



TOGETHER FOR
SUSTAINABILITY

**Get ready
to decarbonise**
handbook on
supplier
engagement

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Introduction

A significant share of a company's emissions arises through its supply chain. Against this background, launching a supplier greenhouse gas (GHG) emission reduction programme is a strong demonstration of a company's ambitions to combat climate change and its consequences. Engaging suppliers in reducing GHG emissions is the key to creating more sustainable supply chains.

As a company in the chemical sector, given the complexity of the topic in general, you will come across plenty of expected and unexpected challenges when setting up and running such an emission reduction programme. One big challenge will be that data that you request is unavailable or that the supplier lacks reliable data. We aim to help you foresee and overcome these challenges with this handbook.

This handbook complements the e-learning "**Get Ready to Decarbonise**" available on the TfS Academy. The course outlines a chemical company's journey in implementing a supplier decarbonisation programme. This handbook enhances the course by providing more details.

This implementation journey comprises the following steps:

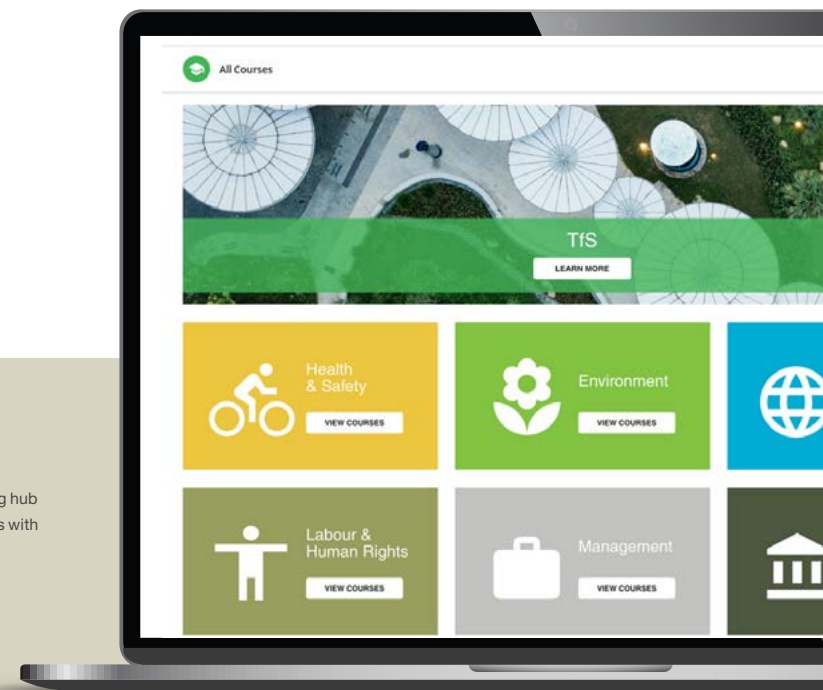
- 1 Identify GHG emissions in your company and supply chain.
- 2 Define GHG emission reduction targets.
- 3 Prepare suppliers to engage in a GHG reduction programme.
- 4 Communicate to secure buy-in.
- 5 Collaborate with suppliers to successfully run the programme.
- 6 Standardise and scale the programme.



How to use this guide:

The Get Ready to Decarbonise Handbook on Supplier Engagement provides you with step-by-step guidance for creating visibility on your own company's GHG emissions and those of your supply chain, to advice on where to start and how to scale up engagement with your supplier. The guideline is built on best practice from TfS member companies. By following the steps from 1 to 6 and applying it to your own company, you can establish a meaningful supplier engagement plan with a guaranteed beneficial outcome.

The **TfS Academy** is our one-stop learning hub providing TfS members and their suppliers with e-learning, guides, and other tools.



Step 1: Gain visibility on GHG emissions at corporate level and throughout your supply chain

Within step 1 you gain information on the GHG emissions at corporate level and throughout your supply chain.

1.1 Transparency at corporate level

Once the decision has been made to reduce GHG emissions, several internal activities need to be started or enhanced. These may include Board engagement, establishing a first roadmap, and identification of internal sponsors and a dedicated project team with governance rules and responsibilities.

