How to Reduce GHG Emissions in Value Chains (Scope 3)

Webcast, May 2022

Our panelists today

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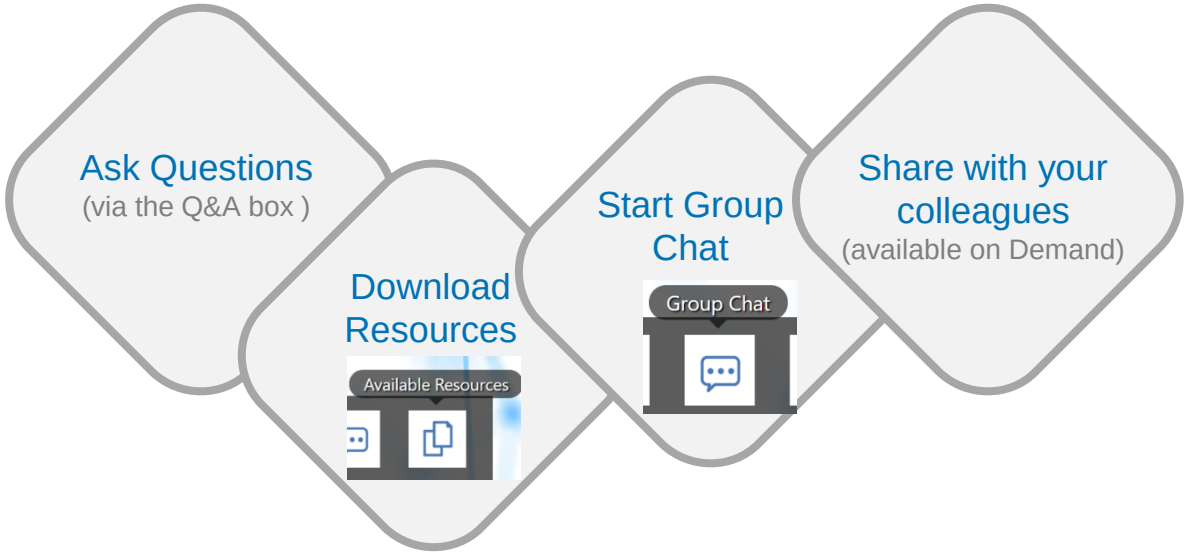

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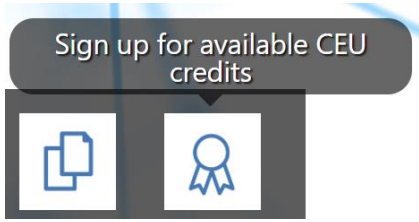
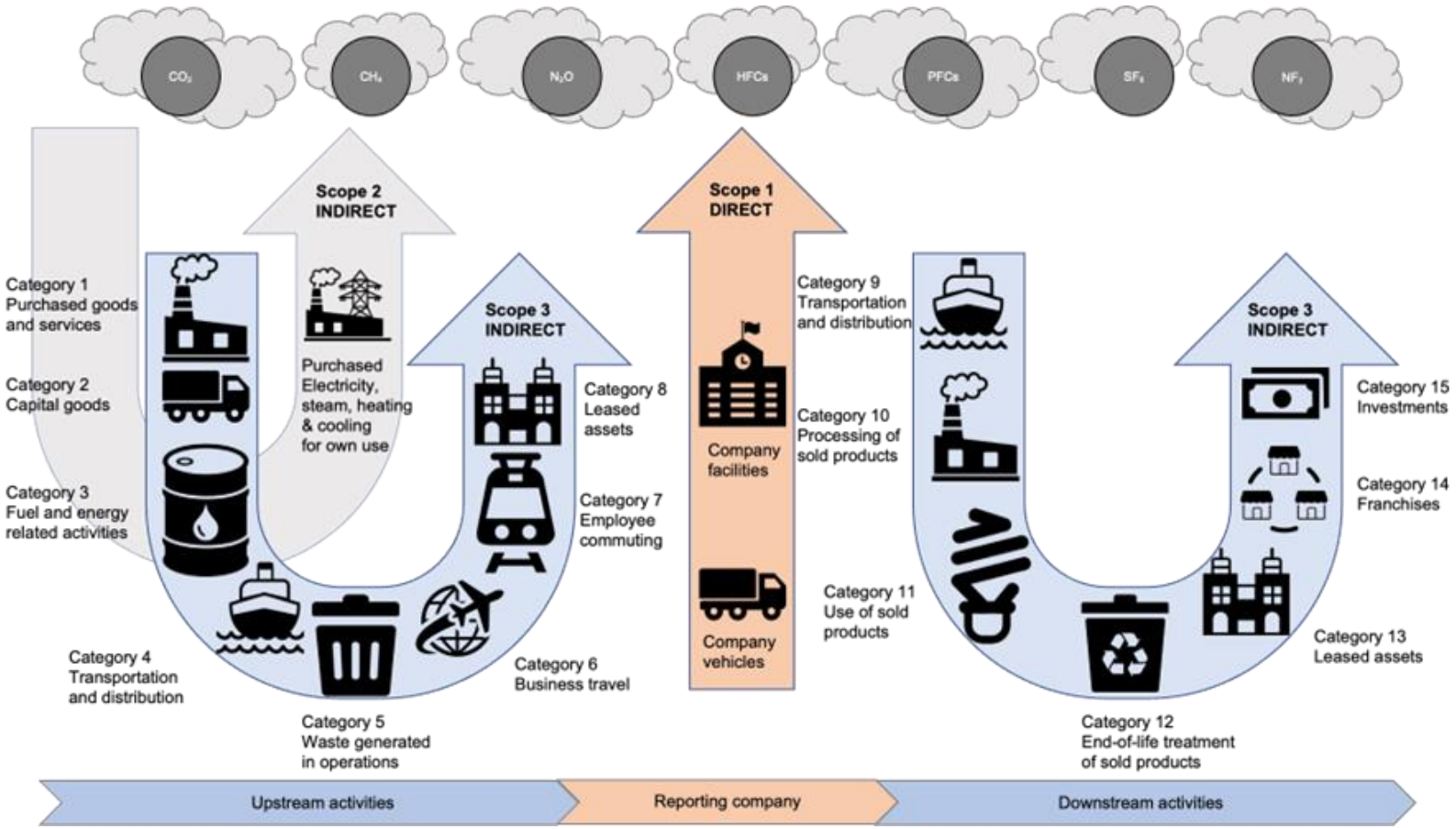


