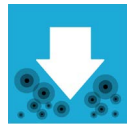




SUPPLIER ACTION GUIDE



**How to halve emissions
in your supply chain
by working with your suppliers**

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INTRODUCTION

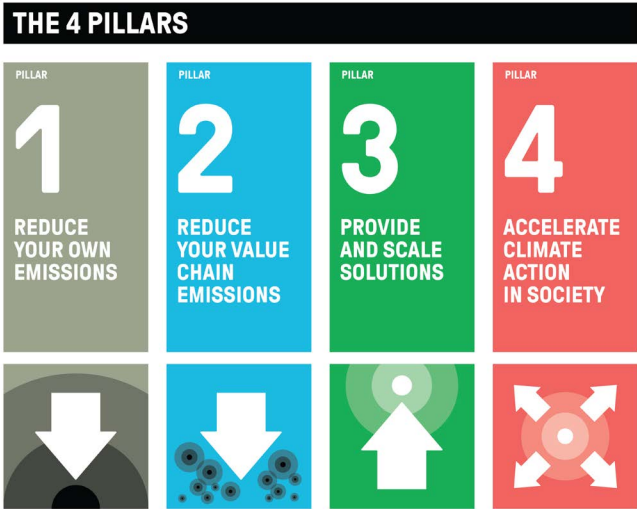
To limit global warming to 1.5°C, we must cut global greenhouse gas emissions in half by 2030 and achieve net zero emissions no later than 2050. At the same time, we need to remove some of the carbon dioxide already in the atmosphere (IPCC, 2021).

Companies that act swiftly can gain a significant competitive edge and boost their resilience, helping them comply with upcoming climate regulations.

A significant part of many companies greenhouse gas emissions — often more than 90% — come from their supply chains (when considering total climate impact)¹. Reducing supply

chain emissions is therefore one of the most effective strategies to reduce total emissions. By working with your suppliers we can accelerate change to the exponential rate that we need.

This guide offers practical advice and tools to help ensure your key strategic suppliers help you achieve your net zero goal, in line with the latest climate science from the UN’s Intergovernmental Panel on Climate Change (IPCC). It specifically supports the second pillar of the [1.5°C Business Playbook](#) - reducing your value chain emissions.



ABOUT THIS GUIDE

This guide offers a framework for any company looking to work with suppliers to set and reach climate goals in line with limiting global temperature rise to 1.5°C. Suppliers can then cascade this approach across their own supply chains. This guide aligns with the 1.5°C Business Playbook, suggesting a simplified structure for supplier

engagement on climate and aligning buyer requirements. It also provides a set of best practices and frameworks.

This guide is a spin-off from the [Supplier Engagement Guide](#), developed by the Exponential Roadmap Initiative, BSR, Telia and Ericsson.

Halving by 2030: According to the Carbon Law (Rockström, 2017), we need to halve emissions every decade until 2050 to limit global temperature rise to a maximum of 1.5°C. The first halving must be achieved by 2030. The UN's Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5°C (IPCC, 2018) equally highlighted that global emissions have to roughly halve by 2030 from 2010 levels and reach net zero by 2050 to achieve 1.5°C pathways.

Net Zero: A state reached by an organisation that has reduced its value chain emissions (Scope 1, Scope 2 and Scope 3 emissions) following a 1.5°C-aligned pathway, with any remaining residual greenhouse gas emissions being fully neutralised by permanent or like-for-like removals exclusively claimed by that organisation². The term "residual" refers to emissions that remain technically unfeasible to be eliminated. Such residual emissions should not exceed 10% of baseline emissions³.

FREQUENTLY ASKED QUESTIONS

How is this guide connected to our company's overall climate goals?

This guide is based on the assumption that your company already has a climate goal in line with limiting global temperature rise to 1.5°C. Setting supplier targets, as this guide suggests, is just one of many ways to reduce emissions while meeting your supply chain needs. Other strategies might include improving product or service design, encouraging the use of renewable energy in your supply chain or modifying business models. However, supplier targets are a crucial step towards inspiring action among your suppliers.

Can all suppliers and supply chains use the suggested activities?

Every supply chain is unique, so companies should choose the actions from this guide that best suit their situation. Individual suppliers will face

different challenges and opportunities, depending on their sector, geographical coverage, and other factors. Some might need extra support or innovative solutions to achieve their 1.5°C target, while others might be ready to act faster and should be incentivised and supported to do so.