The most comprehensive approach is to create transparency on Scope 1, Scope 2, and Scope 3 GHG emissions at company level. This is often referred to as the “Company Carbon Footprint (CCF)”. Many companies already assess their GHG emissions for Scope 1, or Scope 1 and 2, which means that they do not start from zero. Consider which efforts your company has taken already before embarking on any of the next steps.

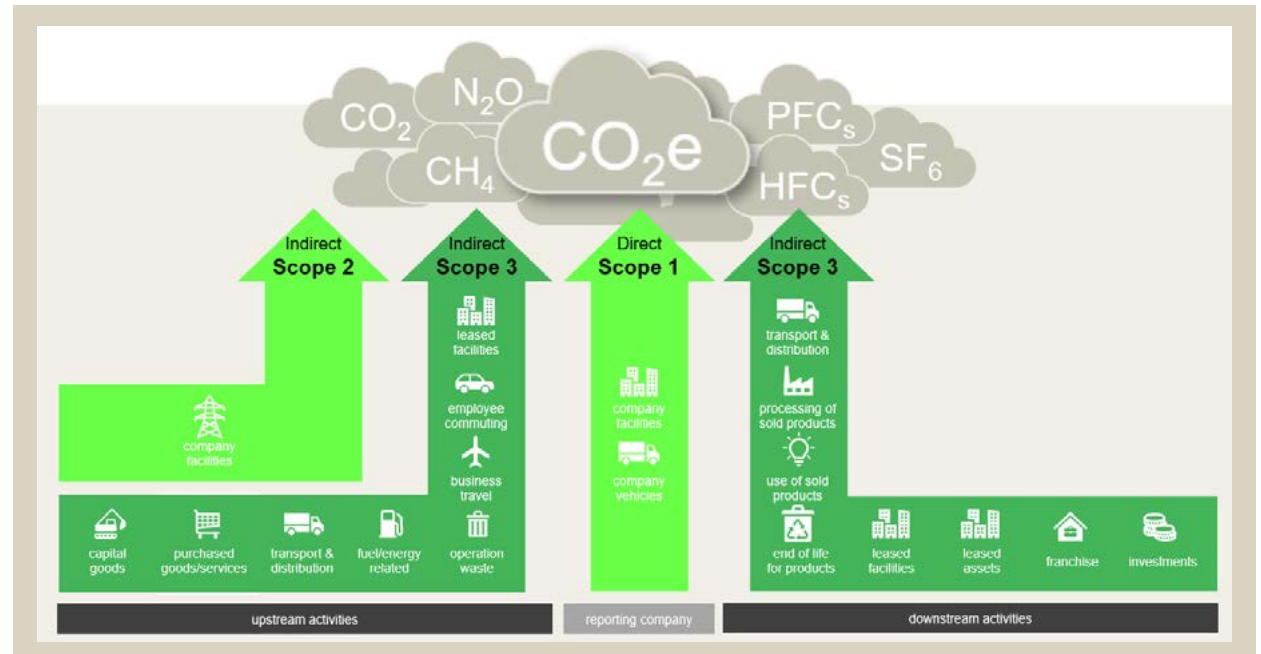


Figure: Overview of scopes and emissions across the value chain – TFS

In a next step, it is beneficial to work towards gaining transparency of GHG emissions across all scopes, including scope 3. Here it makes sense to start with Category 3.1 Purchased Goods and Services of GHG emissions in your supply chain. Although Scope 3.1 is typically the main contributor to GHG emissions and the primary focus of the procurement organisation, other supplier categories can contribute considerably and should therefore also be considered. These include suppliers from Category 3.4 “Upstream Transportation and Distribution”.

1.2 Transparency at procurement level

a. Assessing GHG emissions in Scope 3 category 1 “purchased goods & services”

There are various methods to collect and process data. Those using ‘secondary’ data do not require the involvement of suppliers and are, therefore, more easily carried out. Others rely on supplier-provided information, also known as ‘primary’ data. A hybrid of both methods is also possible. The estimates will provide you with a first idea of the emissions structure in a very efficient way.

