



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

ENGAGING SUPPLY CHAINS ON THE DECARBONIZATION JOURNEY

EXECUTIVE SUMMARY

VERSION 1.0

MAY 2023

INTRODUCTION



While cross-sectoral climate action continues to ramp up, there is one area businesses urgently need to prioritize for decarbonization: supply chain emissions.

For many companies, supply chain-related emissions are their largest source, and the most challenging to reduce - on average, they are **11.4 times larger than direct emissions from operations**¹.

Considerable effort, investment, and internal buy-in is required to create a supplier engagement initiative - however, companies benefit from building higher-quality supplier relationships, which, in turn, enhances efficiency, transparency, and resiliency across the value chain.

These efforts also build credibility with key stakeholder groups such as investors, customers and employees, who increasingly expect companies to take broader responsibility for impacts across their value chain.

This [Supplier Engagement Guidance](#) supports companies seeking to accelerate their decarbonization efforts by engaging their supply chain.

EXECUTIVE SUMMARY

This guide targets two types of audiences: companies that are considering or are already implementing their SBTi scope 3 supplier engagement targets, as well as companies interested in exploring different supplier engagement tactics to address scope 3 emissions reduction.

This document outlines how to evaluate and set supplier engagement targets, implement related initiatives and ensure companies fully understand what it takes to achieve these goals.

Focusing on supplier engagement targets, this guide does not go in-depth into other scope 3 target-setting approaches. Other supplementary resources include:

- [A slide deck](#) and [speaker script](#): for companies to use when educating their suppliers on science-based targets (SBTs)

¹ CDP, "[Scoping Out: Tracking Nature Across the Supply Chain - CDP Global Supply Chain Report 2022](#)," March 2023

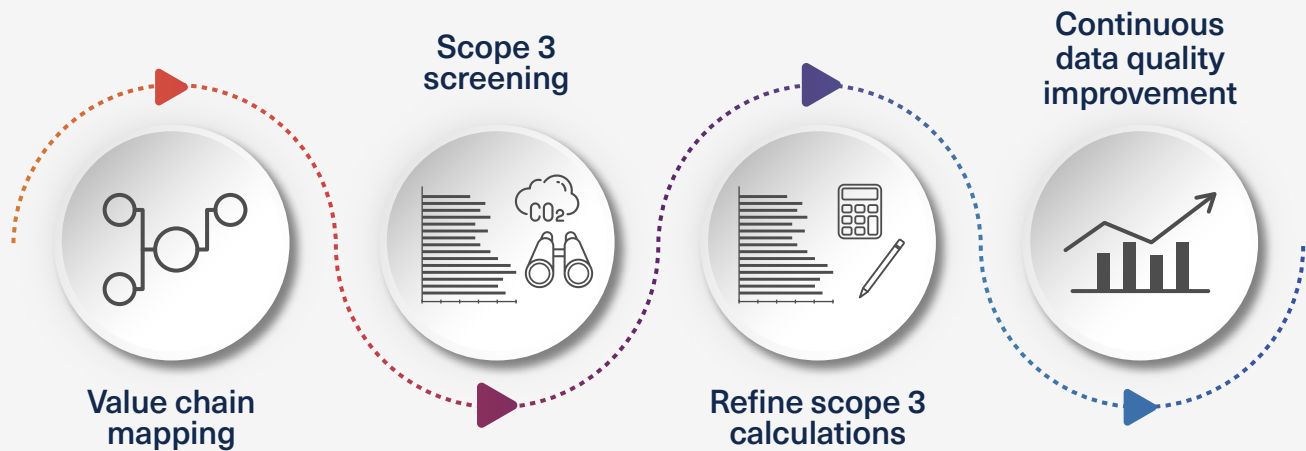
The guide is organized following the key stages of the supplier engagement journey, which are summarized in this executive summary.



SELECTING THE RIGHT SUPPLIERS FOR THE RIGHT TARGET

Before setting any supply chain emission reduction targets, companies must complete a full scope 3 greenhouse gas (GHG) inventory, following the GHG Protocol [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#), as summarized in Figure 1 below.

Figure 1. The scope 3 inventory process



For most companies, supply chain-related emissions will represent a substantial portion of their scope 3 emissions. Notably, near-term scope 3 targets must cover a minimum 67% of total scope 3 emissions. The following scope 3 categories often make up the greatest share of supply chain emissions:

- Category 1 – Purchased goods and services
- Category 2 – Capital goods
- Category 4 – Upstream transportation and distribution

When creating a supplier engagement target, the next step is determining who should be included and which elements should be analyzed to decide whether to proceed with a supplier engagement target, such as the total number, type, and size of suppliers that will need to be engaged. Other important factors include:

- Leverage over suppliers
- Strategic status of suppliers
- Sourcing and procurement trends
- Supplier GHG program maturity
- Categorizing suppliers
- Suppliers' climate or environmental risk level



SECURING INTERNAL BUY-IN

Understanding whether to proceed with a supplier engagement target is a decision which should not be made in isolation by sustainability teams. Achieving these targets requires all relevant business teams to understand them and commit to playing their part. It is critical to identify these internal stakeholders, understand their perspectives, as well as define their roles and responsibilities in implementing a supplier engagement program, from the start. Ideally, a multi-stakeholder team can support the program's deployment and is held accountable through leadership oversight and performance incentives.

