAL HOUSEKEEPING



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[Your Name, Company Name]



**Encouraged to switch on video & actively
Participate in the chat box and discussions**



Chatham House Rule
Take care of your needs



Tech questions? Ask them in the **CHAT**



AGENDA

Timing (EST)	Agenda Item
1:00 – 1:05 PM (5 min)	Welcome remarks
1:05 – 1:15 PM (10 min)	Setting the Stage: Value Chain Reductions & Targets
1:15 – 1:25 PM (10 min)	Member Spotlight: Canada Post
1: 25 – 1:55 PM (25 min)	Breakout Group Discussion 1 Discussion questions: 1) Where are the GHG emission hotspots along your value chain that could be a good place to begin supplier engagement? 2) What are key reduction pathways within your sector?
1:55 – 2:05 PM (10 min)	Setting the Stage Cont'd: Insetting
2:05 – 2:20 (15 min)	Member Spotlight: Maple Leaf
2:20 – 2:45 PM (25 min)	Breakout Group Discussion 2 Discussion questions: 1) How might you collaborate with your supply chain to identify an insetting opportunity? 2) How could you leverage this group to support your insetting project or to start an insetting project? 3) What could an insetting project look like?
2:45 – 2:55 PM (10 min)	Verification Methods
2:55 - 3:00 PM (5 min)	Closing & Next Steps

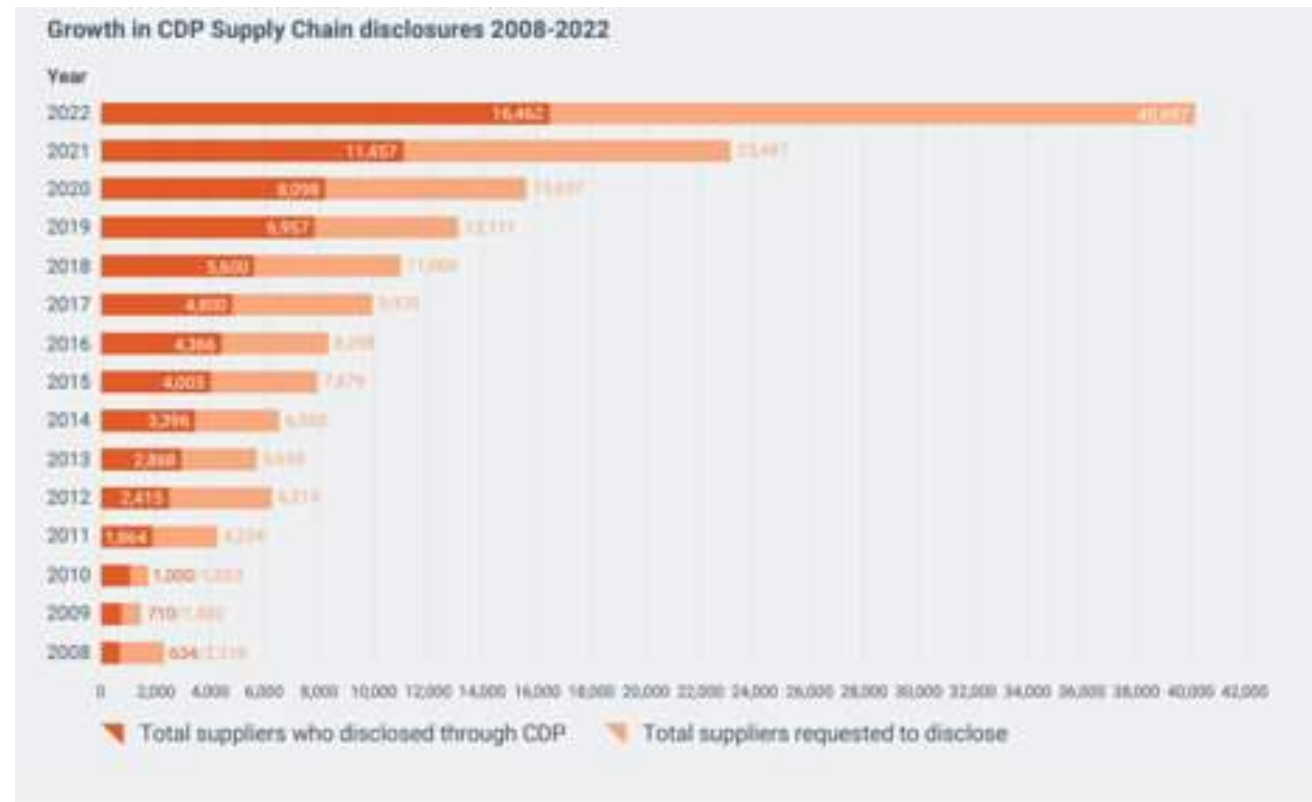


SETTING THE STAGE:

Value Chain Targets

The Importance of Value Chain Targets

In [CDP's 2022 Supply Chain Report](#) released in March 2023, there was a large increase in the number of suppliers who were requested to disclose, reaching over **40,000** in 2022 from 2,300 in 2008.



Disclosures drive targets.

Emission Reductions in Value Chain

Early approach

- Estimates based on spend per sector / industry average
- Decarbonization approach: Hope the industry emission average drops over time.
- Spend less on a particular industry

Evolved approach

- Direct collection of data from suppliers on an enterprise and/or product level
- Decarbonization approach: Engage suppliers to drive emission reductions over time or work with better-performing suppliers

Understand your supply chain impacts

What are the most intensive products or inputs my company provides to the market?

How can I shift to reduce my reliance on that input?

How can I work with the supplier to drive emissions reductions for that specific input/product?

