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# 2018 CDP Supplier Engagement Rating Introduction

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CDP Climate Change 2018



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# Introduction to the CDP Supply Chain Program's Supplier Engagement Rating

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Purchasing organizations have potential to incentivize significant environmental changes in their supply chain. However, in 2016, just 23% of suppliers responding to the CDP climate change questionnaire reported that they engage with their own suppliers on GHG emissions and climate change strategies.

By establishing a system to evaluate supplier engagement practices and recognize best practice, CDP aims to increase buyer engagement to accelerate action on emissions in global supply chains. In particular, CDP seeks to address two key barriers companies face to beginning a supplier engagement strategy:

- ▼ **Companies don't know what best practice for sustainable supply chain management looks like.** The sheer scale of reviewing purchasing processes and creating a strategy to integrate environmental information into purchasing can be daunting, and many companies have trouble identifying best practice upon which to base their actions.
- ▼ **Companies don't think they get credit for supplier engagement on climate change.** CDP's experience shows that companies will improve their performance when presented with an opportunity to gain credit for their actions. CDP will recognize and award credit for achievements of excellence to support company action and lasting improvements in management practice.

Following on from a successful pilot year, CDP learned that all participating companies in the SER consultation thought the SER helped raise their supplier engagement work. Additionally, over half used it as a tool to help shape their supplier climate profile. In 2018, CDP will release the Supplier Engagement Rating for the third time.

## Organizations included in the Supplier Engagement Rating

Companies that respond to a request from their customer(s) will be evaluated on supplier engagement. [Members of the CDP Supply Chain program in 2018](#) that respond to the climate change questionnaire will also be evaluated on supplier engagement. Responses must be submitted by the deadline communicated by CDP for inclusion. Companies that disclose to the minimum version of the questionnaire in 2018 will **not** be eligible to receive a Supplier Engagement score.

# Supplier Engagement Rating criteria

Companies will be evaluated on their supplier engagement through their responses to questions in four key areas of the CDP climate change questionnaire related to governance, ambition, management (Scope 3) and supplier engagement. These specific questions offer the opportunity for a company to provide details on supplier engagement in the Governance, Targets, Scope 3 Emissions, and Scope 3 Emissions (Supplier Engagement) sections of the questionnaire. In addition, each company's CDP climate change score will be factored in to their rating as an overall assessment of company performance on climate change. Information provided through the water security questionnaire or Supply Chain Module (Climate Change or Water) are not evaluated.

**.B. To achieve a disclosure score above D, companies must report engaging with their suppliers (see *Scope 3 Emissions: Supplier Engagement* for more details).**

Points awarded through each questionnaire section will be reflected in final supplier engagement scores, as follows:

CDP Questionnaire Section	Weighting in the Supplier Engagement Rating
Governance	20%
Targets	15%
Scope 3 Emissions Accounting	20%
Supplier Engagement	35%
Overall CDP Climate Change score	10%

The final SER score will be determined by the overall percentage of points awarded throughout the questionnaire, based on the above weightings for each section. The value of this final percentage score will be equated to a final SER score using the following thresholds:

Final SER Score	Threshold
A	76% - 100%
A-	66% - 75%
B	56% - 65%
B-	41% - 55%
C	26% - 40%
C-	16% - 25%
D	9% - 15%
D-	1% - 8%
F	0%

To achieve SER Leaderboard status you must respond publicly to a request from their customer(s) or investor(s). CDP reserves the right to review all companies that achieve the highest scores to ensure that nothing included in the CDP response or available in the public domain calls into question the company's suitability for inclusion in the SER Leaderboard. In 2018 CDP reserves the right review data dating from the reporting year on a number of social and environmental topics related to CDP's programs and provided by the data provider RepRisk.

The key sections of the scoring methodology are outlined in further detail below, including a list of the relevant CDP questions and the rationale and summary methodology for each section. *Please refer to the CDP 2018 Supplier Engagement Rating Methodology document on the [CDP Supply Chain program guidance page](#) for a detailed breakdown of the scoring methodology, including point values for each question.*

## Governance

### Question(s): C1.3, C1.3a Individual performance; C3.1 Integration into business strategy

- ▼ *C1.3a Provide further details on the incentives provided for the management of climate-related issues;*
- ▼ *C3.1 Are climate-related issues integrated into your business strategy?*

#### Rationale:

Whether a company provides staff incentives for supplier engagement is a simple indicator of the internal importance placed on company's approach to managing climate change in their supply chain.

Businesses' spend profiles are also heavily influenced by their overall corporate strategy. Integration of climate change issues into this strategy will feed into their sourcing priorities and supplier engagement.

#### Summary of the scoring methodology:

Points are awarded for reporting details on incentives related to supplier engagement on climate change. Full points are awarded for reporting monetary rewards and partial points are awarded for reporting other benefits related to the following:

- ▼ Buyers/purchasers or all employees are entitled to receive benefits for the management of climate change issues;
- ▼ Chief Purchasing Officer or Chief Financial Officer are entitled to receive benefits for the management of climate change issues;
- ▼ Incentivized performance indicators for environmental criteria included in purchases and/or supply chain engagement.