Which suppliers should companies work with to set climate targets and initiate action?

The IPCC's WG1 Sixth Assessment (IPCC, 2021) clearly warns that all companies need to align themselves with a goal of limiting climate change to 1.5°C, and to therefore halve their greenhouse gas emissions by 2030. This guide advises companies to encourage all of their suppliers to align with these goals, and to share resources among them wherever possible. However, a company may also choose to focus initially on working with a small group of suppliers that represent the majority of its supply chain emissions.

HOW TO USE THIS GUIDE

The primary audiences for this guide are company executives and employees who either work with suppliers or on reducing carbon emissions. This could include teams working on procurement, supply chain engagement, or sustainability. Depending on a company's internal priorities and the complexity of their supply chains, the focus of this work will vary.

While this guide offers a shared framework, each company should adjust it to suit their unique situation. However, they must remain focused on the target of halving greenhouse gas emissions by 2030, which is a key step towards achieving the global goal of net zero emissions by 2050.

FOUNDATION

MANAGEMENT COMMITMENT

Achieving the goal of halving supply chain emissions before 2030 requires clear management support from the start, as well as defined responsibilities. Several departments within an organization often need to be involved.

ACTIVITIES

- Explore where commitments need to be secured - on what levels and in which departments.
- Facilitate alignment on climate strategy with relevant departments, such as sourcing, indirect procurement, R&D, and finance.
- Assign clear responsibilities, identify potential actions, and clarify implications for each department or function.

SUPPLIER ENGAGEMENT TARGETS



Achieving the goal of halving supply chain emissions before 2030 requires clear management support from the start, as well as defined responsibilities. Several departments within an organization often need to be involved.

ACTIVITIES



- Set and announce a goal to halve the greenhouse gas emissions from your supply chain by 2030.
- Set a target date for suppliers to also make commitments to halve their emissions by 2030.
- Determine which suppliers to engage with directly for maximum impact.
- If you work with many small suppliers, direct them to public tools and resources like the [SME Climate Hub](#).
- Disclose your supplier targets publicly and report on progress at least once a year.
- Set short-term targets to easily track progress.

EXAMPLE TARGET METRICS



- X% or a specific number of suppliers have committed to and are taking action to halve their greenhouse gas emissions by 2030.
- Suppliers accounting for X% of the company's procurement spending have committed to and are taking action to halve their greenhouse gas emissions by 2030.
- Suppliers contributing to X% of the company's supply chain emissions have committed to and are taking action to halve their greenhouse gas emissions by 2030.
- Greenhouse gas emissions of suppliers will be reduced by X% by a given target year.
- X % of strategic suppliers have joined the UN Climate Change High-Level Champions' Race to Zero campaign and will report their progress to the [Science Based Targets initiative](#) (SBTi), [SME Climate Hub](#), [Exponential Roadmap Initiative](#) or another public platform that contributes to the UNFCCC Global Climate Action Portal.



Reducing supplier emissions by a specific percentage is a great target. However, obtaining high-quality emissions estimates for tracking progress may take some time. A simpler target, such as counting suppliers that have made a commitment and are taking action, may allow for swifter progress.



Trying to engage with all suppliers might be challenging. It is essential to prioritise where you can have the most impact. However, it is also important to communicate your climate ambition to all your suppliers, including SMEs, to contribute to the broader goal of net zero in society.



When implementing corporate decarbonization strategies, make sure to align your supplier requirements with existing industry standards and platforms, like the [GHG Protocol](#) and the [CDP](#).

SUPPLY CHAIN EMISSIONS MAPPING


Mapping your company's supply chain greenhouse gas emissions, identifying the main contributors, and pinpointing potential reduction areas will show where efforts to engage suppliers are likely to have the greatest impact.

ACTIVITIES

- Familiarise yourself with the stages of your supply chain, from the initial sourcing of raw materials to the delivery of products and services to you.
- Map your company's supply chain greenhouse gas emissions to the best of your ability. If possible, use primary data from your main suppliers and lifecycle assessments of products and materials.
- Carry out a greenhouse gas "hotspot" analysis to identify the largest emission sources.