There are two methods that are commonly used for calculation:

Average-data method: The average data method estimates emissions for purchased goods and services by collecting data on the physical properties - often mass or volume (e.g., kilograms or litres) - or other relevant units of goods or services purchased. This data is multiplied by the relevant secondary (e.g., industry average) emission factors, which can be taken from databases (e.g., Ecoinvent.org or carbonfootprint.com). Most of the spend should be approached at first by this method.
Example: *1,000 Kg of ethylene x 1.45 Kg of Co₂e per Kg = 1,450 Kg of CO₂e*

Spend-based method: The spend-based method estimates emissions for purchased goods and services by collecting data on the economic value of goods and services purchased, multiplying it by relevant secondary (e.g., industry average) emission factors. These data are also called Environmentally Extended Input-Output (EEIO) and can be collected from different databases (e.g., from the UK Department for Environment, Food and Rural Affairs (DEFRA), or the U.S. Environmental Protection Agency). The spend-based method could be a solution when you miss information regarding the units of measurement or when you need to evaluate specific indirect categories (e.g., marketing services or consulting)
Example: *1,000 EUR of petrochemicals x 0.5814 Kg of CO₂e per EUR = 581.4 Kg of CO₂e*

Supplier-Specific Data:

The following methods include supplier-provided information, also referred to as primary data. If available, choose this option as it provides the highest quality data. Such data may later enhance your first estimates based on one of the above options.

- **Supplier-specific method:** collects product-level cradle-to-gate GHG inventory data from purchased goods or services from suppliers. The **TfS Product Carbon Footprint Guideline** is your best choice for calculation guidance in this case. If supplier-specific data is limited or unavailable, the hybrid data collection method allows you to proceed. Adding supplier-provided data later is possible to enhance your first estimates.

- **Hybrid data collection method:** uses a combination of supplier-provided data, where available, and secondary data to fill the gaps. This method involves:
 - Collecting allocated scope 1 and scope 2 emission data directly from suppliers.
 - Calculating upstream emissions of purchased goods and services from suppliers' activity data and multiplying that by the amounts used by the company.
 - Using secondary data to calculate upstream emissions wherever supplier-specific data is not available.

The definitions of the above listed methods are sourced from the GHG Protocol.

The same calculation methods are also valid for Scope 3.2 "Capital Goods" emissions.

Different approaches will be applied to other categories belonging to scope 3 (e.g., Scope 3.5 "Waste generated in operations" or 3.6 "Business Travel"). As these do not rely on supplier engagement as closely as those for Scope 3.1 they are not included in this handbook.

In some companies, the sustainability department can provide GHG emission data for the accounting exercise. A consulting company could otherwise support the process if internal resources are not sufficient.

b. Identify emission-intensive product categories and suppliers

Once you have estimated the amount of GHG emissions in your supply chain, you can progress to its emission structure. This includes understanding highly emission-intensive purchasing categories, based on purchased quantities or contributing Scope 3 emissions. These categories are often referred to as "hotspots".

We propose the following vocabulary and definitions:

- Total emissions = Product quantity multiplied by emission factor.
- Hotspot = Intense generation of carbon emissions within a specific scope.

Once highly emissive categories are identified, a hierarchy of suppliers within the category is possible thanks to the different methods listed in 1.2a. This will allow you to identify hotspots with more precision and help prepare for development of emission reduction targets, which are covered in the next step.