For supply chain related emissions - and supplier engagement targets - relevant teams include:

- Senior leaders
- Sustainability/ESG teams
- Sourcing/Procurement
- Compliance/Legal
- Product
- Accounting/Finance



When working with these leaders and business teams, it is important to understand their perspective and priorities, such as:

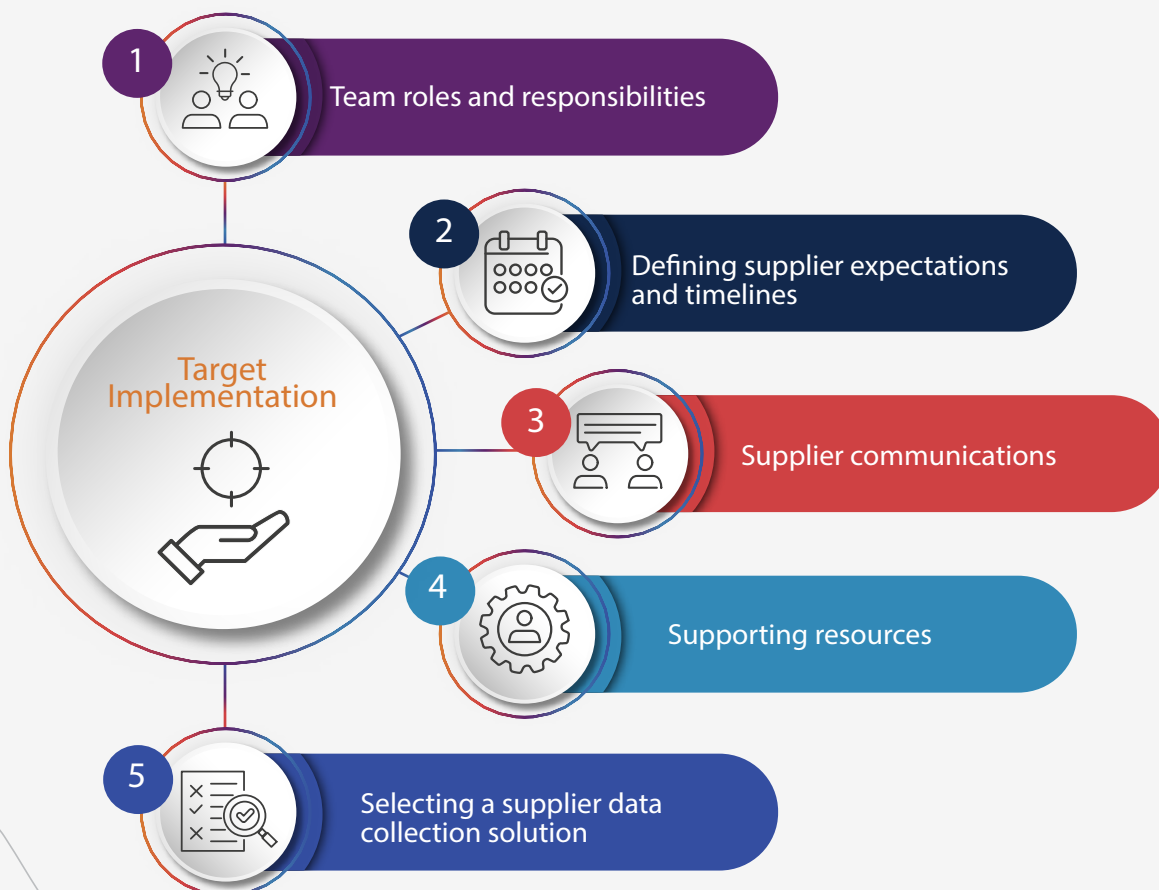
- What are these audiences' primary concerns?
- What level of SBT knowledge-building is required?
- How should the benefits or opportunities of the new initiative be framed for each group?



TARGET IMPLEMENTATION

Preparation for supplier engagement target implementation should begin as soon as there is internal buy-in to proceed, as summarized below in Figure 2.

Figure 2. Key program components required to define an implementation plan



1 Team roles and responsibilities: One individual should be the primary program manager to ensure successful progress towards meeting the company’s target. Other typical roles recommended for assignment include: program sponsor, sourcing/procurement category leads, SBT/GHG technical expert, communications support, data management support, and legal.