Choose which suppliers to engage with first, using criteria such as:

SPEND WITH SUPPLIER	EMISSION FACTOR OF PRODUCT/SERVICE
MATURITY OF SUPPLIERS CLIMATE WORK	STRATEGIC PARTNERSHIP WITH SUPPLIER
RELATIONSHIP WITH SUPPLIER	GEOGRAPHICAL COVERAGE OF SUPPLIER



Obtaining high quality emissions data for supply chains can be challenging. Initial estimates are often enough to get started and help with prioritising. The accuracy of these estimates will improve as the work continues.

PROCUREMENT

SETTING CLEAR EXPECTATIONS

Communicating to your suppliers that you expect them to halve their emissions by 2030 will motivate them to set targets and take necessary action. This message will have more weight, and be easier to act upon, if it comes from your top management and is echoed by the procurement and sales teams.

ACTIVITIES

- Prepare a clear, easy-to-understand message about your expectations for both your team and your suppliers.
- Include support, information, and resources in your message to your suppliers. See the 'Support' section in this guide for more information.
- Acting in collaboration with buyers in other companies can send a unified message to suppliers, increasing the likelihood of action.

YOUR COMMUNICATION CAN TAKE MANY FORMS, FOR EXAMPLE

- An email sent from your company's leadership or procurement team.
- A press release or mention on your company's webpage.
- Including your expectations in your Supplier Code of Conduct.
- Joining relevant initiatives such as [1.5° Supply Chain Leaders](#) or [Sustainable Freight Buyers Alliance](#).
- Incorporating your expectations in supplier performance scorecards.

Here is an example letter that is aligned with science and best practices:

Dear Supplier,

Conducting business responsibly is fundamental to <insert company name>'s strategy and culture. If the planet continues to heat, the impacts on society will be catastrophic. Climate action on a global scale is needed now.

As a member of the [Race to Zero](#), led by the UN Climate Change High-Level Champions, <insert company name> is committing to keeping global warming lower than 1.5°C. To achieve this 1.5°C ambition, global greenhouse gas emissions must **halve by 2030, and reach net zero by 2050, all while protecting nature**. We need an urgent, collaborative and coordinated approach to generate the momentum required for significant global climate action, and we expect our suppliers to join us on this crucial journey.

We ask that you, as our supplier:

- Set a public target to halve your absolute emissions by 2030 and start taking action to reach that target.
- Disclose your progress publically every year.
- Share this letter and request with your suppliers, and communicate your climate commitment to your customers.

<optional: insert your company's climate ambitions or targets here, and mention benefits for your suppliers if they align, such as a higher score during supplier evaluation and gaining a competitive edge>

We'd like to express our gratitude to suppliers who are already committed to this cause, and look forward to mutual progress. This is a race we can only win together!

1 (2)

For further information on how to align with our 1.5°C ambition, please see:

- [1.5°C Business Playbook](#) – a free guide to align your organisation’s strategy and action with a sustainable future.
- [SBTi](#) (Science Based Targets initiative) – useful for setting 1.5°C aligned targets and calculating those targets. Often used by larger companies.
- [SME Climate Hub](#) – a one-stop-shop for small- and medium-sized companies looking to commit to and report on climate action, with free tools and guides for the different stages of the process.
- [Supplier Action Guide](#) – provides support on how to implement a 1.5°C ambition into your own supply chain.

We look forward to having you join us on the vital transformations we need to keep global warming below 1.5°C. Please get back to us by *<insert date>* with your plan on setting a 1.5°C aligned target, or a link to a public target already in place. Thank you for your commitment and valuable support.


Best regards,
<company representative's name and title>

PROCESS INTEGRATION


Integrating your expectations into procurement documents and processes will provide clear instructions for both your suppliers and your procurement team.

ACTIVITIES

- Include a requirement in key procurement documents for suppliers to halve their emissions by 2030 and report on their greenhouse gas emissions in line with recognised standards (like the GHG Protocol). These documents may include:
 - » New supplier contracts
 - » Supplier Code of Conduct
 - » Requests for Information (RFI) or Proposals (RFP)
 - » Supplier self-assessments
 - » Performance cards
- Integrate climate considerations into the processes and documents in your procurement portal.
- Include climate-related criteria when evaluating new suppliers and renewing contracts with current ones.
- Work with your procurement team to weave your climate target into ongoing conversations with suppliers.



Since both contracts and suppliers' awareness and readiness to deal with climate issues vary, integrating these processes might require some initial flexibility.