Setting Value Chain Targets

Absolute GHG Emissions Targets	Intensity GHG Emissions Targets	Supplier Engagement Targets
Company commits to an absolute reduction in scope 3 emissions over a defined time frame.	Company commits to the reduction of the scope 3 GHG intensity of its activities as measured against a meaningful physical or economic activity indicator over a defined timeframe.	Commit a company's suppliers to setting science-based emission reduction targets.
Example: "a 30% reduction in emissions by 2030 from a 2018 base-year."	Example: "a 30% in CO ₂ e/ton of steel produced by 2030 from a 2018 base-year."	Example: "70% of our tier 1 suppliers will have established or committed to a science-based target by 2035."
SBT considers this type of target is the most robust approach to preserving the global carbon budget and should be the first type of target set by an organization.	When an organization doesn't grow or shrink, the absolute reduction target can be misleading as it does not necessarily reflect improvements in performance – so an intensity based target is more appropriate.	The CDP's 2022 Supply Chain Report states that requiring suppliers to set science-based targets is considered best practice in purchasing & procurement.

The different types of value chain targets outlined above should be considered complimentary; it is likely that an organization will require 2 or more types to successfully reach net zero.

Getting Started with Value Chain Targets

Scope 3 measurement strategies

UNDERSTAND THE DATA

Collect your organization's purchasing data.

Identify the volume of specific products and purchases.

**YOU
ARE
HERE**

Activity-based
(sectoral/product factors
per quantity purchased)

Spend-based (sectoral
factors per \$ spend)

Supplier-based
(primary data)

Hybrid (mixture of the
above methodologies)

BUILD A STRATEGY

With an identified product for a starting point, build an organization-wide strategy.

Enable communication cross-functionally and build organization alignment towards your sustainability strategy.

BEGIN SUPPLIER ENGAGEMENT

You will not achieve any value chain target without support & engagement with your suppliers.

Engage with your identified HIPO, explaining your goals and making the business case for their participation.

The Case for Value Chain Collaboration

One customer's or investor's voice may not be influential enough to get a supplier to change, but when an entire sector is pushing for better practices, the supplier is more likely to act.

Companies in the same sector can collaborate by asking the supplier for the same information and agree on the key KPI to ask suppliers to focus on. There are many benefits to this approach:

- It shows a sign of direction within an industry.
- It avoids asking the supplier for different information and overwhelming the supplier.
- It reduces the risk of first mover's premium.





MEMBER SPOTLIGHT

Breakout #1: Discussion Questions

25 minutes



- 1) Where are there GHG emission hotspots along your value chain that could be a good place to begin supplier engagement?
- 2) What are the key reductions pathways within your sector?



SETTING THE STAGE:

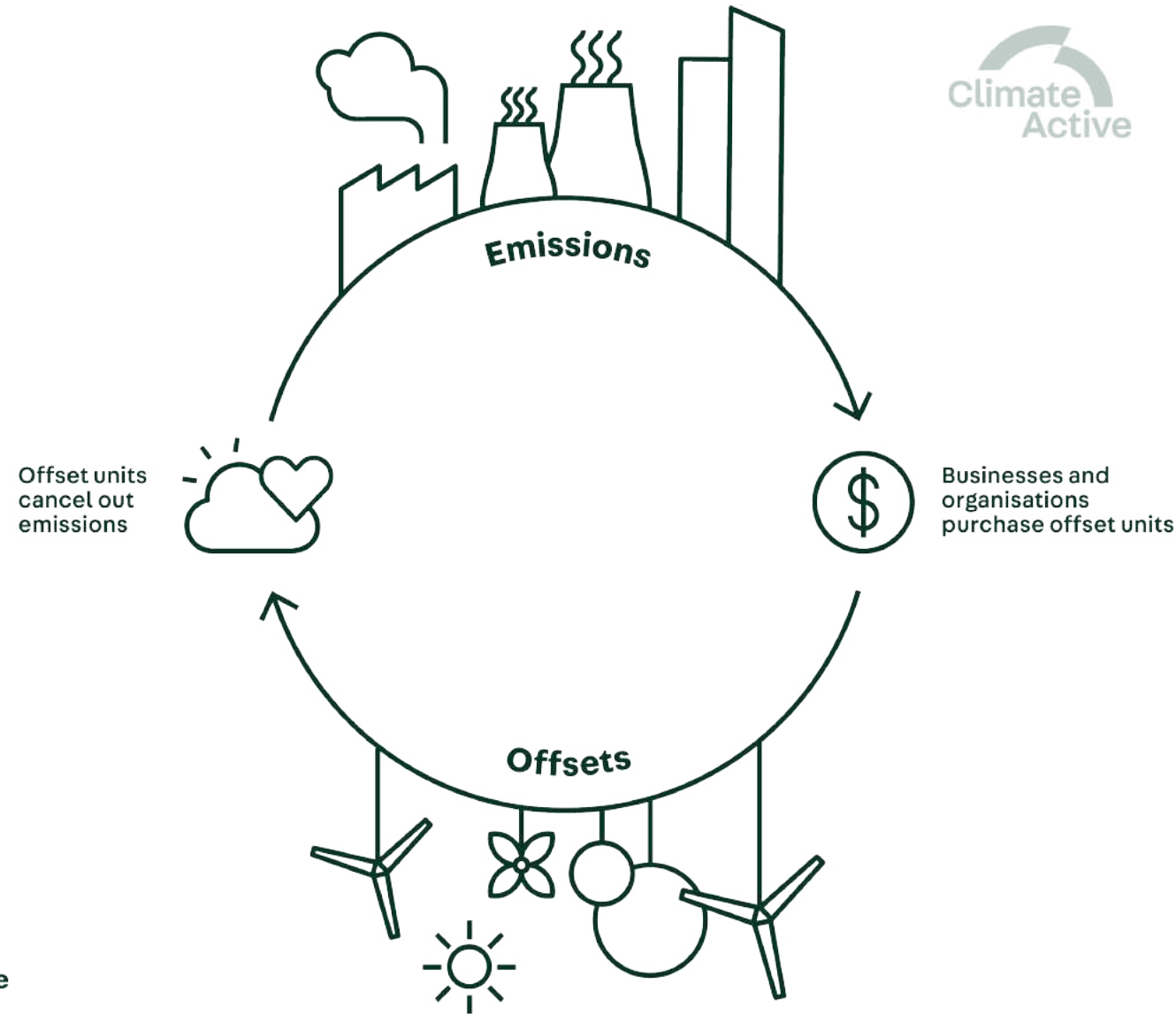
Insetting

Definitions: **Offsetting**

A carbon offset refers to a reduction in GHG emissions – or an increase in carbon storage – that is used to compensate for emissions that occur elsewhere.

