IBM Envizi ESG Suite

Leverage the power of AI to accelerate Scope 3 emissions calculations for ESG reporting and disclosures

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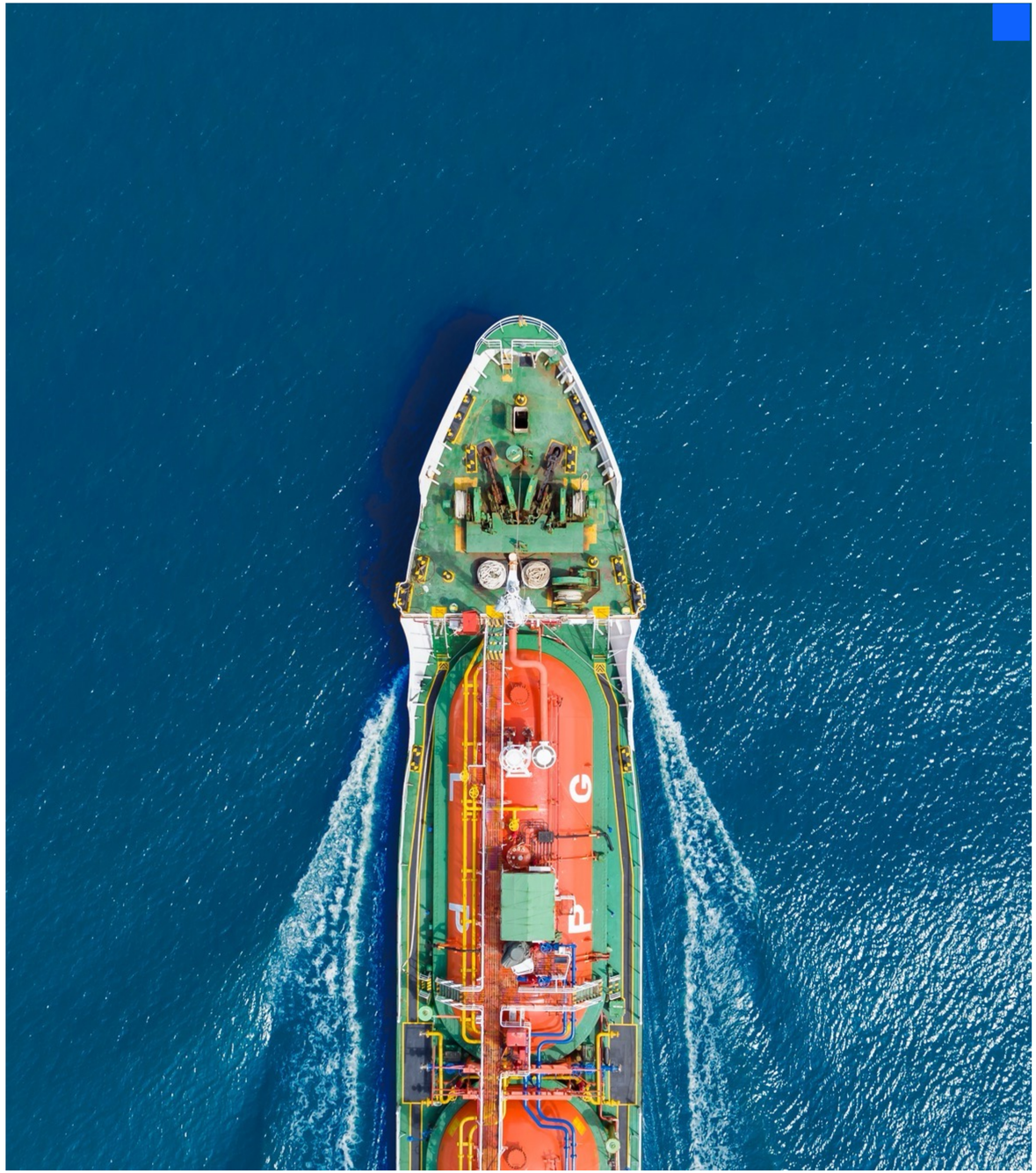