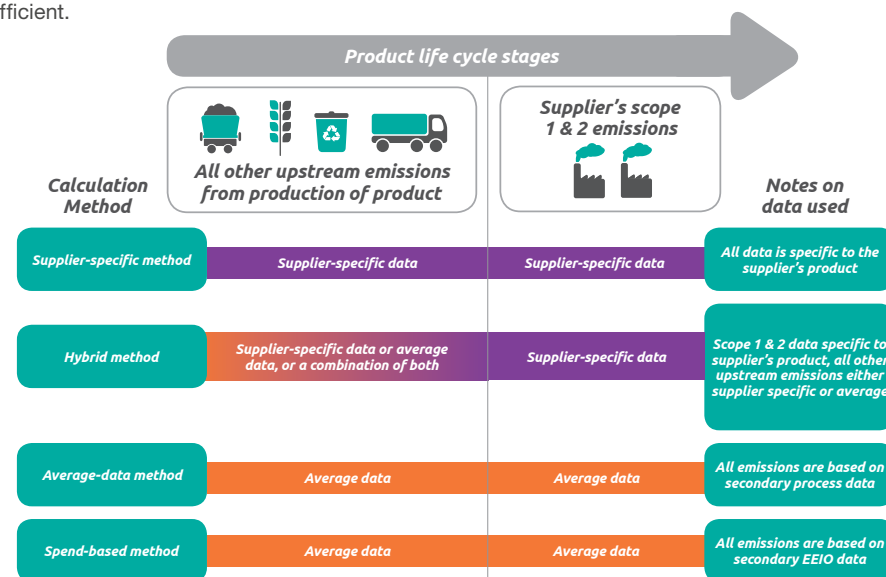


Figure: Different data types used or different calculation methods – GHG Protocol

Step 2: Define GHG emission reduction targets

2.1 Targets at your company level

After achieving transparency on the current GHG emissions at your company level and supply chain (commonly referred to as “Baseline”), emission reduction targets should be set at company level. These targets should ideally include all three Scopes (1, 2 and 3). Addressing Scopes 1 and 2 is a great start. The targets guarantee a comprehensive approach and win credibility with investors, customers, and suppliers. The company targets will often be translated into specific reduction targets per business area, business unit or geographical split, or into targets according to the Green House Gas Protocol (e.g., reduction targets for category 3.1 ‘Purchased Goods and Services’.



The current gold standard is to set reductions targets in line with the Science Based Target initiative (SBTi) framework, demonstrating that company targets are in line with the Paris Agreement. The target of the Paris Agreement is to reduce global GHG emissions to limit the global temperature increase in this century to well-below 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees.

2.2 Targets at procurement level

a. Definition of targets and ambitions

Once targets have been defined at company level, it is important to align with the purchasing department to identify which efforts are required of external stakeholders - especially suppliers. This target-setting ambition should take account of the maturity of the purchasing department, any support a sustainability department may be able to provide, your business structure and resources.

b. Setting targets

In a first approach, targets may include:

- Design: To design and establish an official supplier decarbonisation programme in the supply chain.
- Approach: To identify a first batch of suppliers with potential to influence the reduction targets at procurement level (e.g., your identified hotspots) and agree with them on the next steps. You will find more information about this approach in step 3.
- Improve: Improvement of data quality (e.g., moving from spend-based to weight-based calculation methods and from secondary to primary emission data).

c. Growing with experience

With practice and experience, the approaches to define emissions reduction targets will become more specific. This may mean:

- Breakdown targets at a more detailed level (e.g., to define targets at purchasing category or subcategory level, regional or business unit, supplier and/ or product).
- Focussing on high emission-related products or Product Carbon Footprint (PCF) or specific customer requests. The GHG Protocol provides guidance on the suitability of a PCF (region/technology/etc.).
- Improve further GHG emissions data moving from secondary and/or industry average data to a growing number of supplier-specific PCF data.

Step 3: Prepare suppliers to engage in a GHG reduction programme

3.1 Internal organisation

To launch a successful supplier engagement programme, it is crucial to be well prepared. External communication towards suppliers is a strategic aspect that should be discussed and prepared. It is important to be clear on:

- The distribution of roles and responsibilities within the teams related to supplier contact and support. Roles and responsibilities to consider:
 - The programme manager might set up the programme and team, define the strategy, issue internal communication, and deliver training to engage the whole procurement organisation, and ensure alignment between internal and external stakeholders and alignment of actions with corporate goals.
 - Sourcing managers ensure that suppliers understand their role and the expected actions. They support in technical discussions and follow up with internal indicators dedicated to GHG emissions.
 - The sustainability team support the supplier relationship managers or sourcing managers with their technical expertise
- The governance set-up within the organisation.
- The programme team and working methods.

Specific training about the general GHG emission reduction topics and the expected steps should be provided to the relevant people driving supplier communication and engagement. The objective remains for many companies to broadly train their procurement teams to make them more autonomous in the long-term while dealing with supplier-related GHG emissions.

It is expected that this topic becomes a standard to be discussed in operational business meetings and regular supplier reviews.

3.2 Identification of key suppliers

Once an internal organisation around GHG-related supplier engagement is settled, your company should select several key suppliers with whom to work on reduction targets.