There is a reality that offsets are an essential component of the global net zero journey, but they should not be relied on too heavily.

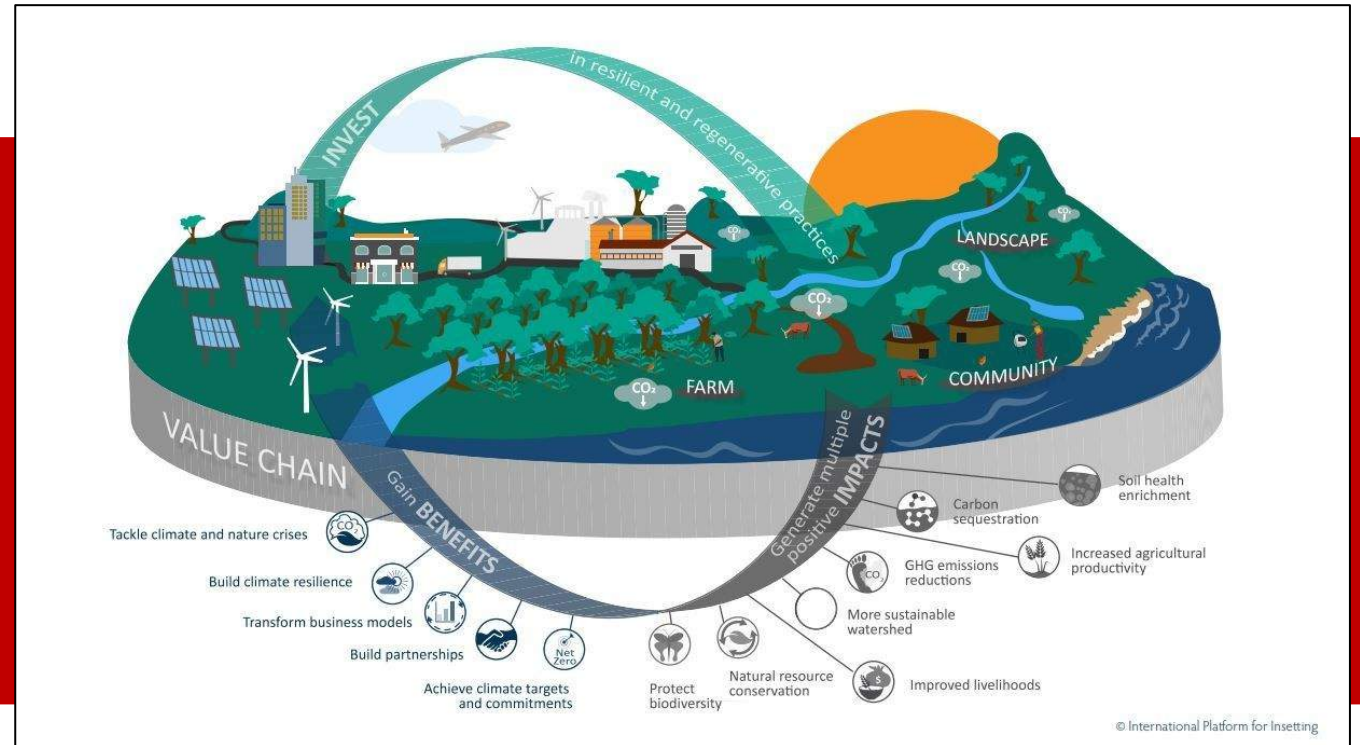
Climate Active



Definitions: **Insetting**

Insetting projects are interventions along a company's value chain that are designed to generate greenhouse gas emissions reductions and carbon storage, and at the same time create positive impacts for communities, landscapes and ecosystems.


Insetting can also be referred to as **supply chain interventions & scope 3 reductions**.



Insetting is a mechanism that helps to reducing value chain (scope 3) emissions.

Types of Insetting Activities

The Science-Based Targets Initiative (SBTi) and GHG Protocol have created details for the scope of what is qualified as emissions reductions within the boundaries of your organization's scope 3 emissions. An unqualified project may not directly count towards achieving a target but will still have positive impacts on the world.



Your insetting activity is directly investing in one of your suppliers to assist with lowering their overall GHG emissions. You have collected data before & after this investment, so it is translated to **actual reported reductions**, accruing to your GHG emissions balance sheet directly.

Your insetting activity invests in an industry overall, building a platform for reduction and you are able to **prove attribution for a portion of the project**.

Your insetting activity is making a difference, but you are **not able to provide sufficient proof** to have it attributed to your organization.



**Qualified
under SBTi & GHG
Protocol**

**Not qualified
under SBTi & GHG
Protocol**

Examples of Insetting: Sustainable Sourcing Program for Shea Nuts

L'Oreal partnered with Burkina Faso, a community in West Africa, as it's only supplier for shea nuts. An integral part of harvesting & processing shea nuts is scolding the nuts in hot water. The traditional stove used for this process required significant wood resources, so L'Oreal supplied over 2,000 improved stoves that are less wood-intensive & more efficient.

This updated technology has had immense impacts on the Burkina Faso community & L'Oreal's sustainability goals:

- It has avoided over 10,500 tons of CO2 equivalent
- Saved more than 5,000 tons of wood
- Saved more than 40,000 hours of domestic un-paid work (such as wood collecting)
- Created 31 jobs for artisans making stoves in the local community



L'ORÉAL

Examples of Insetting: South Gobi Cashmere Project



KERING


Kering partnered with the Wildlife Conservation Society to support the herders in Mongolia whose well-being is derived from cashmere harvesting.

