

Edrington Supplier Stewardship

Net Zero Guidance for Businesses

EDRINGTON



Final Draft – July 2023

SHARING PRACTICAL INFORMATION WITH OUR SUPPLIERS & PARTNERS

At Edrington, we believe it's genuinely helpful in our duty of environmental stewardship to share our knowledge and support businesses in practical ways.

Working in partnership is an integral part of how we do business, and our intention is to collaborate and align with suppliers and partners who also share our environmental sustainability standards and values.

Over time, Edrington will seek to formalise Environmental Sustainability supplier screening and mandatory reporting within our various procurement processes.

In the meantime, we will continue to encourage open engagement and discourse with our suppliers (via your Edrington contact) and we greatly welcome any feedback as to future guides and resources that may also be of use to your business.

GETTING STARTED ON YOUR NET ZERO JOURNEY

In our recently published Environmental Sustainability: Guidance for Suppliers and Partners*, we committed to develop tools and resources to support our suppliers and partners on their environmental sustainability journeys. This Net Zero Guidance for Businesses is the first such resource.

This guide is designed to provide useful tips, links and pointers for suppliers of Edrington who are keen to get started on their own journey to becoming a net zero business and to gain a general understanding of what net zero is.

*If you have not received the document titled Environmental Sustainability: Guidance for Suppliers you can request a copy from your Edrington contact.

What is Covered?

1

What is net zero?

What you need to know about net zero and scope 1, 2 & 3 emissions.

2

Measuring your baseline footprint

Practical advice on how to do this.

3

Establishing a net zero strategy

Taking planned steps to reduce your emissions.

Why Align With Net Zero?

- The IPCC* is an intergovernmental body of the United Nations. Its job is to advance global scientific knowledge about climate change caused by human activities.
- The IPCC's science has shown clearly (for many years) that in order to avert the worst impacts of climate change and preserve a liveable planet, global temperature increase needs to be limited to 1.5°C above pre-industrial levels.
- Currently, the Earth is already about 1.1°C warmer than it was in the late 1800s, and emissions continue to rise. To keep global warming to no more than 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by 45% by 2030 and reach net zero by 2050.¹
- Each United Nations member nation declares their net zero target. The UK Government target is to achieve net zero by 2050, while Scotland has set its target at a more ambitious trajectory of achieving net zero by 2045.

“Transitioning to a net zero world is one of the greatest challenges humankind has faced. It calls for nothing less than a complete transformation of how we produce, consume, and move about.”¹

Business & Net Zero – a Commercial Imperative

Over time, Edrington will formalise our Environmental Sustainability supplier screening and will include mandatory reporting within our various procurement processes. As such, it is a false-economy to delay (or worse ignore) the imperative need to map out a net zero future for your business. However, there are also multiple benefits from doing so:



INCREASE COMPETITIVE ADVANTAGE

Customers will increasingly favour partners who can demonstrate a net zero roadmap. Emissions arising directly from your operations form part of your customers' indirect emissions (more of this on page 8). By getting your business on a solid emissions reduction journey, you become a net zero solution for existing and potential customers by letting them know that you share the same emissions reduction goals.



DRIVE INNOVATION & CREATIVITY

There is no doubt that environmental sustainability will be and is already a major driver of innovation across all industries as we strive to achieve a net zero economy by 2050. It will demand cross-category collaboration, asking us to work outwith our usual areas as we seek to solve problems and innovate our way out of unsustainable practices.



ATTRACT, MOTIVATE & RETAIN EMPLOYEES

Prospective employees (and increasingly young people especially) want to work for businesses and brands that share their values. Clearly demonstrating a net zero trajectory can not only act as a powerful employee-brand benefit, but also a driver of staff retention. This is often a result of the pride and passion of working for those with whom our private and professional values are aligned.

What is Net Zero?

