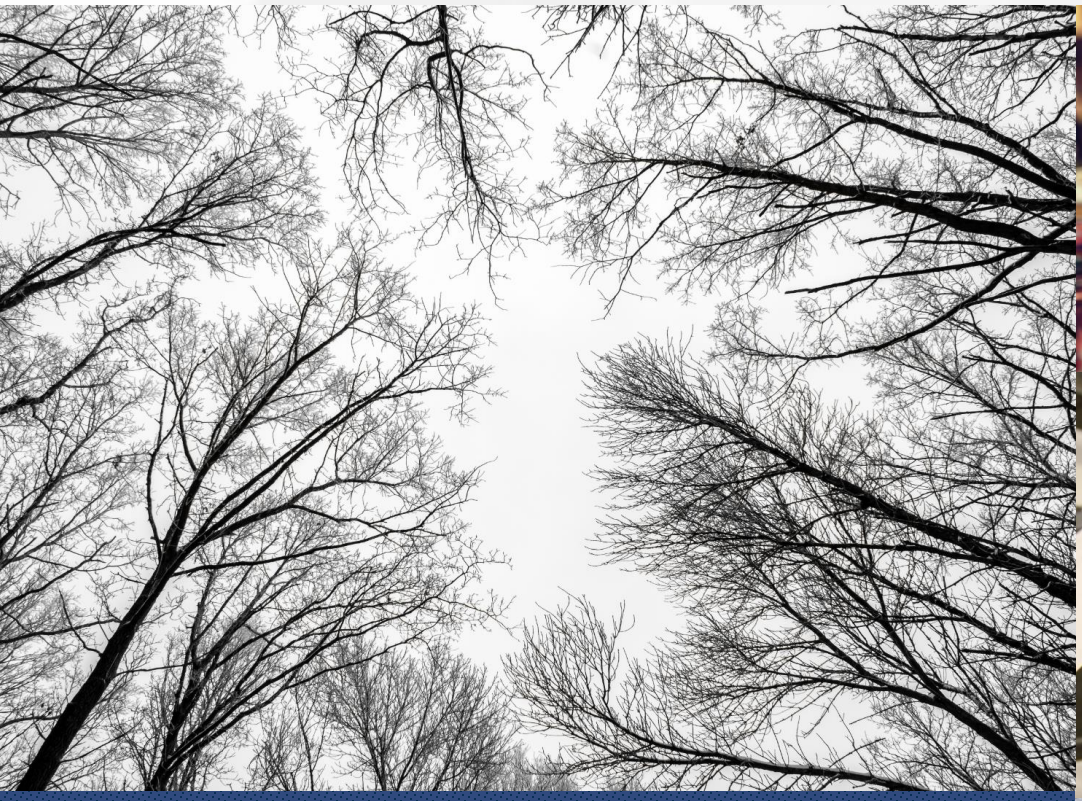
Clays



# Sustainability Newsletter

February 2023

By its nature, printing has an impact on the environment, the economy and society. The development of our sustainability strategy aims to continually improve our impact in these areas through innovating our business with industry and supply chain solutions.

# Contents

# Introduction

Welcome to the second edition of our sustainability newsletter, where we will be giving an update in the development of our sustainability strategy. In the first edition shared in October 2022, we outlined our commitment to the Science Based targets initiative and this time we will explore what exactly distinguishes science-based targets and why this matters when looking at targets to reduce greenhouse gas emissions. A key part of this is in taking a comprehensive measurement of indirect 'scope 3' emissions across the supply chain, widely considered as the most challenging and yet perhaps the most important area for companies to tackle. In the process of measuring and developing targets for our own scope 3, Clays has already faced numerous obstacles whilst learning more about the common pitfalls and how to address them.

In January 2023, we also had our Sedex audit promoting ethical working practices and due diligence to human rights both internally and through the supply chain. This edition outlines what these audits involve and finally, as the publishing industry continues to move forward on sustainability, we will be describing our engagement in the development of industry tools for calculating carbon emissions.

Tom Scatchard

Sustainability Advisor

# The Net Zero Standard: A closer look

Clays signed up to the Net Zero Standard under Science Based Targets initiative (SBTi) in March 2022, a then newly launched framework overseen by a global partnership of non-governmental organisations with over 4000 member companies in February 2023. But what exactly is a 'science-based' target and why does this matter? There are four key elements to the Net Zero Standard:

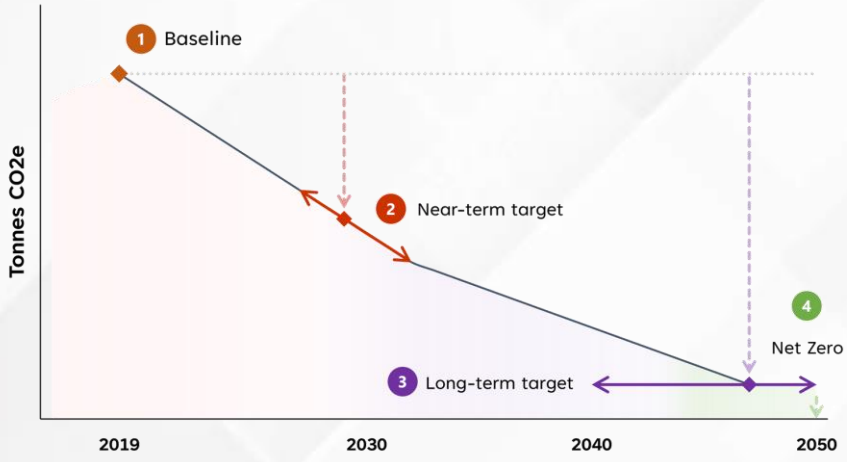
1. **Baseline:** Companies must measure greenhouse gas emissions across the entire operations of the business, including all seven greenhouse gases recognised in the *Greenhouse Gas Protocol*. The most abundant is likely to be carbon dioxide ($CO_2$), however in certain processes such as heating, other gases such as methane can also be significant and therefore need to be measured and quantified into a single metric known as carbon dioxide equivalent ($CO_2e$).

Companies must measure emissions across the value chain, defined by scopes 1, 2 and 3 emissions in the *GHGP*. If, like Clays, scope 3 makes up over 40% of the total, companies must also set targets covering scope 3 emissions to identify all areas where companies can influence change. The baseline measurement must be representative of a typical year of business to ensure like-for-like comparisons over time.

*Greenhouse Gas Protocol (GHGP):* A comprehensive global framework standardising measurements of greenhouse gas emissions at corporate, product and project levels.

# The Net Zero Standard: A closer look

2 **Near-term targets:** To increase the likelihood of remaining within 2 degrees of warming from pre-industrial levels by 2100 recommended by the *IPCC,* greenhouse gas emissions need to half by 2030. Near-term targets require a faster rate of reduction than long-term targets depending on the scope and need to be achieved between 5 to 10 years from the year they are set.




*Intergovernmental Panel on Climate Change (IPCC):* The United Nations body to provide governments at all levels with scientific information to develop climate policies.

*Carbon offsetting:* Measures to remove greenhouse gases from the atmosphere and store it beyond the value chain.

3 **Long-term targets:** Companies must set further targets to reduce emissions by 90% by no later than 2050 aligned with a temperature limit of 1.5 degree Celsius.

4 **Neutralisation for net zero**: Emissions must be reduced as much as possible before then using *carbon offsetting* to permanently remove the equivalent volume of emissions not feasible to reduce. The SBTi recommends companies to take action to reduce emissions outside the value chain, however it is the primary responsibility of everyone to first look at what they can do within their own sphere of influence before then looking beyond this.

# The Net Zero Standard: A closer look

To define a pathway to reduce emissions, the SBTi starts with global *mitigation pathways* from the *IPCC*, distilled down into practical targets for companies to follow. These can be set according to different methods, and each can mean different outcomes for the climate.

The **absolute approach** sets targets to reduce total greenhouse gas emissions. If we produce more books year on year, absolute emissions may be expected to increase if we use more energy and materials. Targets following the absolute method are simply set at the rate of reduction consistent with global pathways. If an emissions reduction of 50% is required globally by 2030, Clays must also reduce our emissions by 50% by 2030 to do our fair share. When it comes to mitigating climate change, it does not matter how many books we make but only what our contribution is and if we are reducing it.

**Intensity targets**, on the other hand, track progress year on year considering how much a business produces. Greenhouse gas emissions are therefore measured by a ratio, controlled by a relevant business output. For a power company, this would be the emissions released for every unit of electricity generated and sold to customers or for us, this can be measured as the amount of paper that goes through our factory.

# The Net Zero Standard: A closer look

Intensity targets provide a more consistent benchmark to track progress and inform procurement decisions. However, they also allow for the possibility that even if the intensity target is met, absolute emissions can still increase if the business grows faster than the carbon intensity of the business decreases. For organisations like Clays, it is difficult to define a single intensity metric which reflects the whole business whilst remaining useful to make decisions. With individual sources of emissions such as generating electricity in scope 2, intensity measures are more immediately actionable for procuring electricity at a lower carbon intensity. Any organisational target should however cover all the relevant activities of a business; not just electricity but all sectors in the supply chain to weigh up different plans.

Clays will be setting absolute targets under the SBTi to reduce our emissions based on the total emissions from all business areas; including everything in scopes 1 and 2 and indirect scope 3 emissions across the supply chain. At the same time, it is important to contextualise our absolute emissions and use carbon intensity measures to build our strategy in specific areas to feed into design, sourcing and production decisions.

In the next edition, you can expect an outline of our scopes 1 and 2 emissions from heating and electricity with some detail about the changes we have already made to reduce our emissions in these areas.

# Measuring scope 3 emissions

Our baseline measurement of absolute emissions should encompass scope 3 from across the upstream and downstream supply chain. As with most organisations, this is our largest impact area and yet is often the most challenging to both measure and reduce. Nonetheless, the purpose of a scope 3 measurement and target is to look at our entire influence as a business to understand where best to direct our strategy.

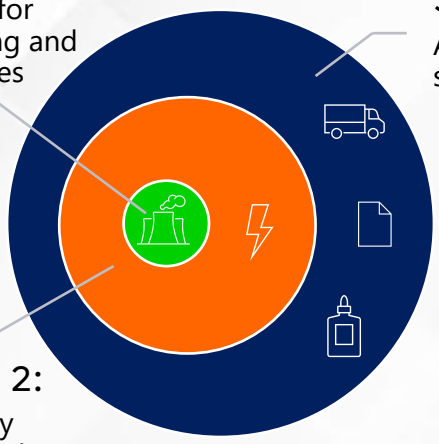
The *Greenhouse Gas Protocol* defines fifteen scope 3 categories for every business to calculate. The selection of categories and sources to be included within scope 3 emissions is qualitative, based on subjective judgements on what aspects are important, and differing organisational structures and positions. Definitionally, sources within scope 3 emissions are beyond our own control and intentionally double counted between organisations to secure shared incentives. In taking a scope 3 measurement therefore, we have also considered what is relevant to us more widely as a business to ground our targets and help drive change at a systemic level.

*Relevance:* Criteria for identifying greenhouse gas emissions attributable to a business.

- What have other printers included in their scope 3?
- What materials and services are customers focussed on?
- What legislation is there within these areas?
- Who has influence over the sources of emissions in scope 3?
- Which sources might be particularly hard to reduce?

# Measuring scope 3 emissions

Scope 1:
Fuels for heating and vehicles



Scope 2:
Electricity consumed onsite

Scope 3:
Across the supply chain

**Upstream:**
- Paper and material production
- Capital goods
- Transportation
- Storage facilities
- Production of fuels for energy

**Company:**
- Business travel
- Commuting
- Waste in operations

**Downstream:**
- Customer deliveries

For manufacturing companies, upstream emissions from sourcing materials are commonly the largest contributor, making up over two thirds of our total scope 3 emissions. Emissions from producing these goods are calculated using '*cradle-to-gate*' measurements including all the emissions released in extracting the raw materials to when a product is formed.