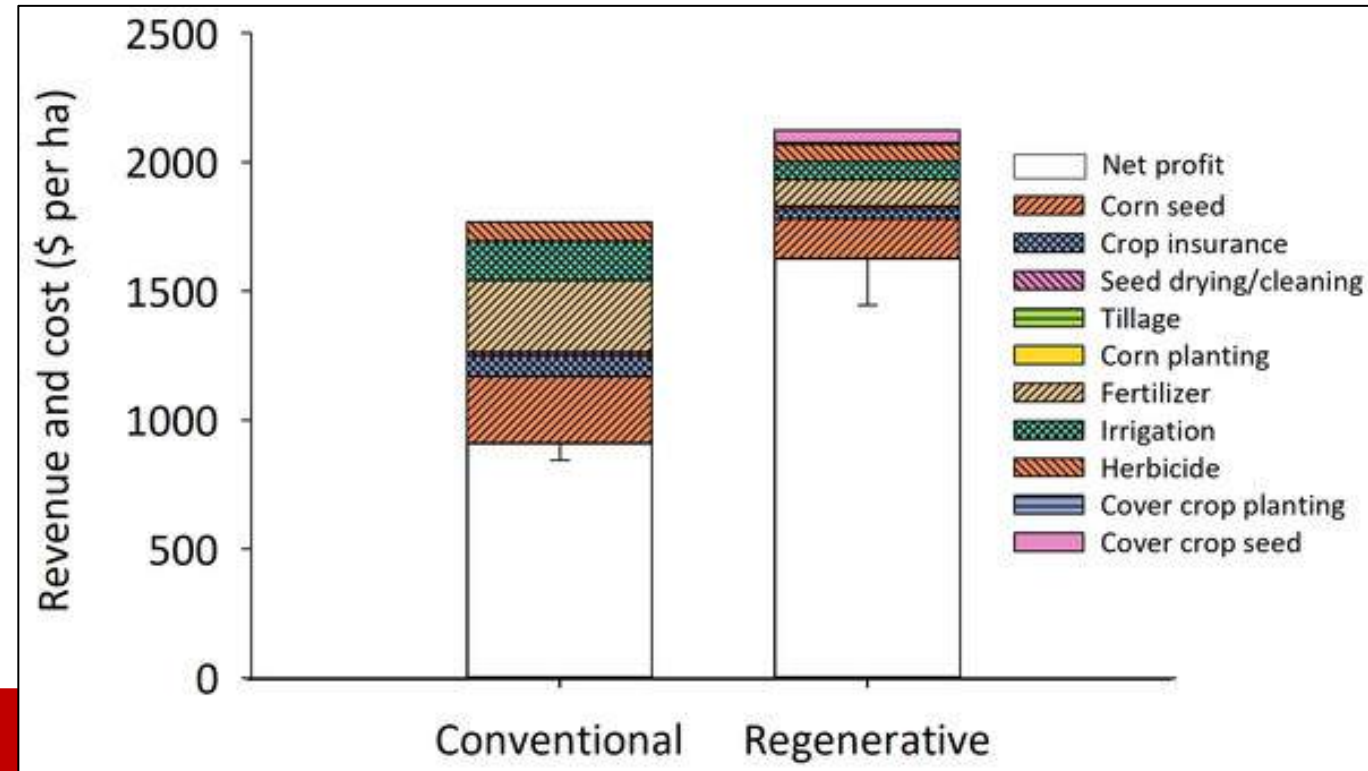
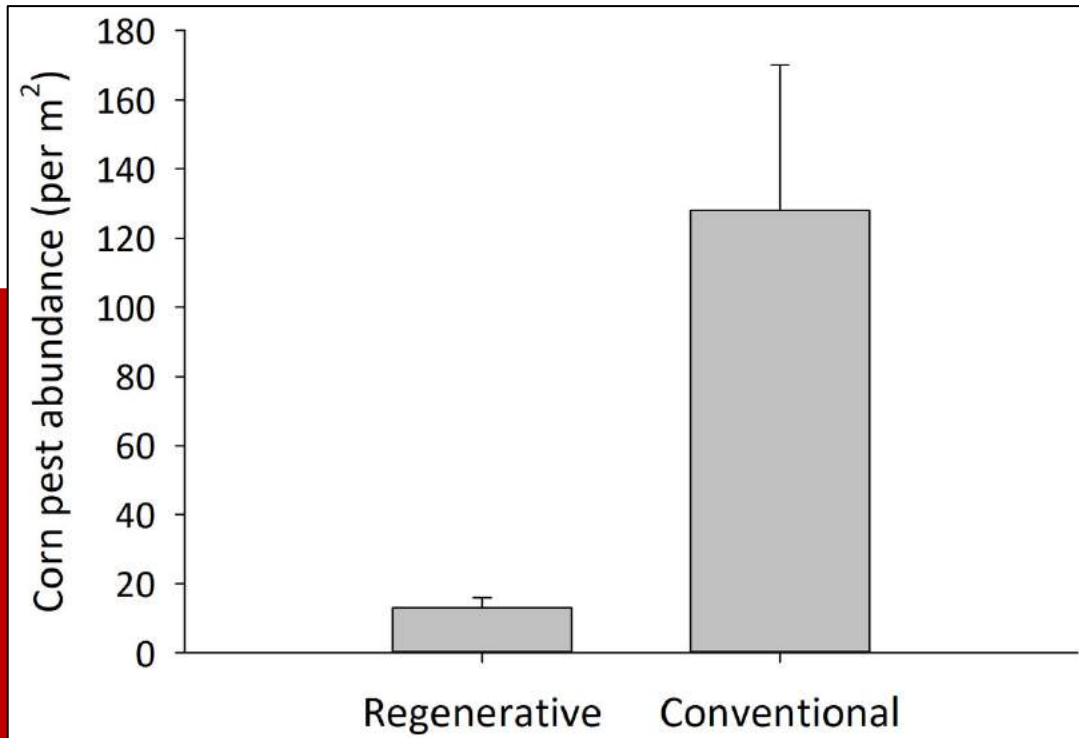
With increased global demand for cashmere and related increase in goat populations, the Mongolian grasslands have seen an increase in desertification through poorly managed herding techniques.

