


How food companies can reduce their greenhouse gas emissions and transition to a lower emissions economy:

Examples of climate transition plan disclosures from Food Emissions 50 focus companies

Companies in sectors across the global economy have responded to mounting pressure from investors and other stakeholders to address their climate-related impacts and ensure they are creating long-term shareholder value by publicly committing to greenhouse gas (GHG) emissions reduction targets, net zero targets, and other climate-related goals. Though this is an important first step, investors often lack additional information on how companies intend to achieve these goals. Given the scale, magnitude, and urgency of actions needed to mitigate the worst impacts and material financial risks related to climate change and to ensure a smooth and successful transformation with minimal disruption to companies within their investment portfolios, investors are now asking companies to disclose evidence that they are aware of what they must do to achieve their GHG emissions reduction targets and have plans to act accordingly.

Climate transition plans are intended to act as accountability mechanisms for companies and their external stakeholders, and they can provide a critical pathway for ensuring that companies are reducing greenhouse gas (GHG) emissions in line with what is needed to achieve the Paris Agreement goal of limiting global temperature rise to no more than 1.5 degrees Celsius. These plans should be specific to the company and grounded in sector-specific contexts. They should succinctly outline the company's transition strategy and the concrete actions it plans to take in the next one to five years to address climate change throughout its business, including its growth strategy, procurement, operations, and customer engagement activities. While the specific tactics and strategies companies use will differ, decisions should be grounded in a comprehensive understanding of the company's unique GHG emissions footprint and the key sources of emissions across its business and supply chains. As the world transitions to a lower emissions economy, these plans also help ensure that companies are seizing opportunities to gain competitive advantages, drive business innovation, and create long-term value.

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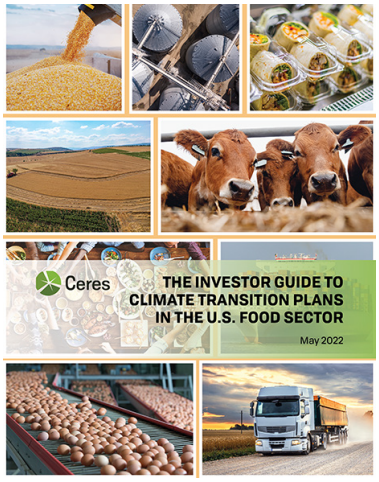
This brief in context

Ceres' Investor Guide to Climate Transition Plans in the U.S. Food Sector (the Investor Guide) is a resource for investors to engage with companies in the food and agriculture a sector on developing and disclosing robust and ambitious climate transition plans. The Investor Guide focuses on three key elements of climate transition plans that are critical for food companies to act on: emissions disclosures that include emissions from land use change and agriculture, greenhouse gas emissions reduction targets that cover scope 3 emissions, and robust climate transition strategies and actions. In these areas, the Investor Guide outlines key questions investors can ask while assessing corporate disclosures to better understand whether companies have concrete and actionable plans to align with a 1.5°C scenario.



This brief focuses in on examples of companies taking actions to reduce their GHG emissions in the four key areas within a company's business the Investor Guide notes should be covered by a climate transition plan:

- **Growth and innovation strategy**
- **Corporate procurement strategies and supply chain implementation**
- **Operations, waste, and transportation**
- **Customer engagement**

Please see the Investor Guide for more information on the sources of emissions in the food sector, what companies in different sub-industries can do to address them, and red flags to look out for in corporate climate-related disclosures.

The state of climate transition planning in the food sector:

None of the companies tracked by Ceres' Food Emissions initiative appear to have comprehensive climate transition plans. Four companies reported to CDP in 2021 that they have climate transition plans, and an additional three companies stated they would publish one in the next two to three years. However, **these companies have not disclosed information that makes their company-wide alignment with a 1.5°C scenario clear and quantifiable.**

Many companies are disclosing emissions mitigation efforts that would comprise parts of a climate transition plan. Here, we identify examples of actions companies have taken that address the questions investors can ask to guide their engagements with food companies, as outlined in the Investor Guide, as well as areas for further alignment with a 1.5°C scenario. Please refer to the Investor Guide for more context on the four areas within a business companies can employ to lower their emissions, and why these actions are critical.

