



Meeting 1: aligning procurement with net-zero

23rd April 2025

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Giulia Camparsi, Value Chains SME
Eoin White, Research Lead



Every **purchase** order is a **climate strategy**

Introduction | Our goal today is to orient ourselves with a shared vision for scope 3 and refine the overall approach to net-zero aligned procurement

Today's questions

... and outcomes

1. What is our shared vision for scope 3 within the standard?

Group alignment on vision for scope 3 for addressing indirect emissions

2. What work has been done to date on scope 3?

Establish a shared baseline understanding to build discussions off

5 min break



3. How should the SBTi define and assess net-zero aligned procurement
(% procurement from net-zero aligned suppliers, activities or both)?

Refine the target-setting framework for aligned procurement

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- No such information may be divulged to any third party without the prior written approval of SBTi.
- This information shall not be used for any other purpose. SBTi reserves all rights in this document.

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For example, do not discuss company-specific information on:

- current or future prices, pricing strategies, or price related information;
- output, capacity, inventory levels, or costs;
- data related to market share;
- current or future business model transformation strategies.

Members are responsible for halting any activity that may violate this policy and reporting it immediately to SBTi.

CONFLICT OF INTEREST DECLARATION

- As per the [EWG Terms of Reference](#) and the [SBTi COI policy](#), conflicts of interest must be declared
- At the start of each meeting the chair will ask members if a new Conflict of Interest has arisen
- A Conflict of Interest may be:
 - Actual: A true conflict exists between a Party's duties with the SBTi and their private interests.
 - Potential: Where a Party has personal or private interests that could conflict with their duties with the SBTi, or where it is foreseeable that a conflict may arise in future.
 - Perceived: Where an unbiased observer could reasonably form the view that a Party's private interests could influence their decisions or actions.

ARE THERE ANY COI THAT THE SBTi SHOULD BE AWARE OF?

VIDEO-CONFERENCE GUIDELINES

Participant guidelines



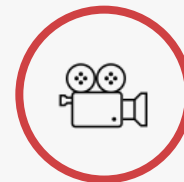
Mute during presentations



Use the chat box

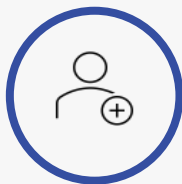


Use the raise hand function



If you can, please keep your camera on

Notes from us



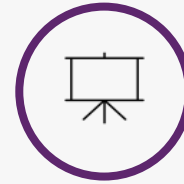
Treat info as confidential



Meeting is being recorded



We will follow up with minutes

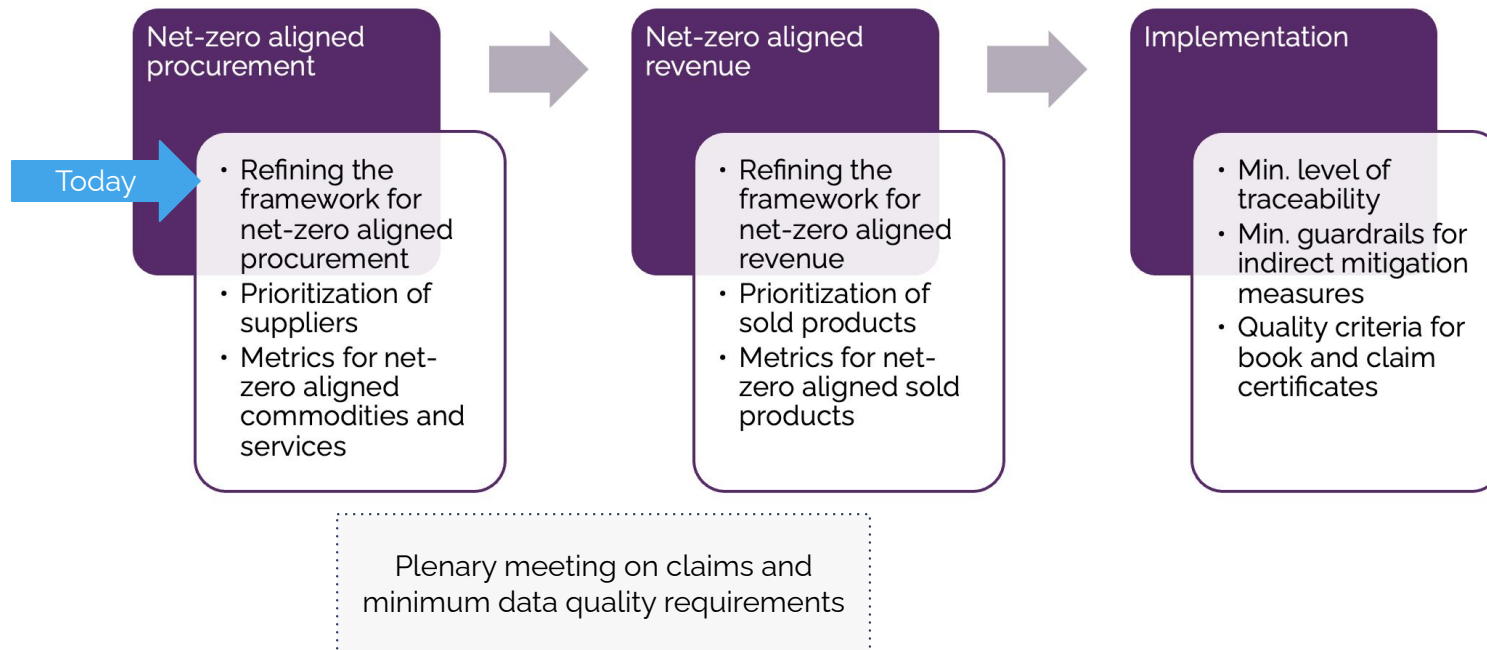


..And we will follow up with slides!

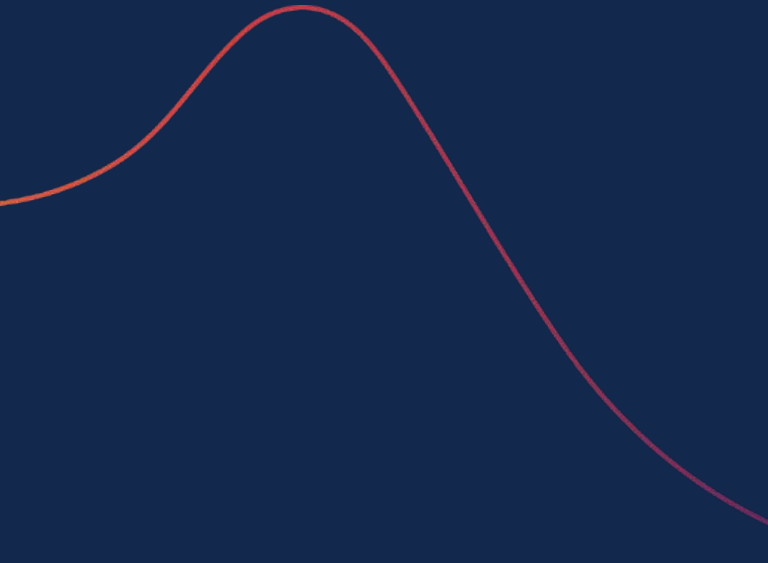
Finally, please have your devices ready to use...



Reminder of the EWG meeting schedule



Agenda

- 
1. Session intro and welcome 5 mins
 2. **EWG introductions and scope 3 vision** **20 mins**
 3. SBTi team presentation: context setting 15 mins
 4. Q&A 20 mins
 -  Break (5 min)
 5. Discussion topics
 - Supplier engagement target 20 mins
 - Combined or separate entity/activity level targets 40 mins
 6. Next steps 5 mins

The scope 3 EWG

SBTi team



Hugo Ernest-Jones
Value Chains Lead



Giulia Camparsi
Value Chains SME



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Clare Murray
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Aditya Mishra
Proforest Europe



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Smart Freight Centre



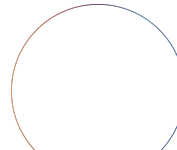
Alissa Benchimol
GHG Management
Inst.