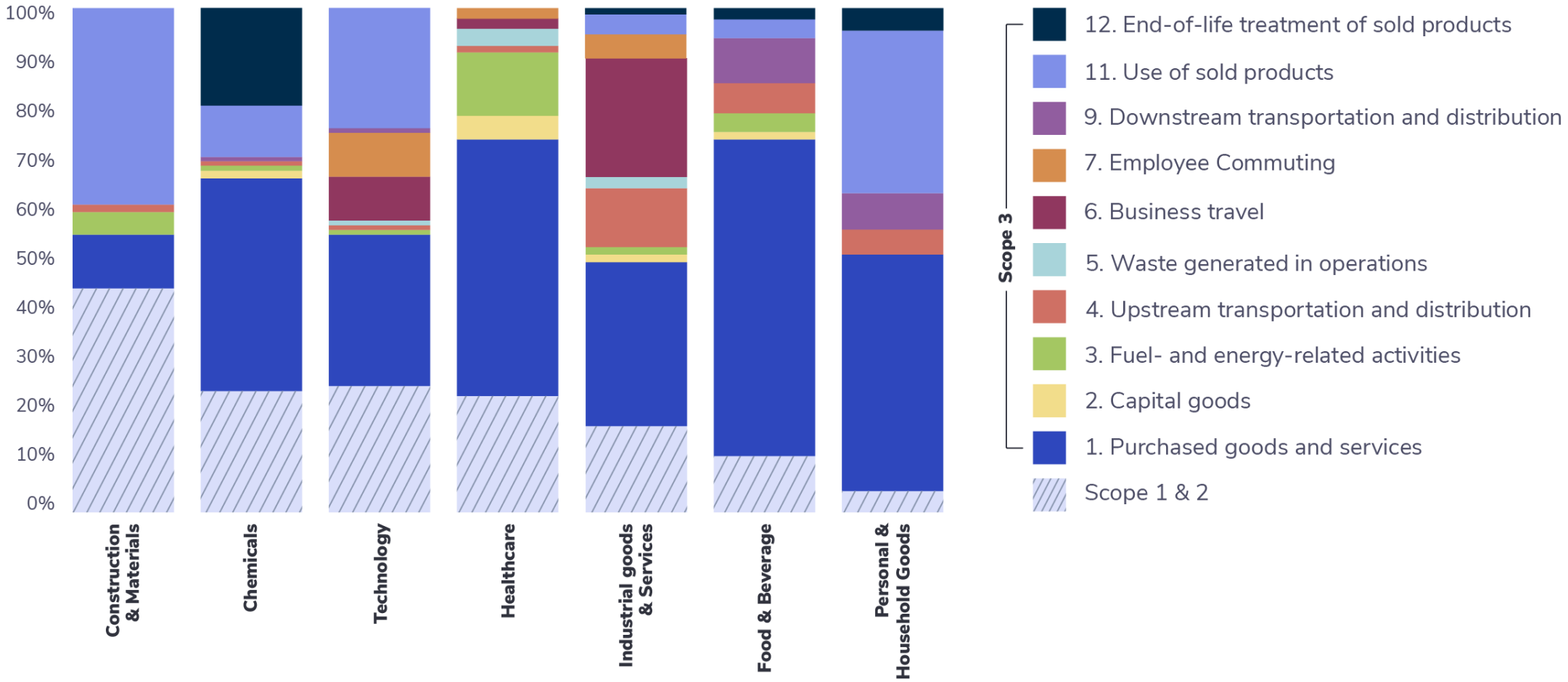
Introduction

Scope Definitions of Green House Gas (GHG) Emissions



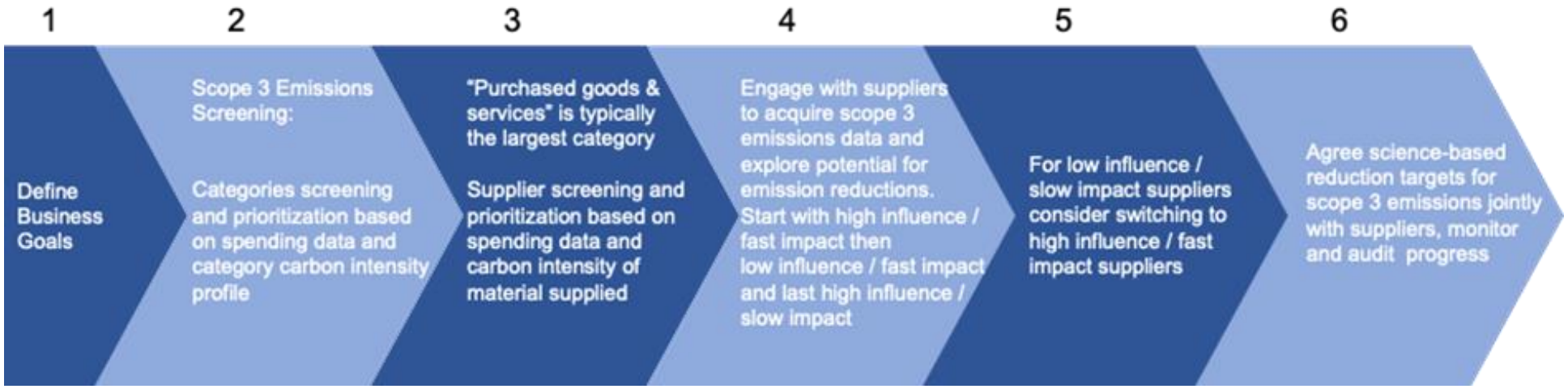
Source: Adapted from GHG Protocol

Scope 3 Relevance

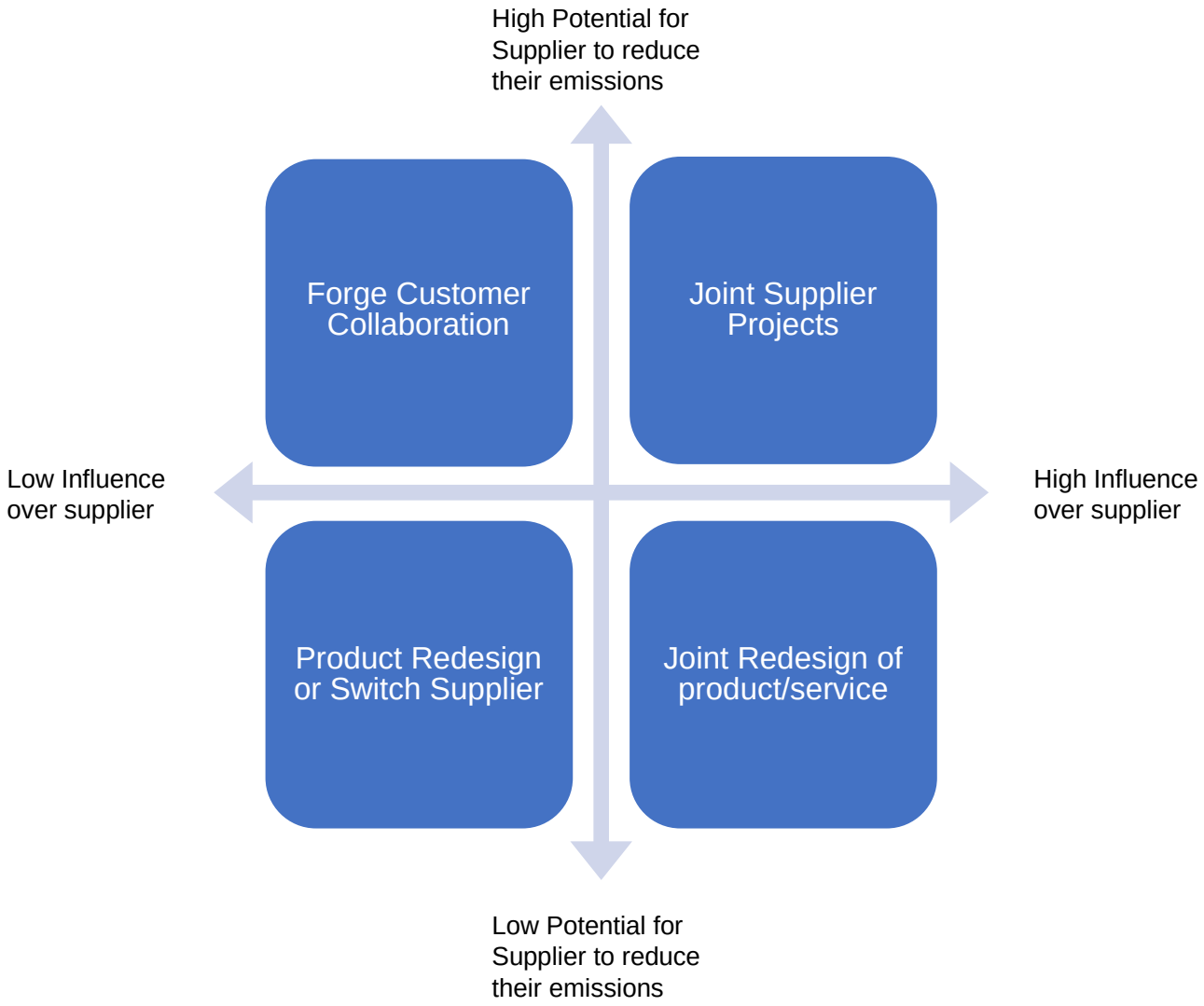


Source: Quantis

Scope 3 Emission Reduction Process



Engaging Suppliers in Scope3 Reductions



Poll:
Has your company started to reduce Scope 3 GHG Emissions?

- Yes
- No
- Not yet - we are in preparation

Source: The Conference Board/Bloomberg, 2020.

