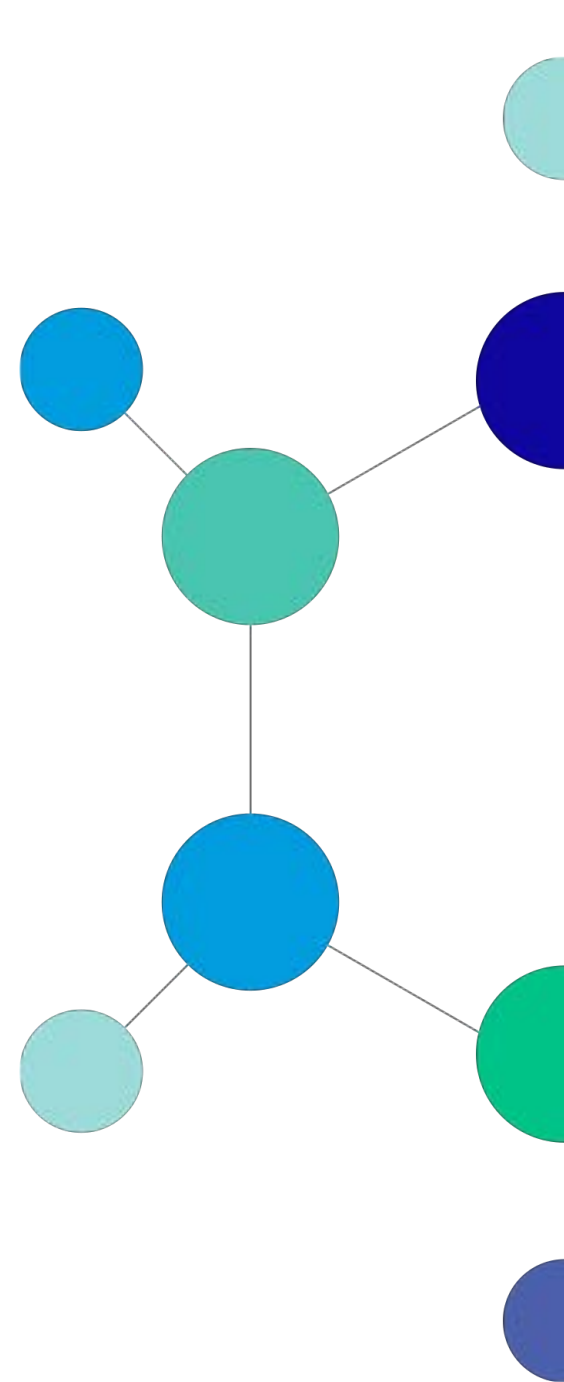



Session 4: Scope 3 Emissions: Defining, Measuring & Itemizing Emissions





2023

MILLIKEN & COMPANY

Scope 3 Emissions

Josh Riggs
April 11th, 2023