The approach should be based on relevant criteria regarding the programme itself, the purchasing structure, and its organisation. The selected suppliers should be partners with whom the relationship allows for transparent and honest discussions to “test the water” of planned approaches, learn from their experience, and get feedback and ideas about potential reduction actions that were - until now - not known.

The following criteria can help you decide on suppliers to involve:

- Strategic relevance of the supplier for your company.
- Whether the supplier is representative of the purchasing category.
- Size of the supplier (number of employees, turnover, global presence...).
- Your capability to influence the supplier (due to the market structure, the purchasing volume with the supplier or any other influence factor).
- Presence of a sustainability department at the supplier that can provide support.
- Current engagement of the supplier with the topic of GHG emissions and estimated level of supplier’s maturity based on previous communications and/or public information regarding its performance (e.g., sustainability reports, SBTi Commitments, CDP, existing EcoVadis assessments or activities on their Carbon Action Module, EPDs, association reports).
- Known reduction potential with this supplier or category.
- Ratio between effort and impact of the identified measures (to focus on quick wins).
- Your relationship as a buyer with the supplier.
- Estimation of the effort required based on several criteria (process, global collaboration level of suppliers to purchasing requests, current communication level and fluidity with the supplier...).



For many TfS Members, the first suppliers to be chosen were those representing both a large volume of business in their category (or of purchased volume) and a large volume of GHG emissions within the Scope 3 calculation. These two criteria are the thresholds used. Initial efforts are often concentrated on those suppliers with maturity on the topic (existing sustainability strategies, public engagement on GHG, subject to regulations, etc...).

Regarding the number of suppliers to onboard for this first engagement activity, it is better to start small and grow in a second step. This will enable you to develop expertise in your internal teams and guarantee safe and efficient capacity-build-in in a second step.

The first year may serve as a trial period, progressively testing the robustness of the structure to guarantee the success of the supplier decarbonisation approach. In the following years you would then continue to build capacity while deploying the programme on a large scale (step 6).



The good practice established by most organisations is to have conversations driven by the regular sourcing teams who manage the relationship with the relevant supplier. This team is often supported by a central sustainability or decarbonisation team which is invited to join the technical discussions. Depending on the company structure, such topic experts may join from the sustainability department or are integrated within the procurement department as experts.

Step 4: Communicate to secure buy-in

4.1 First official communication to suppliers

Once the first wave of suppliers has been identified and engagement with them has been internally prepared, it is time to launch the initial supplier communication. This communication will enable you to emphasise the importance of the overall programme and to anchor each operational request to suppliers in a global context.

This communication should be directed to decision-makers and top managers at suppliers to ensure their awareness and participation in the programme when it will be needed. More pragmatically, it can consolidate the following information:

- Description of the project, its aims, and rationale.
- The advantages of the initiative for suppliers.
- Overall targets and the criteria on which suppliers will be assessed in the future.
- First estimation of high-level timelines (in the following months) with expected participation from suppliers.

This first contact is intended to approach suppliers in a cooperative way and should not mention any consequences of non-participation. Penalisation should only be used as a last resort.

4.2 Identification of suppliers' maturity to define next steps

Once an initial communication has been triggered, it is important to understand suppliers' maturity to drive decarbonisation before designing the relevant next steps.

This can be done through a questionnaire sent to suppliers. This may be a simple survey (identification of suppliers' general understanding and roadmaps) or more comprehensive with detailed questions about their current GHG-related projects and targets. You could also conduct technical interviews on your supplier's current emission level, how they calculate (or plan to calculate) their emissions, the consideration of the TFS guidelines in the calculation, and the indicators used for reporting. However you approach it, the answers to any questions should allow comparison between suppliers.

If there is no internal work done by the supplier, a given methodology can help.

We identify several possible paths to handle the next steps:

The "standard path"

- 1 Share a very general questionnaire with your supplier about their practices and current engagement level.
- 2 Segment suppliers into company groups that belong to a certain level of maturity.
- 3 Communicate directly with suppliers and provide any necessary support:

a. Mature companies: Steer with specific PCFs enabling a deep understanding of actual emissions of purchased goods. The Guideline on how to calculate a PCF are available on the TFS website: **TFS Product Carbon Footprint Guideline**.

b. Less mature companies: Set an objective to perform a calculation on Scope 1 and 2 for the upcoming year to facilitate understanding of the structure of their emissions.