2 Defining supplier expectations and timelines: There is just one core criteria for supplier engagement targets: whether the supplier has set an SBTi-aligned target within the five-year target timeframe. However, there may be other supplier expectations which teams will need to define upon program initiation, e.g. how often and through what channels should suppliers report data.

3 Supplier communications: Keeping suppliers informed on SBT expectations is key. Suppliers should be informed on why the initiative is being prioritized and provided with relevant materials. Requests for data and information should also be clear.

4 Supporting resources: SBTs and GHG emissions topics may be unfamiliar for many suppliers, so it is important to develop resources to guide them in the SBT-setting process. Helpful external resources are listed in the “Additional Resources” section at the end of the [guide](#).

5 Selecting a supplier data collection solution: To track progress towards supplier engagement targets, companies need to implement an effective data collection solution. This is critical to building an effective supplier engagement program, both for target-tracking purposes and to understand supplier GHG program maturity.



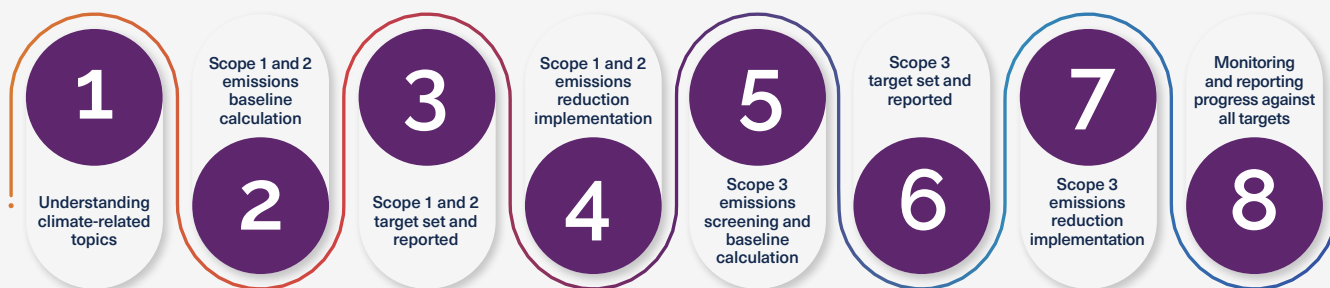
ENABLING AND TRACKING SUPPLIER PERFORMANCE

Once a supplier engagement program has been launched, companies must assess approaches to drive progress towards their goal. Engagement strategies should consider that suppliers are at varying stages of their climate journey, and require varying levels of guidance and support. Methods for delivering capacity-building training can include:

- Workshops
- One-on-one coaching
- Expert “office hours” or email support
- E-learning and other online-based training such as webinars

The typical stages of tracking a supplier's journey towards SBTs is highlighted below in Figure 3.

Figure 3. The stages of a supplier's journey towards SBTs



Deploying incentives to drive supplier action to track emissions and set SBTs can significantly accelerate progress. These include supplier recognition, supplier scorecards, supplier benchmarking, adding requirements to supplier contracts, business benefits tied to performance, business penalties, other financial incentives, and industry coalitions.

Companies should annually review how their supplier engagement program is performing to see what has worked and what needs to be improved. Companies may want to work with internal stakeholders on a program debrief to identify improvements in the following areas: communicating with suppliers, training, capacity-building, data collection, and supplier incentives.



MONITORING AND REPORTING TARGET PROGRESS

The data companies collect from suppliers are essential to tracking the company's own progress toward their SBT. Companies will need to analyze and report progress on an annual basis to satisfy basic SBTi requirements. For any SBT, it is best practice to transparently report on methodologies, assumptions, and data sources used for tracking annual performance. For engagement targets, companies should report how they are tracking and qualifying supplier SBTs towards their own goal, as outlined in Figure 4 below.

Figure 4. Key considerations in target progress monitoring and reporting



Companies should also account for the fact that their supplier list will fluctuate every year, which may impact performance against an engagement target. Best practices in managing these annual changes include:

- Inviting new suppliers to set SBTs each year if they enter the target threshold
- Continuing to engage suppliers that fall below the target threshold - but were already invited to set SBTs
- Working with Sourcing and Procurement teams to anticipate future business trends with targeted suppliers and adjust engagement prioritization accordingly

CONCLUSION

Addressing supply chain emissions feels like a daunting task for many companies, often due to their limited visibility and perceptions of insufficient influence on emissions reduction measures.

Nevertheless, this work is absolutely necessary to prevent the worst impacts of climate change and future-proof business growth by empowering suppliers to start their own SBT-setting journey. Through this virtuous circle, companies can achieve impact at scale.

This guide is a good starting point to support companies working with their suppliers to tackle their supply chain emissions in a more structured manner.



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

For general information and technical queries contact us at:
info@sciencebasedtargets.org



@ScienceTargets



/science-based-targets



Science Based Targets

Partner Organizations:



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



In collaboration with:

