

2017 CDP Supplier Engagement Rating Introduction

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

Purchasing organizations have potential to incentivize significant environmental changes in their supply chain. However, in 2016, just 23% of suppliers responding to the CDP Supply Chain 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.

Organizations included in the Supplier Engagement Rating

Companies that disclose to the 2017 CDP Supply Chain questionnaire will be evaluated on supplier engagement. [Members of the CDP Supply Chain program in 2017](#) that disclose to the Supply Chain questionnaire *or* the Climate Change questionnaire will also be evaluated on supplier engagement. Responses to the relevant questionnaire must be submitted by the deadline communicated by CDP for inclusion. Companies that disclose to the small and medium sized enterprise (SME) version of the questionnaire in 2017 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 Supply Chain 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 Supply Chain Water questionnaire or Supply Chain Module (Climate Change or Water) are not evaluated.

N.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 Supplier Engagement Rating
Governance	20%
Targets	15%
Scope 3 Emissions Accounting	20%
Supplier Engagement	35%
Overall CDP Climate Change Score	10%

To achieve SER Leaderboard status you must disclose publicly to the Supply Chain or Climate Change programs. 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 2017 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 2017 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): CC1.2a Individual Performance; CC2.2 Integrated into business strategy

- *CC1.2a Please provide further details on the incentives provided for the management of climate change issues*
- *CC2.2 Is climate change 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 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): CC3.1a; CC3.1b Targets

- *CC3.1a Please provide details of your absolute target*
- *CC3.1b Please provide details of your intensity target*

Rationale:

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

Summary Scoring Methodology:

Points are awarded based on the details reported for absolute or intensity targets as follows. Note that in 2017, only certain details of absolute and/or intensity targets are assessed in the Supplier Engagement Rating (primarily scope and year):

- 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

Scope 3 Emissions

Question(s): CC14.1 Scope 3 Emissions

- *CC14.1 Please account for your organization’s Scope 3 emissions, disclosing and explaining any exclusions*

Overview:

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

Summary 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.

Scope 3 Emissions: Supplier Engagement

Question(s): CC14.4; CC14.4b;

- *CC14.4 Do you engage with any of the elements of your value chain on GHG emissions and climate change strategies?*

- *CC14.4b Please give the number of suppliers with whom you are engaging and the proportion of your total spend that they represent*

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

Summary Scoring Methodology:

To achieve a score above D companies must indicate they engage with suppliers in CC14.4.

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. 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.

CC14.4b

Spend	Compliance	Active Engagement	Collaboration/Innovation/Emissions Reduction Incentives
0%	0	0	0
1-40%	2	4	6
40-100%	4	8	8

Overall CDP Climate Change Score

Question(s): CC1-15

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 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-
Points	10	9	6	5	4	3	2	1

Availability of the Supplier Engagement Rating results

Companies that disclose to the 2017 Supply Chain questionnaire and members of the CDP Supply Chain Program in 2017 that disclose to the Supply Chain or Climate Change questionnaire will be assessed on their supplier engagement and receive feedback on their rating in January 2017. Companies that disclose to the SME version of the 2017 Supply Chain questionnaire will not be assessed.

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 2017. 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 2017-2018 Supply Chain Rating system and the dates for scheduled announcements are as follows:

Activity	Timing
Consultation with CDP Supply Chain Program Members and Industry Experts	May 2017
Supplier Engagement Rating Methodology Published on the CDP Website	June 2017
CDP Evaluation of Companies with Supplier Engagement Rating Criteria	September – December 2017
Leader Recognition in Annual CDP Supply Chain Report and Event	January 2018

Questions on this methodology

Please contact respond@cdp.net for questions about this methodology.

New version No.	Date	Owner	Change
V1.0	05/04/2017	C. Hartnett	First version
V2.0	04/05/2017	S. Bhonsle	Interim version
V2.1	10/05/2017	S. Bhonsle	Final external version