Through this project, Kering & its partners will:

- Support a sustainable grazing method that enables long-term ecological health of the Mongolian grasslands
- Enable herders' better income security through product diversification
- Improve the quality & yields of goat herds, creating higher incomes for herding families

Examples of Insetting: Regenerative Agriculture

“Regenerative Agriculture” describes farming and grazing practices that, among other benefits, **reverse climate change by rebuilding soil organic matter and restoring degraded soil biodiversity** – resulting in both carbon drawdown and improving the water cycle.



In a 2018 report, it was identified that regenerative agriculture techniques can help the Forest Land and Agriculture (FLAG) sector increase net profit, reduce overall cost and naturally minimize the abundance of pests. The report also mentioned that because of inseting's success across various factors & their reliance on nature, **The FLAG sector has emerged as an inseting leader.**

Insetting in Practice

We have compiled a list of do's & don'ts that can help ensure a legitimate, successful, credible insetting project.

DON'T

- ✓ Rely solely on insetting to achieve your emissions targets
- ✓ Start insetting projects alone without engaging your suppliers throughout your insetting journey
- ✓ Pursue insetting without considering local stakeholders & rightsholders
- ✓ Double count your insetting project
- ✓ Include insetting to meet your emissions targets or in your sustainability report without defining what it means to your organization

DO

- ✓ Work with one of your high priority suppliers to identify an insetting opportunity
- ✓ Leverage credible frameworks & guidance to provide robust methodology and verification steps for your insetting project
- ✓ Be sure that your insetting project is permanent and that it would not have happened anyway
- ✓ Develop a system for tracking & consolidating the benefits of insetting through data collection



MEMBER SPOTLIGHT



Regenerative Agriculture At MLF

2023

Scope 3 emissions make up ~80% of our total emissions inventory

Regenerative Agriculture can address the largest source of our Scope 3 emissions

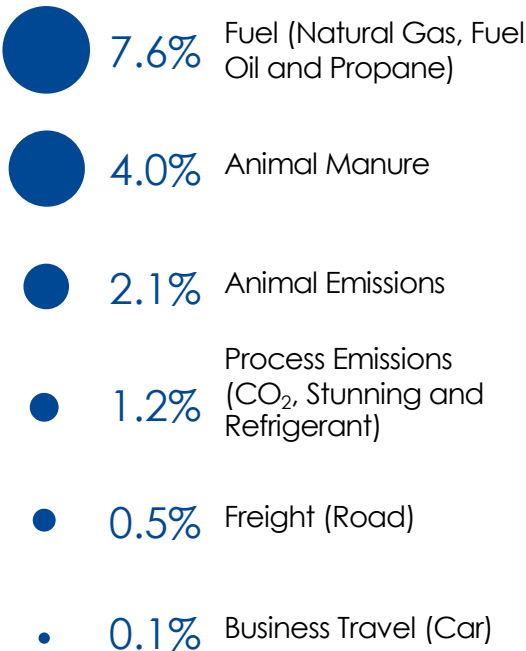


CARBON INVENTORY

SCOPE 1

All direct greenhouse gas (GHG) emissions under Maple Leaf Foods operational control

