Emissions Reduction

Reducing Value Chain Emissions by Enabling Supplier Action

SALESFORCE SUSTAINABILITY, 2021

Executive Summary

At Salesforce, we aim to be a leader in accelerating climate action. Since the majority of our own emissions come from our supply chain, mobilizing supplier action is a critical part of our Net Zero strategy.

We set ambitious climate-related expectations for suppliers and ensure accountability by including these expectations in our business agreements. We leverage our purchasing power to drive action by factoring suppliers' climate strategies and collaboration into our procurement decisions.

As a central part of our strategy, we provide our suppliers with tools and support that will enable them to take practical steps toward decarbonization. We're also excited to play an active role in enabling supply chain decarbonization more broadly through our Net Zero Cloud (formerly Sustainability Cloud) technology.

Accelerating supply chain climate action will take all of us working together. Partner with your procurement team to build sustainability into purchasing decisions. Get to know your suppliers, set bold supply chain decarbonization goals, and work with your suppliers to achieve them. If we're going to collectively reduce emissions at the pace that science demands, decarbonizing our supply chains must be front and center in corporate climate action plans.

At Salesforce, we're driving towards a 1.5°C future by focusing on these six sustainability priorities. Learn more about our Climate Action Plan and how you can accelerate your own journey to Net Zero.