Milliken

AGENDA

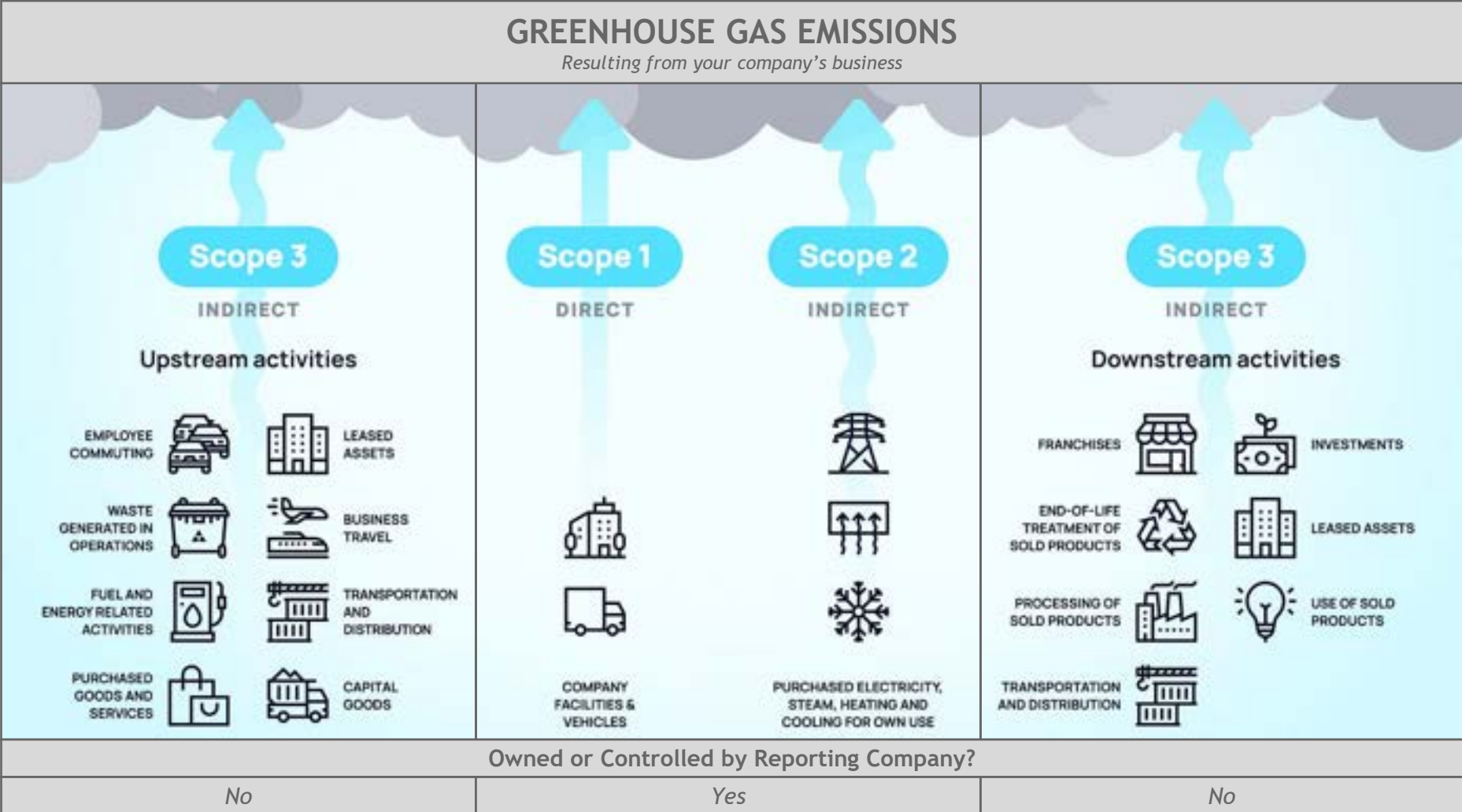
- What are scope 3 emissions?
- Why should you care about scope 3?
- Now what should you do? (Milliken's plan)



What are scope 3 emissions?