The "path with thematic"

- 1 Compile a list of relevant measures that are known as generally having an impact on suppliers' GHG emissions.
- 2 Share a questionnaire with suppliers to identify which measures have or have not already been undertaken.
- 3 Provide specific help (Webinars, Workshops...) to suppliers per type of measure. Include less mature suppliers.

The "human path"

- 1 Share a first general communication outlining your decarbonisation engagement and the expected participation of your suppliers.
- 2 Develop personal communications with a first wave of suppliers, asking open questions on how they tackle GHG emission challenges.
- 3 Consolidate innovative ideas stemming from your suppliers' replies.
- 4 Support and work collaboratively and individually with your suppliers in the accomplishment of reduction targets as business partner.

All these paths should be complementary, and be subject to specific and individualised communication towards suppliers.

A mix of these approaches is also possible, but we suggest being mindful of time and focus and avoid overwhelming suppliers with too many different communications and objectives.

Step 5: Collaborate with suppliers to successfully run the programme

5.1 Development of individual contacts and alignment on GHG strategies

Suppliers may already have their own ideas, roadmaps and challenges related to GHG emissions. It is therefore recommended to approach suppliers with open questions about how they tackle GHG emissions in their own scope. Often suppliers have developed strong expertise in their field which is also applicable to GHG challenges and its diverse implications. At the same time, your company should be clear about your goals and actions taken. The most successful approach is to work with your supplier towards aligning existing strategies and roadmaps related to GHG emission reductions, and to drive supply chain decarbonisation together. Your company will benefit from this exchange, as it allows you to enrich your existing pool of ideas with new solutions and use suppliers' expertise as a resource.

Your company should also provide transparency about the way supplier-provided PCFs will be assessed. The goal of these explanations is to orientate suppliers' activities towards value and develop the supply chain towards applying the gold standard for PCF calculation provided with the TfS PCF Guideline.

Furthermore, it is important for your company to identify and include the right contacts at the supplier in ongoing communication and exchange, keeping sales staff and those who can answer technical questions in the loop. This will ensure integration of the topic in the overall business relationship between the buying company and its suppliers.

5.2 Overcoming suppliers' issues and ensuring steady development through partnerships

In our experience, suppliers will openly share with you the issues they are facing. These may range from data security (suppliers may not want to disclose data and information for confidentiality reasons) to operational topics while deploying their decarbonisation action plan. It may also happen that the suggested scope of suppliers' activities does not match your company's expectations (e.g., a supplier may have launched a Scope 3 reduction roadmap for a business unit or a region that does not serve your company).

It is in this framework that your company should participate to find tactical solutions helping to overcome the identified issues (e.g., an NDA can be signed when data sharing is considered sensitive) and invite suppliers to continue working on reduction actions despite the identified issues.

The focus can also be on the identified 'quick wins' with the experience gathered by the buying company (e.g., things to beware of, common mistakes delaying projects, etc...).



A good practice is to keep regular contact with suppliers to support their initiatives, understand their issues, bring traction towards reaching the targets, and help suppliers find solutions. This section emphasises the development of constructive partnerships and two-way collaborative exchanges. This partnership may be informal, but could lead to the establishment of a consortium through the identification of complementary expertise and solutions.

5.3 Tracking of information and progress

Discussions, as well as suppliers' issues and their progress, should be tracked by your company for steering and reporting purposes. A defined governance structure can help ensure good quality exchanges both internally and with suppliers. For example, a tracking system enables the purchasing department to synchronise and share information with other departments where needed.

Most efficiently, a digital system can be used (e.g., SRM or SAP) to create and monitor status at group level. The supporting system could also track the sphere of influence status of a company (state-owned supplier, monopolistic situation), launched partnerships, and any other actions that are relevant to save and track regarding purchasing related GHG emissions.

5.4 Collection of interesting resources for suppliers

It is useful to collect helpful resources that suppliers can draw upon in case of questions or issues. These could be organised by activities and/or challenges. The resources may also be organised (and then distributed) according to the suppliers' level of maturity.

