

Building Resilient Supply Chains: Getting the Most out of Supplier Engagement

Introduction

Resilient supply chains – ones that have the capacity to adapt and recover quickly when faced with disruptions – are essential to a company’s overall health and competitive edge. More resilient companies outperform their competitors in periods of disruption.¹

Climate change is a key contributor to supply chain disruptions and subsequent impacts on cost and inflation – either directly due to extreme weather events that reduce inventory, halt distribution, and negatively impact workers, or indirectly as a driver for geopolitical unrest, regulatory uncertainty, and shifts in customer and stakeholder expectations.

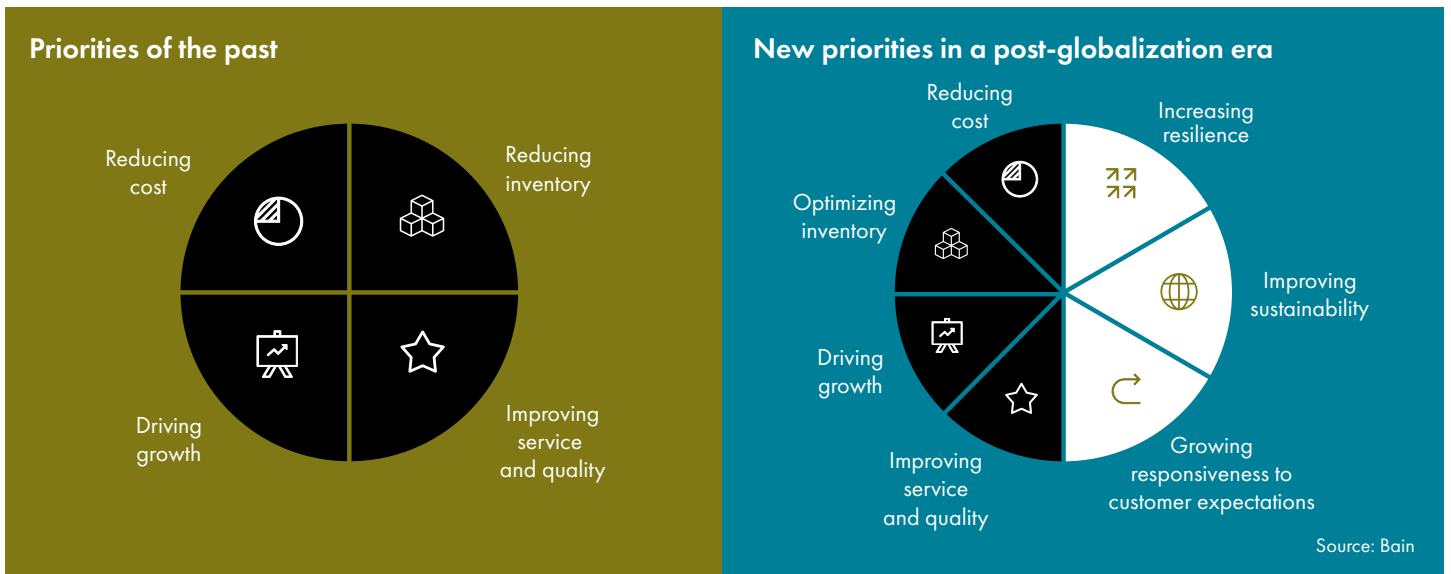
Building an effective supply chain management program involves evaluating the supply chain end-to-end, working across teams, building relationships with suppliers, and making innovative decisions that cut waste and increase efficiency.² As companies prepare for the future, the same strategies that drive effective supply chain management can be used to manage climate risks and leverage nature-positive and clean-energy solutions in the supply chain. Leading companies can seize the opportunity to increase resilience and gain competitive advantage.

This guidance was written by the We Mean Business Coalition and Ceres, in partnership with BSR, CDP, Environmental Defense Fund, Exponential Roadmap Initiative, SME Climate Hub, and WBCSD’s The Climate Drive.

¹ BCG, “Real-World Supply Chain Resilience,” July 29, 2021, <https://www.bcg.com/publications/2021/building-resilience-strategies-to-improve-supply-chain-resilience>.
Bain, “How CEOs Can Balance the New Supply Chain Equation,” February 2024, <https://www.bain.com/insights/how-ceos-can-balance-the-new-supply-chain-equation>.