Alli Devlin
ResponsibleSteel



Andreas Chang
Greenpeace USA



Asmita Marathe
Bureau Veritas



Derik Broekhoff
Stockholm Env.
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Eleanor Bastian
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Market Activation



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Aga Khan University



Nicolas Clerget
Heineken



Sam Van den plas
Carbon Market Watch



Silvana Paniagua
VCI



Sriram Rajagopal
IKEA



Svend Hansen
Ørsted

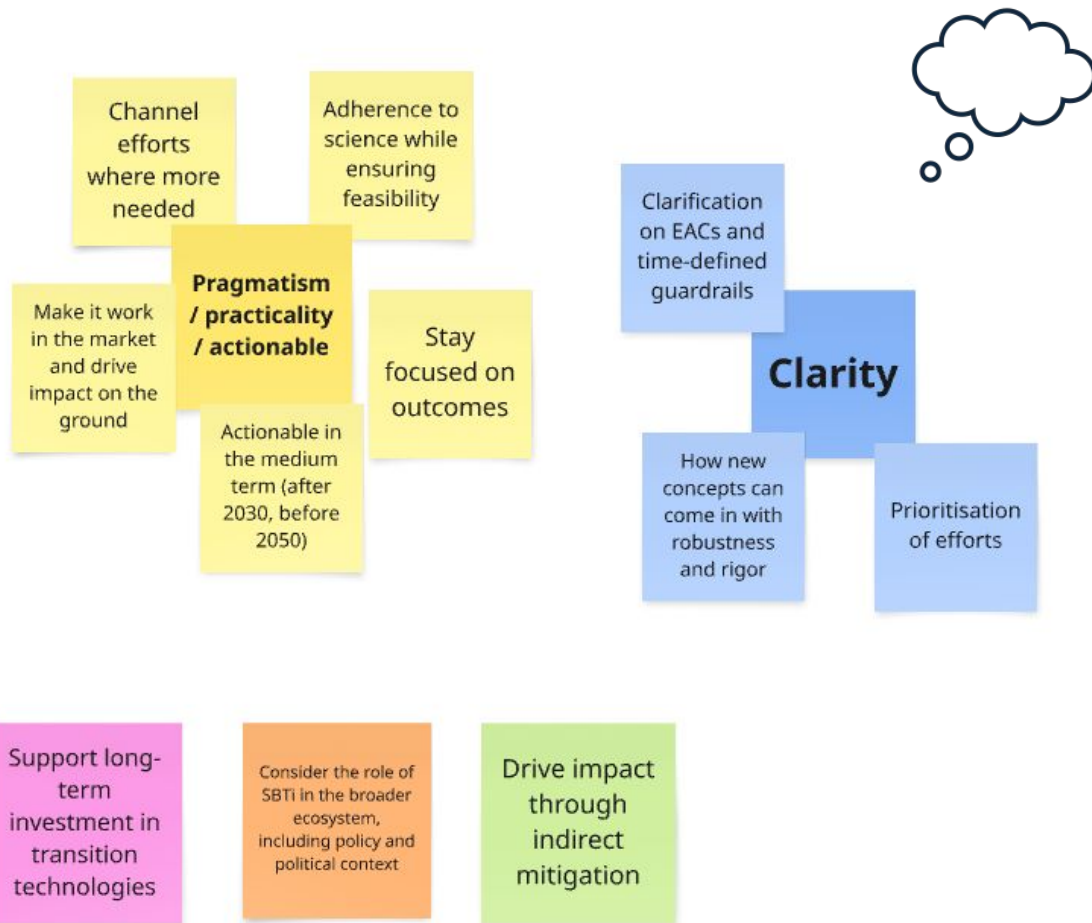


Group exercise

After our kick off meeting, is there anything you think we should keep in mind as we shape the vision for scope 3 within the standard?

Join us on Mentimeter!

*Code: **1405 5309***

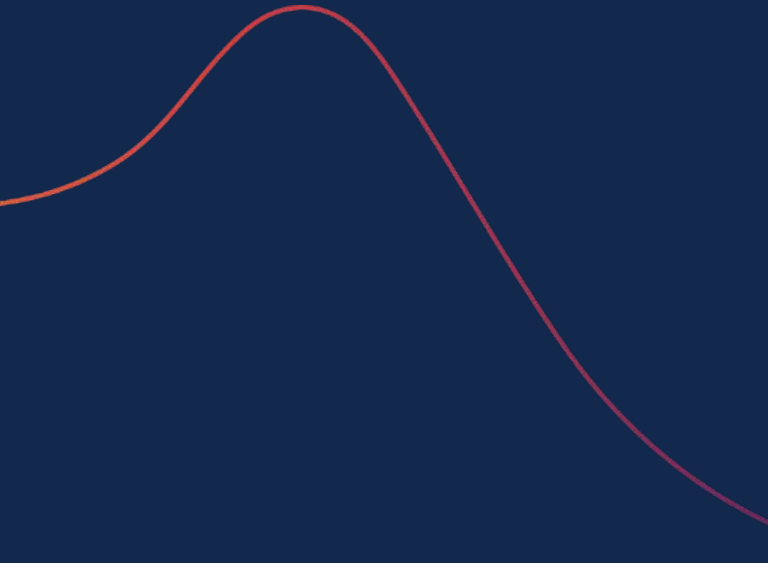


Support long-term investment in transition technologies

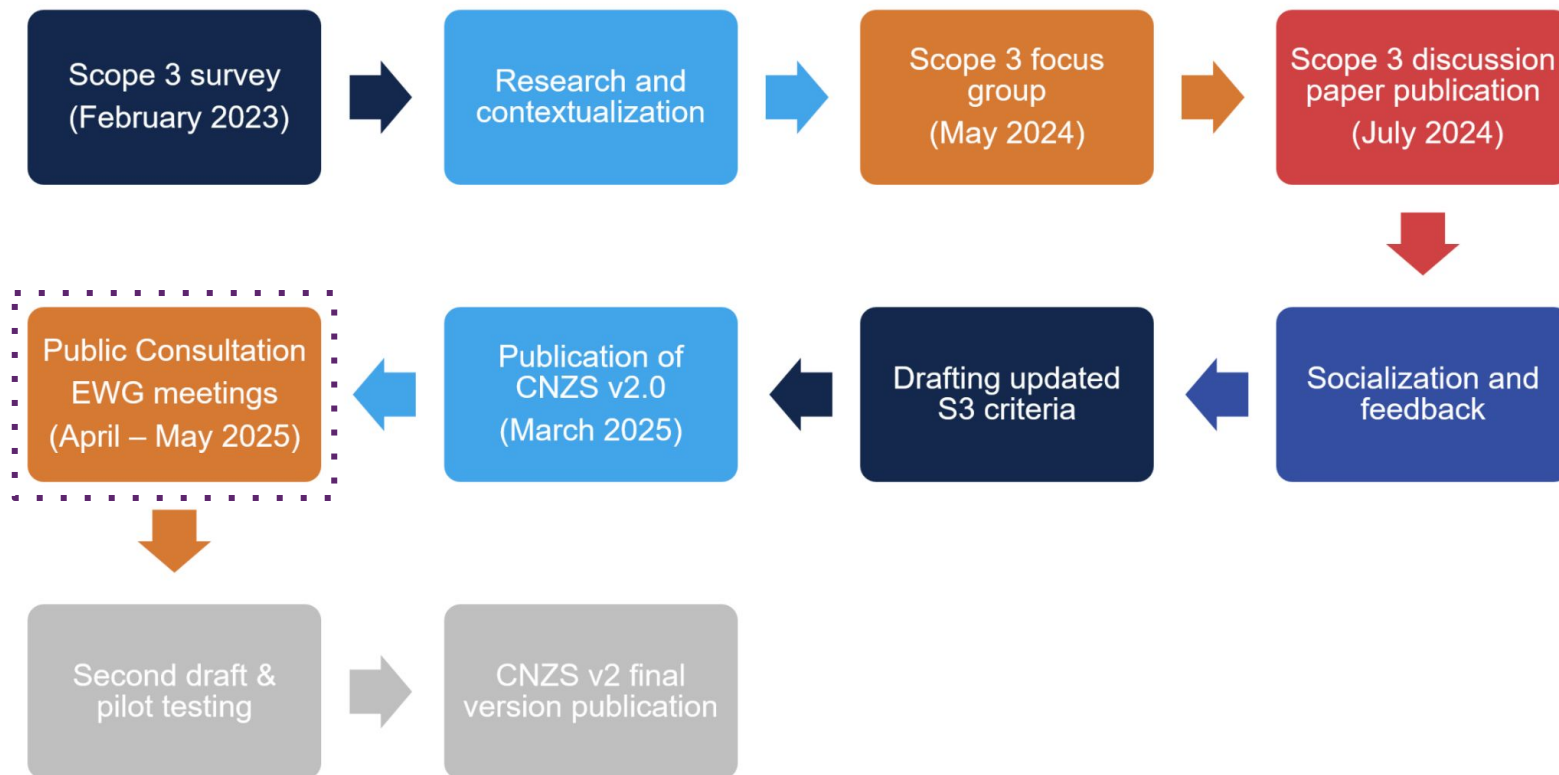
Consider the role of SBTi in the broader ecosystem, including policy and political context