EUR revenues in 2021

1.4bn

Revenues invested in
INNOVATION

~6%

Aftermarket
~40%
of total revenues

39 years since foundation

Nasdaq
Listed since 1992

EURONEXT
Listed since 2019

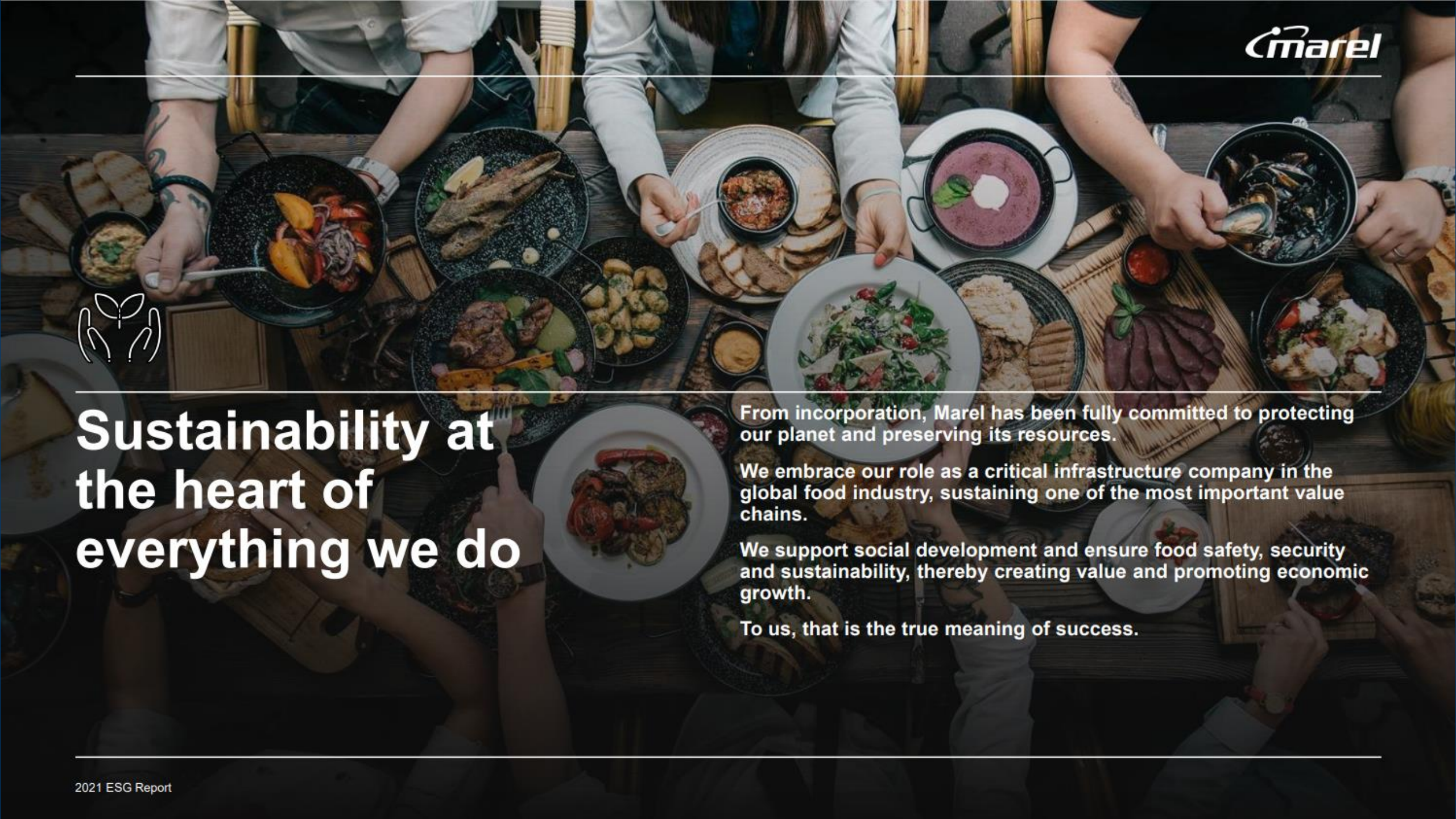
Marel has created excellent value for its shareholders

Compounded average revenue growth of
~21%
a year since listing in 1992

Over 30 countries
6 CONTINENTS

~7,140
Average FTEs

marel



Sustainability at the heart of everything we do

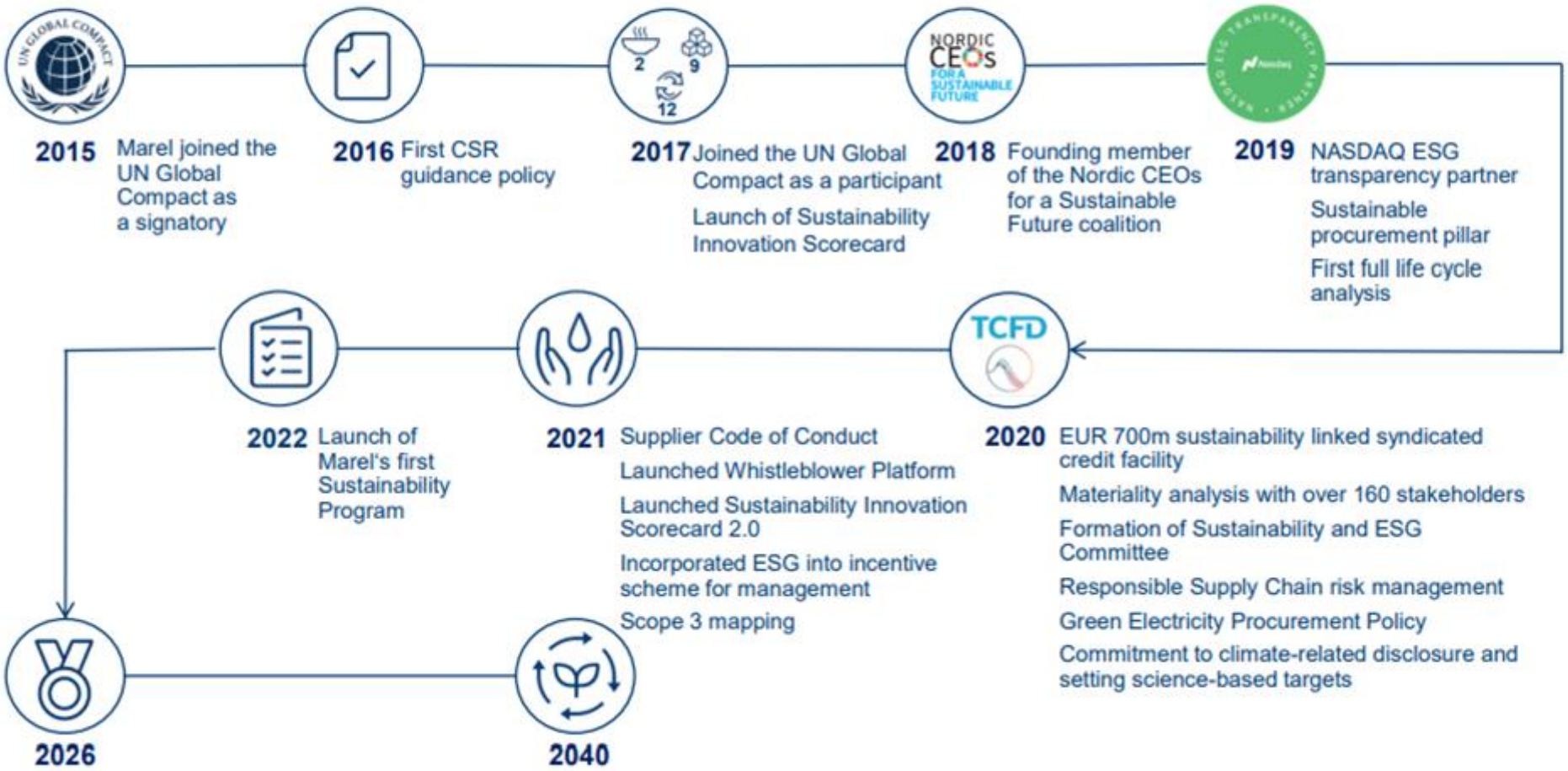
From incorporation, Marel has been fully committed to protecting our planet and preserving its resources.