Not all companies are fully addressing these risks and opportunities yet. An estimated US \$162 billion in potential financial costs are tied to climate-related risks in the supply chain³. These include regulatory risks like carbon border adjustment mechanisms, mandates on and regulation of existing products and services, as well as changing customer behavior. However, only 30% of companies that responded to CDP in 2023 recognized upstream climate-related risks, and only 41% reported that they engaged suppliers on climate-related issues⁴. Supplier engagement builds relationships and empowers suppliers to be resilient and successful businesses – ones that are managing risks and maximizing opportunities that save money, for instance, through investing in energy efficiency and renewable energy.

Figure 1 **Shifting supply chain management priorities**



With weather-related disasters and other supply chain disruptions increasing each year, successful supply chain management requires balancing more complex priorities than in the past, as shown by Bain.

To increase the speed and scale of supply chain action, the We Mean Business Coalition has been working with and learning from leading companies at different stages of developing and implementing supplier engagement programs aligned with their climate goals. With our co-author Ceres and other partners BSR, CDP, Environmental Defense Fund, Exponential Roadmap Initiative, SME Climate Hub and WBCSD’s The Climate Drive, we have distilled common questions and valuable insights into a resource aimed at providing practical approaches and real-world examples to facilitate meaningful climate action across supply chains. Recognizing that no one-size-fits-all solution exists, this resource is organized into seven tips that offer adaptable strategies and best practices. These will help organizations get started faster with tailored engagement efforts that unlock greater value from their supplier relationships.

2 BCG, “Real-World Supply Chain Resilience”; Bain, “How CEOs Can Balance the New Supply Chain Equation.”

3 CDP, *Strengthening the chain. Transform the Norm. Industry insights to accelerate sustainable supply chain transformation*, 2024, https://cdn.cdp.net/cdp-production/cms/reports/documents/000/007/890/original/CDP_HSBC_Report_2024.pdf.

4 CDP, *Strengthening the chain*.

We have organized answers to common questions into 7 top tips

| COMPANIES ARE ASKING: | OUR TIP: |
|--|---|
| <p>Where should we start?</p> <p>How do we reach all of our suppliers?</p> <p>How do we integrate sustainability-related goals into procurement goals & processes?</p> | <p>1</p> <p>Build a cross-functional dream team</p> |
| <p>How do we determine what resources to put towards supplier engagement?</p> <p>How do we track progress before we have perfect emissions data?</p> | <p>2</p> <p>Have clear, measurable objectives for your supplier engagement efforts</p> |
| <p>Where should I ask my suppliers to start?</p> <p>What kind of target should my suppliers set?</p> | <p>3</p> <p>Ask your suppliers to set targets</p> |
| <p>What data should we collect and how should we collect it?</p> | <p>4</p> <p>Use available tools and data</p> |
| <p>How should we prioritize suppliers for more hands-on support?</p> | <p>5</p> <p>Prioritize suppliers by potential impact and readiness</p> |
| <p>How do we incentivize action?</p> <p>How do we accelerate progress for our most important suppliers?</p> | <p>6</p> <p>Find the right incentives</p> |
| <p>What happens if a supplier pushes back?</p> | <p>7</p> <p>Be prepared</p> |



Where should we start? How do we reach all of our suppliers? How do we integrate sustainability-related goals into procurement goals and processes?

1

Build a cross-functional dream team

Successful supplier engagement requires consistent messaging and strategies enabled by cross-functional collaboration, with procurement and sustainability playing central roles. If collaboration is successful, engaging suppliers on climate can be another tool to maximize supply chain resilience, and procurement teams will be incentivized to embed sustainability goals within their existing priorities and programs.

Work together to identify the business case by asking questions such as, “What risks (climate or otherwise) within our value chain can be managed or even avoided by implementing a supplier engagement program?” or, “What cost savings or other management priorities can we and our suppliers realize because of this program?”

Establish clear roles, responsibilities and shared KPIs between sustainability and procurement teams to ensure a cohesive approach and avoid disconnects that could slow progress.