SCOPE 3 DEFINED

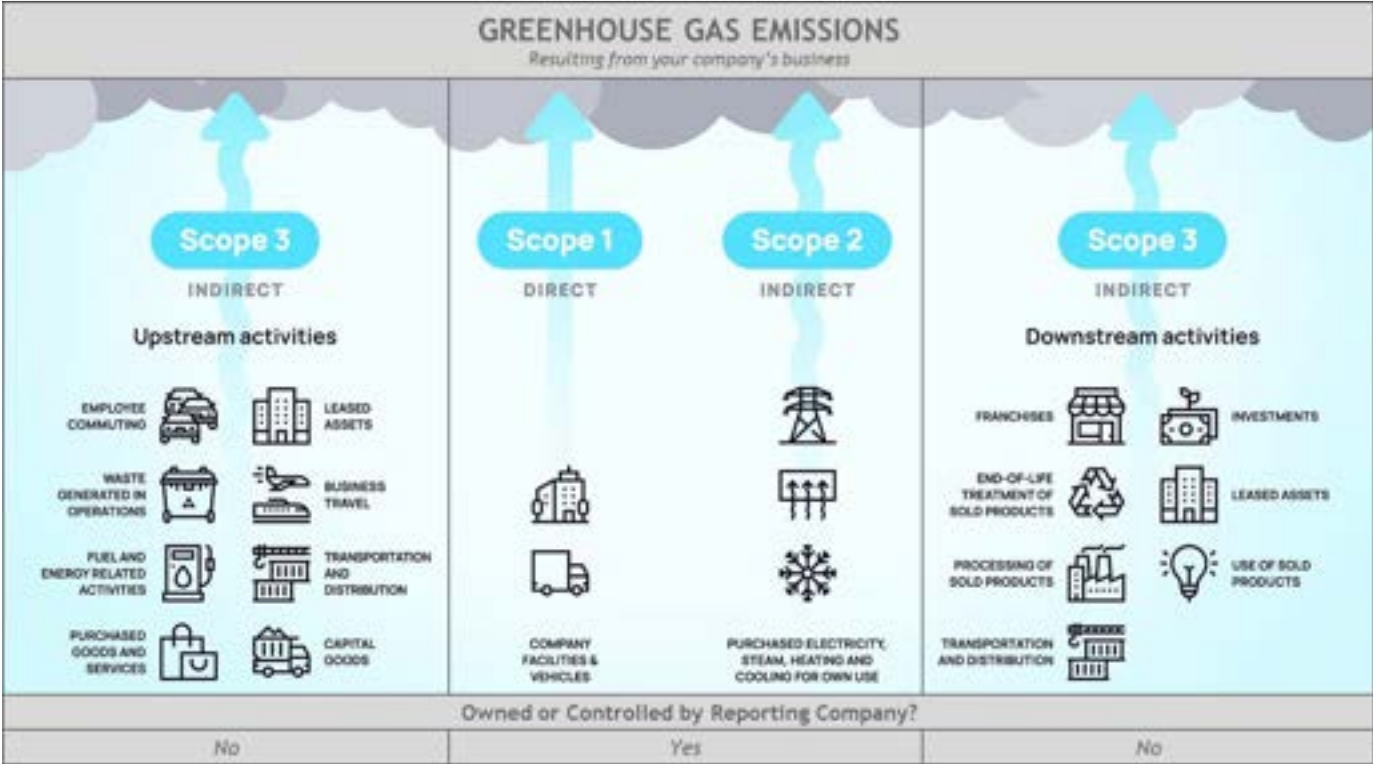
Scope 3 emissions are the indirect emissions from your business but not owned/controlled by you.



Categories defined by GHG Protocol

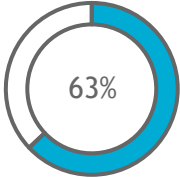
SCOPE 3 DEFINED - MILLIKEN

Scope 3 is 82% of Milliken's GHG inventory.



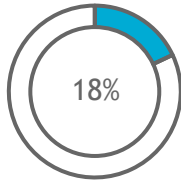
Milliken & Company 2022 GHG Emissions

S3 - Upstream



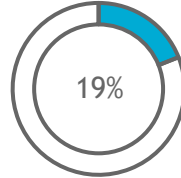
- 54% Purchased Goods/Services
- 4% Capital Goods
- 3% Fuel & Energy Related
- 2% Other

S1-2



- 10% S1 Natural Gas
- 6% S2 Purchased Electricity
- 2% S1-2 Other

S3 - Downstream



- 9% Processing of Sold Goods
- 5% Transport
- 3% End of Life of Products
- 2% Other



Why should you care about scope 3?

3 reasons to care.

- 1) Emission target adoption reaching critical mass
- 2) Apples to apples emission targets require scope 1-2-3 accounting
- 3) SEC's proposed disclosure standardizations result in public and private company scope 3 accounting need

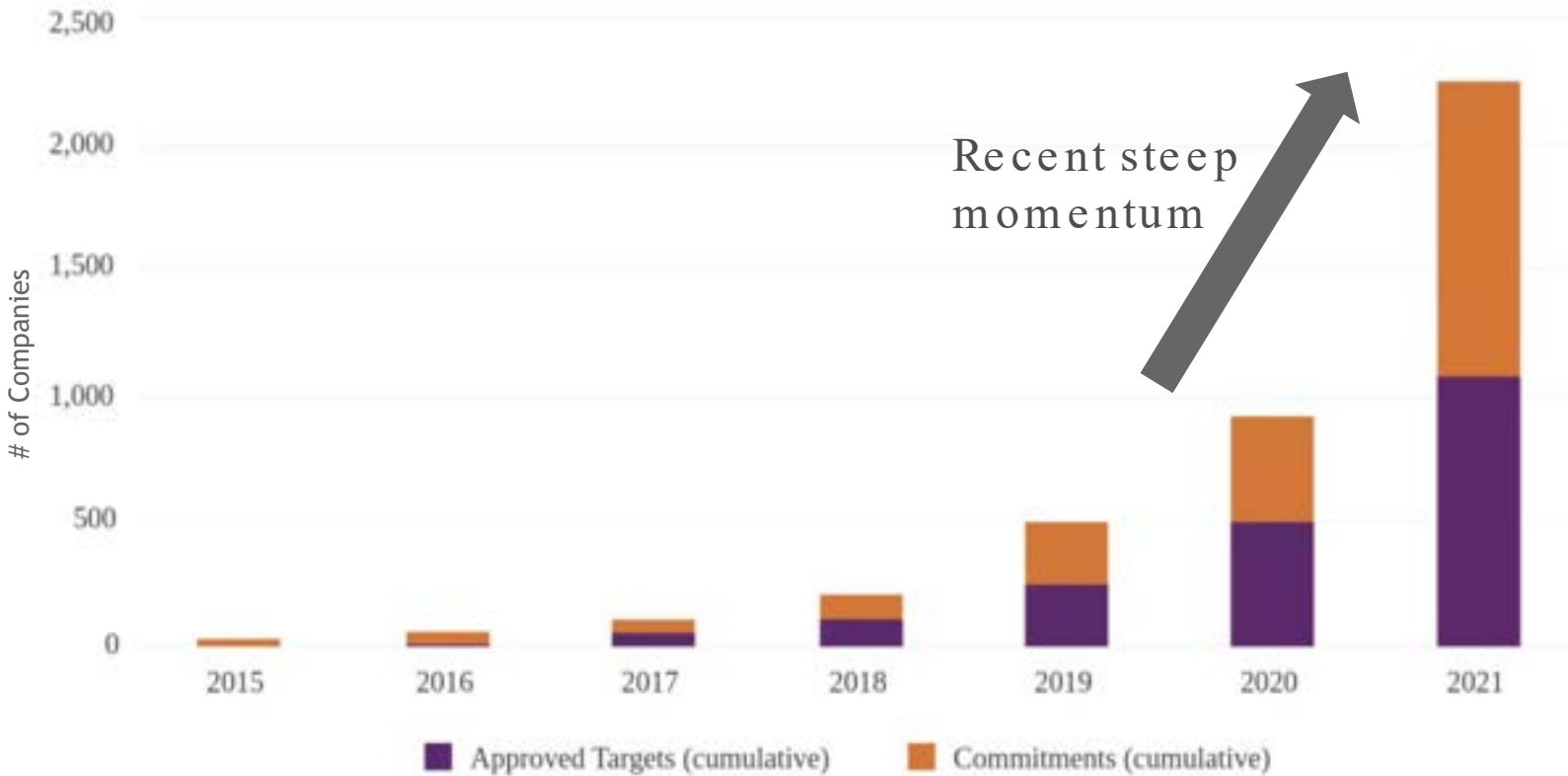
WHY CARE ABOUT SCOPE 3?

CRITICAL MASS

1) Emission target adoption is reaching critical mass.



Emission targets now represent \$38 trillion (1/3) of global economy



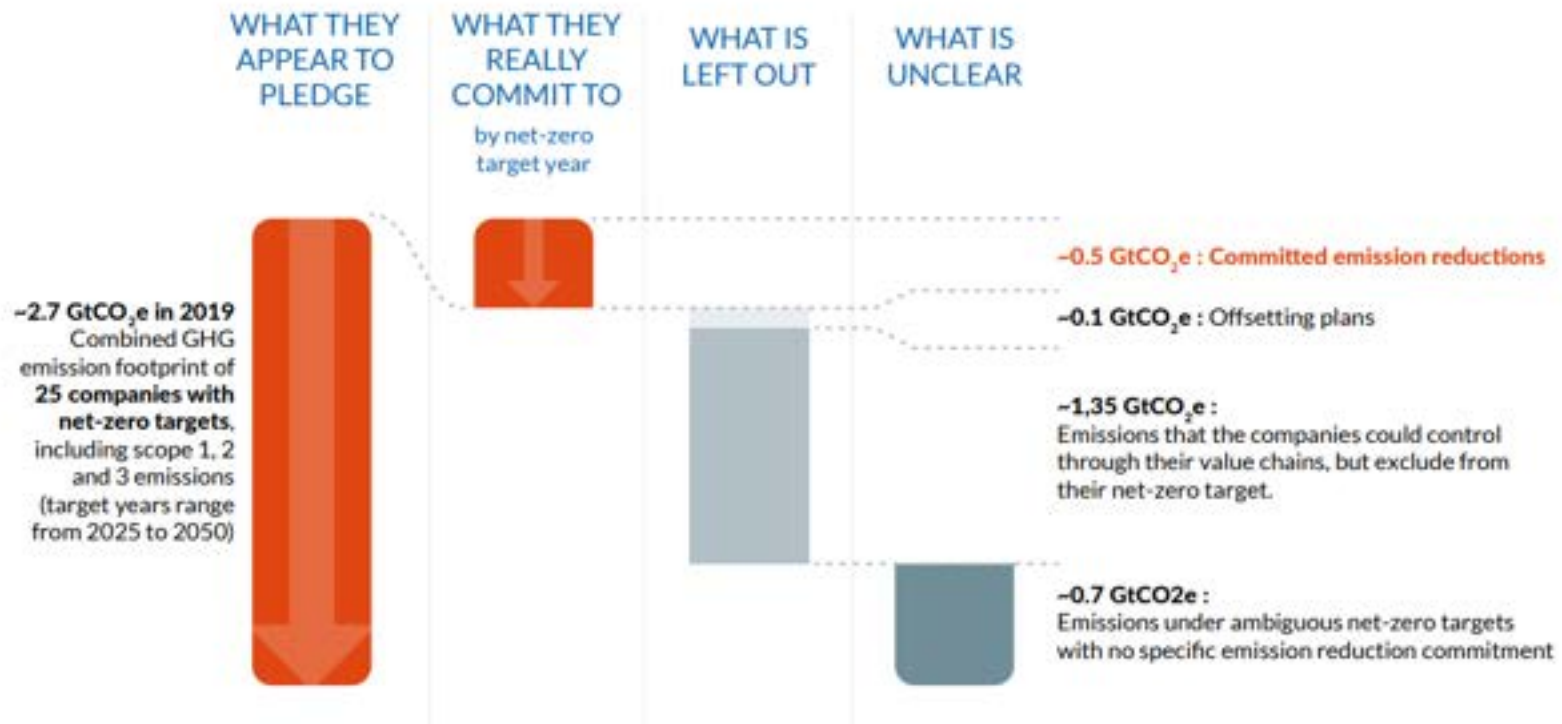
WHY CARE ABOUT SCOPE 3?