Full points given for integration of climate change issues into their business strategy. No points available if answers are left blank or climate change is not integrated into their business strategy.

## Targets

### Question(s): C4.1; C4.1a; C4.1b; C4.2 Targets

- ▼ *C4.1a Provide details of your absolute emissions target(s) and progress made against those targets;*
- ▼ *C4.1b Provide details of your emissions intensity target(s) and progress made against those target(s).*

## Rationale:

Companies that establish an upstream Scope 3 emissions reduction target demonstrate awareness of emissions in their supply chain.

## Summary of the scoring methodology:

Points are awarded based on the details reported for absolute or intensity targets as follows. Note that in 2018, only certain details of absolute and/or intensity targets are assessed in the Supplier Engagement Rating:

- ▼ Full points are awarded for reporting absolute or intensity targets regarding “Scope 3: Purchased goods & services” or a target that includes Scope 3 (upstream) emissions (i.e. Scope 1 + 2 (market or location based) + 3);
- ▼ Partial points are awarded for reporting absolute or intensity targets in any other upstream category;
- ▼ Full points are awarded for reporting a target for ‘Engaging with suppliers’.

## Scope 3 Emissions

### Question(s): C6.5 Scope 3 Emissions

- ▼ *C6.5 Account for your organization’s Scope 3 emissions, disclosing and explaining any exclusions.*

#### Rationale:

Reporting upstream Scope 3 emissions demonstrates a company’s ability to measure the climate change-related impact of their supply chain.

#### Summary of the scoring methodology:

Points are awarded for each category of evaluated and reported Scope 3 emissions (upstream). The criteria for this question is the same as for the general CDP climate change Scope 3 scoring criteria, with one important differentiation – a company can only achieve full points for “Purchased Goods and Services” if the category is reported as “Relevant, calculated” and both “Metric tonnes CO2e” and “Methodology” are completed.

## Supplier Engagement

### Question(s): C12.1; C12.1a; Supplier Engagement

- ▼ *C12.1 Do you engage with your value chain on climate-related issues?*
- ▼ *C12.1a Provide details of your climate-related supplier engagement strategy.*

#### Rationale:

Through these questions, companies are able to demonstrate the comprehensiveness and impact of their supplier engagement strategy in deeper context.

#### Summary of the scoring methodology:

To achieve a score above D companies must indicate they engage with suppliers in C12.1. Points will be awarded as follows for reporting details on supplier engagement.

- ▼ Points are awarded for reporting the number of suppliers that your company engages with and for reporting the proportion of your total spend that the suppliers represent
- ▼ The SER will award points based on the type of engagement and the percentage of spend or Scope 3 emissions. The type of engagement is judged on a maturity spectrum where points will be limited in relation to spend. These are noted in the table below.

Spend or Scope 3 emissions	Compliance & onboarding	Information collection OR Engagement & incentivization	Innovation & collaboration
0%	0/8	0/8	0/8
1-39%	2/8	4/8	6/8
40-100%	4/8	8/8	8/8

## Overall CDP Climate Change score

**Question(s): C1-C14**

**Rationale:**

Companies that demonstrate strong management over their own overall climate change impacts will be best placed to show leadership when engaging with suppliers.

**Summary of the scoring methodology:**

Points will be awarded based on the overall CDP climate change score awarded to the company, with leadership points given to those that achieve an A.

CDP score	A	A-	B	B-	C	C-	D	D-	F
Points	10/10	9/10	6/10	5/10	4/10	3/10	2/10	1/10	0



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## Availability of the Supplier Engagement Rating results

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Companies that are requested by their customer(s) and disclose to the 2018 climate change questionnaire and members of the CDP Supply Chain Program in 2018 that disclose to the climate change questionnaire will be assessed on their supplier engagement and receive feedback on their rating in January 2019.

The score will be represented in the form of a letter band, in line with other CDP scoring and rating systems. Per CDP policy, ratings will not be shared publicly\* and will only be provided to the disclosing company and their requesting customer(s). Scores will be provided to the disclosing company in the form of an email from CDP to the individual that submitted the CDP response.

### **\*Exception: Leaders**

Companies that meet leadership criteria through the Supplier Engagement Rating will be highlighted as leaders in the annual CDP Supply Chain report, released in January 2019. Leaders will be provided with materials to help highlight their achievement, including a CDP badge of recognition.

## Timeline and Key Dates

The timeline for the 2018 Supplier Engagement Rating system and the dates for scheduled announcements are as follows:

Activity	Timing
Supplier Engagement Rating methodology published on the CDP website	June 2018
CDP evaluation of companies with Supplier Engagement Rating methodology	September – December 2018
Leader recognition in annual CDP Supply Chain report and events	January 2019

## Questions on this methodology

Please contact [respond@cdp.net](mailto:respond@cdp.net) for questions about this methodology.

Version No.	Date	Owner	Change
V1.2	28/06/2018	L. Hermans	First version
V1.3	13/02/2019	A. Nay	Thresholds added