Consider the opportunities and costs of working with your current suppliers to improve their practices within current contracts versus signing new contracts or looking for new suppliers. You might need different strategies in different scenarios.

SAMPLE CODE OF CONDUCT ON CLIMATE:

Disclaimer: This is a general example that only reflects climate requirements for suppliers and doesn't cover all environmental expectations. Depending on your industry, you may need to add more specific climate-related requirements.

THE SUPPLIER IS REQUIRED TO ADDRESS ITS CLIMATE IMPACT IN A STRUCTURED MANNER, FOLLOWING THESE GUIDELINES:


- The supplier shall publicly commit to reduce its greenhouse gas emissions to align with the 1.5°C scenario presented by the IPCC's special report on global warming of 1.5°C (IPCC, 2018). This involves halving greenhouse gas emissions in the supplier's entire value chain every ten years.
- Within two years, the supplier shall set verified, science-based or similar targets for relevant Scope 1, 2 and 3 emissions, as described in the [GHG Protocol Corporate Standard](#).
- Further requirements on energy consumption and climate mitigation may be applicable.

INTERNAL ALIGNMENT

The procurement team plays a critical role in implementing your supplier strategy, and therefore in reaching your goal of halving supply chain greenhouse gas emissions by 2030. Because of this, your procurement team may need training to understand your company's strategy and their role in it. Offering suitable internal incentives tied to achieving climate goals can further strengthen internal support.

ACTIVITIES

- Identify the key employees who are central to achieving your supplier decarbonisation target.
- Educate selected procurement team members on your company's climate goals, the importance of halving supply chain emissions before 2030, and how procurement can help meet those goals.
- Consider relevant incentives linked to climate performance for procurement and sustainability teams. For example, you could integrate relevant climate KPIs into employee reviews and performance evaluations.



Think about incorporating your supplier climate targets and engagement efforts into your internal communications. These can increase awareness among a wider group of your employees, encouraging involvement and building momentum.



SUPPLIER ENGAGEMENT

SUPPLIER DIALOGUE

Having an open conversation with suppliers about climate helps to make your expectations clear and highlights the actions needed to cut emissions. It also builds trust between your organisations, and helps to identify collaboration opportunities and support needs.

ACTIVITIES

- Include climate performance in ongoing business conversations and regular reviews between procurement (or other relevant departments) and supplier representatives.
- Ensure suppliers understand the expectation to cut emissions by 50% before 2030.
- Ask suppliers about their existing emission reduction targets and assess whether they align with your climate goals. If not, ask for them to be revised.
- Review suppliers' transition plans to ensure they're relevant to and in line with their targets for emissions reductions.
- Understand any concerns suppliers may have, such as those around setting appropriate targets and on how to decrease their emissions.
- Regularly discuss climate performance with suppliers to track progress, provide examples of peer performance, and identify mutual needs and opportunities.




An open conversation with your key suppliers about your climate goals and the barriers and obstacles to achieving them, as well as how best to address those challenges together, may lead to better progress.

SUPPLIER SUPPORT



Helping suppliers with information, tools, and examples can accelerate their goal-setting process and help them to take action sooner.

ACTIVITIES

- Point suppliers towards publicly-available tools and guides. Below are some examples of tools that are freely available online.
 - » [1.5°C Business Playbook](#): Designed for companies and organisations of all sizes who want to take concrete action to limit climate change to 1.5°C.
 - » [GHG Protocol](#): Offers greenhouse gas accounting standards, guidance and tools.
 - » [Science Based Targets initiative](#) (SBTi): Provides target-setting methodologies and tools.
 - » [SME Climate Hub](#): Offers tools and resources specifically designed for small and medium-sized businesses.
- Provide ad-hoc support, where practical and realistic, such as:
 - » Hosting webinars or other gatherings for suppliers.
 - » Offering one-on-one or group support on specific topics of interest, such as quantifying emissions, or purchasing renewable energy.
- Help suppliers explore shared solutions, such as facilitating virtual PPAs (Power Purchase Agreements).



Consider sector-specific or geography-specific resources that could be relevant for supporting your suppliers, like resources on renewable energy.



If possible, offer financial support to suppliers, eg discounted loans, investments in renewable energy, electrification, or installing charging infrastructure.

SUPPLIER RECOGNITION

Well-designed incentive schemes can motivate suppliers that are still working on their decarbonisation journey, lack motivation, or simply don't have the necessary resources to start. Incentives and recognition can take various forms.