APPLES TO APPLES

2) Apples to apples emission targets require scope 1-2 AND 3 accounting.

EMISSION TARGET EVALUATION OF WORLD'S LARGEST 25 COMPANIES

Figure 1: Integrity of net-zero pledges and emission reduction commitments



New Climate Institute | ASSESSING THE TRANSPARENCY AND INTEGRITY OF COMPANIES' EMISSION REDUCTION AND NET-ZERO TARGETS Feb 2022

WHY CARE ABOUT SCOPE 3?

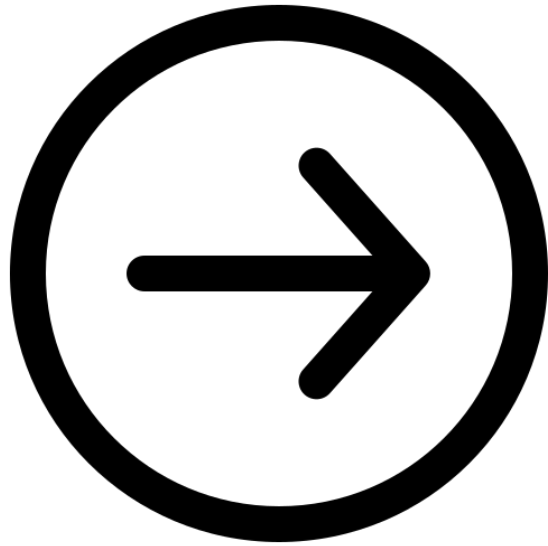
SEC PROPOSALS

3) SEC's proposed disclosure standardizations result in public and private company scope 3 accounting need.



SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors

- SEC sees need for standardized emission disclosures
- Scope 3 rules may be delayed but many consider inevitable
- Impacts public AND private companies



What should you do now?

WHAT SHOULD YOU DO NOW?

3 next steps

- 1) Set a scope 3 baseline
- 2) Set scope 3 targets
- 3) Improve scope 3 data

WHAT SHOULD YOU DO NOW?

SET AS BASELINE

1) Set a scope 3 baseline utilizing accounting standards, screening tools, and available LCAs.

GREENHOUSE GAS PROTOCOL

Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Supplement to the GHG Protocol Corporate Accounting and Reporting Standard

GHG Protocol
wbcsl

GHG Protocol Accounting Standard



Quantis Scope 3 Screen/Evaluator Tool



Life Cycle Assessment of Take-Away Food Containers

An Analysis of Dry Moulding Compared to Traditional Methods

Master's thesis in Industrial Ecology

AMANDA SVENSSON

Leverage available LCA's

WHAT SHOULD YOU DO NOW?