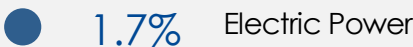
Total Scope 1 Emissions: **15%**



SCOPE 2

Indirect GHG emissions from consumption of purchased electricity, heat or steam

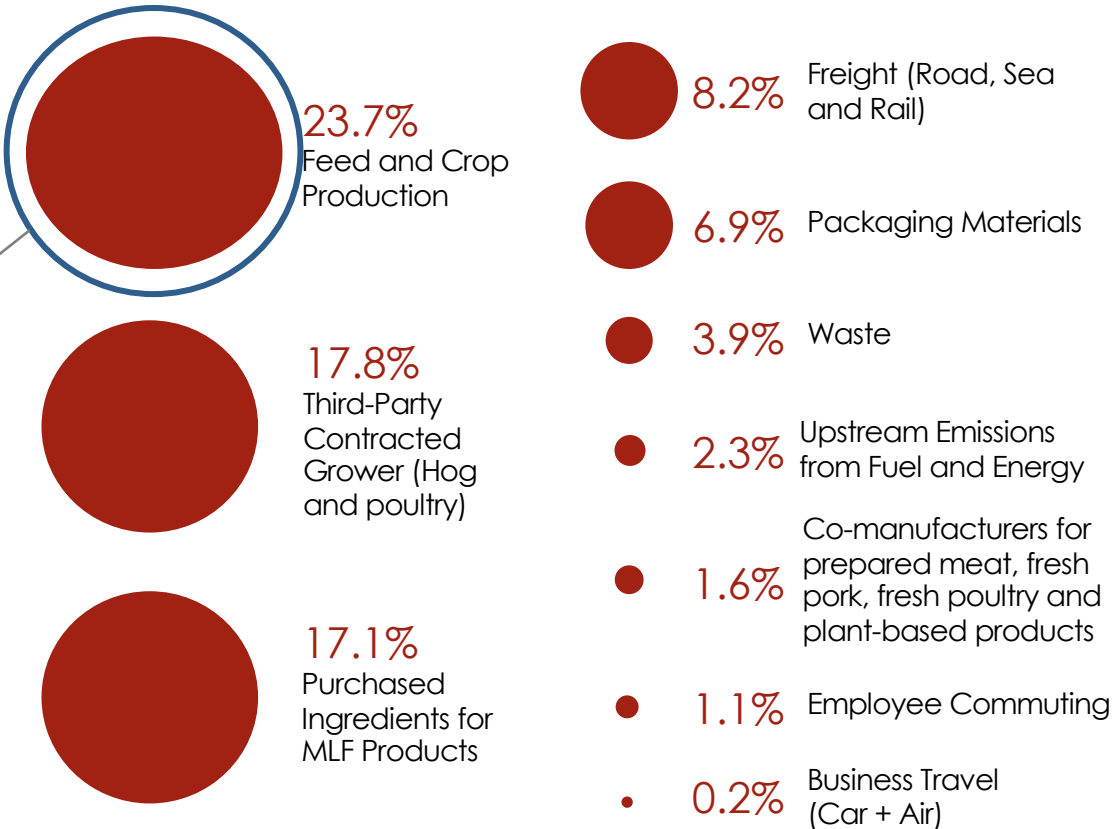
Total Scope 2 Emissions: **2%**



SCOPE 3

Indirect GHG emissions not covered in Scope 1 and 2 that occur throughout the supply chain

Total Scope 3 Emissions: **83%**



Feed and crop production is our top source of Scope 3 emissions

Our Scope 3 goal is to reduce our Scope 3 emissions intensity by 30% by 2030 (2018 baseline)

Addressing feed and crop production emissions could have a significant impact on our target

MAPLE LEAF'S SCIENCE- BASED TARGETS



- MLF commits to reduce absolute scope 1 and 2 GHG emissions 30% by 2030 from a 2018 base year
- MLF also commits to reduce scope 3 GHG emissions 30% per tonne of product produced by 2030



WORLD
RESOURCES
INSTITUTE



What is Regenerative Agriculture?



While Regenerative Agriculture has no standardized definition, there are many elements that have gathered consensus. Maple Leaf Foods' definition is:

Regenerative agriculture is a set of farming principles and practices that regenerate the land, capture carbon from the atmosphere and store it in the soil, increase biodiversity, improve soil health, boost farmer livelihoods and enhance landscape resilience.



Principles of Regenerative Agriculture

- Understand Context of Farm Operation
- Minimize Soil Disturbance
- Maximize Crop Diversity
- Keep the Soil Covered
- Maintain Living Root Year-Round
- Integrate Livestock
- Create Relationships within the Natural World



Regenerative Agricultural Practices

- Cover Cropping & Intercropping
- Crop Rotation
- No-Till or Conservation Tillage Farming
- Nutrient Management
- Managed Grazing & Animal Integration
- Holistic Management
- Compost and Compost Tea
- Permaculture
- Agroforestry
- Silvopasture
- Agroecology
- Perennial Agriculture
- Organic Farming
- Biodynamic Farming



Potential Benefits for People & Planet

- Water Conservation: Both Infiltration & Retention
- Clean Water
- Healthy Soils
- Rebuilding Topsoil and Degraded Lands
- Increased Biodiversity
- Ecological Resilience
- Carbon Mitigation & Sequestration
- Climate Adaptation
- Nutrient Dense Food
- Reduction in Chemical Toxicity
- Animal Welfare



CARBON OFFSETS (Outside our Supply Chain)

Carbon Offsets:

- Happen outside our supply chain
- Count towards our carbon neutral claim (against our Scope 1, 2 and some of our Scope 3 emissions)
- Need to be bought every year to offset our emissions
- Can be retired or traded on the voluntary market
- 75% of the investment goes back to the farmer
- Exploring ability to invest in projects within our supply chain to convert these to become insets



SCOPE 3 REDUCTION/INSETS (Within our Supply Chain)

Scope 3 Reductions/Carbon Insets:

- Count directly towards lowering our carbon inventory (against our Scope 3 Science-Based Targets)
- We are in year three of developing a project with Nutrien
- In the future, insets may be able to be traded/sold to others within our supply chain



Nutrien/MLF Regen Ag Project





Raise the Good in Food



Breakout #2: Discussion Questions

25 minutes



- 1) How might you collaborate with your supply chain to identify an insetting opportunity?
- 2) How could you leverage this group to support your insetting project or to start an insetting project?
- 3) What could an insetting project look like?

VERIFICATION METHODS

Insetting Considerations

Because insetting is without a universally accepted definition, companies must take additional precautions to ensure authentic & credible implementation.

A new report from the New Climate Institute, identified common criticisms of insetting:

- Some companies have used offsets under the guise of insetting
- Some verification methods such as SBTi, allows the use of insetting without fully understanding it as a practice which can impact the credibility of climate targets
- Using insetting as a method to continue relying on offsets to meet emissions reduction targets
- Insetting does not require independent validation
- There is no measurement to legitimize insetting claims