We embrace our role as a critical infrastructure company in the global food industry, sustaining one of the most important value chains.

We support social development and ensure food safety, security and sustainability, thereby creating value and promoting economic growth.

To us, that is the true meaning of success.

Marel is setting leading standards in the food processing industry for its customers, suppliers, employees and retail consumers



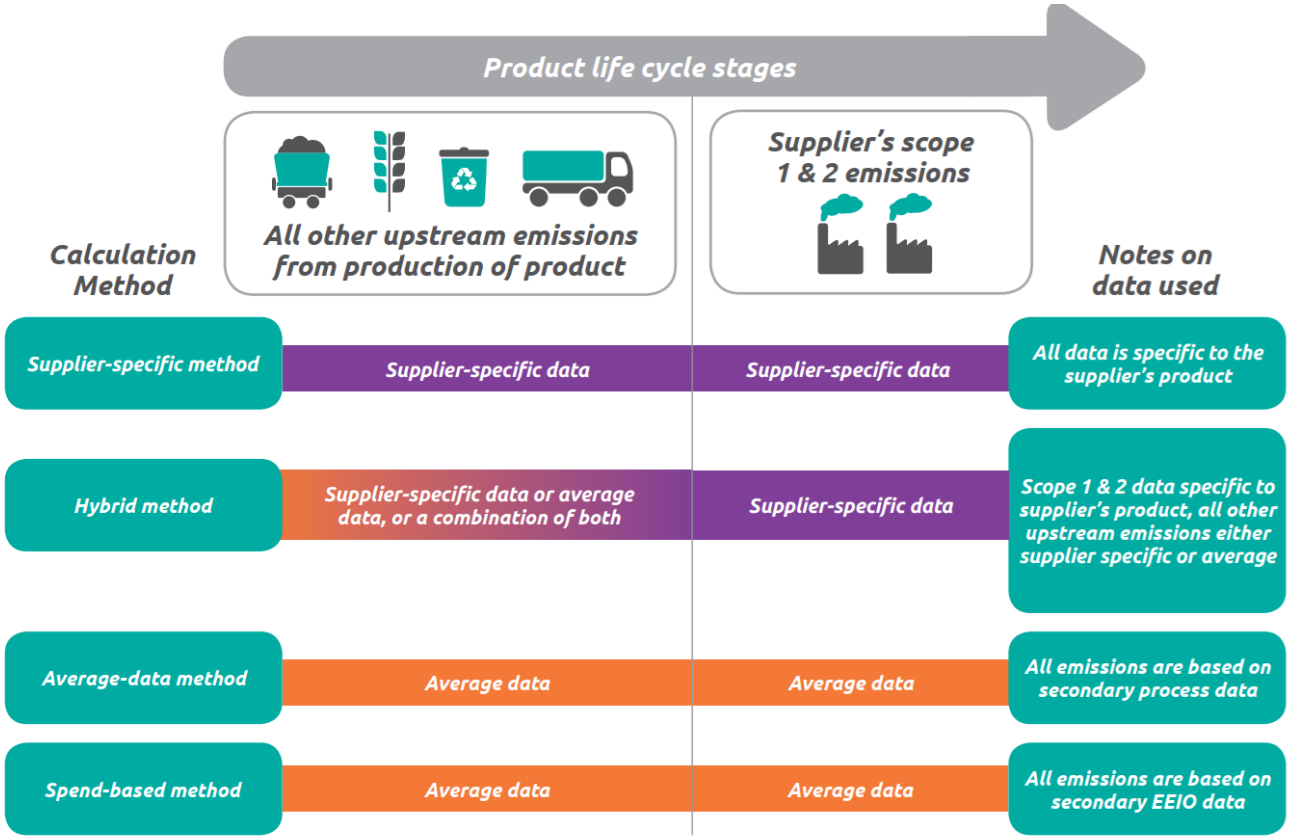
Marel has steadily been improving its ESG profile since 2015. Working toward becoming a part of the solution.