EMISSIONS REDUCTION

CARBON REMOVAL

TRILLION TREES & ECOSYSTEM RESTORATION

EDUCATION & MOBILIZATION

INNOVATION

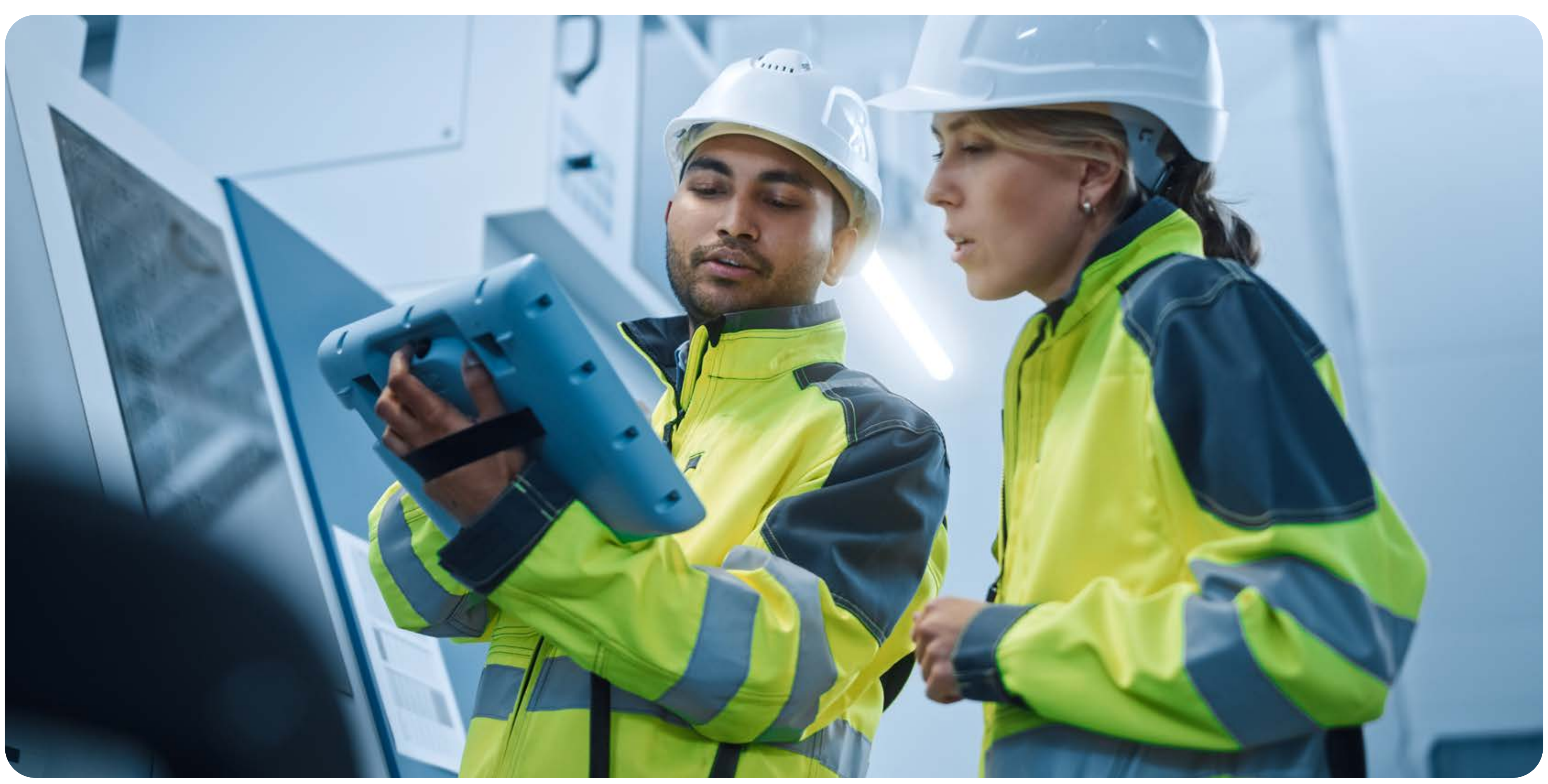
REGULATION & POLICY

Enabling Suppliers to Act on Climate Change

Companies are no longer being judged only by what happens within their direct control. Stakeholders increasingly want to know about indirect impacts as well and many want to see clear goals and a pathway for improvement that includes near-term action. Managing supply chain impacts is critical to managing one's own reputation and resilience, and with upstream value chain emissions making up 92% of companies' total emissions footprint on average, it's the largest opportunity many companies have to decarbonize.

A company's purchasing power can be an incredible motivator, and it's critical that businesses leverage this powerful force for change.

The world needs more companies to offer zero-carbon products and compete based on their sustainable practices. So speak up and use your customer voice! Tell your suppliers that you will prioritize working with companies that are taking bold action on climate change, then show them that you're serious. You might just catalyze change across a whole organization - and maybe even across their supply chain as well.



Our Approach

If you ask any of our suppliers, "which of your customers is most engaged with you on climate action?" we want every one of them to say, "Salesforce." We want to do business with companies that share our values and are ready to work with us to drive meaningful climate action at scale.

Because the majority of our emissions come from activities outside of our direct control – 76% in FY21[1] – decarbonizing the full impacts of our business requires us to work with our suppliers to accelerate their own climate journeys. We need to enable suppliers to take ambitious climate action quickly.

This is our approach to supplier enablement for climate action:

1

Ambitious Expectations.

We communicate clear, transparent, and ambitious expectations to our suppliers and regularly check in on progress.

2

Procurement Integration.

We embed climate action into our procurement strategy and processes to use our purchasing power to motivate suppliers.

3

Tools and Engagement.

We implement scalable, adaptable engagement strategies and provide tools that accelerate suppliers' decarbonization efforts, wherever they may be on their own sustainability journey.

[1] Measured using the location-based methodology. Using the market-based methodology, our Scope 3 emissions account for 92% of total emissions (FY21 Stakeholder Impact Report).

1 Ambitious Expectations

In 2019, Salesforce made a commitment that suppliers representing 60% of our upstream value chain GHG emissions will set science-based targets (SBTs) by 2024. We expect all of our suppliers to strive toward setting and achieving SBTs. Climate action isn't a one-size-fits-all proposition, and SBTs provide a well-recognized global framework for each company to chart their own path toward the same goal. By setting an expectation that our suppliers set SBTs, we're starting a dialogue about what it means to set an emissions reduction goal. For some, this sets them on a new path to climate action. For those who are already climate leaders, it creates opportunities to collaborate and move even faster, together.

What is a SBT?

Science-based targets, or SBTs, are corporate climate goals to reduce GHG emissions in line with what the latest science tells us is needed to limit global warming to 1.5° Celsius.

In 2021, we integrated our full set of sustainability expectations, including our requirement that suppliers develop SBTs, directly into supplier agreements through our Sustainability Exhibit. In our Sustainability Exhibit we also ask suppliers to deliver carbon neutral products and services, implement continuous improvement plans for sustainability, and measure and report their greenhouse gas emissions. We offer flexibility in how these expectations are met since we know successful decarbonization strategies will look different depending on each company's size, sector, and the maturity of its sustainability strategy.