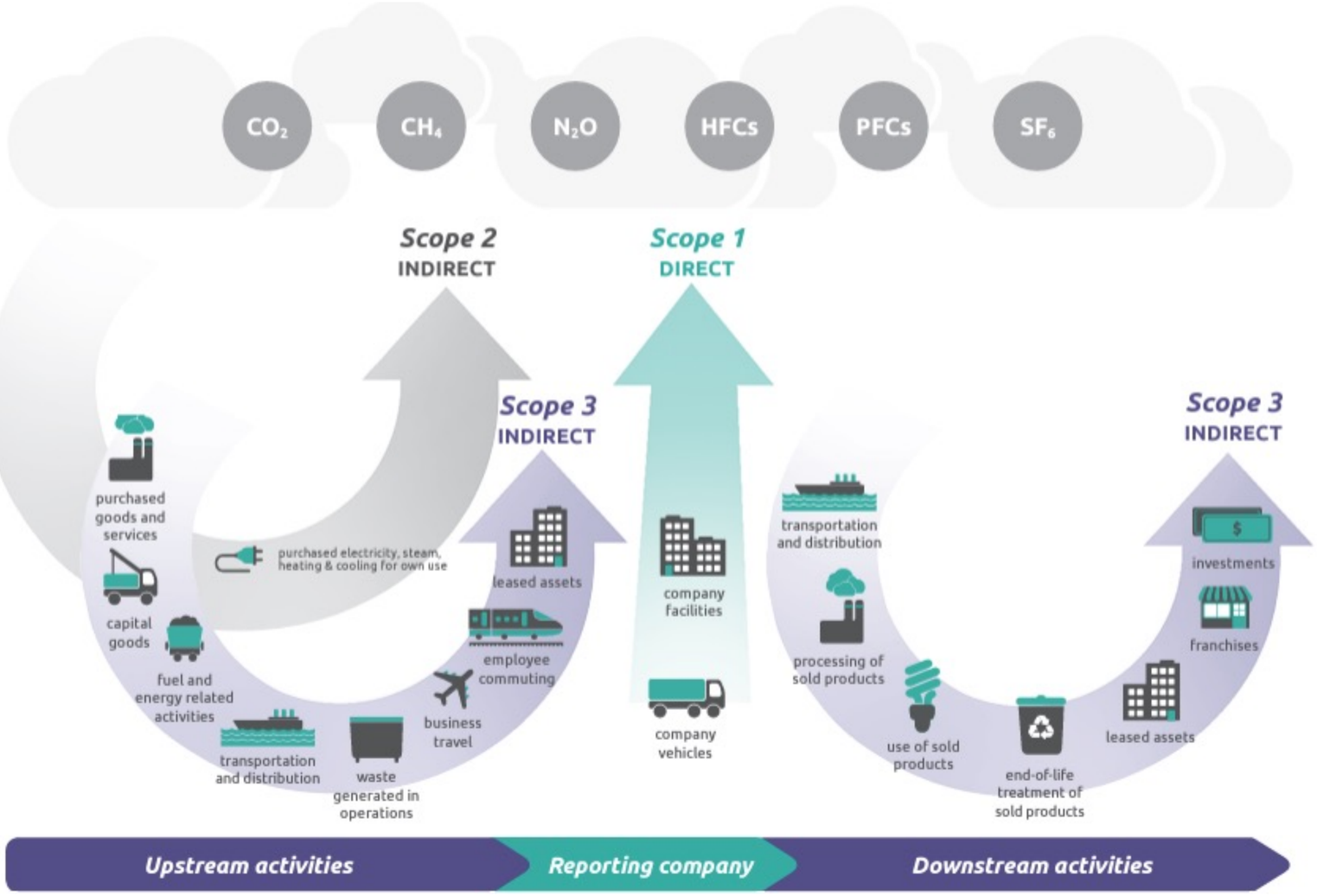
Agenda

- Importance of Scope 3 Emissions
- Challenges in Scope 3 Emissions Calculation
- IBM Envizi ESG Suite: The Solution
- Harnessing the Power of AI
- Case Study: Celestica Inc.
- Conclusion

What is Scope 3 & why is it important for you?

Importance of Scope 3

For most companies Scope 3 emissions represent >70% of overall CO2 footprint across 15 categories



Scope 3 Categories managed for performance by:

Procurement teams:
1. Purchased Goods & Services
2. Capital Goods
3. Fuel & Energy (outside of Scope 1&2)
4. Upstream Transportation & Distribution
6. Business Travel
8. Upstream Leased Assets
9. Downstream Transportation & Distribution

Operational Teams:
5. Waste Generated in Operations
7. Employee Commuting
14. Franchisees

Product Design Teams:
10. Processing of Goods Sold
11. Use of Goods Sold
12. End of Life Treatment of Goods Sold
13. Downstream Leased Assets

Investment Managers
15. Financed Emissions

ESG Frameworks increasingly demanding Scope 3 disclosures

- Procurement Policies
- Disclosure 305-3 Other indirect (Scope 3) GHG emissions
- Disclosure 305-4 GHG emissions intensity
- Disclosure 305-5 Reduction of GHG emissions
- Products ad Services – Use Phase

- Climate Change and Supply Chain Modules- Scope 3
  - Weights across all 15 categories individually
  - Targets
- TCFD- Supply chain risks and impacts
- Reduce Supplier GHG Emissions
- Carbon Neutrality Goals

SEC

Scope 3 reporting required when deemed material to investors OR when the company has emissions targets that encompass Scope 3 emissions

EU CSRD

Scope 3 reporting required (ESRS E1-9) in these categories:

- (i) upstream purchasing (Cat 1&2)
- (ii) downstream sold products (Cat 11)
- (iii) goods transportation (Cat 4 & 9)
- (iv) travel (Cat 6)
- (v) financial investments. (Cat 15)

Targets required for Scope 1,2 and 3 in accordance with limiting global warming to 1.5C

Scope 3 challenges that organizations face

A bigger data set, with broader set of data types and more difficult to source

Scope 3 data landscape is more complex than Scope 1 & 2

- Data capture
- Data quality
- Choosing a methodology
- Consistent availability of data

Companies struggle mainly with data and methodology

Only 25% disclosing today

Most companies are just getting started

Decarbonizing the supply chain requires engagement and influence Vs. direct action within your own organization for Scope 1 & 2

Engaging suppliers on decarbonization targets and execution

IBM Envizi ESG Suite: The Solution

Envizi snapshot

The world’s most comprehensive data, analytics and insights platform for Sustainability and ESG

15 yrs.
time in market

200+
active clients

247k
locations connected

175
countries reached

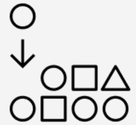
Envizi help organizations harness the power of data and analytics to achieve their sustainability goals

The building blocks that accelerate sustainability performance

1.

Build

Data Foundation



A single system of record that delivers auditable, financial grade sustainability data

2.

Streamline

Reporting + Disclosure

GHG calculation and flexible reporting tools to meet internal and external requirements

3.

Accelerate

Decarbonization

Unlock insights to inform the fastest and most cost-effective pathway to low carbon goals

500+ sustainability and energy data types

Utility billing data

Electricity Gas Water

Transport and stationary fuels

Diesel, petrol, LPG, propane aircraft fuel, LNG, bio-fuel

Refrigerants & fugitive gases

100+ gas types

Electricity produced

Solar, wind, bio-gas, hydro, thermal

Meter data

NMI meters, smart meters, sub-meters

Certificates & offsets

RECs, carbon effects

Waste & recycling

300+ waste & recycling data types

Materials

100+ material types, construction and building

Transportation

Air travel, taxi, train, car

BMS and IoT data

Control signals, sensors

Social & environmental

Community investment, donations, volunteer hours

Company metrics

Headcount, rooms, beds, meals, sales

Production metrics

Unit, tonnes, $, litres, hours

Building metrics

m2, FTEs, occupant hours, building ratings, visits

Weather data

HDD, CDD, rainfall, humidity, irradiation

A world-class solution supporting major framework

*Maala Index can be supported upon request as a custom framework

Envizi consolidates sustainability data

Powerful ESG data capture

500+ data types

Automatic data capture:

- Bill pay providers
- Data aggregators
- Third-party providers
- Organizational systems
- Market data

Manual data capture:

- Spreadsheets, Kanban boards, web forms
- Survey data

Email, sFTP, S3, Connector

envizi
an IBM Company

Streamlined ESG data consolidation

Auditable single system of record

- Data service hub
- Flexible organization hierarchy

Intelligent data analysis

Dynamic reporting tools

- Standard dashboards
- PowerReport (embedded Power BI)
- Custom Excel reports
- Raw data API

Customizable ESG reporting

Reports for every audience

Driving ESG performance improvements:

- Executive reporting
- ESG performance reporting
- Benchmarking
- Flexible reporting granularity

Meeting disclosure and stakeholder requirements:

- Location and market-based GHG
- Auditing reports
- Trace back to source
- Reporting templates

ESG reporting framework

SASB, Sustainable Development Goals, GRI, CDP, TCFD

Harnessing the Power of AI

Automatically categorize scope 3 spend data

Using Watsonx.ai to categorize transaction data to spend categories

Client spend data

Transaction records from ERP and financial accounting systems containing transaction descriptions, cost and currency information relating to purchased goods and services, including capital goods.

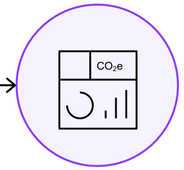
PROBLEM

Client transaction data typically adopts client-specific descriptions and spend categorizations.

How do we efficiently categorize client transaction data to align with Envizi's standard library of categorized spend-based emissions factors?

Manual data mapping processes are very time consuming, particularly when mapping very large datasets. This is not a scalable solution.

Envizi



Envizi supports EORA spend-based emissions factors, covering 66 industry categories harmonized for 189 countries, to enable spend data to be converted to scope 3 emissions:

- **Purchased Goods & Services** (cat 1)
- **Capital Goods Purchased** (cat 2)

Automatically categorize scope 3 spend data

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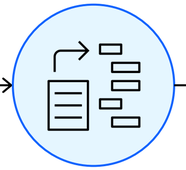
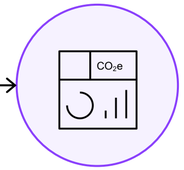
Watsonx.ai



Natural language model developed by IBM Research to automatically process and classify client transaction data to match EORA spend categories.

Spend data is automatically categorized at the time of data ingestion and appended to the correct Accounts in Envizi.

Envizi



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Automatically categorize scope 3 spend data

Mapping Example

Individual spend transactions from ERP/financial systems – automatically mapped to most appropriate emission factor

General ledger coding from financial system

Created D	Count	PO Number	Vendor Name	Total_Amt	Curren	Description	Commodity Name_Final
3/12/2021	US	POSGP000294228	LIBERTY HEALTH INSURANCE LTD	16529842	USD	RENEWAL BILLING (GHS AND GOP)-GMD06000065	Staff Benefits-Staff Insurance-GPA & Term Life_OPEX
12/16/2021	CAN	POSGP000355490	Sinclair Telecommunications Ltd.	2178992	CAD	3 Years Maintenance Support Services, Back-to-Back S	HW-Network Maint Support_OPEX
4/5/2021	MEX	POIDN000235936	Hudson IT Global Mexico	28338834200	MXN	Renewal Maintenance Hardware IBM & Lenovo (Perio	HW-Network Maint Support_OPEX

Based on date, country, spend and description, map to:

*** Account Style:**

Cat 1 - Insurance carriers and related activities - USD or local

… with US-specific emission factor in USD

Based on date, country, spend and description, map to:

*** Account Style:**

Cat 1 - Broadcasting and telecommunications - USD or local

… with Canada-specific emission factor in CAD

Based on date, country, spend and description, map to:

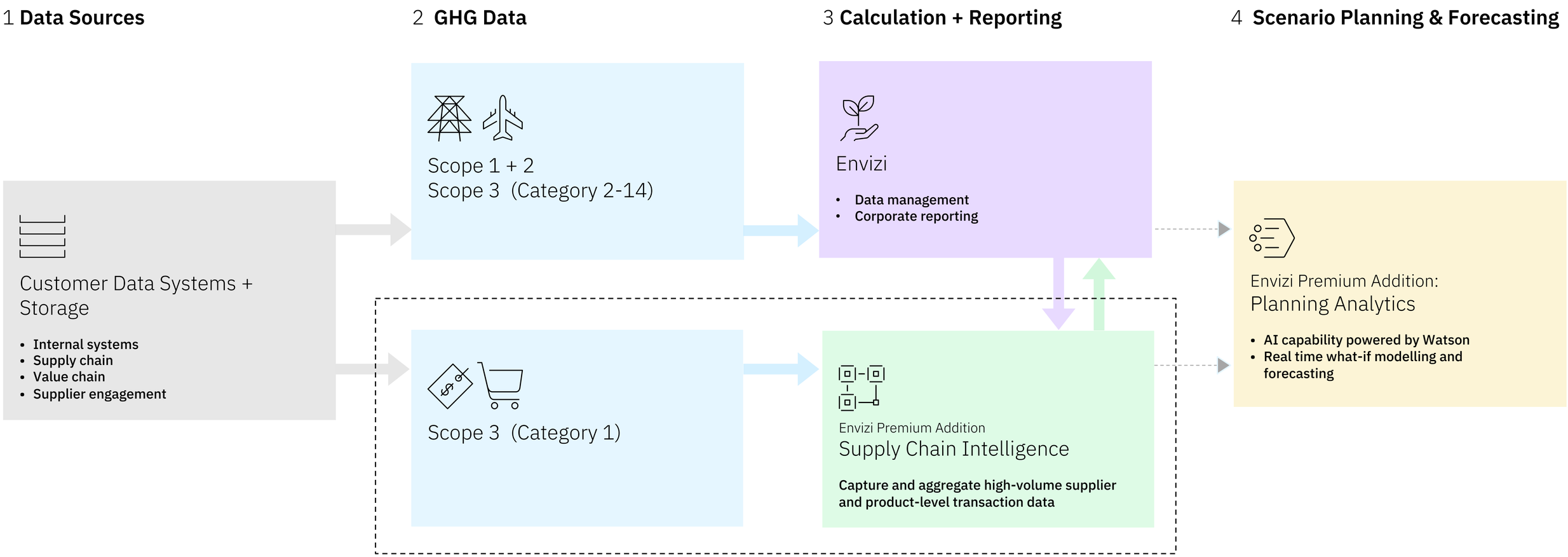
*** Account Style:**

Cat 1 - Data processing, internet publish, other IT - USD or local

… with Mexico-specific emission factor in MXN

Supply Chain Optimization

For high volume, SKU-level, capture and reporting of Category 1 data



Client Success Story

The Customer

- A global provider of manufacturing and supply chain solutions.

The Challenge

- With sites spread across 15 countries, Celestica Inc had found its environmental, social and governance (ESG) efforts to be cumbersome and difficult to audit.
- Sustainability team members were manually gathering data from its 50 worldwide facilities into spreadsheets.

The Solution

- With IBM Envizi, the business can now more easily monitor ESG practices, as well as track performance with real-world data and against science-based standards.
- Data from each of Celestica's sites is automatically captured, compiled and transformed into usable outputs.

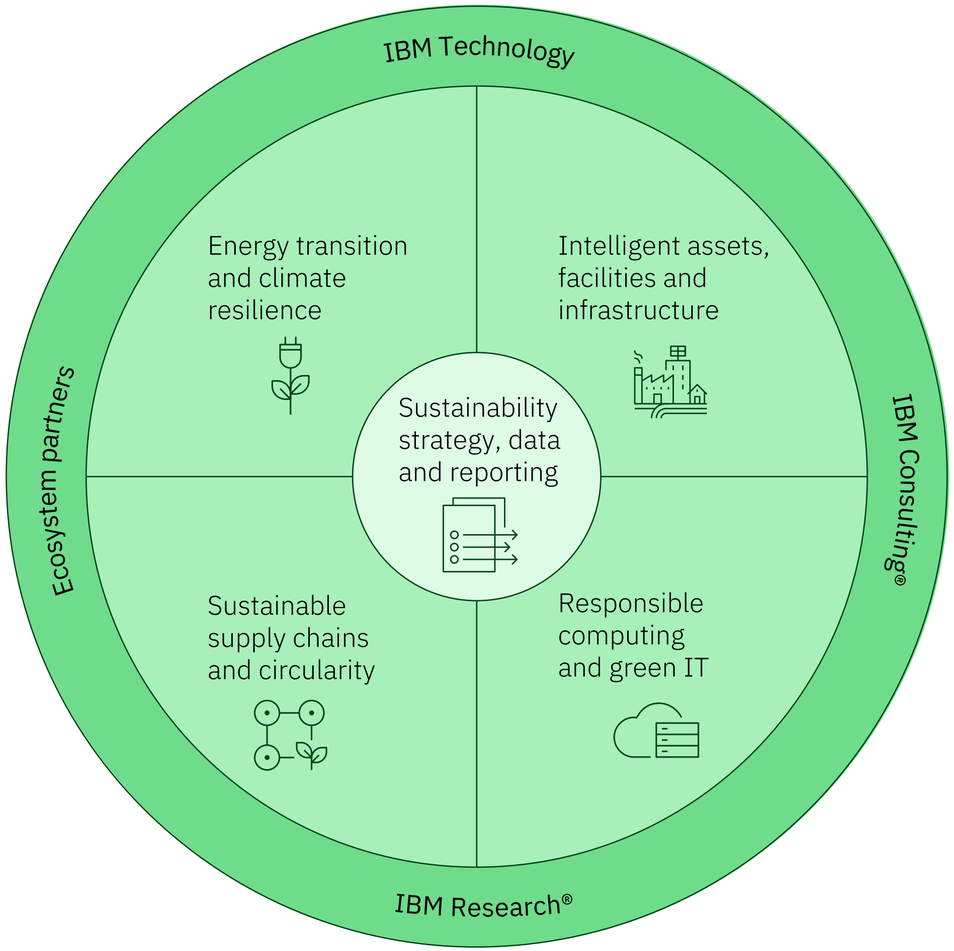
The Benefits

- Compiles and transforms data into usable outputs and helps eliminate errors from manual data entry.
- Automation of complex calculations and reporting produces finance-grade, auditable data.
- The new process not only saves countless hours of work, but has also helped Celestica decrease its scope one and two greenhouse gas emissions by more than 21% in one year.

IBM Sustainability POV

IBM Sustainability: Turning ambition into action

IBM helps companies achieve their sustainability goals by infusing data with AI into daily operations enabled by expertise to deliver profit and purpose.



Sustainability strategy, data and reporting

Co-create roadmaps that capture business value and leverage the power of generative AI to accelerate clients' realization of their sustainability agendas. Curate, report and operationalize data to unlock competitive insights, improve performance and meet regulatory requirements.

IBM® Envizi™ ESG Suite

IBM OpenPages® platform | IBM Planning Analytics

Energy transition and climate resilience

Support electrification with grid efficiency and modernization of energy infrastructure to expedite transition to renewables and build resilience to climate impacts.

IBM Environmental Intelligence
IBM Maximo®

Intelligent assets, facilities and infrastructure

Build more efficient physical operations to increase productivity, advance decarbonization and reduce cost, waste and emissions.

IBM Maximo®
IBM TRIRIGA®

Responsible computing and green IT

Optimize infrastructure and computing with AI at the core to enable more efficient, less energy-intensive IT and drive social impact.

Apptio
IBM Turbonomic®
IBM z16™ mainframes
IBM LinuxONE
IBM Power® servers
IBM Storage
IBM Cloud®

Sustainable supply chains and circularity

Design and manage intelligent workflows for transparent and trusted supply chains to enable just transition, circularity and Scope 3 emissions management.

IBM Sterling® Order Management
IBM Engineering Lifecycle Management: DOORS Next
IBM Envizi Scope 3 Supply Chain Intelligence

IBM Technology

Scale and accelerate impact with hybrid cloud and the IBM watsonx™ platform.

IBM Consulting®

Embed strategy, experience, technology, thought leadership and provision of managed services.

IBM Research®

Explore AI and climate research and accelerated sustainable materials discovery.

Ecosystem partners

Collaborate with a diverse network of strategy, technology and services partners.

Itzik Woda

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