THE UNITED NATIONS' DEFINITION OF NET ZERO

“when human-induced emissions are balanced globally by human-induced removals over a specific period”

- ✓ Net zero is the globally acknowledged language of governments, NGOs and businesses when detailing a strategic journey to reduce emissions.
- ✓ In softer language, the United Nations¹ will also explain this as *‘cutting greenhouse gas (ghg) emissions to as close to zero as possible, with any remaining emissions being re-absorbed from the atmosphere, by oceans and forests for instance.’*

Thinking About Net Zero

Think of managing your net zero process as a profit and loss ledger

- ✓ 'Net zero' sounds like an accounting term, which is useful in a business setting because it is helpful for us to think about our emissions as a 'Profit and Loss' ledger
- ✓ Just as there is a financial cost to produce the goods and services we sell, so too is there an 'emission cost'

Logging data in line with the GHG Protocol Accounting Standards

- ✓ The Greenhouse Gas (GHG) Protocol* sets the standards to measure and manage emissions
- ✓ It provides us all with the language and tools needed to accurately and consistently record and report our emissions
- ✓ At an individual level, we set a baseline year of emissions data from which we can project emissions reduction towards an ultimate net zero goal

**Greenhouse Gas Protocol*

To achieve a net zero balance of 90-100% emissions reduction

- ✓ The GHG Protocol allows us to include up to (but no more than) 10% of emissions to be accounted for via high quality offsets – more on that later
- ✓ Therefore, when we align to a net zero goal of – for example – 2045 – we are committing to strategically and actively reduce our emissions by a minimum of 90%


What are 'Scope 1, 2 & 3' Emissions?

Understanding your scope 1, 2 & 3 emissions is the first step on your journey to achieving net zero. It is worth being mindful that businesses can't manage what they can't measure.


- ✓ Scopes provide all businesses with a unified way to classify emissions arising from their operations.
- ✓ Scopes also allow individual businesses to apply strategic thinking to emissions reductions by allowing them to identify 'hot spots' in their value chains that generate the most emissions.
- ✓ This insight allows businesses to focus on achieving the most meaningful reductions, not only from within their operations - but also across national or even global value chains ¹.
- ✓ The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'.




Direct emissions from owned or controlled sources, for example onsite fuel combustion (gas boilers etc) and company vehicles.



Indirect emissions from the generation of purchased energy (for heat and steam).



All indirect emissions (not included in scope 2) that occur in the value chain, including both upstream and downstream emissions (see next slide for more on upstream and downstream).