> **"We are asking suppliers to join us on this journey to protect our planet and prioritize sustainability by committing to the principles laid out in our Sustainability Exhibit, including setting science-based targets to reduce greenhouse gas emissions.**
>
> **Craig Cuffie,** EVP & Chief Procurement Officer, Salesforce

In order to provide clear information about our expectations, we've made our Sustainability for Salesforce Suppliers guide publicly available on Trailhead, Salesforce's free online learning platform. Any company interested in doing business with us can access a comprehensive overview of our expectations and a better understanding of the Exhibit, as well as a detailed explanation of how we embed sustainability throughout our procurement processes.

2 Procurement Integration

Climate strategy is a key consideration in our supplier selection and performance assessment frameworks. For example, when choosing furniture vendors for our offices we scored proposals based on required information such as Environmental Product Declarations and full lifecycle assessments. Sustainability questions are standard in Salesforce requests for proposals. When scoring suppliers during strategic business reviews, we weigh sustainability metrics equally alongside traditional business measures such as cost, timeliness, and quality. We know sustainability is a journey, and some companies are just starting to develop their climate strategies. So we consider collaboration and effort as well as progress against our expectations.

Including climate-related terms in business contracts is another powerful procurement lever.

To be impactful, there must be consequences for non-compliance. That's why the Salesforce Sustainability Exhibit includes a climate-positive "exclusive remedies" provision. If a supplier fails to meet the terms of their Exhibit, the remedy is a "climate remediation fee" paid to fund projects that support ecosystem conservation and restoration or clean energy projects.

We want other companies to make climate action contractual as well. Our Sustainability Exhibit is publicly available, along with tips for introducing such terms into contracts. We hope others will use these resources to develop language that builds climate action into their own procurement contracts.

Activating the Procurement Organization

Salesforce's sustainability strategy is fundamentally about embedding best practices throughout the organization. Supply chain sustainability engagement is no different - we have embedded this work in the procurement organization.

For example, when we added the Sustainability Exhibit to our standard agreement templates, our legal team held training sessions and prepared a reference playbook to enable our procurement partners to understand, communicate, and negotiate the Exhibit. Our procurement partners influence who we spend our money with, negotiate the terms of our agreements and understand where we have leverage. Their deep knowledge of our suppliers is essential to strategizing engagements that land at the right time with the right approach.

Empowering these procurement partners to implement sustainability initiatives is key to scalability. We've made sustainability a seamless part of our day-to-day purchasing processes and supplier relationships, thereby building an agile and resilient program that can reach our full supplier base.

3 Tools & Engagement

Enabling our suppliers' success starts with using our customer voice to let our suppliers know that sustainability is essential to doing business with Salesforce. When our suppliers can say, "our customers are demanding climate action," it can be easier for them to get internal buy-in to set SBTs and other ambitious climate goals.

However, having the motivation to act is very different from knowing what to do. So at Salesforce we know we need to go further to ensure that our suppliers are successful in both setting SBTs and in achieving them. We can provide our suppliers with practical tools and resources that will help them reach critical milestones such as baselining their GHG emissions and understanding their own supply chain emissions.

Since every supplier is at a different point in their climate journey, this is how we strategize our engagements to make sure we meet suppliers with the right solutions for where they are today:

High Reduction Potential = High Engagement.

We identify suppliers with the biggest potential emissions reduction impact and prioritize "hands-on" engagements with them. To do this, we estimate our value chain emissions from each supplier using spend and economic-based emissions factors and then map potential impact based on public information like corporate sustainability reports and participation in climate initiatives, as well as business factors like industry and size.