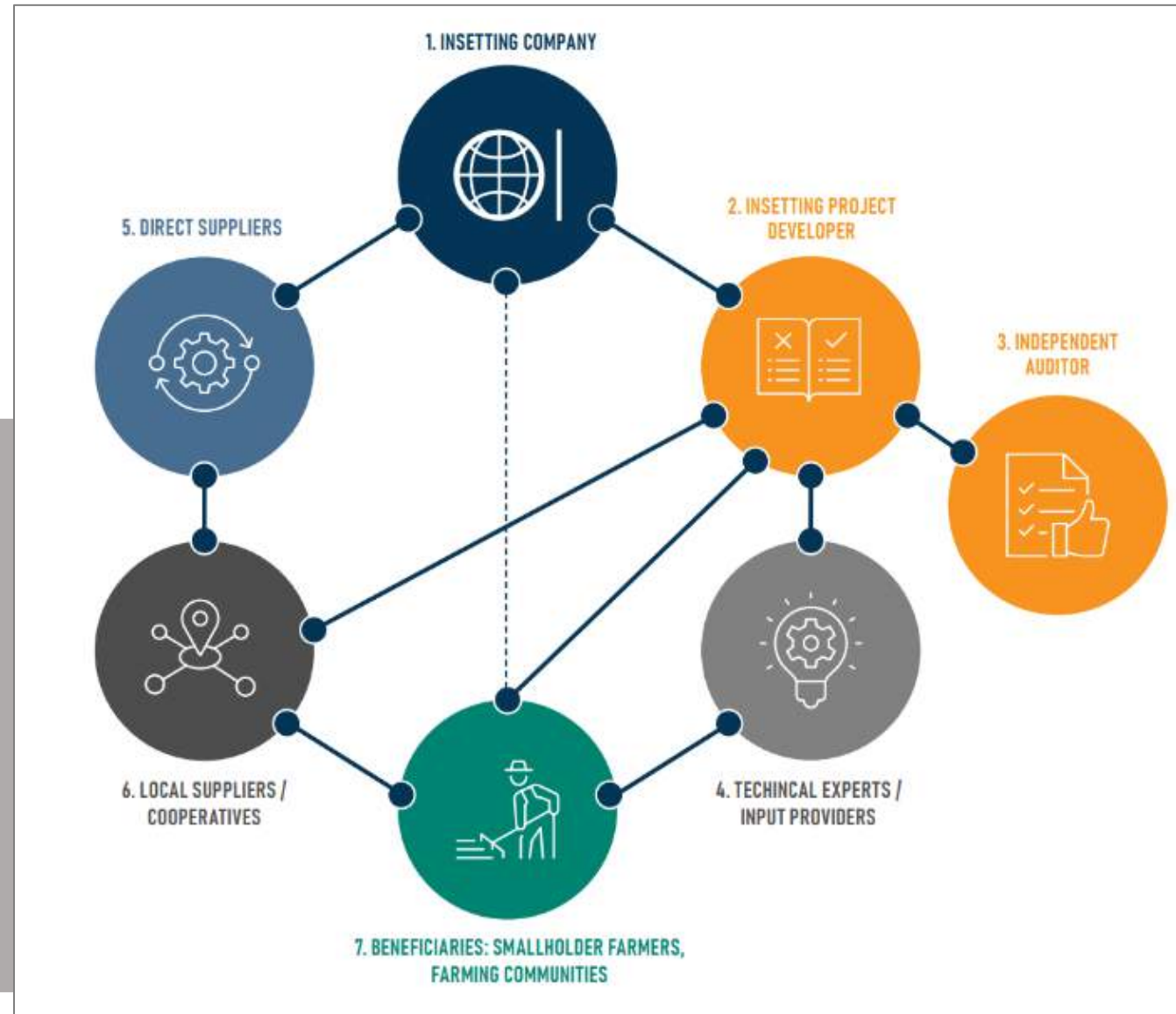
The **good news** is that there are some frameworks and guides that are able to support your organization's insetting journey.

Verification Methods: International Platform for Insetting (IPI)

The [IPI Guide](#) offers level-setting information that provides a clear definition of insetting and a step-by-step guide as to how insetting can be used as a legitimate method to reaching net-zero.

The guide acknowledges the need for improved guidance and methods for insetting and calls upon frameworks to bridge that gap.

The IPI Guide to Insetting should be your organizations starting place to understand the opportunities & risks of insetting and offering direction on how to get started.

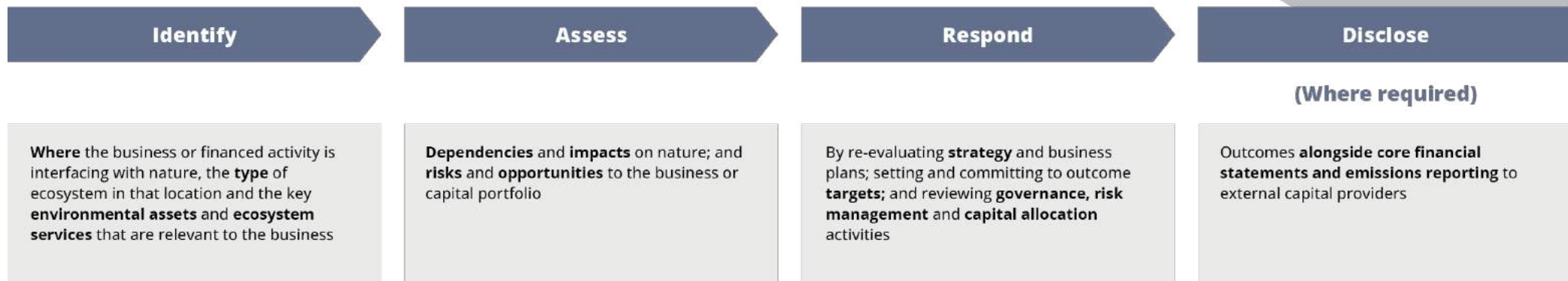


Verification Methods: Taskforce on Nature-related Disclosure (TNFD)

In September of 2023, the Task Force for Nature-related Disclosure framework will be officially ready for market adoption. This framework will build off existing work in this area such as the GRI, ISSB & EFRAG to **promote consistency** and **alignment** while supporting companies to protect biodiversity & nature through their business practices.