ACTIVITIES

Develop suitable ways to recognise good climate performance among your suppliers, and embed this recognition in procurement processes. Examples may include:

- Publicly acknowledging supplier climate performance, for example through your website or with peers.
- Offering preferential conditions, like improved payment terms, longer contracts tied to climate performance, or considering larger purchase orders.
- Making financial contributions to greenhouse gas reduction initiatives, like switching to renewable energy in a supplier factory.
- Collective financing with suppliers, such as for renewable energy installations.


REPORTING

SUPPLIERS' PROGRESS REPORTING

Annual reporting from suppliers on their greenhouse gas emissions and progress against targets encourages accountability and allows for performance tracking. Public reporting by suppliers allows them to share the same information with all of their customers and with other stakeholders at the same time, saving time and effort.

ACTIVITIES

- Ask suppliers to set a goal to halve their emissions before 2030, and disclose it publicly.
- Ask suppliers to report their Scope 1, 2 and 3 greenhouse gas emissions annually, aligning with international standards like the GHG Protocol.
- Request that suppliers publicly report their progress towards their target of halving emissions before 2030.




Acknowledge the potential difficulties your suppliers may face with reporting their progress, and offer them support in reaching shared goals. The Supplier support section above provides guidance on how to do this.

MANAGEMENT OF SUPPLIERS' PERFORMANCE DATA

Keeping track of your suppliers' annual disclosures helps you to gauge their progress and understand how your efforts are helping to achieve your company's own climate goals.

ACTIVITIES

- Define who is responsible for tracking progress annually within your organisation, and how to do it. Use your suppliers' public reporting to track the existence of a goal to halve emissions before 2030, as well as annual progress towards that goal.
- Provide a summary of suppliers' climate performance to procurement teams for their conversations with suppliers.



Tracking can often be a manual process. It's useful to automate these processes and to apply open standards and tools to avoid future technological lock-in.

Note that suppliers' reporting will cover their entire organisational scope, not just emissions directly linked to your products or services.

COMPANY PROGRESS REPORTING

Keeping track of your suppliers' collective progress helps your company to monitor its journey towards supply chain emissions reduction targets, and make course corrections if needed. Supplier performance data forms a crucial part of your company's public climate reporting and demonstrates transparency to your stakeholders.

ACTIVITIES

- Publicly disclose your company's progress on achieving its supply chain emissions reduction targets.
- Link the result of your supplier target to the progress towards your overall supply chain decarbonization goal.
- Use relevant channels for reporting, such as a sustainability report, your company's website, or other platforms.


EXAMPLE PROGRESS REPORT IN ANNUAL REPORT

OUR GOAL

By 2024, we aim to get 200 of our highest-emitting suppliers to set their own emissions reduction targets, aligned with the objective of keeping global temperature rise below 1.5°C. The outcome of this goal will address roughly 80% of our company's carbon footprint related to the supply chain. To be accepted, a supplier's target must be made public, it must consider relevant emissions from scopes 1, 2 and 3, and it must be accompanied by public annual reporting on progress to achieve that target.

2023 RESULTS

By year end, 189 suppliers had set targets that meet the criteria, and the company is on track to achieve its 2024 supplier climate target.



Communication about your company's climate action should be honest, truthful, transparent, representative, and based on the latest science. Companies should not only highlight their success, but also communicate on challenges and barriers, to inspire others and build credibility.

COLLABORATION AND INNOVATION

ACCELERATING ACTION THROUGH COLLABORATION

Working together on identifying new solutions, deepening knowledge, sharing best practices, and driving solutions at the systemic or industry level can accelerate action to halve greenhouse gas emissions by 2030.

Harmonising approaches to decarbonisation across departments, stakeholders and industries can reduce climate action 'fatigue' for both buyers and suppliers, encourage other buyers to join the movement, encourage collective progress, and incentivise suppliers to take action if they receive unified requests from multiple buyers.

Consider the following collaboration strategies for stakeholders outside your organisation:

- Collaborate with like-minded buyers to hasten change amongst common suppliers.
- Work with partners to implement programs supporting climate action in your supply chain.
- Collaborate to support a systemic decarbonisation approach with a broad range of like-minded stakeholders outside your business operations, like peers, NGOs, customers, governments, and academia.
- Educate your customers about your efforts and ask for their support.

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