GROWTH AND INNOVATION STRATEGY

Archer Daniels Midland Co. (ADM), Bunge Ltd., Conagra, Kellogg, Mondelez International Inc., Saputo Inc., Tyson Foods Inc.

(Pages 19-23 of the Investor Guide)

To shift to a lower emissions business model, companies must integrate climate action throughout their business and embed emissions reductions into their strategic planning. Strategies to reduce emissions should be embedded in decision-making across a company's portfolio of brands, subsidiaries, franchisees, and other business units. Not only can preemptively aligning future growth of the business with emissions reduction goals help companies avoid climate transition risks and their associated costs, but it can also help companies capitalize on the opportunities associated with increasing demand for climate-friendly products.

Does the company disclose how it plans to align its topline growth strategy, inclusive of R&D and product development, with its emissions reduction targets?

Companies are beginning to consider the impacts climate change has on their business strategy, but progress is still limited. Among the Food Emissions 50 focus companies, 39 companies acknowledge that climate change influences their business model, but few companies disclose how, or what they are doing to address it.

» Companies taking action

One way companies can integrate climate-related risk and opportunities into corporate strategy is by conducting a **climate scenario analysis for a 1.5°C scenario** aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and to use the results of such an analysis to inform their strategies to shift their businesses. Only 10 Food Emissions 50 focus companies conduct climate scenario analyses to assess the impacts of transition and physical climate risks to their business, and, of those, only five companies disclose how they are using the results of the analysis to inform their strategies or goal setting.

> **ADM** reported initiating a TCFD-aligned scenario analysis in 2021 to identify its most relevant transition and physical risks from climate change. The analysis showed that the company's key opportunities are related to product and service offerings, including low-emissions goods and services. ADM further explained in its 2021 CDP Climate Report that it intends to use the results to inform its strategy and develop a climate transition plan. Though the company detailed the transition and physical risks that emerged from its analysis, it did not clearly identify how the company intends to use the results to inform its strategic planning, business strategy, and decision-making in the short and long term.

Once a strategy is developed, companies should disclose how they are **aligning their long-term investments and product innovation with a 1.5°C scenario**. Companies often start by investing in R&D and innovating new products, and many are now planning for research and development that may influence their climate-related risks and opportunities in the next decade.

> **Kellogg** disclosed in its 2021 CDP Climate Report that it acknowledges that there are climate risks related to the grain varieties it uses in its products, and it anticipates the potential need for sizable investments in research and technologies for more climate resilient grains and varieties within the next 10 years.

Conagra disclosed that it is responding to increased consumer interest in sustainable diets by expanding its product lines and innovation in plant-based and meat-alternative options. It reported in its 2021 CDP Climate Report that this expansion includes the company's acquisition of Pinnacle Foods' Gardein and Earth Balance brands, as well as the launch of its Healthy Choice Power Bowl label, which includes vegetarian and vegan options with plant-based protein. It also includes plant-based varieties of Reddi-Wip topping and Birds Eye vegetable and snack brands.

Over time, the share of a company's portfolio that is made up of products with lower emissions profiles should increase. In most cases, **new products alone will not align a company with a 1.5°C scenario**. Companies need to transform their existing portfolio of products and services. While most current efforts are linked to mitigating emissions from operations and packaging, for the food sector, this could also involve product reformulation or the renovation of services it provides to have a lower emissions impact.

Mondelez reported in its 2021 CDP Climate Report that it has achieved its goal to reduce packaging materials by 65,000 tons by 2020, and that it has reduced packaging by 4,100 tons annually, with a reduction of 68,000 tons over nine years. The company stated that the shift in packaging materials and related transportation efficiencies allowed it to reduce its overall GHG emissions footprint.

Companies may also need to look beyond their own company to include **strategic acquisitions and venture capital investments**. In doing so, companies may be able to gain exposure to new products and innovations that they can incorporate into their own business to better align with their emissions reduction goals.