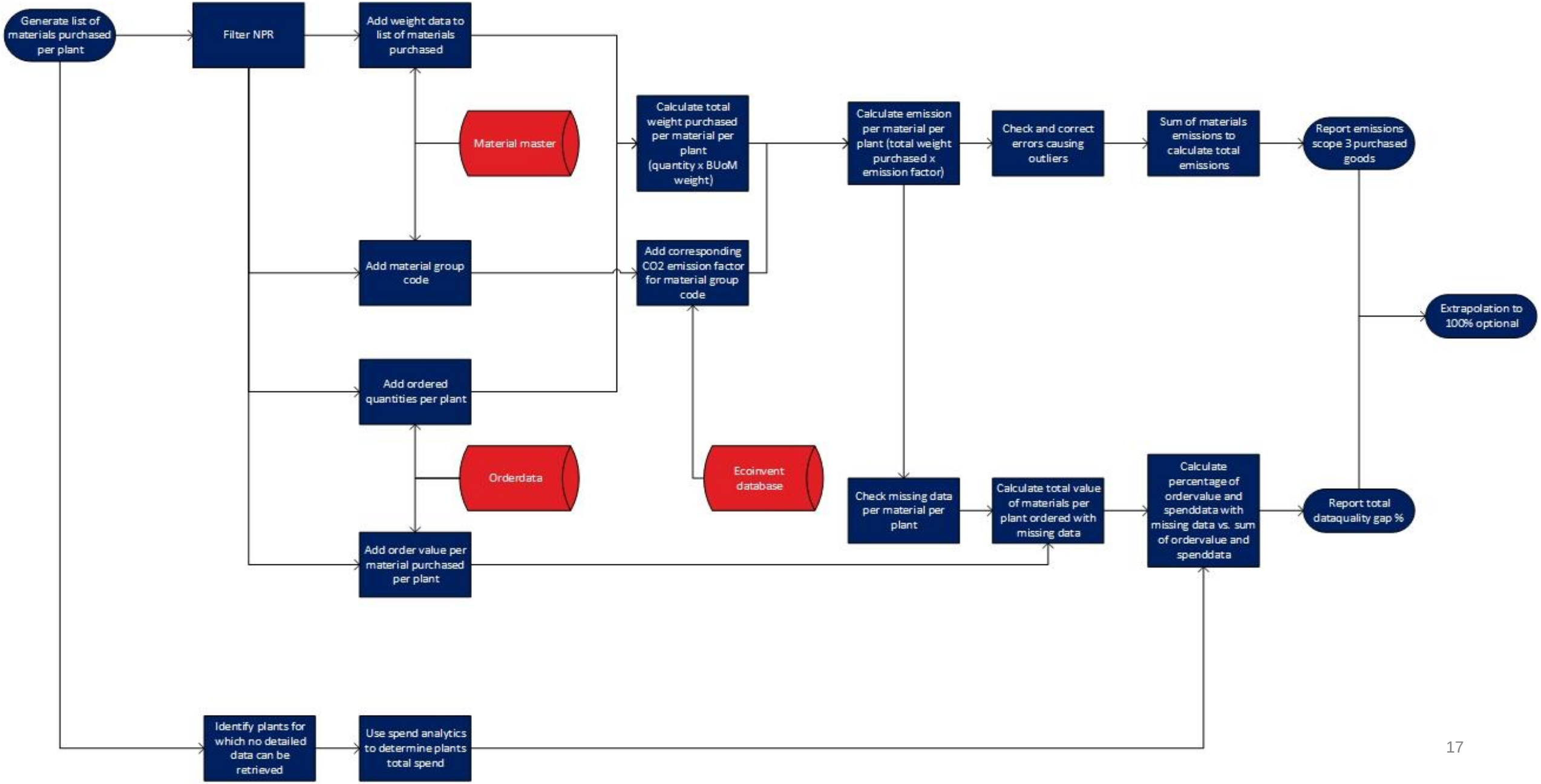
Steps taken emission inventory mapping 1/2

- Start scope 1 and 2 data from suppliers for heating (gas, district heating) and electricity.
- Scope 3 initial screening; understand key categories
  - Apply focus areas
  - Quick wins possible?
- Expand scope 3 inventory with purchased goods:

Purchased item / material (i)	Purchased volume (N)	Weight item (Ki)	Material group	Emission factor item (Fi)	Total emission (E)
Material name	Amount ordered per unit of measure	Weight per unit of measure	4 digit material group code	Emission factor corresponding to material group code	Total purchased good emission for purchase order line item
Material number/name from Purchase order line item	Order amount on Purchase order line item	Weight in Kg in material master	Material code in material master	Emission factor	N*Ki*Fi = Ei
…	…	…	…	…	E= $\sum$ Ei per year

Calculating impact




Generate list of materials purchased per plant
Filter NPR
Add weight data to list of materials purchased
Material master
Calculate total weight purchased per material per plant (quantity x BUoM weight)
Calculate emission per material per plant (total weight purchased x emission factor)
Check and correct errors causing outliers
Sum of materials emissions to calculate total emissions
Report emissions scope 3 purchased goods
Add material group code
Add corresponding CO2 emission factor for material group code
Extrapolation to 100% optional
Add ordered quantities per plant
Orderdata
Ecoinvent database
Check missing data per material per plant
Calculate total value of materials per plant ordered with missing data
Calculate percentage of ordervalue and spenddata with missing data vs. sum of ordervalue and spenddata
Report total dataquality gap %
Add order value per material purchased per plant
Identify plants for which no detailed data can be retrieved
Use spend analytics to determine plants total spend

Steps taken emission inventory mapping 2/2

- Datacollection and calculation automated with PowerBI: become proactive with live data and save time.
  - Outlier tracing
  - Outlier correction
  - Visualization CO2 analytics to material group, supplier and plant location
  - Dataquality indicators
- Gradually connecting more data from locations with differing ERP systems
- Data quality/enrichment improvement activities (eg. adding weight data)

- Develop supplier engagement strategies with understanding these emissions.

- Meantime increased focus on downstream (use phase calculation).

Key lessons learnt

- Investors and customers increasingly asking for scope 3
- Data availability and quality crucial but challenging
  - Limitations from IT landscape and/or acquisitions
  - If available total spend can be used as mirror to understand scope of missing data; extrapolation possible
- Be wary of outliers in weight data per differing unit of measure severely disrupting calculation
- Different methods to get a CO2 factor exist: Data enrichment, supplier dialogue and maturity are key in advancing accuracy
- When using average data possible to use a conversion table with existing category structure if present. Specialist knowledge required to setup.
- First time manual calculation possible, but automation quickly a necessity due to many materials. If possible ask help from e.g. an analyst.