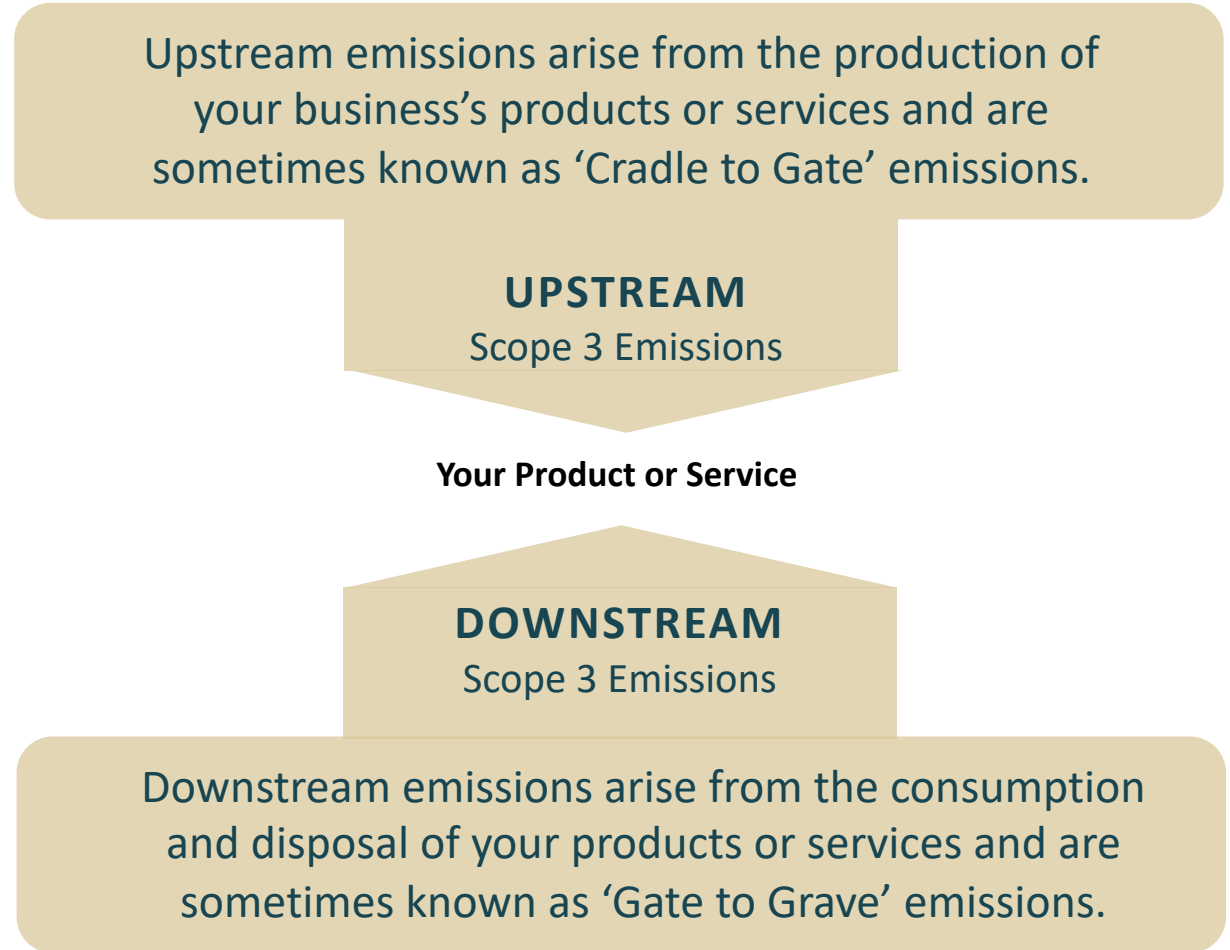


(1) GHG Protocol FAQs

Upstream & Downstream Scope 3 Emissions

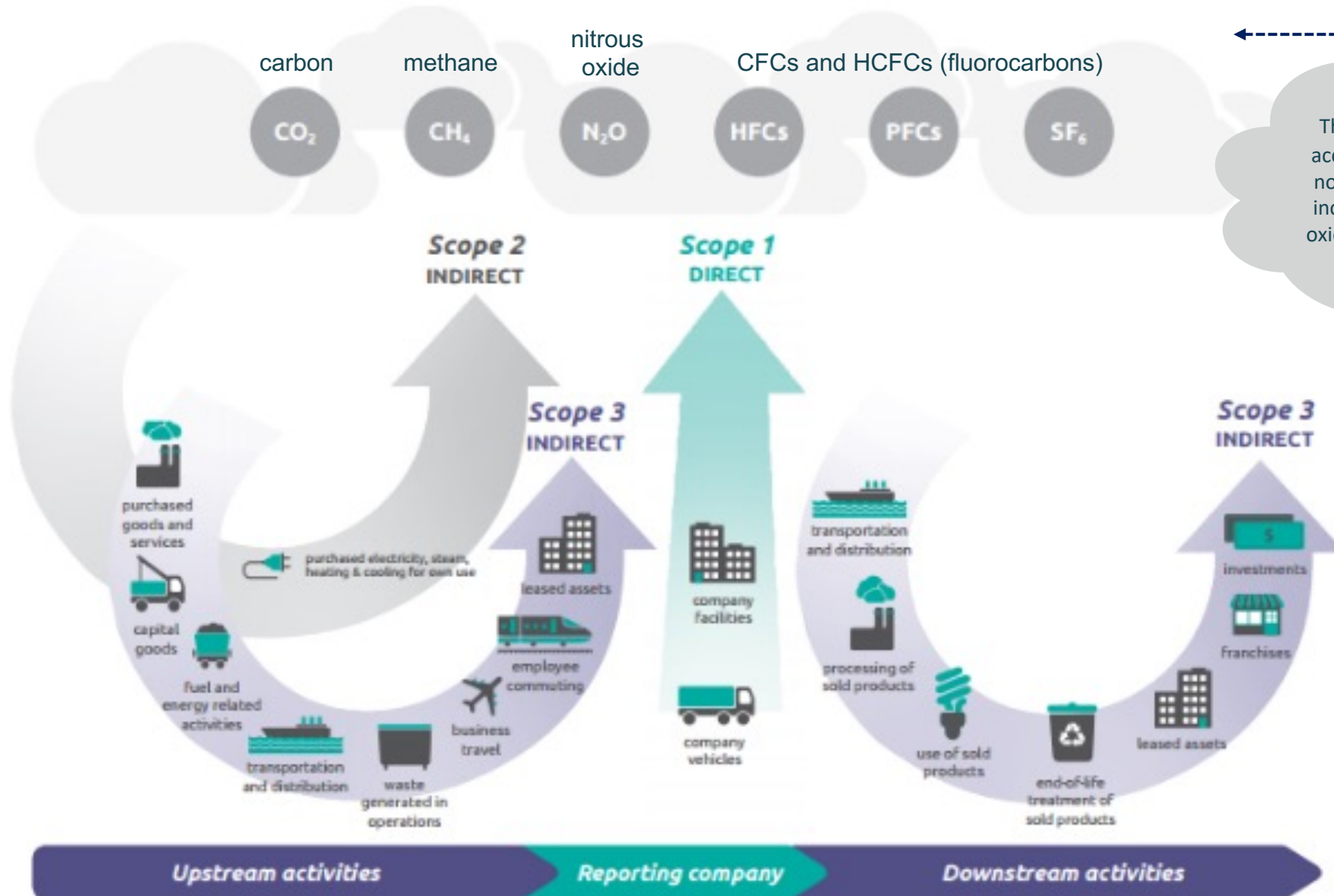
It is estimated that scope 3 emissions alone account for approximately 70% (if not higher) of an organisation's total emissions, meaning that identifying and tackling them is a crucial step to achieving net zero.¹

