

# Manufacturer Climate Action Program

## Frequently Asked Questions

November 2023

### **1. General Information**

#### **1.1 What is the Manufacturers Climate Action Program?**

The Manufacturers Climate Action Program (MCAP) is a program managed by the Sustainable Apparel Coalition (SAC) that aims to accelerate the adoption of science-based climate change targets and a reduction of greenhouse gas (GHG) emissions by apparel, footwear, and textile manufacturers. MCAP includes criteria, tools, and guidance to support manufacturers to set targets, take action, and report on progress. MCAP is only available to manufacturers.

MCAP is based on a program developed by World Resources Institute (WRI) and Nike to support Nike manufacturing partners to set targets, manage climate risk, and report on progress. The WRI / Nike program was based on and adhered to the criteria and requirements of the Science Based Targets Initiative (SBTi) as well as the Greenhouse Gas Protocol.

#### **1.2 What is required under MCAP?**

Under MCAP, manufacturers must:

1. Commit to and set a science-aligned target
2. Disclose their GHG emissions on an annual basis

We use the terminology “science-aligned target” (SAT) to distinguish what is required under MCAP versus under the SBTi. The primary difference is that SATs under MCAP do not include scope 3 emissions (see below for further explanation). The criteria and requirements are generally the same across MCAP and the SBTi, with minor differences noted below.

As part of MCAP, the SAC has made available resources and tools for manufacturers to 1) evaluate climate risk and 2) develop corporate decarbonization plans. These are optional elements under MCAP, and the SAC will provide minimal support in these areas.

This document covers frequently asked questions for the required elements of MCAP (setting SATs and disclosing progress).

### **1.3 Who is eligible to submit targets under MCAP?**

Any apparel, footwear, and material manufacturer may submit targets under MCAP, including manufacturers which are not SAC members. Targets must be submitted at the group or parent company level, and not for individual factories or subsidiaries (more on this below).

Brands and retailers interested in setting climate change targets should go through the SBTi. Brands and retailers are encouraged to nominate their manufacturers to participate in MCAP.

### **1.4 Are there any prerequisites for joining MCAP?**

There are no prerequisites for joining MCAP. Companies will have to develop GHG inventories, and so expertise in GHG accounting or access to external resources (e.g., consultants with GHG expertise) will be beneficial.

### **1.5 What are the benefits of participating in MCAP?**

MCAP provides a structured approach to support manufacturers in setting SATs. MCAP helps manufacturers:

- Realize shared vision on decarbonization
- Align carbon strategies and actions
- Increase innovation
- Improve competitiveness
- Enhance operational resiliency
- Increase investor confidence
- Satisfy stakeholder expectations

### **1.6 Does MCAP allow manufacturers to meet the SAC membership requirement for science-based targets?**

Yes - setting an SAT through MCAP allows manufacturers to meet the SAC membership requirement. Manufacturers can also go through the SBTi to set targets, though this would require a scope 3 component. As mentioned above, brands cannot go through the MCAP platform.

### **1.7 When can manufacturers join MCAP?**

MCAP kicks off in Q1 2024, and members can join at any point from then.

### **1.8 What does it cost to participate in MCAP?**

The cost to participate in MCAP is \$7,600 per manufacturing company. This covers the fees from the third-party validators and expenses from the SAC for providing training and managing the program overall.

### **1.9 Payment method**

Once the manufacturer signs up their interest form, SAC will confirm the manufacturer's participation and send an invoice to the manufacturer to pay through wire transfer before the program kick off date. Brands can nominate and sponsor their manufacturers on full program cost or split the participating cost with their nominating manufacturer, please contact SAC to assist the invoice and payment process. SAC is exploring other options in the short to medium term to secure funding to sustain this program.

## **2. Setting a Science-Aligned Target through MCAP**

### **2.1 What are the criteria and requirements for setting an SAT under MCAP?**

The criteria and requirements of MCAP are derived from those of the SBTi, and so they are generally the same. The main distinction is that MCAP does not include a scope 3 requirement. MCAP criteria and requirements can be found [here](#).

