

# Working with Contract Manufacturers

## Driving Down Carbon Emissions



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# Agenda

- Introductions
- Contract Manufacturing Sustainability Challenges
- Strategies for Carbon Reduction
- Case study
- Discussion

# Audience Survey

- Sustainability professionals?
- Manufacturers?
- Based in Germany?
- Primary supply chain concerns:
  - Regulatory issues (CBAM, CRSD, CSDDD)?
  - Understanding carbon emissions and risks in the supply chain?
  - Other concerns?

# About Fosterra

The Fosterra team has experience working on projects in over 500 communities globally.

We are trusted to provide market-leading expertise for sustainability planning and program implementation.

We accelerate the transition to a better future by working with corporations and the public sector.



DAILY HARVEST

# FOSTERRA<sup>®</sup> llc



# Comprehensive Approach to Greener Manufacturing



# Sustainability Professional Responsibilities

- Compile regulatory reports
- Respond to customer surveys
- Reach corporate goals
- Address consumer needs
- Understand GHG drivers
- Manage environmental costs
- Evaluate supplier sustainability
- Reduce waste and emissions
- Avoid issues and fines
- Find and secure incentives
- Present to finance, operations, marketing...



# Market and Regulatory Drivers for Supply Chain Sustainability

## Market Drivers

- Consumer preferences
- Sustainability and brand value
- Large customers and retail channels
- ASDA, Ahold Delhaize, Tesco, Sainsbury's, Amazon, Walmart