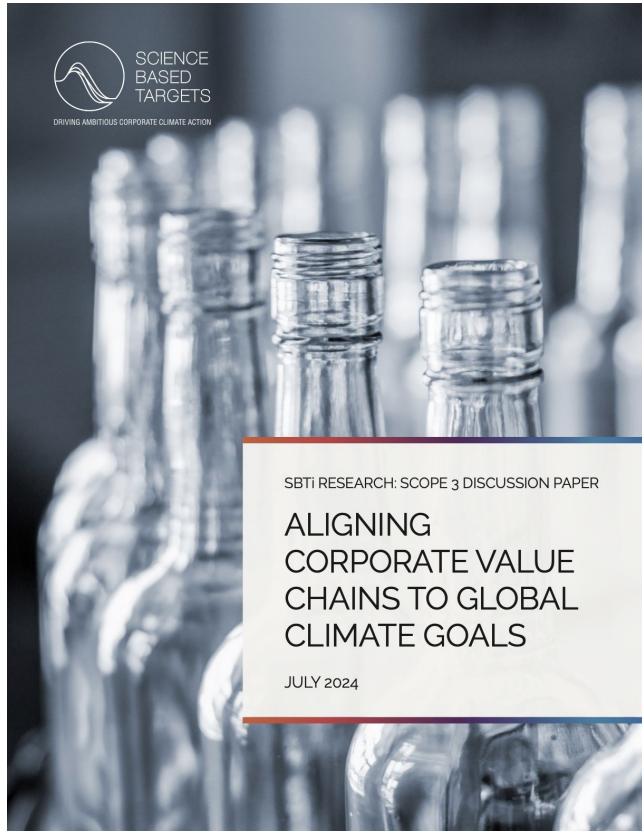
Drive impact through indirect mitigation

Agenda

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- | | | |
|----|--|----------------|
| 1. | Session intro and welcome | 5 mins |
| 2. | EWG introductions and scope 3 vision | 20 mins |
| 3. | SBTi team presentation: context setting | 15 mins |
| 4. | Q&A | 20 mins |
| |  <i>Break (5 min)</i> | |
| 5. | Discussion topics | |
| | • Supplier engagement target | 20 mins |
| | • Combined or separate entity/activity level targets | 40 mins |
| 6. | Next steps | 5 mins |

RECAP OF SBTi SCOPE 3 WORKSTREAM





- **Published** 30 July 2024 as an early step in the review of the Corporate Net-Zero Standard.
- **Informative** in nature and does not include any preliminary or definitive requirements, guidelines or other normative elements.
- Outlines the approach to scope 3 target-setting in SBTi standards, presents challenges and opportunities and introduces key concepts being explored to address barriers and enhance effectiveness, namely the introduction of **outcome-based metrics**, a different approach to **target-setting boundaries** and ways to address **influence**.
- The paper also presents **scenarios** for how certificates might potentially support different types of claims that may be consistent with achieving net-zero emissions at the global level.
- We opened a **Feedback Form** on the Discussion Paper from July 30th till October 4th to collect opinions on the main solutions proposed.
- Feedback can still be provided via the [Project Feedback Form](#).



CNZS V2.0

Three major updates on scope 3

Updated target boundary

Boundary based on relevance of emissions, rather than a fixed threshold

Greater target-setting optionality

Enhanced use of alignment target-setting metrics and methods focused on outcomes, rather than absolute emissions or emissions intensity

Substantiating progress

Acknowledgment of the use of interventions at the activity pool level and indirect mitigation mechanisms (e.g., book and claim) on an interim basis for emissions with limited traceability

Introduction | Updates intended to address many of the key challenges companies face with scope 3 target setting and delivery

CNZS V2.0 major updates

Scope 3 challenges (building on 2023 survey)	Updated target boundary	Alignment method	Delivery flexibility	How does this help?
Scope 3 emissions heavily fragmented across emissions categories / sources	✓			New boundary setting approach focuses on most relevant¹ emissions sources
Limited science-based rationale for scope 3 boundary (67%) and target setting methods	✓	✓		- Boundary-setting based on emissions relevance rather than arbitrary threshold - Alignment metrics taken from science-based benchmarks e.g., SDA
Existing methods not suitable for all companies (e.g., transition-aligned growth)		✓		Alignment method includes metrics that track with company growth or structural change, e.g. sold/leased-product alignment with credible taxonomies (Indicator-CNZS.11)
Inconsistencies in calculating absolute scope 3 emissions & limited supplier specific data		✓		Alignment-based targets track progress based on SDA intensity or non-emissions benchmarks, reducing reliance on absolute emissions estimates
Limited ability to influence change e.g., with tier 2 suppliers / customers			✓	May use indirect mitigation levers for limited traceability emissions e.g., chain of custody or book and claim

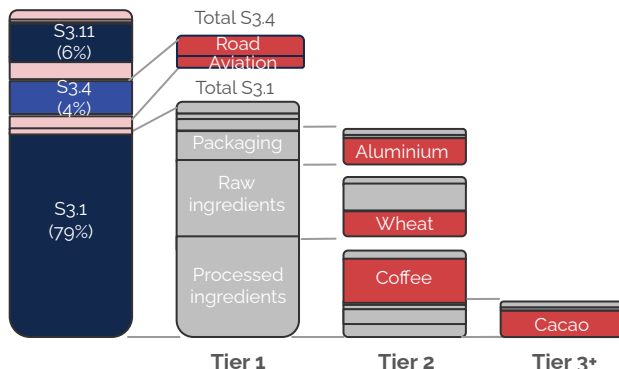
1. Relevance is defined based on whether emissions come from "significant" s3 categories (>5% of S3 emissions), or if these emissions come from a predefined list of emission-intensive activities

Introduction | The new scope 3 framework implements a three step approach to prioritise emissions, set targets and take action

Set target boundary

Drill down through ALL tiers in ALL S3 categories: include all activities in **significant categories** AND any other **emission-intensive activities** ?