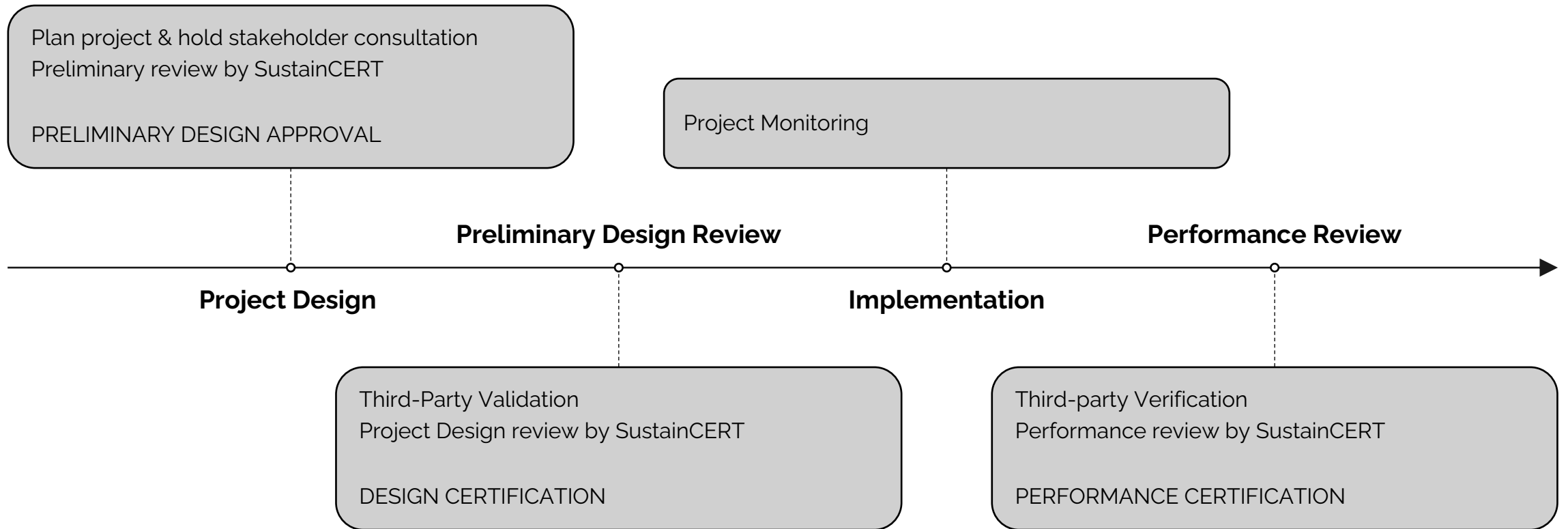
The TNFD's guidance is focused on nature-based solutions (a form of Insetting), and provides the preliminary steps for identifying an insetting opportunity based on high impact areas of your supply chain.

This framework will help organizations identify where they should implement an insetting project and provide guidance on how to meaningfully disclose that project to ensure credibility & transparency.



Verification Methods: Gold Standard for the Global Goals

- The [Gold Standard](#) aims to improve the credibility and positive impact of sustainability projects. The Standard requires existing or new projects to undergo a rigorous certification process that continues throughout the project's entire lifecycle.



With third-party verification as well as publicly available methodologies and documentation, the Gold Standard can be a helpful tool to relay the legitimacy of your inseting project.

Verification Methods: Value Chain Interventions GHG Accounting & Reporting Guidance

- SustainCERT (SC) & Gold Standard (GS) joined together to create the Value Change program which provides reporting and accounting guidance for value chain intervention projects.
- The guidance is created in accordance with the Greenhouse Gas Protocol & has been recognized by Science Based Targets.

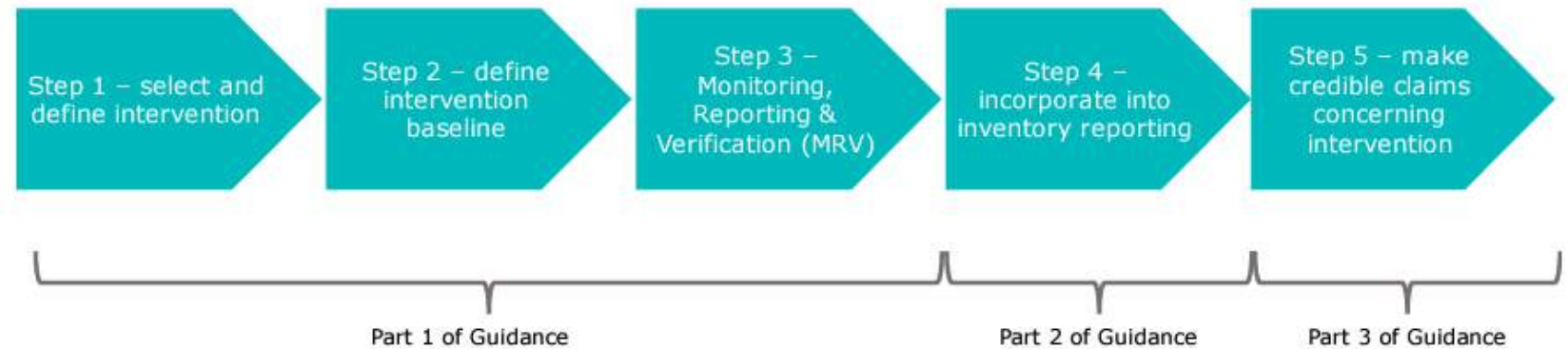


Figure 2 - Overview of process to apply this Guidance

This comprehensive guide explains how to create, monitor, report & verify a value chain intervention project while also including specific guidance for avoiding double counting.

Sources:

<https://www.goldstandard.org/take-action/certify-project>
https://www.goldstandard.org/sites/default/files/value_change_scope3_guidance-v11.pdf
<https://www.goldstandard.org/our-story/valuechange-scope3-solutions>

Key Takeaways

Value chain targets & insetting can be useful tools for achieving net zero and can be used as complimentary pathways. It is essential that value chain targets and related insetting pathways include these core components:

- Robust & consistent data collection, analysis & reporting
- Strong coordination and communication with suppliers
- Effective collaboration with stakeholders & rightsholders
- Reliable verification to ensure credibility



NEXT STEPS

- **The CBSR Annual General Meeting**
 - May 16, 2:00 – 4:00 PM ET
- **Q2 Roundtable: Nature-based Solutions & Biodiversity**
 - EXCEL: June 2, 1:00 – 3:00 PM ET
 - Corporate: June 9, 1:00 – 3:00 PM ET
- **Next Net Zero Working Group Session**
 - October 26, 1:30 – 3:30 PM ET
 - Topic TBA

If you have an interesting case study to share with the group,
please reach out to us!

Info@cbsr.ca

Thank you for attending!

We will see you soon.