Tyson Foods has a venture capital arm, Tyson New Ventures, LLC. The company reports using its venture capital investments to increase its exposure to alternative proteins and new ways of sustainably producing food. Tyson New Ventures invests in new sustainable technologies, business models, and products that complement Tyson Foods' innovation investments in its beef, pork, chicken, and prepared foods businesses.

ADM reported in its 2021 CDP Climate Report that its Mergers and Acquisitions Protocol includes a review of the GHG emissions of potential new assets to assess its carbon liability. This may ensure that the company's growth strategy is built around operating with a lower emissions impact as it could help the company avoid the need to retroactively mitigate climate-related risks associated with its future acquisitions.

Does the company disclose how it plans to align its current and future capital expenditures with its emissions reduction targets?

Capital expenditures (capex) that finance the continued production of higher emissions products should decrease over time to allow the company to fully align with its GHG emissions reduction goals and mitigate risks related to stranded assets. Simultaneously, capex investments that will allow the company to capitalize on new climate-related opportunities, including those that will increase the company's ability to produce lower emitting products, should increase. Among the Food Emissions 50 focus companies, 19 companies mention capex in the context of climate change, and 13 companies report shifting capex allocations due to climate-related concerns. While most of the current disclosures focus on investments in renewable energy infrastructure and energy-efficiency in operations, capex alignment in this sector can also include taking potential future stranded assets offline.

» Companies taking action

Saputo reports planning capital expenditures and other projects to increase its energy efficiency, reduce its GHG emissions, reduce waste, and decrease water usage. In its 2021 CDP Climate Report, it reports making a three-year investment of around USD$38 million to further support progress towards its emissions reduction targets.

Bunge reported in its 2021 CDP Climate Report that there is an increased preference among its customers for sustainably sourced commodities. In response, the company established a task force to incorporate carbon pricing into all future capex planning, and reports that it has implemented a shadow internal carbon price on all capex investments above a certain threshold based on its own GHG footprint and the World Bank carbon price dashboard.

Key takeaways for Growth and Innovation Strategy

In the transition to a lower emissions economy, companies should plan to shift to lower emissions business models that maintain revenue and profit growth while managing climate-related transition and physical risks. Companies should work to align their strategic planning and capital expenditures, inclusive of decisions related to their supply chains, with the GHG emissions reduction targets outlined in their transition plans. While some companies claim they are beginning to integrate climate-related considerations into their business planning, clearer disclosures are needed that quantify the emissions reductions companies are expecting through various investments, as well as those that quantify the emissions impact of existing investments. These disclosures will enable companies to assess whether their various initiatives will add up to the emissions mitigation needed to achieve their GHG emissions reduction goals.

CORPORATE PROCUREMENT STRATEGIES AND SUPPLY CHAIN IMPLEMENTATION

General Mills Inc., Hershey Co., McCormick, McDonald's Corp., Sysco Corp.

(Pages 23-28 of the Investor Guide)

For companies in the food sector, scope 3 emissions from purchased goods and services are typically the largest contributors to a company's emissions footprint, with agriculture and land use change in the supply chain making up the majority of these emissions. It is critical that companies work to integrate climate-related considerations into their procurement strategies.

Does the company require its suppliers to set science-based emissions reduction targets?

By **requiring or, at a minimum, encouraging suppliers to set their own emissions reduction targets**, companies can work to meet their scope 3 emissions reduction targets by signaling a potential market risk for suppliers who are unable or unwilling to meet these requirements. Out of Ceres' Food Emissions 50 companies, 11 encourage suppliers to set science-based emissions reduction targets, but few have binding requirements with contractual implications.

» Companies taking action

McDonald's is one of the few companies for which Ceres found concrete evidence of suppliers being explicitly asked to set GHG emissions reduction targets. The company reported requesting 131 of its suppliers, representing 79% of its annual global spend in 2020, to set emissions reduction targets and report progress to CDP. Though it is not clear if the company has plans to expand this request to additional suppliers in the future, or if there are any consequences for suppliers who do not comply with this requirement, this is a crucial step for McDonald's to address its scope 3 emissions.