Example: Beverage co



A Significant categories

Significant if $\geq 5\%$ of total S3

B Emission-intensive activities

If $\geq 1\%$ total S3 or $\geq 10k$ tCO₂e and in SBTi list of emissions-intensive activities (any tier)

Set target

Set **engagement targets** AND **abatement targets**

1

Supplier engagement target

- **Suppliers linked to emission-intensive activities:** 100% aligned by 2030
- **Other suppliers:** 100% aligned by net-zero year

2

Abatement targets

- **At least one target** covering all significant categories (option to split by category)
- **Separate targets** for each **emissions-intensive activity** $> [X]\%$ of S3 em^{ns} ? (% to be decided in consultation)

Using at least one of the following methods ?

Absolute	Intensity	Alignment
tCO ₂ e	or tCO ₂ e/product or tCO ₂ e/\$	% aligned spend or revenue

Deploy mitigation measures

For each **abatement target**, select mitigation measure

Direct mitigation measures (priority) where traceability to a **specific emissions source** or to an **activity pool** can be established (e.g. efficiency measures or switching suppliers)

?

Indirect mitigation measures where **traceability cannot be established**/insurmountable barriers exist, driving transformation relevant to value chain (e.g. SAF book and claim certificates)

?

Policies required for **specific categories** in addition to indirect mitigation (e.g. policies on sustainable transport, business travel, product efficiency, end-of-life treatment)

?

Key topics for input during consultation

Detail | Emission-intensive activities

Note: Summarized list; see full description of Activities in Annex D of the Corporate Net-Zero Standard

	Activity type	Sector	Activities	Scope 3 category
Upstream	Procured commodity	Agriculture	Cattle, chicken, cocoa, coffee, dairy, leather, palm, pork, rubber, maize, rice, wheat, soy, timber & wood fiber	1
		Industry	Cement	1
			Primary chemicals (including ammonia, ethanol, high value chemicals)	1
			Aluminum	1
			Steel	1
		Mining	Iron, copper, lithium, nickel, cobalt, manganese	1
	Additional activities	Transport	Road transport, aviation, maritime transport	2, 4, 8
		Real estate	Commercial buildings (offices, retail spaces, hotels, warehouses, or mixed-use properties)	2, 8
		Energy	Other assets that consume fossil fuels	1, 2
Downstream	Sold good or service	Fossil fuels (coal, oil, gas)	Distribution and sales of fossil fuel products or related services	11, 13
			Products that consume fossil fuels	11, 13
		Other	Products that contain or form greenhouse gasses that are emitted during use	11, 13
		Energy	Products that consume electricity	11, 13
	Additional activities	Real estate	Commercial buildings (offices, retail spaces, hotels, warehouses, or mixed-use properties)	11, 13

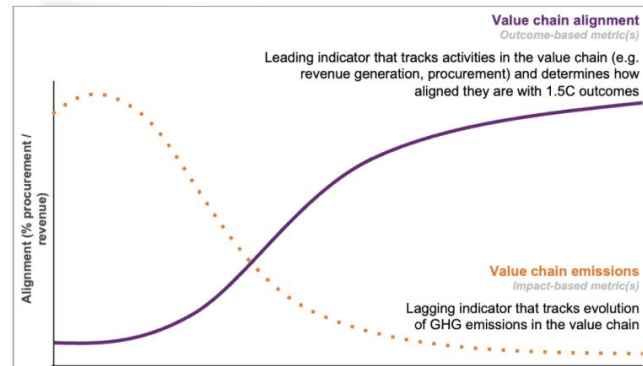
Alignment targets: Overarching logic

Based on the feedback received on the scope 3 discussion paper, alignment metrics and targets are proposed as an alternative option to emission reduction targets.

Example: to address emissions from the procurement of an energy-intensive commodity (e.g. steel), companies can set any of the following targets:

- **Absolute reduction:** Targets to reduce absolute emissions from the procurement of the material.
- **Intensity reduction:** Targets to reduce the emissions intensity from the procurement of the material.
- **Alignment:** Targets to increasingly procure from low or zero-carbon sources.

Alignment targets are expected to drive emissions reduction as value chain alignment is a leading indicator that tracks activities in the value chain and determines how aligned they are with 1.5°C outcomes



Alignment targets: Overview of mechanics

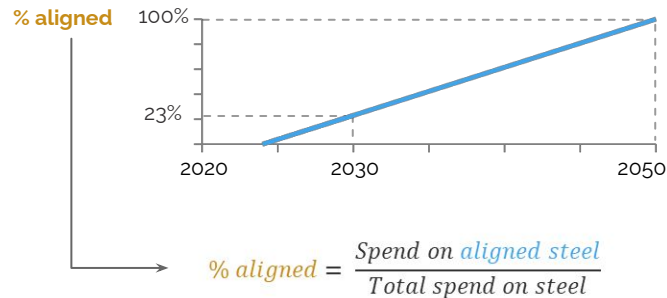
	What must be tracked?	What is the 'alignment' benchmark?	How is the target achieved?
	Indicators	Alignment benchmarks	Linear alignment approach
Upstream emission-intensive activities (EIAs)	% spend on aligned EIAs *aligned EIA = activity that meets alignment benchmark	xx kgCO₂ / functional unit or / product¹ OR Non-emissions-based outcome (e.g., zero emissions vehicles)	Between base year and target year: Linear increase in % alignment (e.g., % spend on aligned EIA) By 2050: 100% alignment (e.g., 100% spend on aligned EIA)
Downstream emission-intensive activities (EIAs)	% revenue from net-zero achieved products *net-zero achieved product = product that meets alignment benchmark		

1. Based on 2050 SDA (upstream) or other credible taxonomies (downstream); SDA is a method used to calculate emissions intensity targets based on the principle of converging to a sector-wide physical emissions intensity in a future year of a mitigation pathway

Alignment targets: How to set and assess alignment targets

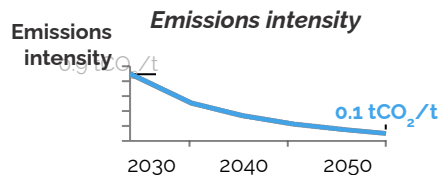
Target formulation

Company commits to align procurement spend for EIA (e.g., steel) based on linear alignment: **23% aligned by 2030** and **100% aligned by 2050**



Net-zero benchmark

Companies choose from two types of SBTi-defined benchmarks for 'aligned steel'