A variety of resources already exist. Among others, the following tools can be used:

- **TfS Academy:** A one-stop learning hub that provides TfS member companies and their suppliers with e-learning, guides, and other tools; the platform is free to use.
- Other training and/or e-Learning: there may be other training or e-learning that you have found useful and would recommend to your suppliers.
- Documentation and publications: There may be documents and publications that deal with specific topics that you may want to share.
- Other platforms dedicated to GHG topics providing interesting tools and resources (e.g., **Exponential Roadmap Initiative**, **SME Climate Hub** (focusing on small and medium sized suppliers but with interesting and relevant material)).
- Shared experiences from your peers.
- External LCA consultants familiar with TfS's PCF calculation guideline.

Relevant training about climate, and the possible measures to take, are consolidated in an overview document of training material for suppliers.

The list of possible resources could be an open database available to suppliers and classified based on thematic tags to facilitate search.

Step 6: **Standardise and scale the programme**

6.1 Definition of lessons learned process

Your company will have learnt important lessons from engaging your first wave of suppliers. It makes sense to draw conclusions from these learnings to be aware what has worked well - and should therefore be further developed - and what should be avoided in the future.

To do so, a return on experience could be performed based on:

- Which activities have been a success?
- Which activities are heading in the right direction and would still need improvement?
- Which activities have failed?

The lessons learned with the first wave of suppliers should be kept in mind to prepare the future purchasing standards of your company, detailed in step 6.3 “Integration of the GHG theme in purchasing standards”.

6.2 Scaling of the programme

Once lessons learnt have been consolidated, it is time for your company to open the GHG emission reduction programme to a second wave of suppliers.

This second wave can be identified based on the following main criteria:

- GHG emissions level.
- Purchasing volume.
- Supplier strategic aspects.
- Category-specific items and sourcing plans.
- Current workload at suppliers (to not overwhelm them, if known).

The same criteria used and listed in Step 3.2 “Identification of key suppliers” can be used again and thresholds adjusted to identify new eligible suppliers.

It is advised that your company adjusts the number of suppliers for this second wave to internal capacities (resources, availability, expertise). This will ensure successful programme development and credibility towards suppliers.

6.3 Integration of the GHG theme in purchasing standards

Along with the opening of the programme to additional suppliers, your company will have to ensure - through standards - that its expectations will be met. The bigger the programme is, the bigger the standardisation required to ensure a common direction taken by both your company and your suppliers.

This integration of the GHG theme into regular purchasing activities can - and should - impact several policies and procedures used in the procurement lifecycle:

- Specification designed around a certain expectation related to GHG emissions (e.g., availability of a PCF, minimum performance level related to this PCF...).
- Tender and bidding processes favouring a mature supplier through a percentage in your award decision grid.
- Regular suppliers’ performance review integrating specific objectives towards GHG themes (reached reduction targets, availability of a PCF...).
- Purchasing strategy integrating GHG themes as a standard topic to agree on with suppliers.
- Contracts including a clause to formalise the transparency required and improvement obligations.
- Reporting and the Key Performance Indicators (KPI) for your company and/or suppliers challenging and, ideally, incentivising performance on the GHG theme.
- Inclusion of a carbon price to quantify the impact of CO2 in purchasing decisions and management systems, enabling a monetary value to be attributed to climate risk and translating them into a uniform metric influencing decisions. (This often remains a corporate decision and concerns more contributors than the purchasing department alone).

According to the actual advancement of suppliers’ measures, your company will most likely have two options to reach its GHG reduction targets:

- Steer the gaps between suppliers’ roadmaps and its roadmap with the objective to align.
- Adjust targets towards what could be achievable and transfer efforts between suppliers / purchasing categories / business units / regions, etc... according to the targets structure.

6.4 Identification of supplier engagement key incentives

a. Supplier engagement possibilities

A key part of supplier engagement are incentives. Therefore, it is important for your company to design which benefits suppliers should be offered upon participating in your emission reduction programme. This activity should ideally be made at global procurement level to emphasise its importance, and should be fully transparent.

Your company will need to lead many internal discussions and bring relevant stakeholders on board. Do not be surprised if you meet resistance - at least in the initial phase.