Guidance for supplier carbon footprint data reporting

Introduction

VELUX has committed to a carbon emissions reduction target with the Science Based Targets initiative (SBTi)[1] that covers both its own operations and wider value chain. VELUX's SBTi reduction targets are as follows:

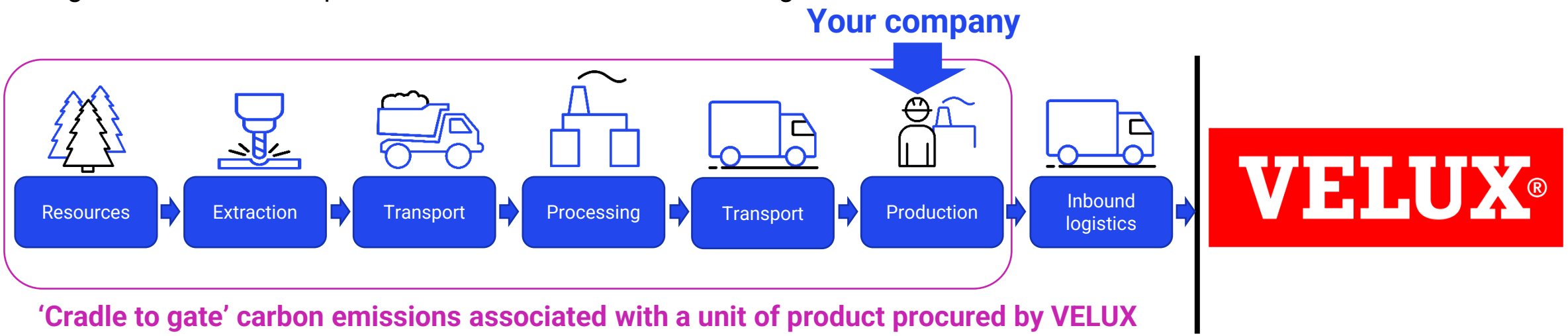
- VELUX commits to reduce absolute scope 1 and 2 (own operations) greenhouse gas emissions 100% by 2030 from a 2018 base year.
- VELUX also commits to reduce absolute scope 3 (value chain) greenhouse gas emissions 50% by 2030 from a 2018 base year.

Specifically, **VELUX needs to significantly reduce the supply chain carbon emissions associated with the products and materials it purchases**.

1. Refer to appendix 1 for further information on the SBTi.

What should the carbon footprint data you provide to VELUX include and exclude?

To align with the SBTi's requirements, VELUX needs the following information:



'Cradle to gate' carbon emissions associated with a unit of product procured by VELUX

VELUX's climate commitments require decarbonisation of the 'cradle to gate' supply chain emissions related to purchased products and materials.

This **CAN** be achieved by:	This **CANNOT** be achieved by:
• Reductions through emissions reductions initiatives (e.g. energy efficiency) • Reductions through procurement and use of renewable energy (in line with relevant emissions accounting guidance[1])	• Carbon credits/carbon offsets • Greenhouse gas removals (including biogenic removals) • Accounting for avoided emissions

Carbon footprint data provided to VELUX should **not** include any emission reductions achieved through these actions or if it does, this needs to be highlighted

1. Accounting for renewable energy should follow the GHG Protocol's guidance found in ch.7 of the Corporate Standard - Scope 2 Guidance.

Suppliers can provide VELUX with three types of carbon footprint data, with product-level data preferred

Product-related carbon footprint data

Option 1:
Product carbon footprint (cradle-to-gate)

- Measurement of the total greenhouse gas emissions generated by a product over its life cycle stages.

Option 2:
Environmental Product Declaration (EPD)

- Standardised document that details a product's environmental impact across lifecycle stages.

Preferred – with as much supporting detail as possible (methodology, data inputs, assumptions, and calculations).

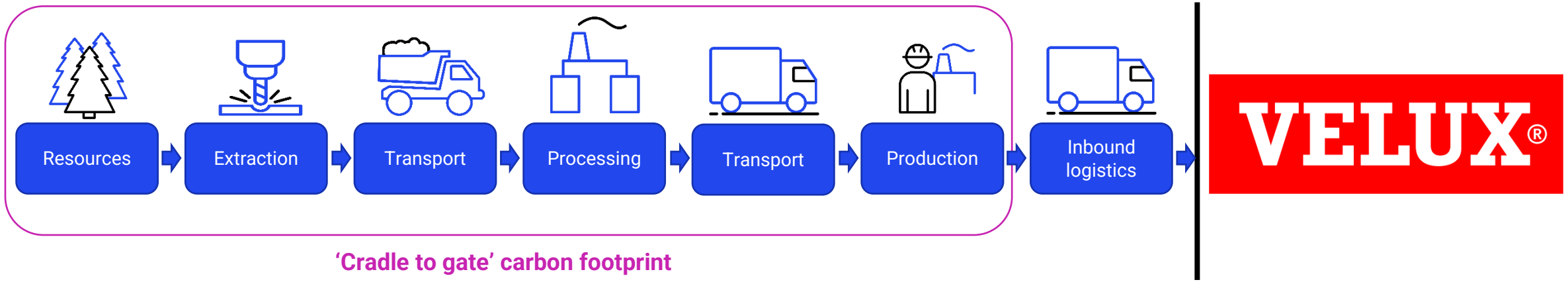
Organisational carbon footprint data that is attributed to a products sold

Option 3:
Organisational Scope 1, 2 and 3 emissions allocated to VELUX

- Estimated proportion of supplier Scope 1, 2 and 3 emissions allocated to VELUX

Option 1: Product carbon footprint

Definition	• Measurement of the total greenhouse gas emissions generated by a product over its life cycle stages (see diagram below).
Minimum useful information	• Specifically report cradle-to-gate emissions, *stating what phases have been included or excluded within the cradle-to-gate footprint boundary*. • Adhere to relevant standards, requirements and methodologies[1]. • Exclude any emission reductions achieved through carbon offsets/credits; greenhouse gas removals (including biogenic removals); or accounting of avoided emissions.
Further supporting information	• Provide a breakdown of each phase of cradle-to-gate emissions (see diagram below). • Emission factors used for the calculation of each stage, methodology, calculations, and key assumptions. • Ideally the product carbon footprint should be independently verified.