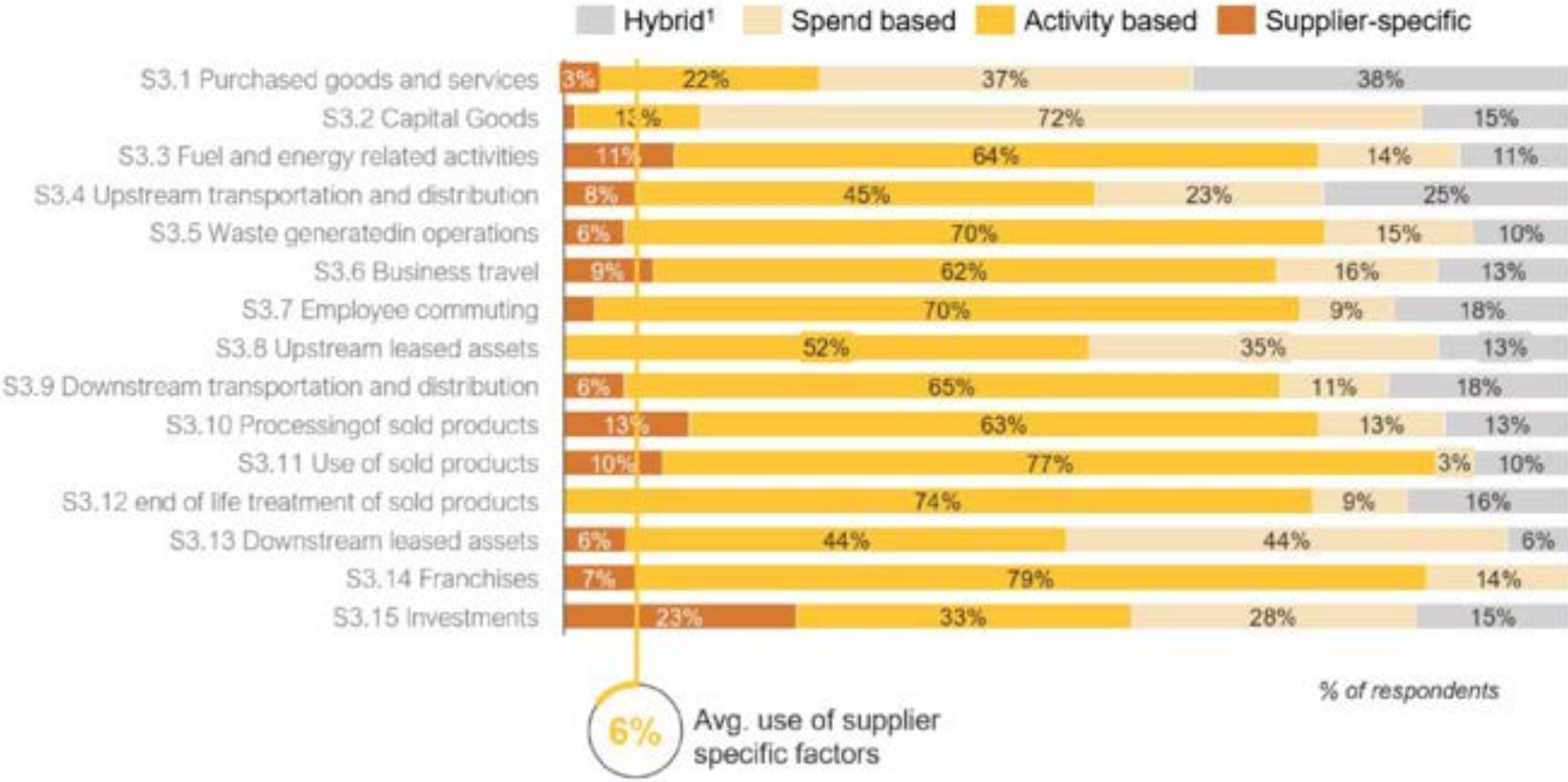
SET AS BASELINE

Don't wait on supplier specific factors.



Figure 3: Type of emissions factor used for baseline calculations

Q: Of the scope 3 categories you consider material to your business, what type of scope 3 GHG accounting did you use or plan to use for each category?²



WHAT SHOULD YOU DO NOW?

SET A TARGET

2) Set a scope 3 target using standardized framework.