Sysco does not require its suppliers to set science-based emissions reduction targets, but the company reported that it has a goal to work with suppliers representing 67% of scope 3 emissions to set science-based targets by 2026. It plans to achieve this by implementing supplier engagement programs that encourage target-setting, focusing first on suppliers with the largest emissions contributions and then shifting towards smaller suppliers. The company reported that as of FY2021, at least 80 suppliers, representing nearly 30% of its 2019 scope 3 emissions, have already set, or committed to set, targets aligned with the Science Based Targets initiative (SBTi)'s criteria.

Does the company assess its emissions from purchased goods and services to identify the largest categories and sources of supply chain emissions and engage with suppliers accordingly?

To reduce emissions along the supply chain, it is critical that companies can identify the largest emissions sources in their supply chain and work with suppliers to develop strategies to reduce these emissions. Ceres found that 23 of the Food Emissions 50 companies disclose scope 3 emissions, but only nine of those companies further **break down their emissions from purchased goods and services** to identify which commodities or sources are driving those emissions.

» **Companies taking action**

Hershey reports a breakdown of its emissions in its 2021 ESG Report, disclosing that more than 96% of its total GHG emissions are from scope 3 emissions in its extended value chain. A large portion of its baseline scope 3 emissions are from land use change from the farm-level production of its purchased ingredients. In response, the company reports that addressing land use change is a significant part of Hershey's climate action plans and it has committed to eliminating commodity-driven deforestation from its supply chain, as described below.

General Mills discloses a breakdown of its scope 3 emissions and reports that agriculture is the largest contributor to its GHG emissions, making up 54% of its total emissions footprint. To address this, General Mills reports setting a goal to advance regenerative agriculture on 1 million acres of farmland by 2030, which represents approximately 25-35% of its global sourcing footprint. In fiscal year 2020, the company reports engaging 7.5% of its suppliers, representing 40% of its procurement spending and 27% of scope 3 emissions, on implementing regenerative agriculture programs.

Does the company have supplier policies that address its priority supply chain GHG emissions, including a time-bound no-deforestation policy or a no-natural ecosystem conversion policy?

Companies can further **integrate climate as a part of their procurement strategies** by embedding requirements for climate action and emissions mitigation within supplier policies and supplier codes of conduct. In the food sector, a large driver of emissions is commodity-driven deforestation. Of Ceres' Food Emissions 50 companies, 30 have no-deforestation policies for one or more of their high-emitting commodities. These commitments by suppliers, if implemented, can keep companies accountable and on track to achieve their emissions reduction targets while also mitigating risks directly associated with deforestation.

» **Companies taking action**

Hershey's No Deforestation Policy and related commodity-specific responsible sourcing policies focus on high deforestation-risk ingredients: cocoa, palm oil, pulp and paper (packaging), and soy. These policies cover the company's entire raw material supply chain across all geographies, and outline cutoff dates and time-bound and quantifiable commitments to achieve a deforestation-free supply chain by 2030. *Note: the Accountability Framework initiative (AFi) now recommends that companies set targets to eliminate deforestation and ecosystem conversion by no later than 2025. This will soon be required by companies seeking validation for their food, land and agriculture targets through SBTi.*

Companies that do not source a high volume of commodities with exposure to deforestation, or those that are on track to eliminate supply chain deforestation, will still need to invest in ways to reduce agricultural emissions embedded in their supply chains.

McCormick has a five-page Sustainable Agriculture Policy that lays out expectations for suppliers to minimize negative impacts from agricultural production. The company asks its agricultural suppliers to be open to participating in initiatives to enhance the sustainability of their farming practices, but there is no public evidence that the policy is binding. The policy covers soil management as well as energy use and GHG emissions. McCormick expects its suppliers to optimize energy efficiency, increase their use of renewable energy sources, and understand their GHG emissions profile and options for reducing it through awareness raising and shifting production patterns.

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Does the company disclose its plan to achieve traceability and transparency of its supply chain for the high-emitting commodities it sources?

Companies must have some level of **traceability for the high-emitting commodities they source** to ensure that progress is being made towards their scope 3 emissions reduction targets, and to identify where to prioritize supplier engagements. Enhanced traceability enables companies to better engage and monitor suppliers and hold them accountable for adhering to policies. Out of Ceres' Food Emissions 50 companies, just 21 companies have achieved or are planning to achieve any level of traceability for their high-emitting commodities.