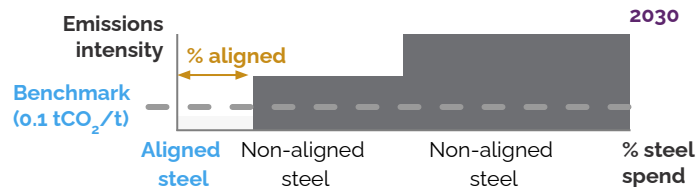


OR *Non-emissions-based outcome*

e.g., % steel from zero-carbon process

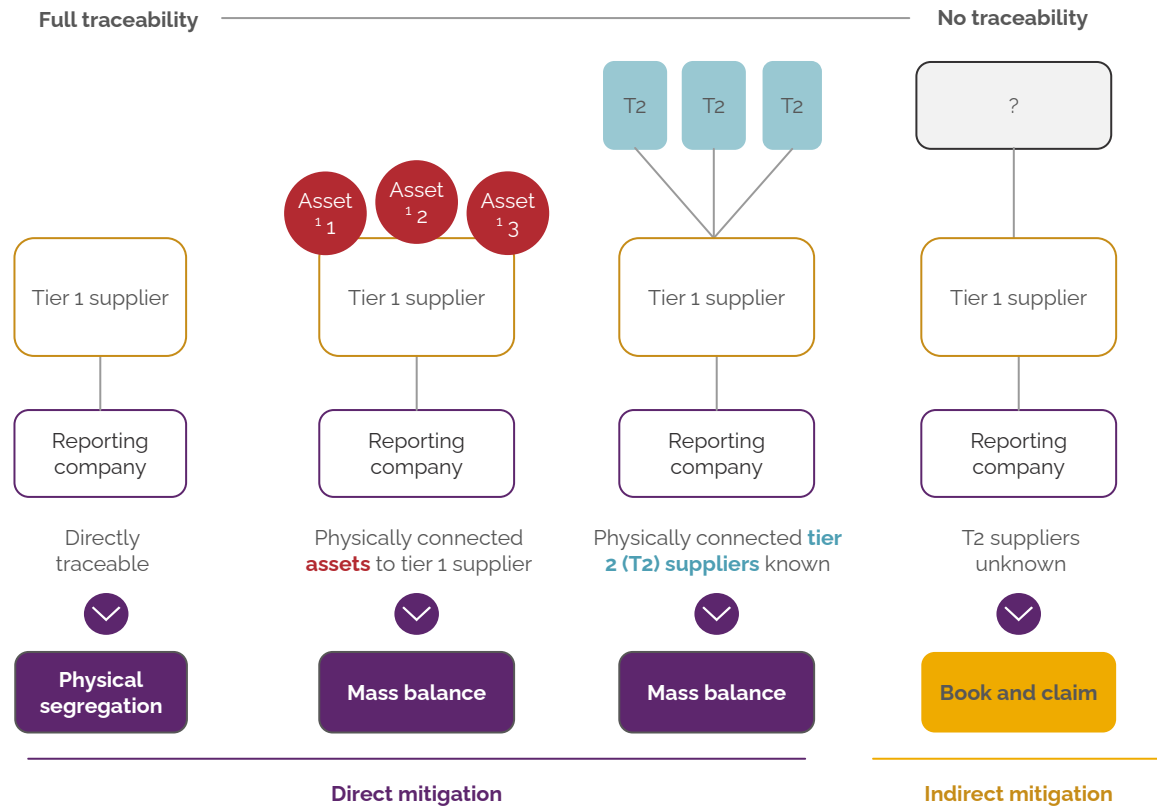
Performance assessment

Company assesses alignment in a given year by assessing the proportion of procurement **within the net-zero benchmark threshold** (e.g., SDA carbon intensity)



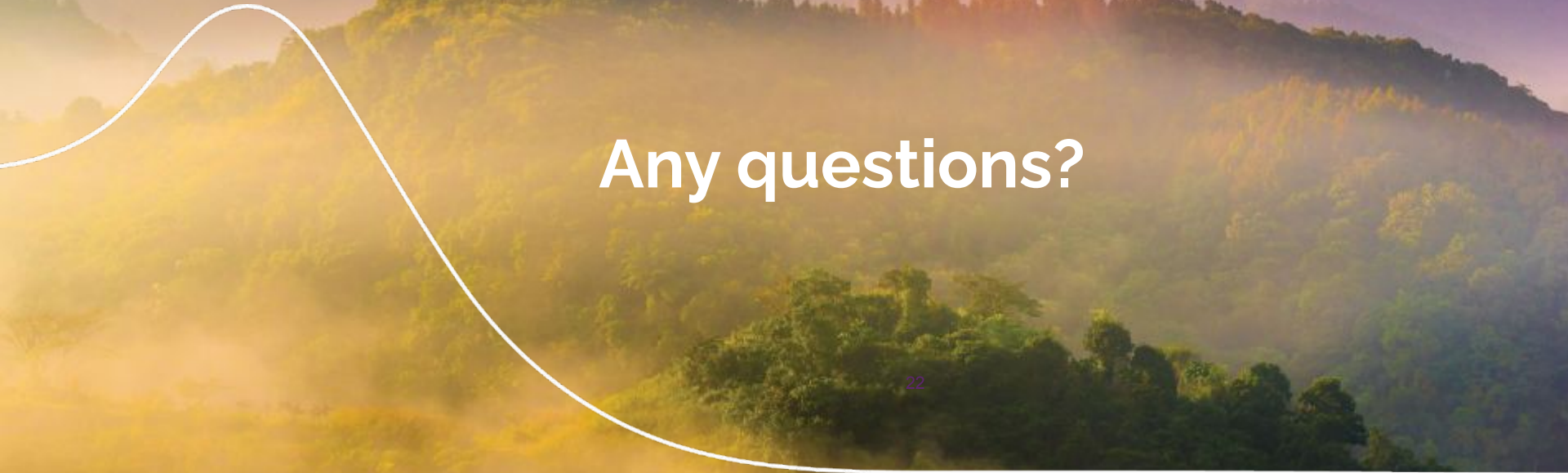
Indirect mitigation measures: upstream

Required mitigation measures differ based on level of traceability



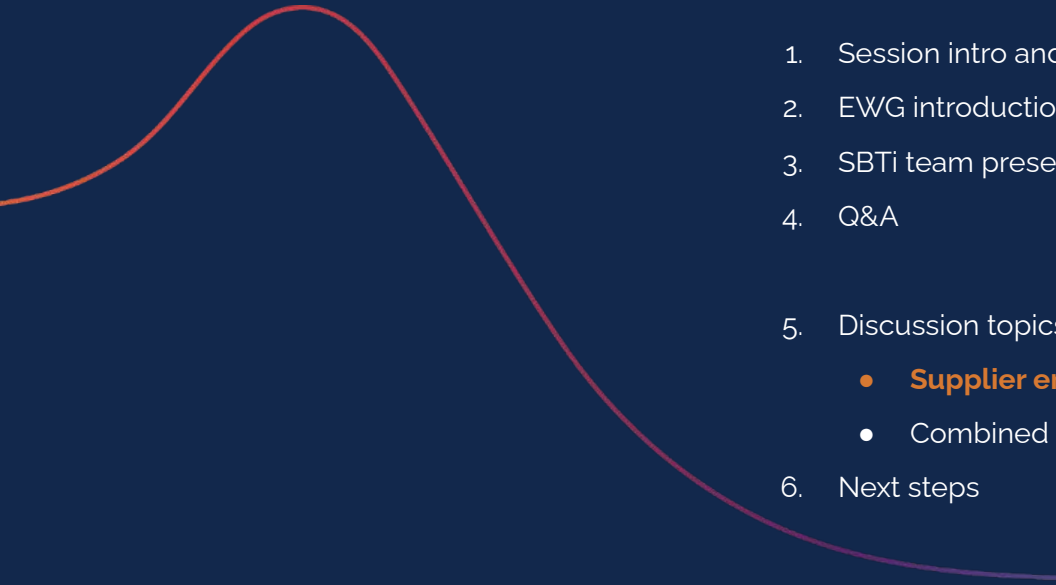
1. Assets, for example, could be facilities where the company uses mixed materials that may have different emissions footprints to produce products.

Note: Clear delineations on when direct vs. indirect mitigation is warranted will be further refined in the consultation process, as well as the specific chain of custody models, including variants of mass balance, applicable for direct vs. indirect mitigation.



Any questions?

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Discussion | Current draft mandates supplier engagement but provides optionality on alignment of other emissions (incl. EIAs) to be covered by abatement targets



- C16.4. Companies shall set targets using any of the following methods and the benchmarks indicated in [Table E.1, Annex E: Indicators, Benchmarks and Methods](#):
- 16.4.1. Targets to reduce absolute emissions associated with the category or activity at a rate consistent with reaching net-zero emissions by 2050.
 - 16.4.2. Targets to reduce the average emissions intensity of the category or activity at a rate consistent with reaching net-zero emissions by 2050.
 - 16.4.3. Targets to increase the level of alignment of the category, activity or value chain counterparty at a rate consistent with achieving net-zero emissions by 2050.
- C16.7. Companies shall set supplier engagement targets to increase the percentage of all tier 1 suppliers by spend that are [transitioning](#), or have [transitioned](#), to a level of performance compatible with net-zero according to [Table E.3, Annex E: Indicators, Benchmarks and Methods](#). (**NOTE: The feasibility of this criterion will be further explored and refined through the consultation and pilot testing process.**)
- 16.7.1. Companies shall set targets to reach 100% spend on net-zero aligned (i.e. “transitioned”) suppliers within the timeframe specified in their net-zero commitment ([Table E.1, Indicator-CNZS.5](#)).
 - 16.7.2. Companies shall set targets to reach 100% spend on tier 1 suppliers providing emissions-intensive activities to be “transitioning” by 2030 ([Table E.1, Indicator-CNZS.6](#)).
 - 16.7.3. If emissions-intensive activities in a company’s value chain occur beyond their tier 1 suppliers, they shall require their tier 1 suppliers to extend these requirements to their own suppliers involved in providing these emissions-intensive activities.