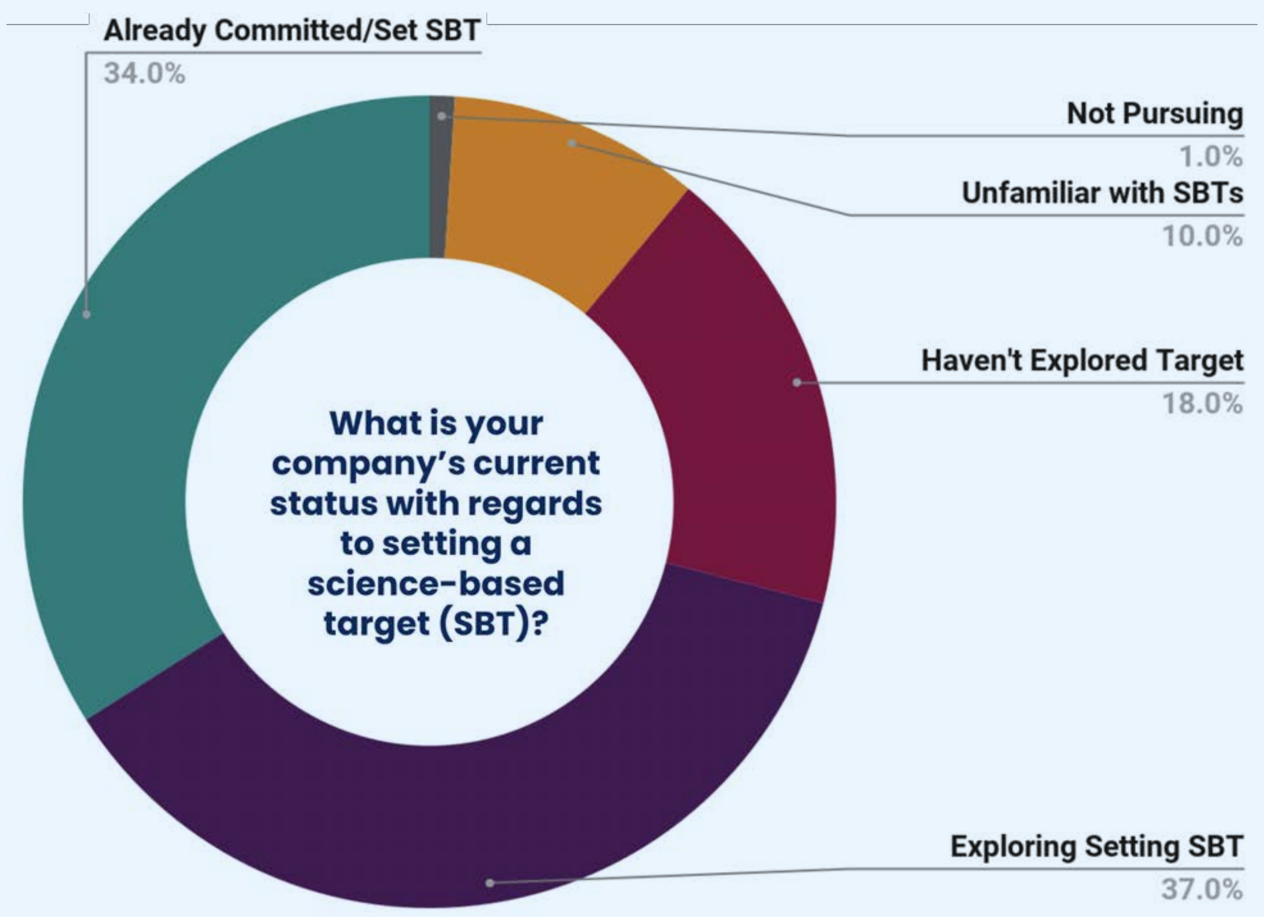
Scalable Solutions for Common Challenges.

We get to know our suppliers to develop "one-to-many" approaches that solve common challenges. For example, in 2020 we surveyed our strategic suppliers to gather direct input on their progress and understand their most significant sustainability challenges. We also integrate what we learn during one-on-one supplier conversations and during touchpoints such as business reviews.

In September 2020, Salesforce surveyed our strategic suppliers to understand their progress, intentions, and challenges related to SBTs. We got feedback from more than 100 suppliers. These results stand out:

Progress & Intentions

- SBTs are widely recognized. Over 90% of suppliers were familiar with SBTs, and 37% reported that they were already exploring setting SBTs.
- Companies understand the value of SBTs. Of the suppliers who were familiar with SBTs but had not yet explored setting one themselves, 75% said they're interested in looking into what setting an SBT would mean for them. 50% of these companies had already set a climate target that was not science-based.
- GHG measurement is a barrier for some. Only 15% of suppliers who were unfamiliar with or not yet exploring SBTs had measured their GHG emissions. This is a notable gap, since a company must have completed GHG measurement in order to set an SBT.



Challenges

We also asked suppliers to tell us what they see as the biggest challenges to setting an SBT. Suppliers responded quite differently depending where they were in the process.