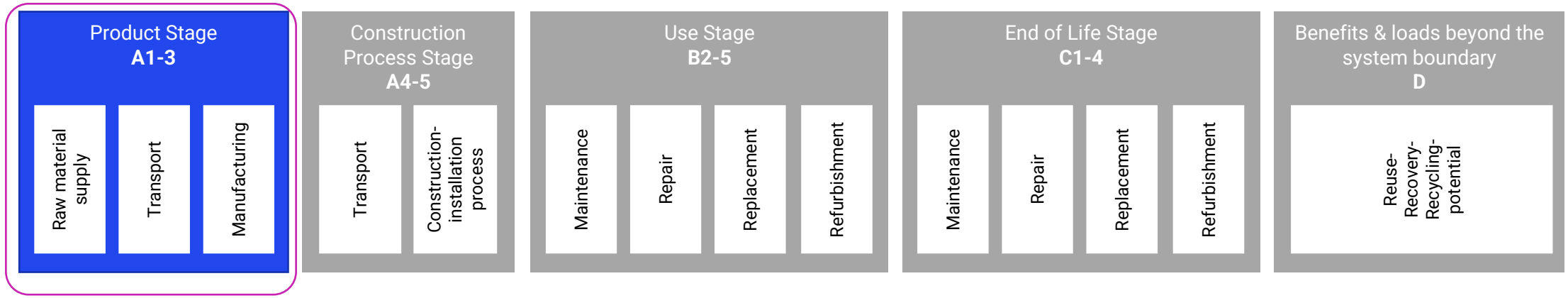


'Cradle to gate' carbon footprint

1. Product carbon footprint standards include: GHG Protocol Product Standard; PAS 2050; ISO 14067:2018. If your product carbon footprint has been done as part of an LCA, it should adhere to the following standards include: ISO 14040:2006 or ISO 14044:2006

Option 2: Environmental Product Declaration (EPD)

Definition	• A standardised document that details a product's environmental impact (see diagram below). • Produced on the basis of a LCA report but contains less information (i.e. results instead of calculations). • Must be verified by an independent expert and normally has a validity of 5 years.
Minimum useful information	• Exclude any emission reductions achieved through carbon offsets/credits; greenhouse gas removals (including biogenic removals); or accounting of avoided emissions.
Further supporting information	• Breakdown of product stage emissions, providing separate calculation of A1, A2 and A3. • Cradle-to-gate product carbon footprint (see slide above) that the EPD is based on. • Emission factors used for the calculation of each stage, as well as methodology, calculations, and key assumptions.

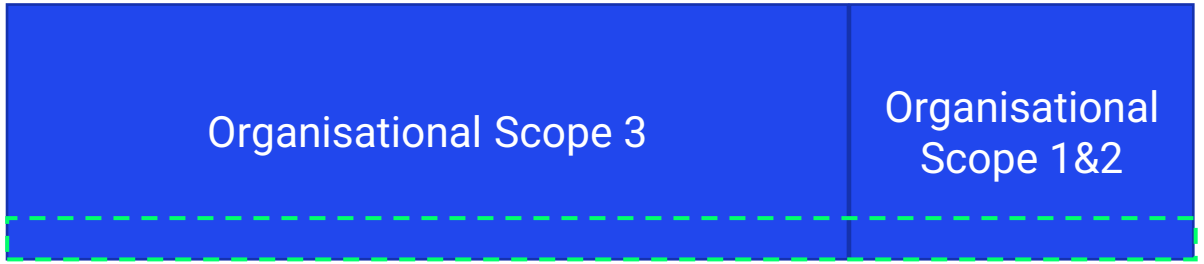


'Cradle to gate' carbon footprint

Option 3: Organisational Scope 1, 2 and 3 emissions allocated to VELUX

Definition	• Estimated proportion of supplier Scope 1, 2 and 3 emissions allocated to VELUX (see diagram below).
Minimum useful information	• Calculated output based on an allocation methodology (to be provided to VELUX); **OR** Scope 1, 2 and 3 data with allocation factor (%) to be applied. • Scope 1, 2 and 3 footprint calculations must adhere to GHG Protocol standards[1]. • Identification of what Scope 3 emission categories are included within the footprint[3]. • Exclude any emission reductions achieved through carbon offsets/credits; greenhouse gas removals (including biogenic removals); or accounting of avoided emissions.
Further supporting information	• Organisational Scope 1, 2 and 3 footprints should be externally verified. • The organisational footprints used for the basis of allocation should relate as closely as possible to the areas of the supplier's business that manufacture and sell to VELUX – e.g. specific business unit or, ideally, factory site-level.

Organisational footprint may be at the total company level, business unit level, or site level. The more specific/relevant to products sold to VELUX the better.



Supplier emissions related to products sold to VELUX (equivalent to cradle to gate). Calculation based on proportion of sales to VELUX vs. total sales within the period.

1. GHG Protocol Corporate Standard for Scope 1&2 and GHG Protocol Scope 3 Standard
2. Refer to appendix 2 for full list of Scope 3 categories.
3. Alternatively, this can be calculated by the company and the portion of the footprint which relates to VELUX is provided. NOTE: it should still be specified what Scope 3 emissions categories have been included.

Poll: When looking at Scope 3 will you:

- Look at up-stream value chain
- Look at down-stream value chain
- We will be looking at both
- Not determined yet

Source: The Conference Board/Bloomberg, 2020.

Discussion

Upcoming webcasts

Thursday,16th June
09:00 AM ET [09:00] (New York), 03:00 PM CET [15:00] (Brussels), 09:00 PM SGT [21:00]

Sustainability Watch May 2022

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