Alignment is an optional method to address relevant emissions

Rationale: method optionality to accommodate varying levels of data availability and maturity

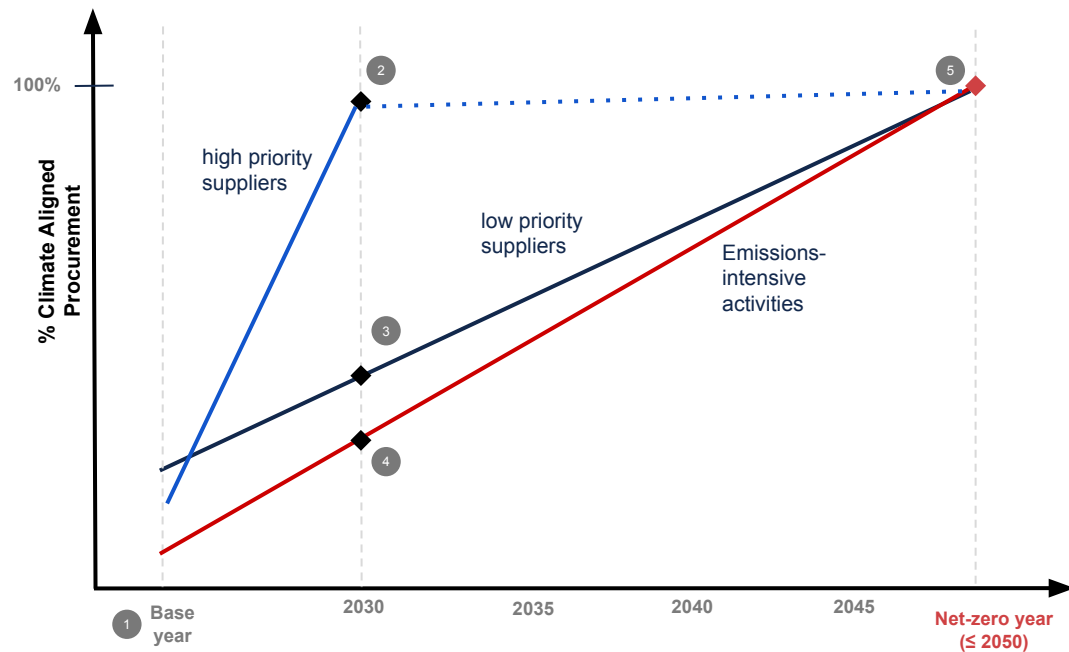


Mandatory entity-level alignment for all T1 suppliers, with 2030 deadline for suppliers linked to emissions-intensive activities

Rationale: leverage companies’ direct influence over tier 1 suppliers prioritising where impact is greatest (emissions intensive activities)

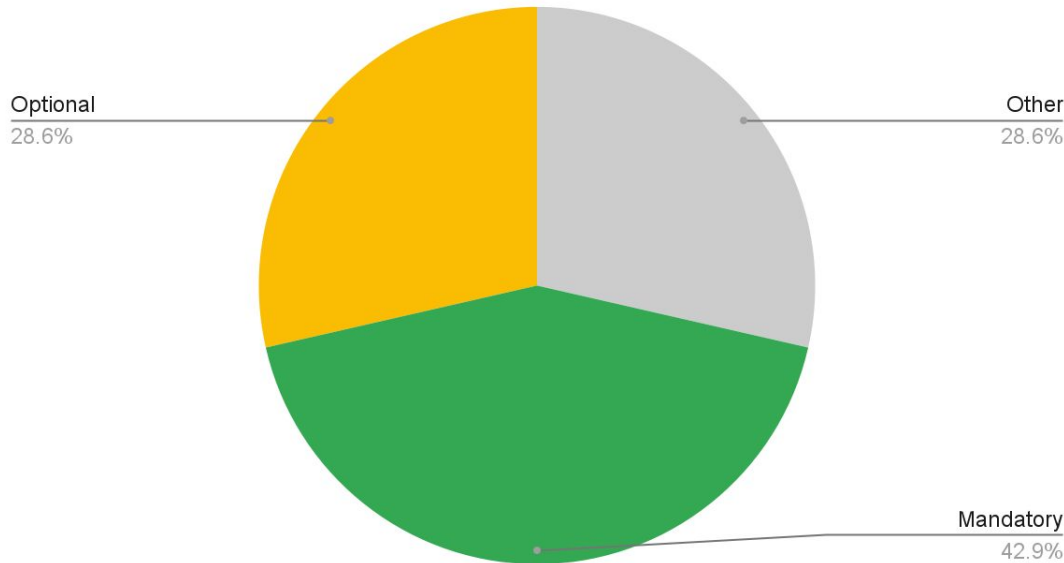


Background | Companies align all suppliers by 2050, with a focus on those providing emissions-intensive activities in the near-term



- 1 Base year alignment assessment**
 - Assess alignment in the base year as the starting point for all suppliers and emissions intensive activities
- 2 High Priority Suppliers**
 - Target that all high priority suppliers (those providing emissions-intensive activities) are aligned by 2030 (ambition)
- 3 Low Priority Suppliers**
 - Linear increase in alignment from base year to 100% by 2050 (progression from ambition to performance to net-zero aligned)
- 4 Emissions-intensive activities**
 - Linear increase in alignment from base year to 100% net-zero aligned by 2050 (only net-zero aligned activities count)
- 5 Net-zero aligned benchmark**
 - 100% of suppliers (high and low priority) and emissions intensive activities reach net-zero aligned status by 2050 or sooner

Poll results | Should supplier engagement targets be optional or mandatory?



Cannot advise without an analysis of the historic impact of supplier engagement targets set under SBTi

It depends how it will be structured

Rather optional, pending on decision on alignment

They should be mandatory for the main suppliers, with a clearly defined cut-off to define main suppliers based on % contribution to Scope 3 emissions - value TBD



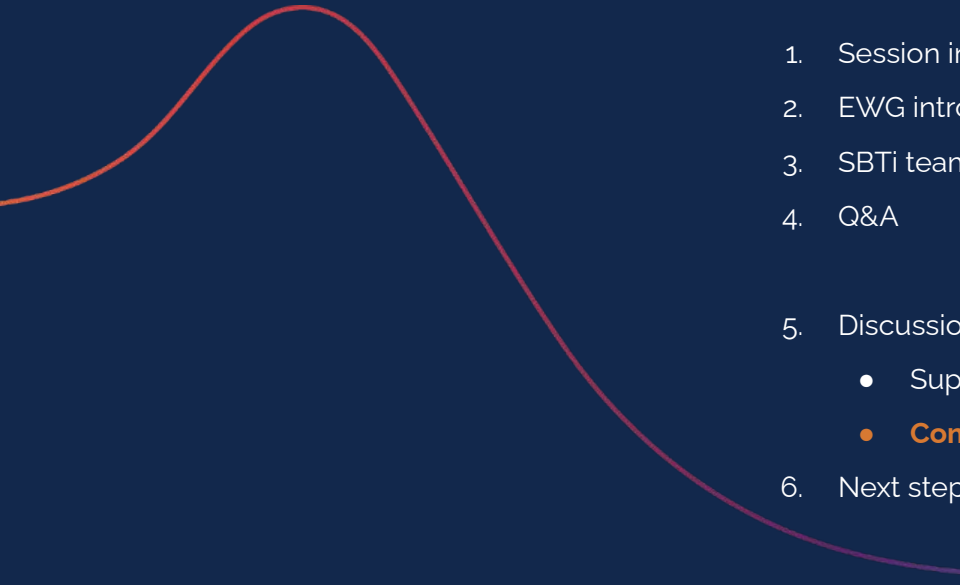
Discussion (20 mins) | Net-zero aligned procurement

Should supplier engagement targets be mandatory or optional?