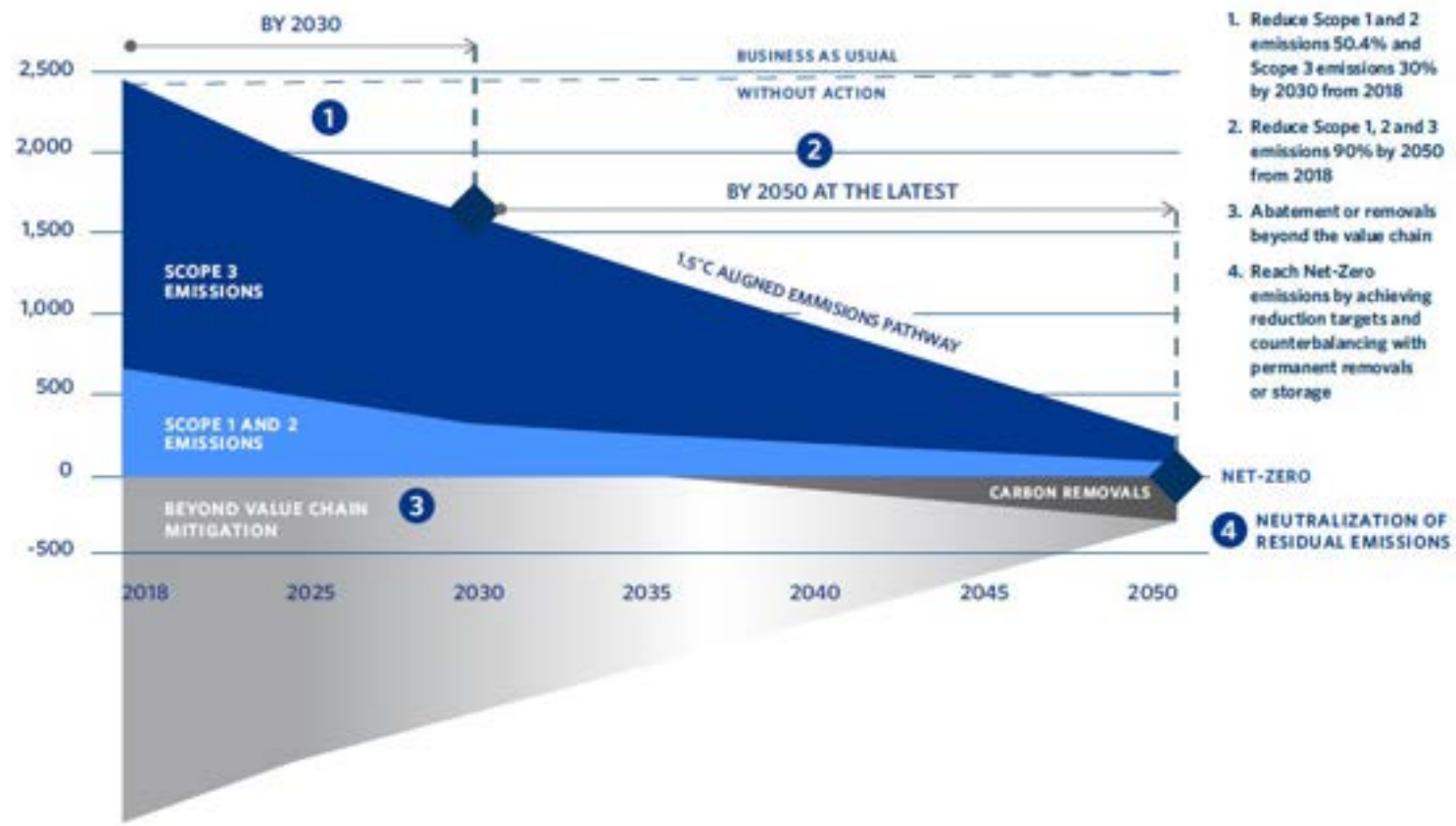
SBTi Process



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

MILIKEN'S NET-ZERO PATHWAY



WHAT SHOULD YOU DO NOW?

IMPROVE SCOPE 3 DATA

3) Improve scope 3 data methodology to increase actionability and accuracy.

SCOPE 3 ACCOUNTING
MATURITY

CRAWL

WALK

RUN

ACTIVITY

Spend by category

*Mix of category spend
and unit based*

Unit based accounting

EMISSION FACTOR

*Economic input-output
(EIO) factors*

*EIO, LCA, Supplier
specific data*

*LCA, Supplier specific
data*

ACCURACY

Acceptable



High

ACTIONABILITY

Directional



Detailed

Understanding, reporting, and improving scope 3 emissions will be required to compete in a carbon focused economy.