For paper, we should not only consider the direct emissions from the paper mill, but also the emissions in manufacturing and transporting products to the mill. These form part of our scope 3, but also part of our supplier's scope 3. And just as it is more difficult for us to measure these emissions, so too is it for our suppliers. The most common measures may only include our direct emissions at the mill yet to properly scope out our impact and make informed decisions, this extra indirect portion must also be measured and targeted.

# Social impact - Sedex

Clays are members to the *Sedex,* a global organisation promoting responsible business practices throughout the supply chain. As part of this, Clays undertake *SMETA* audits to identify and improve our performance in 2 pillars. Audits are centred around the *ETI* base code, an internationally recognised code of labour practice in addition to *SMETA* measurement criteria around health and safety such as;


**Universal rights**

Senior management of a human rights policy and labour-related policies with reference to the supply chain.

**Safety and hygiene**

Ensure steps are in place to prevent accidents and injuries with regular training of personnel.

**No discrimination**

No discrimination in treatment or recruitment based on factors including race, gender, disability or political affiliation.

**Working hours**

Working hours must not be excessive and fully compliant with national laws.

We have recently undergone our latest *SMETA* audit for 2023, a site visit where auditors interview colleagues from all over the factory to evaluate our performance and make recommendations to develop our practices.

*Sedex* = Supplier ethical data exchange

*SMETA* = Sedex members ethical trade audit

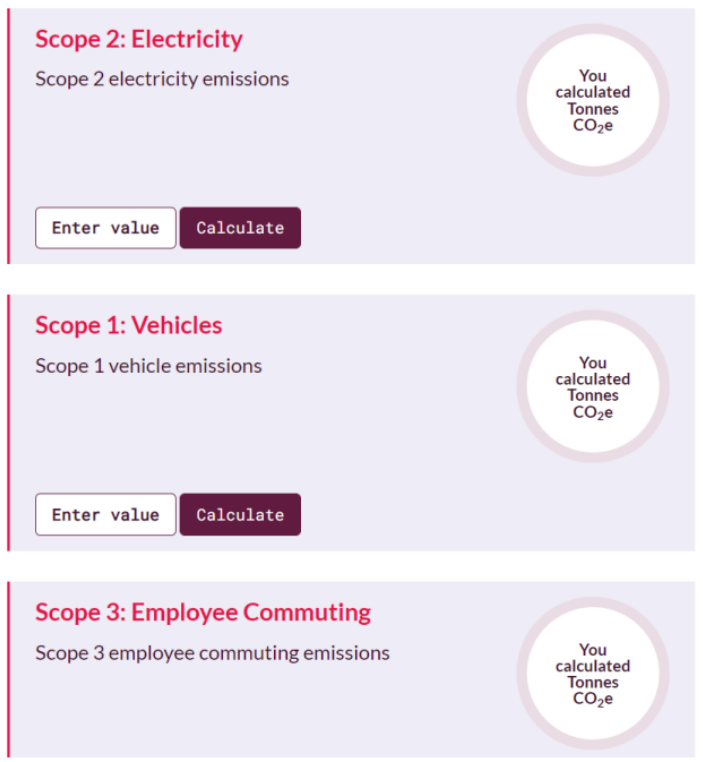
*ETI* = Ethical Trading Initiative

# Industry update

Clays have continued our involvement on industry forums promoting awareness and researching topics around sustainability. Over the last couple of months of 2022, we had the latest meeting of the Publishers Association (PA) Sustainability Taskforce with the focus on the recent launch of a dedicated industry tool for publishers to calculate the emissions released in the production of books.

Whilst in its early stages, Clays will be engaging with the PA and publishers to develop the accuracy of these measurements and to ensure everybody is calculating in the same way.

Over time this will become a vital tool to benchmark performance and highlight key opportunities for improvement. Our participation helps to enable joint strategies across the industry to tackle our impact.



# Next time

In the next edition of our sustainability newsletter, you can expect updates on:

- Our scopes 1 and 2 emissions
- Renewable energy sourcing
- Book Industry Communication group projects
- Research into vegetable-based inks
- Plastic wrap alternatives

As well as an outline of the results from our audit:

- **31st January- 1st February 2023** - ISO14001 surveillance visit

Please see our sustainability page for more information and a further glossary of key terms.

Sustainability - Clays

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