» Companies taking action

Starbucks reported to CDP Climate that it has achieved 100% traceability to the farm level for coffee, 91% traceability to the country level for palm oil, and 100% traceability to the country level for cocoa. This enables the company to better engage and monitor suppliers. To further protect the company from deforestation-related exposure and to drive climate action throughout the most upstream parts of the supply chain, Starbucks should strive to achieve traceability to the commodities' point of origin, as the presence of deforestation and its associated impacts can vary within the same region or country.

Does the company incentivize its suppliers to implement the practices required by its procurement requirements?

Once traceability systems are in place, companies have more leverage to direct their supplier engagement efforts to reduce supply chain emissions. In addition to implementing non-compliance protocols that make the shift to lower emissions practices a requirement by having consequences for suppliers that do not comply with the company's climate-related policies, companies should also seek to incentivize suppliers to adopt sustainable practices by providing **financial and technical assistance**. However, out of Ceres' Food Emissions 50 companies, only seven report incentivizing suppliers to implement the practices required by their procurement requirements.

» Companies taking action

General Mills stated in its 2022 Global Responsibility Report that it aims to support farmers in implementing regenerative agriculture, which includes practices that may have the potential to reduce and sequester agricultural emissions to meet its own climate-related goals. The company reports partnering with the National Fish and Wildlife Foundation to provide financial resources to farmers to reduce the economic risk of implementing new practices. General Mills also reports partnering with scientific organizations to conduct research on the impacts of regenerative agriculture and sharing the results with its suppliers.

McCormick reported in its 2021 Purpose-Led Performance Report that it engages suppliers through the Supplier Leadership on Climate Transition initiative, a consortium of companies that, in collaboration with strategic consultancy Guidehouse, provides suppliers with access to financial support and monthly training on how to develop an emissions footprint, set science-based targets, and reduce emissions. McCormick has engaged more than 90 of its suppliers using the program, though it does not disclose the proportion of its total supply these suppliers cover, or whether it has plans to expand this to suppliers who do not participate in the initiative.

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Key takeaways for Corporate Procurement Strategies and Supply Chain Implementation

More companies are now disclosing their scope 3 emissions from purchased goods and services, but few break down the largest emissions drivers in their supply chains. In response to media and investor attention on emissions from agriculture and land use change in recent years, many companies have put in place no-deforestation or no land conversion policies or set a focus on regenerative agriculture. However, to fully align these commitments with emissions reduction targets, companies should encourage or require their suppliers to set emissions reduction targets and disclose how they incentivize those suppliers to implement sustainable practices and quantify the results of such efforts. They should also disclose how they intend to measure the success of pilot projects and their plans to scale successful pilots to cover a greater percentage of their supply chains."

OPERATIONS, WASTE, AND TRANSPORTATION

Archer Daniels Midland Co. (ADM), General Mills Inc., Sysco Corp., United Natural Foods Inc. (UNFI)

(Pages 28-31 of the Investor Guide)

As companies reduce scope 3 emissions from land use change and agriculture, much of the remaining emissions will come from a company's direct operations, waste management practices, and transportation and distribution systems.

Does the company have a plan to address its energy-related emissions associated with its operations?

To reduce emissions from operations, companies should commit to sourcing 100% renewable energy through initiatives such as RE100, which includes a minimum requirement for achieving 60% renewable energy throughout operations by 2030, 90% by 2040, and 100% by 2050. Of Ceres' Food Emissions 50 companies, 30 companies report actions to reduce emissions related to energy use.

» Companies taking action

General Mills reported in its 2022 Global Responsibility Report that by the end of 2021, it achieved 63% of its goal to source 100% renewable electricity for global operations by 2030, per the requirements of the RE100 initiative. The company's Five Step Energy Reduction Process resulted in 10 energy efficiency projects at its manufacturing sites in 2020 and 35 in 2021. Projects included an upgrade to a biogas generator in a U.S. facility, and the installation of a rooftop solar and battery system in the company's Sanhe, China location, which is estimated to save 1.1 million kWh of electricity annually. The company also signed two 15-year Virtual Power Purchase Agreements, one in 2017 with Renewable Energy Systems for 100 megawatts of the Cactus Flats wind project, and one in 2019 with Roaring Fork Wind, LLC, for 200 megawatts of its Maverick Creek wind project. General Mills calculates that together, these two agreements will equate to 100% of the electricity used annually at its U.S.-owned facilities.