How feasible is the proposed approach?

- *Suppliers linked to emission-intensive activities: 100% aligned by 2030*
- *Other suppliers: 100% aligned by net-zero year*

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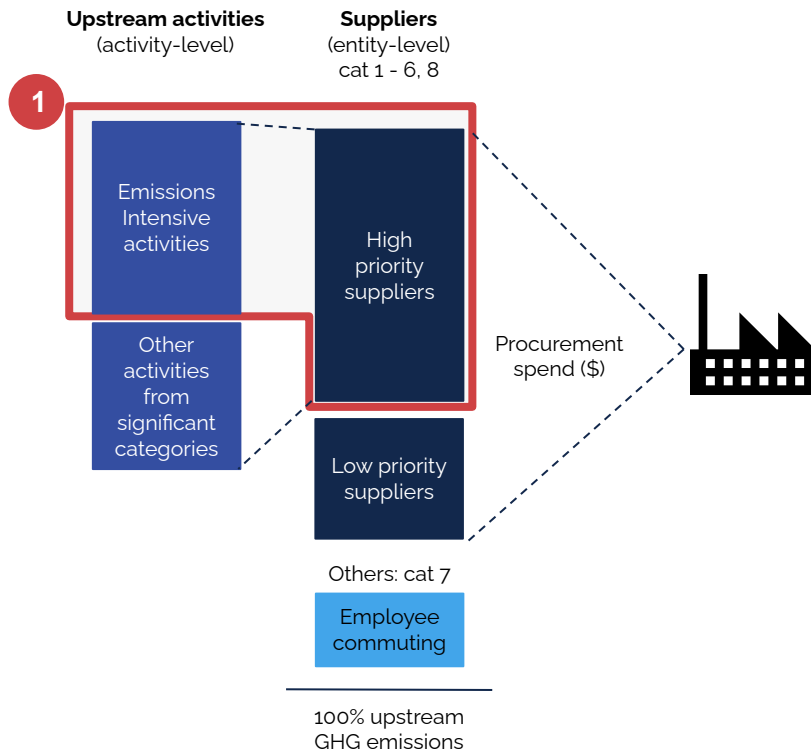
Objective | Our goal today is to refine the overall approach to net-zero aligned procurement and prioritisation

1 Selection of target metric and formulation

How should the SBTi define and assess net-zero aligned procurement?

Should tier 1 supplier engagement targets be kept as a mandatory requirement for companies "on top" of other abatement targets or optional?

Should supplier engagement be integrated into an overall alignment method that assesses alignment at the entity and activity level?

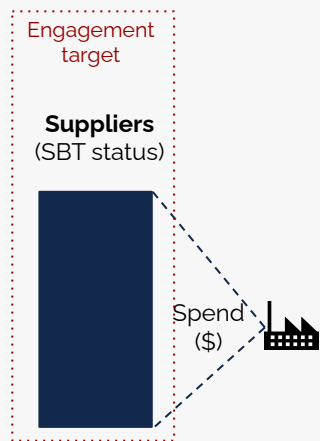


Discussion | Potential approaches to supplier engagement in scope 3 target setting

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Optional Supplier Engagement Method (Status Quo — CNZS v1.2)

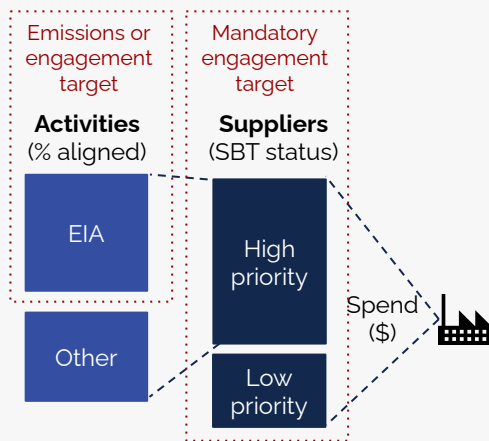
- Companies may opt to set supplier engagement targets to address emissions within the boundary.
- This approach is optional method. There is no requirement to prioritize emissions-intensive suppliers.



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Prioritized Supplier Engagement (Proposal — CNZS v2.0)

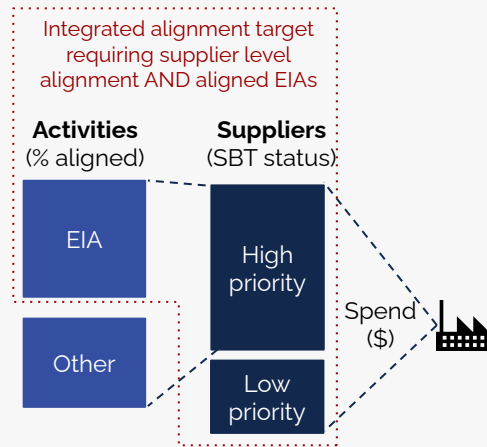
- Companies required to set engagement targets for all suppliers, prioritising emissions-intensive suppliers near-term.
- Separate additional targets are required for other relevant emissions sources in the boundary. Companies may use alignment method for EIAs.



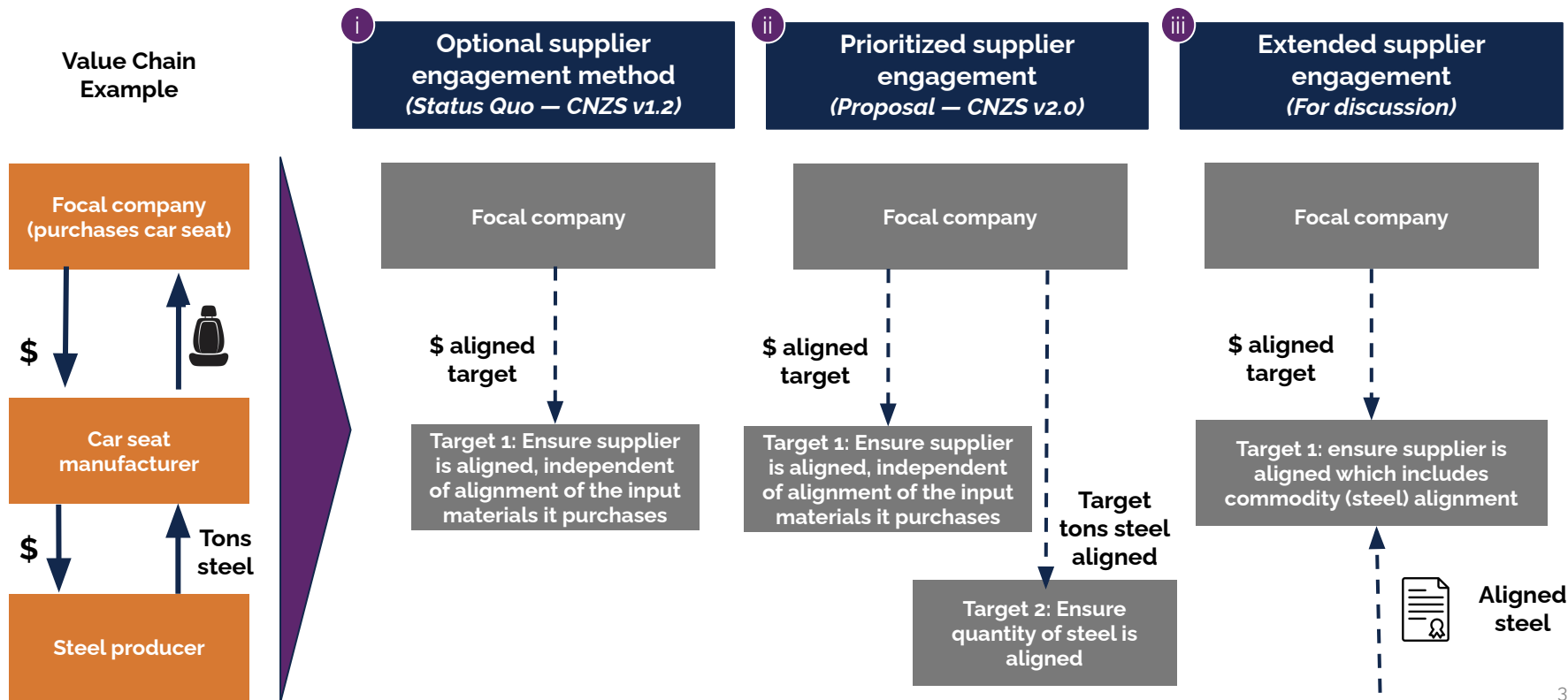
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Extended Supplier Engagement (For discussion)