- ✓ A useful step in beginning to understand your scope 3 emissions is to group them as either upstream or downstream.
- ✓ See the practical illustration on the following page which details the Greenhouse Gas Protocol's three scopes and types of emissions across the whole value chain, including an illustration of upstream and downstream scope 3 emissions.



⁽¹⁾ Carbon Trust

The image below details the three scopes and types of emissions across the value chain as classified by the GHG Protocol ¹



The GHG Protocol model also asks us to account for all greenhouse gas emissions, not just carbon (CO₂). Greenhouse gases include carbon dioxide, methane, nitrous oxide and other gases (fluorocarbons) that accumulate in the atmosphere.

⁽¹⁾ [Greenhouse Gas Protocol](#)

Measuring your Baseline Footprint

WHAT IS YOUR FOOTPRINT?

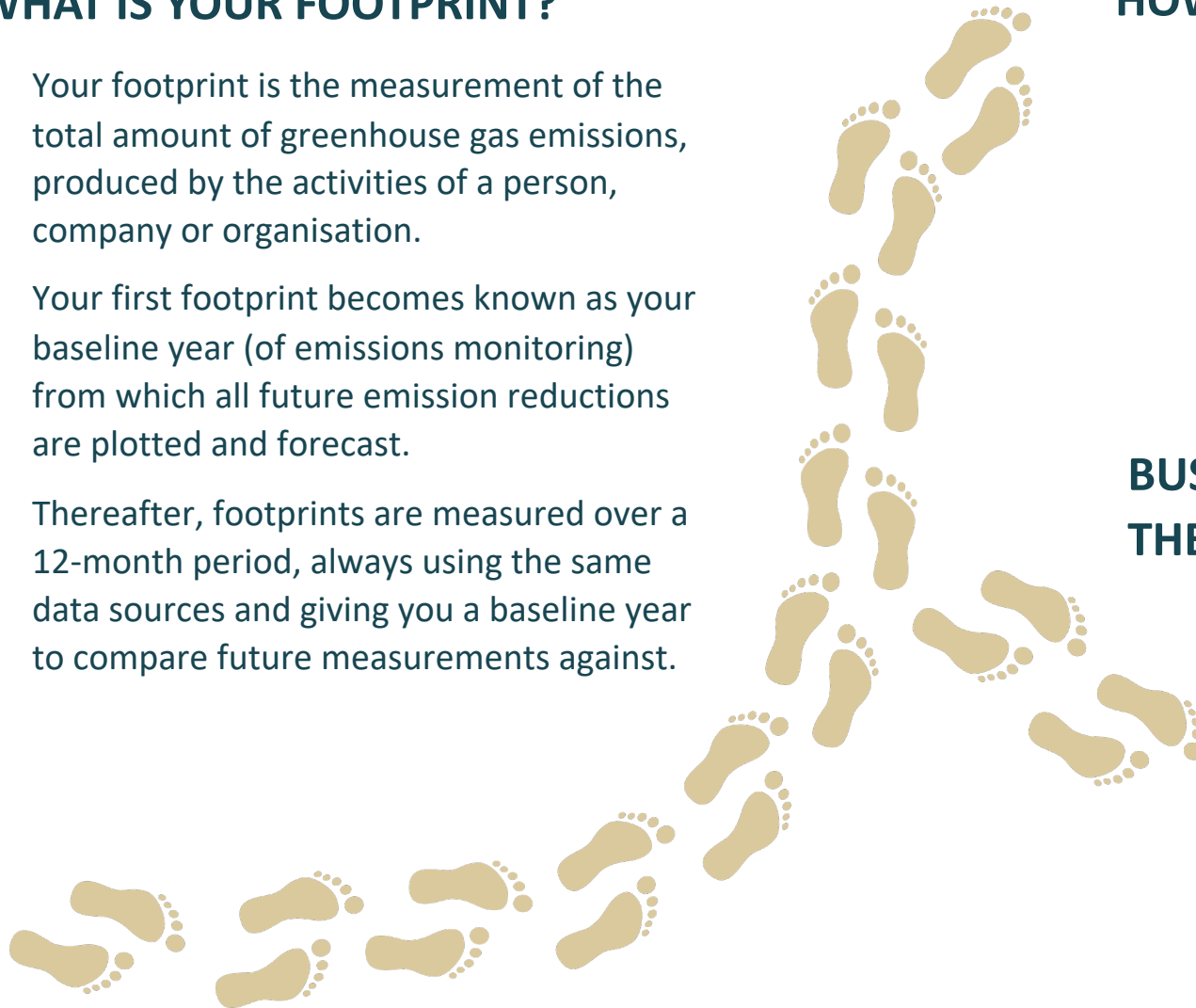
- Your footprint is the measurement of the total amount of greenhouse gas emissions, produced by the activities of a person, company or organisation.
- Your first footprint becomes known as your baseline year (of emissions monitoring) from which all future emission reductions are plotted and forecast.
- Thereafter, footprints are measured over a 12-month period, always using the same data sources and giving you a baseline year to compare future measurements against.