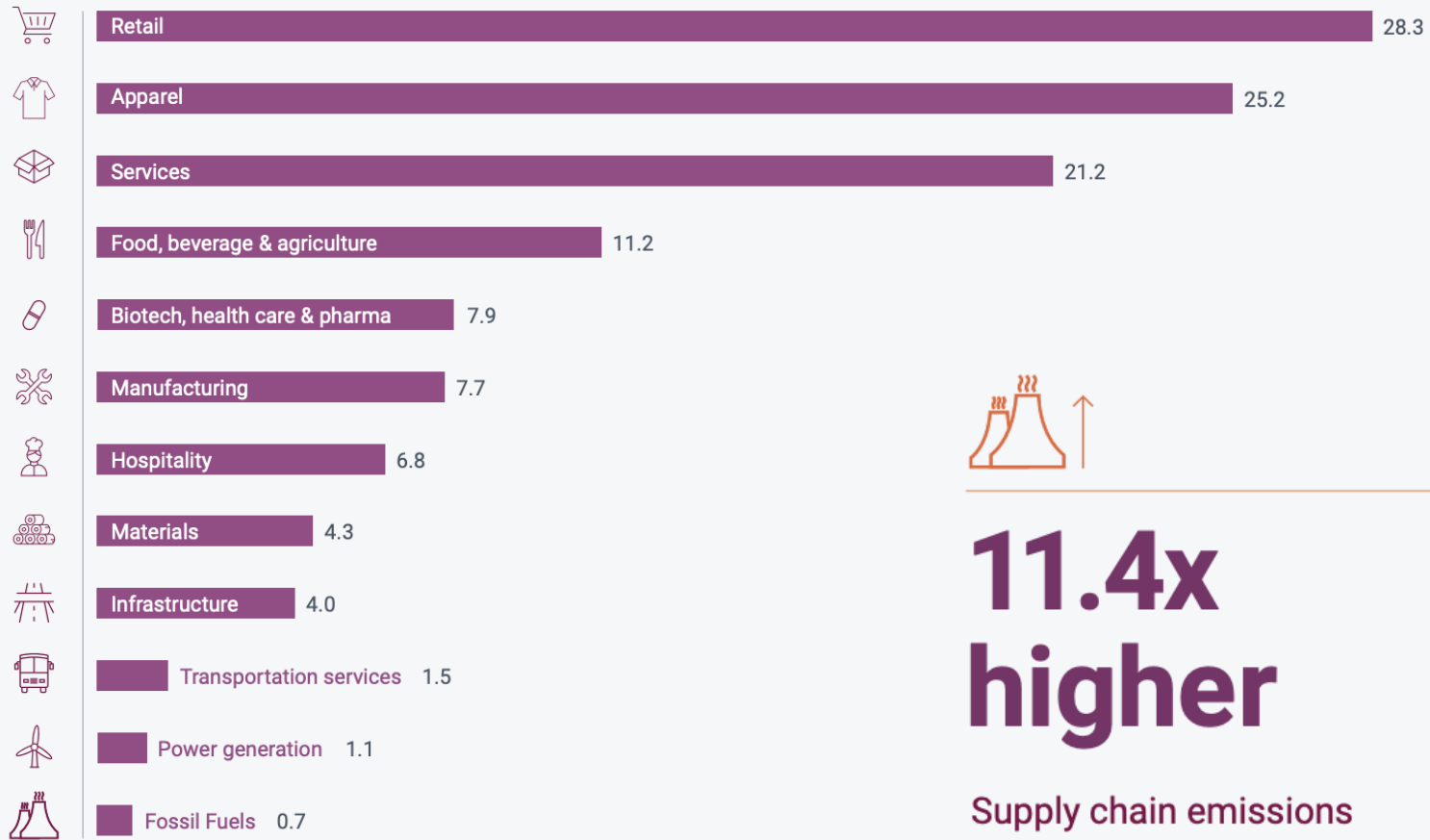
## Regulatory Drivers

- CSRD & CSDDD
- CBAM reporting and cost of carbon
- ESG Disclosures and green claims
- Regional and local requirements
- Voluntary reporting frameworks: SBTi, GRI, CDP



# Supply Chain Activities are the Primary Source of Emissions

Upstream emissions: scope 3 emissions are on average 11.4 times higher than operational emissions



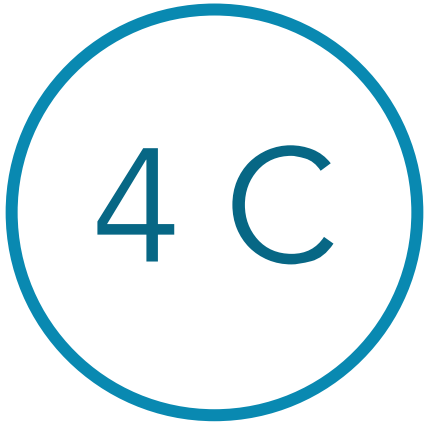
**11.4x  
higher**

Supply chain emissions  
are 11.4 times higher than  
operational emissions

▲ Average of final ratio (Scope 3 [supply chain emissions] : Scope 1 +2 [operational emissions and direct emissions])



# Challenges with Carbon Reductions for Contract Manufacturing



**Contracts** – structure of business arrangements and allocation of responsibilities



**Compliance** – corporate and external regulations, reporting, and risk management



**Costs** – investments in process and building upgrades and long-term operational/cost impact



**Control** – limited ability to take direct actions, improve operations, and interact with value chain

# Partner Collaboration to Reduce Carbon Emissions

CONTRACTS

Incorporate targets for carbon reduction.  
Allocate responsibilities for reporting.  
Offer cost-sharing for investments.  
Seek mutual risk reductions opportunities.

Simplify reporting processes.  
Define templates for submittals.  
Provide resources to improve accuracy.  
Develop risk framework together.

COMPLIANCE

Best Practices

COSTS

Define allocation methodology.  
Seek funding and incentive opportunities.  
Pursue waste and cost reduction plans.  
Optimize processes and logistics.

Ongoing operational collaboration.  
Develop innovation pipeline.  
Find mutually beneficial opportunities.  
Tap into common goals.

CONTROL

# Let's Explore a Case Study



# CPG Case Study: Seventh Generation (Unilever Division)

## Challenges

- Sustainability is essential to the brand and corporate values
- All actions must have high impact and be authentic to their mission
- Scope 1 & 2 are very small components of overall environmental impact
- Scope 3 is primarily driven by suppliers, co-manufacturers, distribution, and consumer use
- Established an aggressive goal for emissions reductions in their supply chain



## Actions Taken

- Upgrade to supplier data gathering to capture detailed ESG information
- Established 100% green power targets for all significant suppliers
- Launched a market-leading sustainable supplier engagement program
- Encouraged and tracked actions from supplier facilities

## Results Achieved

- 65%+ improvement to data collection accuracy and timeliness
- Reached green power targets with dramatic reductions in supplier-driven GHG emissions
- Realized additional benefits by supplier voluntary actions beyond targets
- Extending effort to additional sustainability and equity metrics



# Sustainable Contract Manufacturing - Lessons Learned



## Compliance Challenges

Overload of reporting needs and frameworks are consuming sustainability teams, leaving little time for making progress toward goals.



## Location Matters

Risk and carbon emissions intensity are now essential criteria and on par with costs and capacity when selecting partner sites.



## Supplier Evolution

Ongoing shift to more sustainable inputs, processes, and overall reduction of GHG emissions. But relationships and coordination needs to be improved.



## Small & Medium Enterprises

Want to address customer needs while meeting quality and cost targets. But, lack the resources and expertise of large companies.

# QUESTIONS



THANK YOU

Continue the Conversation

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