- Among suppliers who had already set targets, supply chain emissions were top of mind. 60% considered "insufficient understanding of or control over their supply chain to tackle Scope 3 emissions" to be the biggest barrier to target setting. Only 30% of suppliers who had yet to set an SBT named this as one of their biggest challenges.
- For the group without a target a "lack of internal resources to effectively manage and drive the process for setting an SBT" was the leading challenge, cited by 41% of suppliers. Additionally, 30% cited a "lack of technology and tools to help them manage data to set and/or achieve a target."

The Power of Partnership

We will continue to develop our enablement tools and initiatives in partnership with our suppliers and peers, while playing an active role in industry collaborations to leverage what's already been built and move the conversation forward.

Some of the groups we're a part of include Sustainable Purchasing Leadership Council, Clean Energy Buyer's Alliance, Sustainable Aviation Buyers Alliance, Business Alliance to Scale Climate Solutions, and Corporate Colocation and Cloud Buyer's Principles. We are also proud to be a founding member of the recently launched First Movers Coalition, which will serve as another channel to accelerate supply chain climate action, together.

We bring together our customers and suppliers to share their experiences and lessons learned with others. For example, we hosted a webinar series, which included conversations with Walmart and Andersen Corporation on the role of supply chain data in climate action and with Interface, one of our first suppliers to sign the Sustainability Exhibit, on driving supply chain sustainability with impactful sourcing practices.

> **The First Movers Coalition, announced at COP26, brings together global businesses with carbon intensive supply chains to develop corporate purchasing commitments that foster solutions within their supply chains to achieve Net Zero emissions by 2050.**

Measuring Supplier-Enabled Decarbonization

We know our supplier enablement work will have a big impact on our value chain emissions, but forecasting exactly what those reductions will look like is challenging. A lot of the decision-making that will lead to these reductions is outside of our direct control, and the availability of supplier data is often limited.

That said, we expect the collective impact of our suppliers setting and achieving SBTs, purchasing renewable energy, and compensating for their remaining emissions will be significant. We estimate that by 2030, these efforts will lead to a [90% reduction in supplier emissions](#) relative to business as usual (see Figure 1). Over time, we'll continue to refine our methodology and share what we learn about calculating and forecasting supplier emissions.

Even with deep decarbonization throughout our supply chain, some supplier emissions will remain. We'll continue to compensate for these emissions by purchasing carbon credits[2], always working to minimize the number of carbon credits required to maintain Net Zero emissions by prioritizing absolute emissions reductions first.

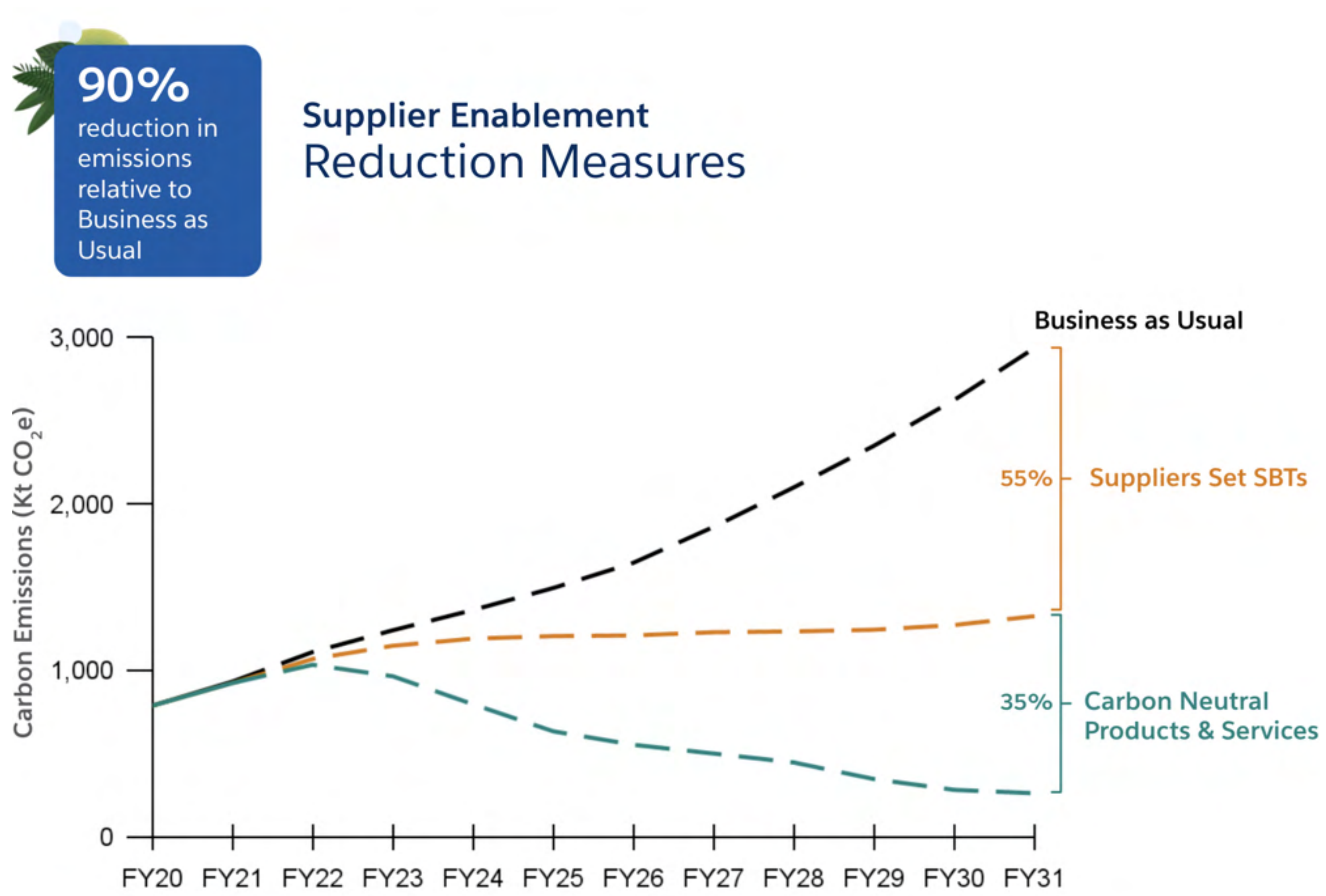
We know that we are not alone in facing these data and transparency challenges. Global supply chains are complex and visibility into first-tier suppliers, much less the nth tier, is often limited.