Incentivising could take the following forms:

- Minimum access requirements: Provide clarity to suppliers on what is expected as a minimum in terms of GHG emissions. They should be able to easily understand that they should comply with specific criteria to do business with your company.
- Performance-related incentives: Implement a performance element that relates to GHG emission reduction. This could be a percentage value. Suppliers demonstrating good performance shall be provided with more chance for reward (e.g., business).
- Supplier Sustainability Awards or Supplier Innovation Awards, or other good practice award: Present awards to those suppliers who delivered outstanding performance in reducing GHG emissions. Your company can also award a supplier on their innovative approach or provide awards for good practice that have enabled substantial reductions of GHG emissions.
- Supply chain financing programme: Provide financial advantages when a supplier complies with a list of expectations regarding reducing GHG emissions.

These incentives should be aligned with purchasing standards in step 6.3 to give coherency to the overall approach.

b. Exemplary dynamics between buying companies and suppliers

We propose a few scenarios that can help to project in which directions the relationship can go, in which we position yourselves as the buying company.

You renew the business with a supplier having insufficient activities on GHG.

You would like to renew a business contract with a supplier acting on a market with very few interesting players and providing you with a raw material that is identified as having high GHG emissions. The supplier is financially very competitive and reaches all operational expectations (Quality, Delivery times, payment conditions etc...) but has not communicated any actions to reduce its GHG emissions since they were first calculated three years ago. You decide to set up an extraordinary meeting with the supplier's top management to highlight the importance of the GHG theme and find a solution together. After discussions to identify how you could incentivise the supplier to do more, you decide to renew the contract, increase its volume share and in turn formalise the supplier's GHG action plan in the contract to meet your climate targets.

You perform a tender with several suppliers with different maturity level on GHG.

You are in search of a supplier to provide you with a raw material that is identified as having high GHG emissions. The identified supplier to be awarded the business is financially very competitive and is already one of your regular suppliers but hasn't communicated any actions regarding GHG emissions. As three other suppliers also meet the general quality and costs requirements of this tender, you decide to enter negotiation with the known supplier to include their efforts on the GHG theme as a condition of being awarded the business. The supplier refuses the proposal and argues that business decisions should not be driven by the GHG theme. You decide therefore to sign the contract with a supplier bringing less cost savings but ready to commit on shared climate targets.

An unknown company shows up with an alternative innovative product.

You purchase a raw material that is identified as having high GHG emissions from a preferred supplier. An unknown company contacts you, promoting a product innovation with substantially less associated GHG emissions, representing a radical rupture compared to the current purchased product. After showing good results in first quality tests, the new solution looks promising. Unfortunately, you are still contractually engaged with your current supplier but decide nevertheless to dedicate R&D resources and trigger upfront investment to validate the solution in a possible serial production and a prepare for future collaboration.

Your supplier shows promising GHG reduction potential thanks to an alternative raw material.

After major investments in R&D, your regular supplier providing you with a specific raw material succeeds in finding an alternative material reducing GHG emissions. After working on its process, the supplier concludes that this new product is a good opportunity to reach your shared emission targets. The initial product represents an important part of your emissions, but the new solution is more expensive. After showing good results in the first quality tests, the new solution looks promising. You therefore decide to start the qualification process and plan to redistribute the product share including this new solution.



In the long term, some suppliers may struggle to reduce their GHG emissions – despite the best efforts of your company to help. It may be a last resort measure to consider if it is possible to escalate the issue. Several escalation measures can be taken, from top management meetings with suppliers aiming to draw more attention to the topic, to business hold and delisting, aiming to slow down and eventually terminate the business relationship with non-cooperative suppliers.

Closing

In this handbook, we describe a best-practice supply chain decarbonisation journey based on TfS members' knowhow and experience. It is of course understood that this journey remains challenging and things don't always happen according to plan.

We therefore invite you to regularly check the latest publications on the TfS Academy as we plan to publish more training related to GHG-emissions, including "deep dives" on sections of this handbook to further share good practice. Our goal is to support TfS members, suppliers, and peers in our industry to overcome issues we all face when driving the decarbonisation of our supply chains.

Access the TfS Academy
tfs-initiative.com/tfs-academy

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