### **2.2 Why are scope 3 emissions not required under MCAP?**

For brands, scope 3 emissions - particularly Purchased Goods & Services (PG&S) - are the vast majority of emissions, and these PG&S emissions are the scope 1 and 2 emissions of suppliers (e.g., finished goods manufacturers, material vendors). In general, manufacturers have less influence over upstream sources of emissions compared to brands, for example brands make design choices (e.g., type of material). Given this relatively low degree of influence that manufacturers have upstream, MCAP aims to focus manufacturer attention on the areas that are more directly within their control. Ultimately, if manufacturers measure and reduce their scope 1 and 2 emissions, this will contribute to a reduction of scope 3 emissions of brands.

We expect brands and manufacturers to work together to identify emissions reduction opportunities in scope 1 and 2 for manufacturers (and PG&S for brands).

### **2.3. At what level of the organization are science-aligned targets set?**

Companies submitting targets to MCAP must do so at the parent- or group-level, not at the subsidiary or individual factory level. Parent companies must include the emissions of all subsidiaries in their target submission.

In a case where an apparel, footwear, or textile manufacturing organization is a subsidiary of a conglomerate company with commercial interests outside of the apparel, footwear, or textile sector (e.g., the conglomerate is active in financial services, chemicals, or other sectors), it is acceptable for the apparel, footwear, or textile subsidiary to submit to MCAP on its own. In such a scenario, we encourage the conglomerate company (the parent) to submit to the SBTi.

Companies submitting to MCAP should adhere to the rules of the Greenhouse Gas Protocol in measuring scope 1 and 2 emissions. For example, such emissions for manufacturers will include production-related

emissions (e.g., from onsite fuel use) as well as non-production related emissions (e.g., electricity for company offices).

#### **2.4. What are the target and baseline years for setting targets through MCAP?**

For MCAP, the recommended target year is 2030, and the recommended base year is 2019 or later.

This differs slightly from the SBTi, which allows companies to set near-term targets 5 to 10 years out from the base year, and allows for more flexibility in the base year (no earlier than 2015). We have chosen 2030 as the target year for MCAP as this is the target date for many brands and industry efforts (e.g., UN Fashion Industry Charter), and it is within the 5 to 10 year range of the SBTi. For the base year, 2019 or forward is likely to be more representative of a company's operations.

#### **2.5. What level of GHG reductions are required in MCAP targets?**

Following the SBTi criteria and requirements, companies setting targets under MCAP targets must commit to reducing scope 1 and 2 emissions a minimum of 4.2% per year on an absolute basis. To illustrate, if the base year is 2020 and the target year is 2030, the total reduction would need to be at least 42%. This is consistent with what scientists say is needed to keep global average temperature increase to no more than 1.5°C.

Intensity targets (i.e., reductions expressed relative to production or economic value) are not allowed. MCAP participants must submit absolute reduction targets.

Companies must set targets for combined scope 1 and 2 emissions - not for each scope individually.

#### **2.6. How does a manufacturer account for future growth or any organizational changes when setting targets through MCAP?**

MCAP adheres to the rules of the Greenhouse Gas Protocol with respect to developing and revising GHG inventories. According to the [Greenhouse Gas Protocol Corporate Standard](#), there are several structural changes which could have a significant impact on base year emissions:

- Mergers, acquisitions, and divestments
- Outsourcing and insourcing of emitting activities
- Changes in calculation methodology or improvements in the accuracy of emission factors or activity data that result in a significant impact on the base year emissions data
- Discovery of significant errors, or a number of cumulative errors, that are collectively significant

If any of these occur, an MCAP company may need to revise its GHG inventory and target.

Revenue growth from organic sources (e.g., increasing production) is not an acceptable reason for revising inventories or targets.

#### **2.7 What is the process for committing to MCAP and setting an SAT?**

The process for setting a target through MCAP follows the same process as the SBTi:

1. **Commit:** Manufacturers first complete the MCAP target commitment letter, which can be found [here](#). Once they complete this letter, the SAC will provide high-level training (via a webinar) on the MCAP process, GHG accounting, and target setting. Upon committing, the company will be listed on the MCAP website as a “committed.”
2. **Develop:** From the commitment date, manufacturers have 12 months to develop and submit their targets for approval. Note that this is less time than the SBTi, which provides a 24 month period. The time period is shorter due to the SAC member requirement to have a science based / aligned target and because scope 3 is not included. The SAC has prepared several resources and tools to support manufacturers in developing their targets, including the criteria and recommendations document. These resources and tools can be found on the MCAP website.
3. **Submit:** Companies must use the MCAP target submission form to submit their target. They can use the target setting Excel tool from the SBTi to help model their SAT, but this is optional. Once targets are submitted, the SAC will acknowledge receipt, and then initiate target validation with one of the approved third-party validators. It is likely that the validator will have questions of clarification on the target, and so there may be email correspondence to clarify questions. The SAC aims for the validation process - from target submission to a decision on target approval - to take no more than two months.
4. **Communicate:** When a manufacturer's SAT is approved, the SAC will inform the manufacturer by email, and the SAC will change the status of the company from “committed” to “approved” on the MCAP website. The SAC will not announce the approval of each individual target, but it will communicate progress on the MCAP webpage on a quarterly basis.

## **2.8 Who are the approved third-party validators?**

The SAC has contracted with four external firms to serve as validators for MCAP targets:

- Bureau Veritas
- Leadership and Sustainability
- SGS
- TÜV SÜD

Each of these firms has been selected based on their expertise on MCAP-related topics, including GHG inventory development and target evaluation. Each MCAP target will be reviewed by one of the four. The SAC will play an oversight role to ensure consistency across the MCAP validations.

## **3. Monitoring and Reporting Progress**

### **3.1. How will manufacturers monitor and report progress for MCAP?**

In the process of developing their targets under MCAP, manufacturers will develop an inventory of scope 1 and 2 GHG emissions for their chosen base year. This data will be shared with MCAP through the target submission form.

In subsequent years after the target approval, MCAP members must publicly report their scope 1 and 2 emissions so that their progress can be observed. It is recommended that MCAP members disclose their annual progress via CDP, and they can also do so via their websites, sustainability reports, or other public mediums.

The [SBTi Corporate Manual](#) has additional guidance on disclosure.

## **4 Other topics**

### **4.1 What support will the SAC provide to manufacturers through MCAP?**

The SAC has prepared a MCAP website where manufacturers will find MCAP-specific resources including the criteria and requirements and target submission form. When manufacturers commit to MCAP, the SAC will provide high-level training on the MCAP process, GHG accounting, and target setting. The SAC and the third-party validators will answer questions as manufacturers begin to develop their inventories and targets. SAC will also dedicate 10 hours of online and offline advisory support per year to manufacturers who would like to ask us related questions.

### **4.2. How is MCAP related to the Carbon Leadership Program from Apparel Impact Institute?**

MCAP is a program managed by the SAC that requires scope 1 and 2 targets to be set at the group or parent company level (see above). MCAP does not require companies to develop plans to reduce GHG emissions. MCAP meets the SAC membership requirement for a science based / aligned target.

Manufacturer Climate Action Program (MCAP) and Apparel Impact Institute Aii's Carbon Leadership Program (CLP) are different distinct programs that coexist to complement each other to support a holistic manufacturers' carbon reduction journey. The CLP is focused on the individual factory level, not parent company level, and seeks to develop a standardized approach to set carbon targets and develop required action plans at the factory level for Scope 1 and 2. Manufacturers can consider to use the CLP in their efforts to measure and reduce GHG emissions, but they may use other means as well. We recommended manufacturers to participate in Step 3 of MCAP aims to drive site level decarbonization plans, actions and improvement, hence delivering necessary carbon reduction to achieve the target.