Our superpower at Salesforce is bringing companies and customers together, and we're excited about the technology we can bring to bear in solving this problem.

[Our Scope 3 Hub](#) supports value chain emissions accounting, and [Net Zero Cloud](#) (formerly Sustainability Cloud) with Slack integration will help companies better communicate and collaborate with their suppliers. We will continue to focus on leveraging the full power of Salesforce to improve the state of GHG accounting and to open communication and data-sharing channels between suppliers and customers.

In the spirit of increasing data collaboration between companies, we're also committed to sharing allocated emissions data with our own customers. We provide them with a clear and comprehensive view of the GHG emissions attributed to the products and services delivered to them by Salesforce. By setting this example and sharing trusted and actionable Salesforce-related emissions data, we urge our customers to develop and track their own climate targets and increase transparency within their own supply chains.

Figure 1: Supplier Enablement Reduction Measures



Business as Usual: Based on projected spend
Suppliers Set SBTs: 60% of suppliers by emissions set science-based targets by FY25
Carbon Neutral Products & Services: Significant proportion of suppliers deliver carbon neutral products and services

[2] We follow a robust due diligence process to vet carbon credits before we procure them. For every potential carbon credit purchase, we apply a set of detailed criteria that are based on global best practices. We also work with qualified independent consultants and expert brokers to help guide us.

Here's What You Can Do

Here are some ways to enable climate action throughout your supply chain:

1. **Partner with your procurement team.** Educate them about the critical need for bold commitments, get their buy-in, and inspire them to be true agents for climate action as they embed sustainability into their purchasing decisions.

2. **Get to know your suppliers.** Start by engaging directly with suppliers that have a big potential for emissions reductions and provide tools and resources (feel free to share ours - they're all open source!) that help suppliers overcome common challenges. Work together to increase transparency and data sharing.

3. **Set bold expectations** for your suppliers. Encourage your suppliers to set SBTs that put them on a path toward Net Zero.

4. **Share what you learn** and play an active role in figuring out how we can accelerate supply chain climate action, together.

It's Time to Act

The world is in a climate crisis. To avoid its worst impacts, we must act boldly. Every company must use their purchasing power and customer voice to rapidly carbonize their value chain and accelerate our collective journey to Net Zero.