HOW TO MEASURE YOUR FOOTPRINT

- ✓ In order to measure your footprint, you will need access to data such as fuel consumption (travel purchases), energy consumption (detailed gas and electricity bills) and supplier information (purchasing invoices etc). These figures are then converted into equivalent emissions values using GHG recognised conversion metrics.

BUSINESSES DON'T HAVE TO CALCULATE THEIR FOOTPRINT THEMSELVES

- There are some useful and free websites and tools online to help businesses calculate their baseline footprint (some of these from trusted sources are listed on the final page of this guide).
- There are also environmental consultants available to help and you may be eligible for funding support towards the the costs of such consultants via your local government, business growth or enterprise agency.



Consider becoming a Race to Zero Signatory



WHY CONSIDER RACE TO ZERO?

- Becoming a RTZ signatory is a clear signifier to your suppliers and customers that your business is committed to a net zero journey involving rigorous emission reductions.
- Within 12 months of joining, members will publicly disclose a Transition Plan outlining actions to meet RTZ criteria within 12 months, 2-3 years, and by 2030.
- The disclosure commitments you make as a signatory are a good way to ensure that your net zero strategy is progressed internally. RTZ members can also access and follow clear guidance as they progress along their net zero journey.

WHAT IS RACE TO ZERO?

- Race To Zero¹ (RTZ) is the global campaign backed by the United Nations, which rallies non-state actors – including companies, cities, regions, financial, educational, and healthcare institutions – to **take rigorous and immediate action to halve global emissions by 2030.**
- Over 11,000 members have joined the campaign worldwide and are committed to the same overarching goal: reducing emissions across all scopes swiftly with transparent action plans and robust science-based near-term targets.

HOW DO WE SIGN UP?

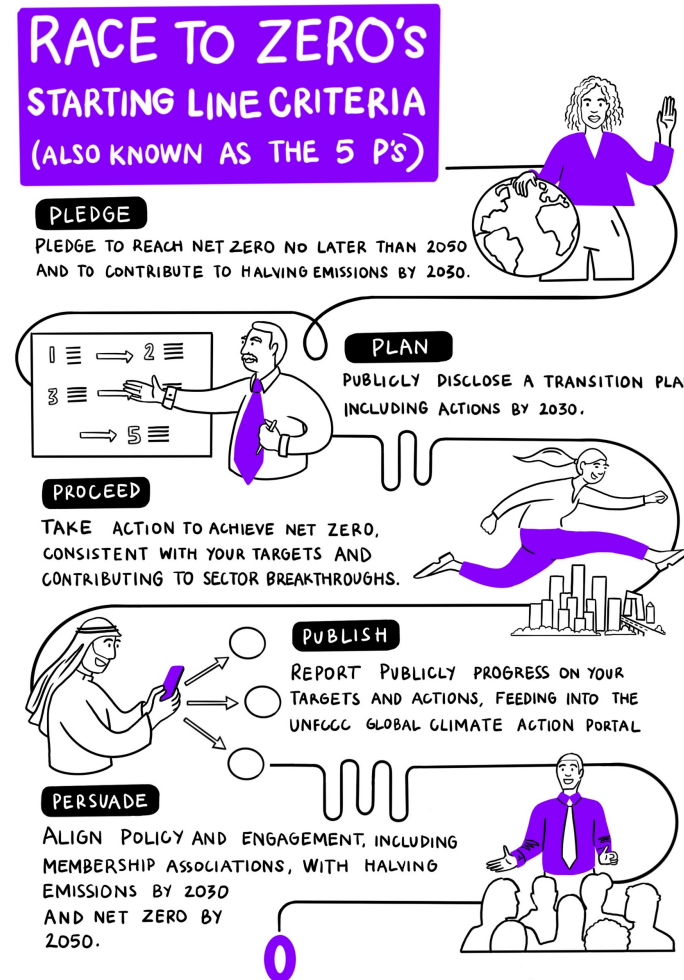
- Small and medium sized enterprises are invited to join the 'Race to Zero' via the SME Climate Hub² which helps business owners begin their journey to reduce emissions.

Establishing a Net Zero Strategy for your Business

PURPOSE & AIMS OF A NET ZERO STRATEGY

- Once you have committed to moving your business to net zero, have taken the time to measure your carbon footprint emissions and have rigorous data for your baseline year, you can then start to weave this together to form your business net zero strategy.
- The aim of your net zero strategy is to set short, medium and long-term science-based targets to cut all possible emissions by 2050 (or by 2045 in Scotland's case) with a near-term goal of halving all scope emissions by 2030.
- It should be noted that it is widely accepted that there will be some residual emissions that cannot be eliminated by your overall 2045/50 goal and you may allow for up to 10% of your emissions being counterbalanced by verified means of carbon sequestration.

CONSIDER THE UNITED NATIONS' 5-Ps PROCESS



- When designing your net zero strategy, you may consider adopting the United Nations' 'Climate Champions' 5-Ps Process to **PLEDGE, PLAN, PROCEED, PUBLISH AND PERSUADE** ¹
- [Click this link to see the image in detail](#)

(1) UNFCCC 5-Ps Process

EXAMPLE OF A NET ZERO STRATEGY CONTENT PLAN:



INTRODUCTION

- Your net zero strategy should generally start with an introduction on why you as a business want to move towards net zero.
- It will include any pledges or commitments you have taken, including for example signing up to Race to Zero or similar.
- It would also state your short, medium and long-term emissions reduction targets.



BASELINE

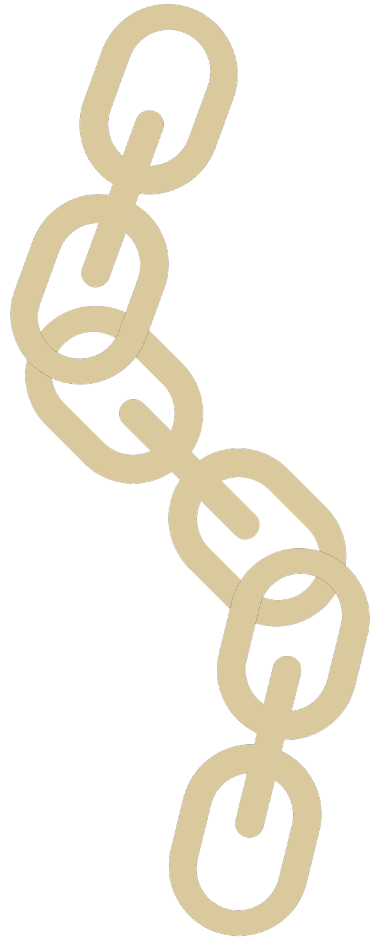
- Once you have calculated your baseline, you can publish your scope 1, 2 & 3 emissions.