- Builds on Option 2, requiring companies to set supplier engagement targets AND ensure EIAs are aligned with net-zero.
- This means combining supplier-level target-setting (e.g., SBTs) with activity-level alignment (e.g., % aligned steel) for EIAs

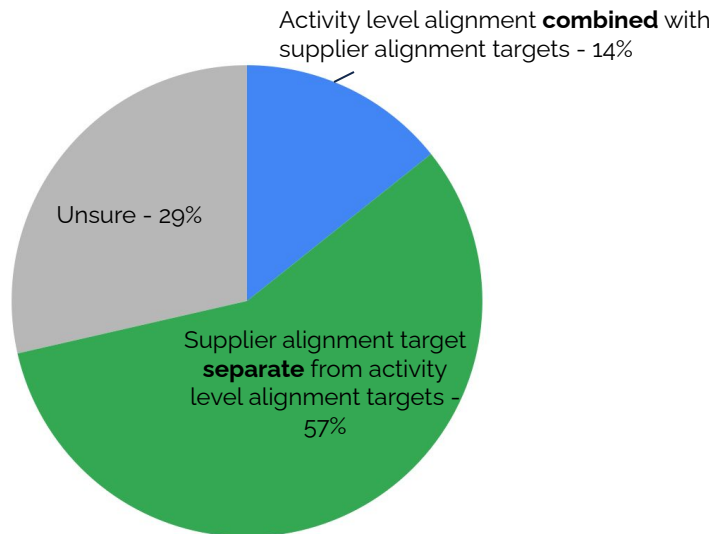


Discussion | Entity and activity-level alignment could be integrated into one single procurement target

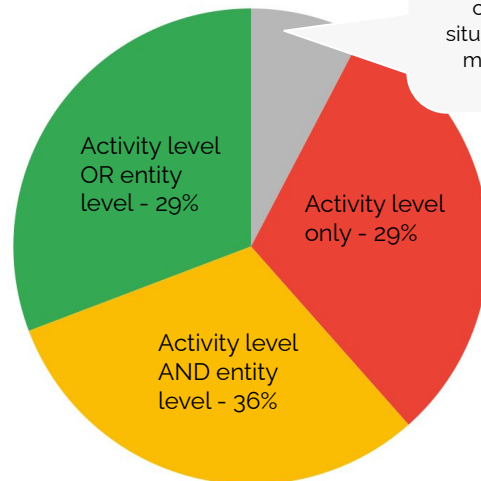


Poll | Should alignment targets at the supplier-level be kept separate or combined with alignment targets at the activity level?

Should alignment at the supplier level (e.g. SBT status) be kept separate from the alignment target at the emissions-intensive activity level (e.g. net-zero aligned steel), or should it be combined into one integrated aligned procurement target?



For a supplier providing emissions-intensive activities, should the alignment be measured at:

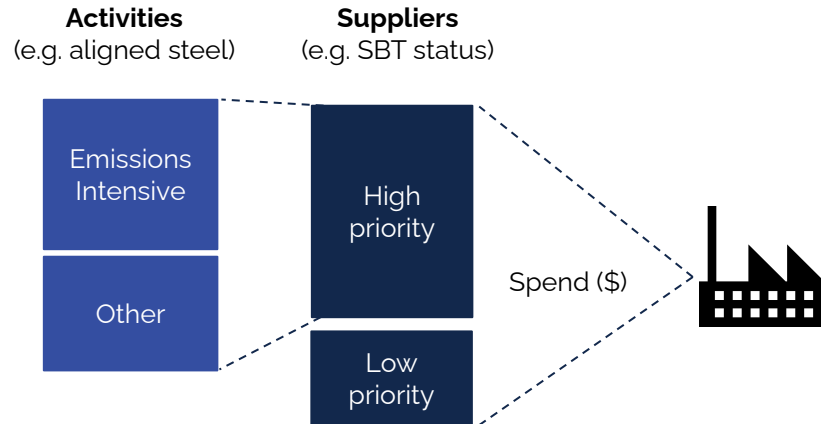


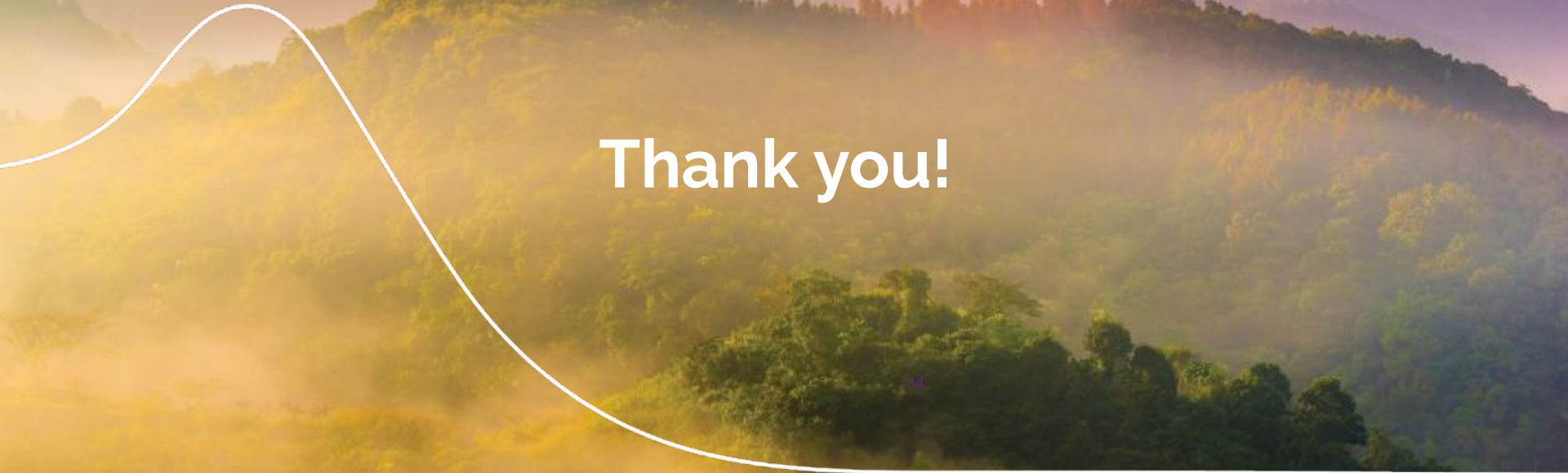
It should include entity level, not only activity level, but the 3 options do not capture the complexity of the situation. Hence needs more exploration in practical terms.



Discussion (40 mins) | Net-zero aligned procurement

Should supplier engagement targets be integrated into an overall alignment method that assesses alignment at the entity and activity level, or should entity level and activity level targets be kept separate?





Thank you!