[Learn more about Salesforce's Climate Action Plan]

Safe Harbor Statement

"Safe harbor" statement under the Private Securities Litigation Reform Act of 1995: This report contains forward-looking statements about the company's financial and operating results, which may include expected GAAP and non-GAAP financial and other operating and non-operating results, including revenue, net income, earnings per share, operating cash flow growth, operating margin, expected revenue growth, expected current remaining performance obligation growth, expected tax rates, stock-based compensation expenses, amortization of purchased intangibles, shares outstanding, market growth, environmental, social and governance goals, expected capital allocation, including mergers and acquisitions, capital expenditures and other investments, expectations regarding closing contemplated acquisitions and contributions from acquired companies. The achievement or success of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, the company's results could differ materially from the results expressed or implied by the forward-looking statements it makes.

The risks and uncertainties referred to above include – but are not limited to – risks associated with the impact of, and actions we may take in response to, the COVID-19 pandemic, related public health measures and resulting economic downturn and market volatility; our ability to maintain security levels and service performance meeting the expectations of our customers, and the resources and costs required to avoid unanticipated downtime and prevent, detect and remediate performance degradation and security breaches; the expenses associated with our "first-party" data centers and third-party cloud infrastructure providers; our ability to secure additional data center capacity; our reliance on first and third-party hardware, software and platform providers where we do not directly own the infrastructure; the effect of evolving domestic and foreign government regulations, including those related to the provision of services on the Internet, those related to accessing the Internet, and those addressing data privacy, cross-border data transfers and import and export controls; current and potential litigation involving us or our industry, including litigation involving acquired entities such as Tableau, and the resolution or settlement thereof; regulatory developments and regulatory investigations involving us or affecting our industry; our ability to successfully introduce new services and product features, including any efforts to expand our services; the success of our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; our ability to complete, on a timely basis or at all, announced transactions, including our proposed acquisition of Slack Technologies, Inc.; our ability to realize the benefits from acquisitions, strategic partnerships, joint ventures and investments; our ability to successfully integrate acquired businesses and technologies; our ability to compete in the market in which we participate; the success of our business strategy and our plan to build our business, including our strategy to be a leading provider of enterprise cloud computing applications and platforms; our ability to execute our business plans; our ability to continue to grow unearned revenue and remaining performance obligation; the pace of change and innovation in enterprise cloud computing services; the seasonal nature of our sales cycles; our ability to limit customer attrition and costs related to those efforts; the success of our international expansion strategy; the demands on our personnel and infrastructure resulting from significant growth in our customer base and operations, including as a result of acquisitions; our ability to preserve our workplace culture, including as a result of our decisions regarding our current and future office environments or work-from-home policies; our dependency on the development and maintenance of the infrastructure of the Internet; our real estate and office facilities strategy and related costs and uncertainties; fluctuations in, and our ability to predict, our operating results and cash flows; the variability in our results arising from the accounting for term license revenue products; the performance and fair value of our investments in complementary businesses through our strategic investment portfolio; the impact of future gains or losses from our strategic investment portfolio including gains or losses from overall market conditions that may affect the publicly traded companies within our strategic investment portfolio; our ability to protect our intellectual property rights; our ability to develop our brands; the impact of foreign currency exchange rate and interest rate fluctuations on our results; the valuation of our deferred tax assets and the release of related valuation allowances; the potential availability of additional tax assets in the future; the impact of new accounting pronouncements and tax laws; uncertainties affecting our ability to estimate our tax rate; uncertainties regarding our tax obligations in connection with potential jurisdictional transfers of intellectual property, including the tax rate, the timing of the transfer and the value of such transferred intellectual property; uncertainties regarding the effect of general economic and market conditions; the impact of geopolitical events; uncertainties regarding the impact of expensing stock options and other equity awards; the sufficiency of our capital resources; risks related to the availability and funding of our bridge loan facility and term loan associated with our proposed acquisition of Slack Technologies, Inc. and other indebtedness; our ability to comply with our debt covenants and lease obligations; and the impact of climate change, natural disasters and actual or threatened public health emergencies, including the ongoing COVID-19 pandemic.

Further information on these and other factors that could affect the company's financial results is included in the reports on Forms 10-K, 10-Q and 8-K and in other filings it makes with the Securities and Exchange Commission from time to time. These documents are available on the SEC Filings section of the Investor Information section of the company's website at www.salesforce.com/investor.

Salesforce.com, inc. assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

Let’s get to Net Zero faster, together.

Start your journey at salesforce.com/sustainability.