Does the company have a plan to address energy-related emissions associated with transportation?

Of Ceres' Food Emissions 50 companies, 14 companies report actions to **reduce emissions from transportation**, both for privately owned and contracted fleets. Emissions from transportation can fall under scope 1 or scope 3, depending on whether companies rely on company-owned vehicles or contracted services.

» Companies taking action

Sysco reported in its 2021 Corporate Social Responsibility Report that 6% of its scope 3 emissions come from upstream transportation and distribution, its second highest source of scope 3 emissions after purchased goods and services. It also reports that electricity use and fleet emissions are the largest drivers for its scope 1 and 2 emissions, as its private fleet accounts for a portion of its scope 1 emissions. Sysco has a goal to electrify 35% of its U.S. fleet by 2030. In May 2022, the company announced its partnership with Daimler Truck North America, to deploy up to 800 battery electric Freightliner eCascadia Class 8 tractors serving Sysco customers by 2026.

United Natural Foods Inc. reported in its 2021 ESG Report that transportation is the second largest driver of its overall emissions and accounts for nearly half of its scope 1 emissions due to its privately-owned fleet. UNFI claims to be addressing these emissions by maximizing the efficiency of its delivery routes, consolidating delivery stops, and using best practices to improve fuel efficiency. The company also reports adding 53 solar-powered electric trailers to its fleet and has joined Ceres Corporate Electric Vehicle Alliance (CEVA), a collaborative group of companies focused on accelerating the transition to electric vehicles (EVs).

Companies can also shift to lower emissions fleets or increase the use of lower emissions shipping fuels for maritime transportation. **ADM** reports contracting with shipping companies that have been certified to have a lower emissions footprint. It also reports assessing emissions from ocean freight through its membership in the Sea Cargo Charter, which aims to reduce shipping's GHG emissions by at least 50% by 2050.

Does the company have a plan to reduce or eliminate operational food loss and waste?

Of Ceres' Food Emissions 50 companies, 20 companies have commitments and report actions they are taking to reduce emissions related to **operational food loss and waste and non-food waste associated with operations**. By addressing food loss and waste, companies can not only reduce their scope 3 emissions from waste disposal, but they can also reduce operational costs from wasted ingredients and waste disposal services. The most effective food waste mitigation efforts prioritize reducing the amount of food waste that is generated, rather than solely focusing on diverting food waste from landfills.

» Companies taking action

General Mills aims to achieve zero waste to landfill at its owned production facilities by 2025, and to reduce food waste in its operations by 50% by 2030. To achieve this, the company reports that each facility has a target to reduce solid waste generation by 3% annually. Multi-year improvement plans such as this can help ensure continual emissions reductions. General Mills also reports statistics on the percentage of its waste that is recycled, processed for energy recovery, and disposed to landfill. Though the company has a goal to reduce operational food waste, it does not provide details on what it has done to reduce the amount of food waste generated beyond its participation in several multistakeholder programs intended to reduce food loss and waste.

Key takeaways for Operations, Waste, and Transportation

While scope 1 and 2 emissions are not typically the largest sources of emissions for food companies, they must still be addressed for companies to fully align with a 1.5°C scenario. These emissions will also make up a greater portion of their overall footprint when avoidable emissions from land use change and agriculture are eliminated. More companies have been disclosing goals and plans related to reducing food loss and waste, however efforts should focus on reducing food loss and waste instead of only diverting from landfills. A few companies also disclose their actions to reduce emissions from transportation. While most companies have taken action to reduce emissions from their operations, further company-wide disclosures and actions are needed.

CUSTOMER ENGAGEMENT

Chipotle Mexican Grill Inc., Kellogg Co., Yum! Brands Inc.