REDUCTION ROADMAP (PROJECTIONS)

- This part of the strategy provides you with an opportunity to talk about your emission reduction targets and how you aim to achieve these by giving examples of work achieved to date and your future plans and projects.
- You can be transparent about what you have found relatively easy to achieve and areas that will be more challenging for your business, perhaps because of a lack of capital or because these are industry-wide problems that need to be tackled on a broader scale.
- It will take time to map and engage suppliers in order to develop a clear strategy to reduce your scope 3 emissions.
- Your net zero roadmap will constantly evolve and should be updated regularly with your ongoing plans and targets.

Join us and begin your own net zero journey



- After a period of planning and data crunching, Edrington announced our net zero target in June 2022 ([read our initial statement here](#)) and we want each of our valued suppliers and partners to join us on this critical journey.
- Our emissions are all linked via the supply chains we establish. Just as we exchange economic value through our business transactions, we should also exchange environmental and informational value through our business relationships.
- We wish to support any of our suppliers or partners who feel they may benefit from guidance in relation to their own environmental and net zero journeys.
- In our recently published Environmental Sustainability: Guidance for Suppliers and Partners*, we committed to develop tools and resources to support our suppliers and partners on their environmental sustainability journeys.
- This Net Zero Guidance for Businesses is the first such resource. We chose this topic because we know that sometimes the first steps can be the most daunting and that often having a good grasp of the basics from a trusted source can help initiate that first step.
- **We will publish further guides. If there is a specific topic you'd like to see covered, or you have any further questions relating to this guide, please let us know via your Edrington contact.**

*If you have not received the document titled Environmental Sustainability: Guidance for Suppliers you can request a copy from your Edrington contact.

Other Helpful Sources – What is Net Zero?:

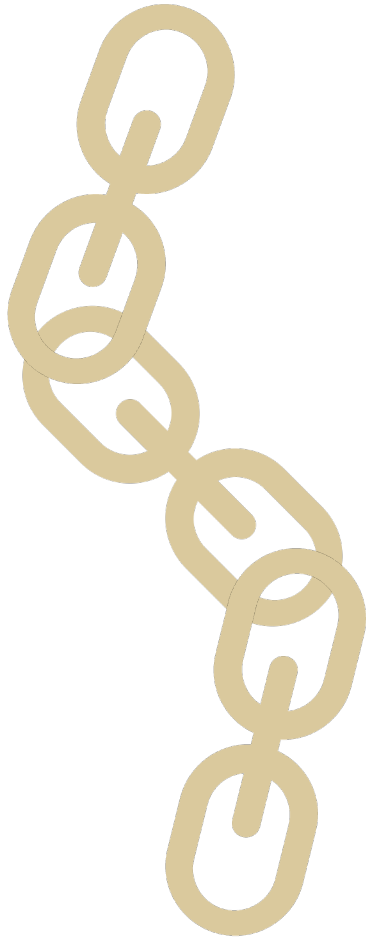
- United Nations / [What is Net Zero](#)
- McKinsey / [What is Net Zero](#)
- World Resources Institute (WRI) / [Net Zero GHG Qs answered](#)
- Net Zero Climate / [What is Net Zero](#)
- Race to Zero / [How to join](#)
- SME Climate Hub / [How to get started](#)

Other Helpful Sources – Measuring your Carbon Footprint:

- SME Climate Hub / [Measure your emissions](#)
- Greenhouse Gas Protocol / [Measure your emissions](#)
- The Carbon Trust / [Guide to Carbon Footprint](#)
- Carbon Trust / [SME Carbon Footprint Calculator](#)
- Private sector starter tools such as
 - NatWest Carbon Planner [RBS / NatWest Carbon Planner](#)
 - Scottish Enterprise / [Net Zero Accelerator Tool](#)

Other Helpful Sources – Support for your Net Zero Strategy:

- ISO / [Net Zero Guidelines & Toolkit](#)
- SME Climate Hub / [Steps to reduce your emissions](#) / [Join Race to Zero](#)
- Science Based Targets Initiative / [Setting a Target](#)
- Food & Drink Federation / [Net Zero Support for Scotland](#)



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