(pages 31-32 of the Investor Guide)

To operationalize their emissions reduction targets, food companies will also need to engage their customers in a shift to a lower emissions economy by incentivizing uptake of its lower emissions offerings as well as by educating customers on best practices related to waste management and the use of products. To fully realize the opportunities that come from embedding climate into a company's growth strategy, companies will need to align their marketing strategies and customer engagement activities with their emissions reduction goals. In addition, companies should track the impact of customer engagement activities and shift strategies as needed.

Has the company disclosed a plan to engage its customers and end users of its products on a shift to lower emissions product and service offerings?

Of Ceres' Food Emissions 50 companies, 27 companies acknowledge that customers are interested in climate actions and report actions to engage customers on their climate strategies to drive changes in consumptions trends. Companies can **engage customers** by launching marketing campaigns for lower emissions products, shift product placement, label product packaging, or expand menus and product offerings. Importantly, diet shifts are a key lever to driving emissions reductions and are included in the 1.5C scenario pathway for the sector.

» Companies taking action

Chipotle reports striving to help better inform customers of their food choices through its online ordering system which shows customers data for five key metrics related to their order: "Less Carbon in the Atmosphere", "Gallons of Water Saved", "Improved Soil Health", "Organic Land Supported", and "Antibiotics Avoided". However, the environmental metrics are only shown to customers who order from Chipotle's website, are not shown in the store, and are shown only on the order confirmation screen and after the purchase has been completed. Furthermore, there is no evidence that the company tracks whether investment in these efforts have led to shifts in its customers' consumption behavior.

Yum! Brands, which operates brands including Taco Bell and Pizza Hut, reports being committed to menu management and portfolio diversification as both a competitive differentiator and a risk mitigation strategy. One way it attempts to achieve this is by making vegetarian options easier for customers to access, including through Taco Bell's "veggie-mode", which is an option available at its self-service kiosks that only shows the restaurants' vegetarian options. However, there is no evidence that the company tracks the impact of this initiative, including whether this has increased the consumption of plant-based options relative to its products with a higher GHG emissions profile over time.

Has the company disclosed a plan to engage its customers on emissions associated with the use and disposal of its sold products?

Another source of downstream scope 3 emissions is embedded in the way food products are used and prepared after purchase, and how they are disposed of. Food and other products, including packaging, that end up in landfills lead to greater methane emissions and other GHGs compared to items that are composted or otherwise diverted from landfills, or items that are not wasted in the first place. Companies can engage customers to reduce emissions by encouraging and facilitating the **proper use and disposal of their products**. However, of Ceres' Food Emissions 50 companies, only 2 report engaging customers on emissions reduction efforts associated with these practices.

» Companies taking action

Kellogg reports pairing efforts to increase the use of recyclable packaging materials in its sourcing with efforts to educate customers on what they can recycle and how, and how they can reduce food waste at home. They are members of the Sustainable Packaging Coalition and How2Recycle, a standardized labeling system that provides recycling instructions, as well as a member of the Recycling Partnership, which supports efforts to increase recycling access across the U.S. Kellogg also reports educating customers about recycling the inside liners of its cereal brands, Eggo waffles, and Cheez-It crackers by taking them to a local grocery store with other plastic bags.

Key takeaways for Customer Engagement

Currently, most companies do not disclose efforts to engage their customers on actions that will help the company align with its emissions reduction targets. Some companies acknowledge that there has been an increase in consumer interest in climate considerations, but much of the companies' efforts to engage customers are reactionary responses to market trends, rather than proactive efforts to shift customer's preferences towards consumption habits that will help the company align with its emission reduction goals. To mitigate overall GHG emissions, companies must more directly engage with their customers' own sustainability efforts, both in terms of purchasing lower emissions products, as well as mitigating emissions associated with the use and disposal of sold products. This will not only help companies reduce their downstream scope 3 emissions, but it will also give them more leverage to reduce their business-wide emissions due to a lower demand for high emitting products.

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ACKNOWLEDGMENTS

About Ceres

Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. Through our powerful networks and global collaborations of investors, companies, and nonprofits, we drive action and inspire equitable market-based and policy solutions throughout the economy to build a just and sustainable future. For more information, visit ceres.org and follow @CeresNews.

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