58%

Percentage of CPOs with climate-related monetary incentives that include ones tied to supplier outcomes (as compared to only 21% of Chief Sustainability Officers (CSOs)⁵

| Procurement | Sustainability |
|--|--|
| As the owners of supplier relationship management (SRM), procurement can reach all suppliers and integrate climate considerations into existing SRM processes. In addition, if your company has a Chief Procurement Officer (CPO), they can be a powerful ally in the C-suite. | As subject matter experts, sustainability teams can set procurement up for success by leading in technical areas such as identifying the biggest sources of potential risk or drafting requirements to be added to the supplier code of conduct. |



Pinterest’s sustainability and procurement teams worked closely to develop and implement the company’s supplier engagement program. Pinterest’s sustainability team brought on their first **EDF Climate Corps** fellow to develop a comprehensive supplier engagement strategy, pilot it with select suppliers for feedback, and create a scalable roll-out plan. This program equipped procurement who has updated sustainability questions as part of the RFP process and is evaluating more ways to integrate sustainability into its workflows.

5 CDP, *Strengthening the chain*, 12.

Engage additional internal teams to strengthen efforts:

Finance teams

Can assess and forecast transition costs and explore incentives like preferential financing.

Operations teams

Can collaborate with suppliers on emissions reductions through efficiency improvements.

Legal teams

Can help integrate climate requirements into contracts.



Schneider Electric's The Zero Carbon Project (TZCP) is led by the Sustainable Procurement team, within the Global Procurement Function. The company's 11 procurement departments are the key collaborators, with around 500 procurement staff engaged. The team also leveraged internal experts, such as the Sustainability Business division, to develop a digital emissions calculator, knowledge portal, and end-to-end decarbonization tool for small and medium-sized enterprises (SMEs).

AstraZeneca has a 'sustainability champions' program within its procurement team that meets regularly to provide feedback on supplier responses.

Research shows the missed opportunity and potential impact of communicating with and recognizing your suppliers:

17%

Missed opportunity: Percentage of polled SMEs that have received decarbonization requests from corporate buyers, suggesting that even minimal engagement could provide the push they need to take action⁶.

3.2x

Potential impact: Suppliers are 3.2x more likely to set a science-based target if climate change is featured in supplier award schemes⁷.

⁶ SME Climate Hub, 2025 Survey, <https://smeclimatehub.org/the-sme-climate-hub-survey/>.
⁷ CDP, Strengthening the chain, 31.



How does procurement already communicate with suppliers?
Through a supplier portal, emails, supplier relationship managers, newsletters, events, or a combination?

Communicate consistent messaging across teams to suppliers, including (but not limited to):

The company's own goals on climate

Share your own goals and motivation to address climate risks.



Ingka Group includes climate change advocacy as a core part of their sustainability strategy. The company publicly communicates their own positions and encourages other businesses to take four specific actions: set science-based goals, collaborate through alliances and initiatives, contribute to harmonized standards, and share information about sustainability and tools such as the SME Climate Hub.

Benefits of engaging

Communicate how it's an opportunity for suppliers to build resilience, gain a competitive edge, and future-proof their business.

Free tools & resources

Help suppliers understand their emissions impact and identify potential actions to reduce them. Some to start with include:

- [The Climate Drive](#)
- [SME Climate Hub](#)
- [EDF Net Zero Action Accelerator](#)

Ask everyone (at least voluntarily)

Integrate this into your communications to suppliers or into your Supplier Code of Conduct as a recommendation. Start asking for this information voluntarily as part of future RFPs or due diligence.

Recognition of achievements:

These could be awards or case studies amplifying supplier success stories to foster motivation, share best practices, and facilitate peer learning.



Through Carbon Reduction Leader Recognition, **Steelcase** awards suppliers who provide their emissions data and have either set or committed to setting science-based targets. The suppliers are showcased on the company's website and in their [2024 IMPACT REPORT](#).



How do we determine what resources to put toward supplier engagement? How do we track progress before we have perfect emissions data?

2

Have clear, measurable objectives for your supplier engagement efforts

Most companies with climate-focused supplier engagement programs already have an overarching net zero or scope 3 goal. However, a well-designed supplier engagement program should also have a clear “north star” supplier engagement goal with shorter term sub-goals and KPIs to help guide the program, track progress, celebrate wins, and make improvements along the way.

Define a “north star” supplier engagement goal. First determine the business case, size of the goal, and level of resources to put toward supplier engagement versus other reduction activities. You may consider the following to get started:

- What risks (climate or otherwise) within your value chain can be avoided by implementing a supplier engagement program?
- What cost savings or other management priorities can you and your suppliers realize because of this program?
- How much do your suppliers and their value chains contribute to your overall GHG inventory?
- How much do supplier emissions need to decrease in order to meet your overarching climate goals?

Then determine the scope and metric of the goal. The following considerations can get you started:

Consideration:

At what point in the supply chain do the majority of your emissions occur?

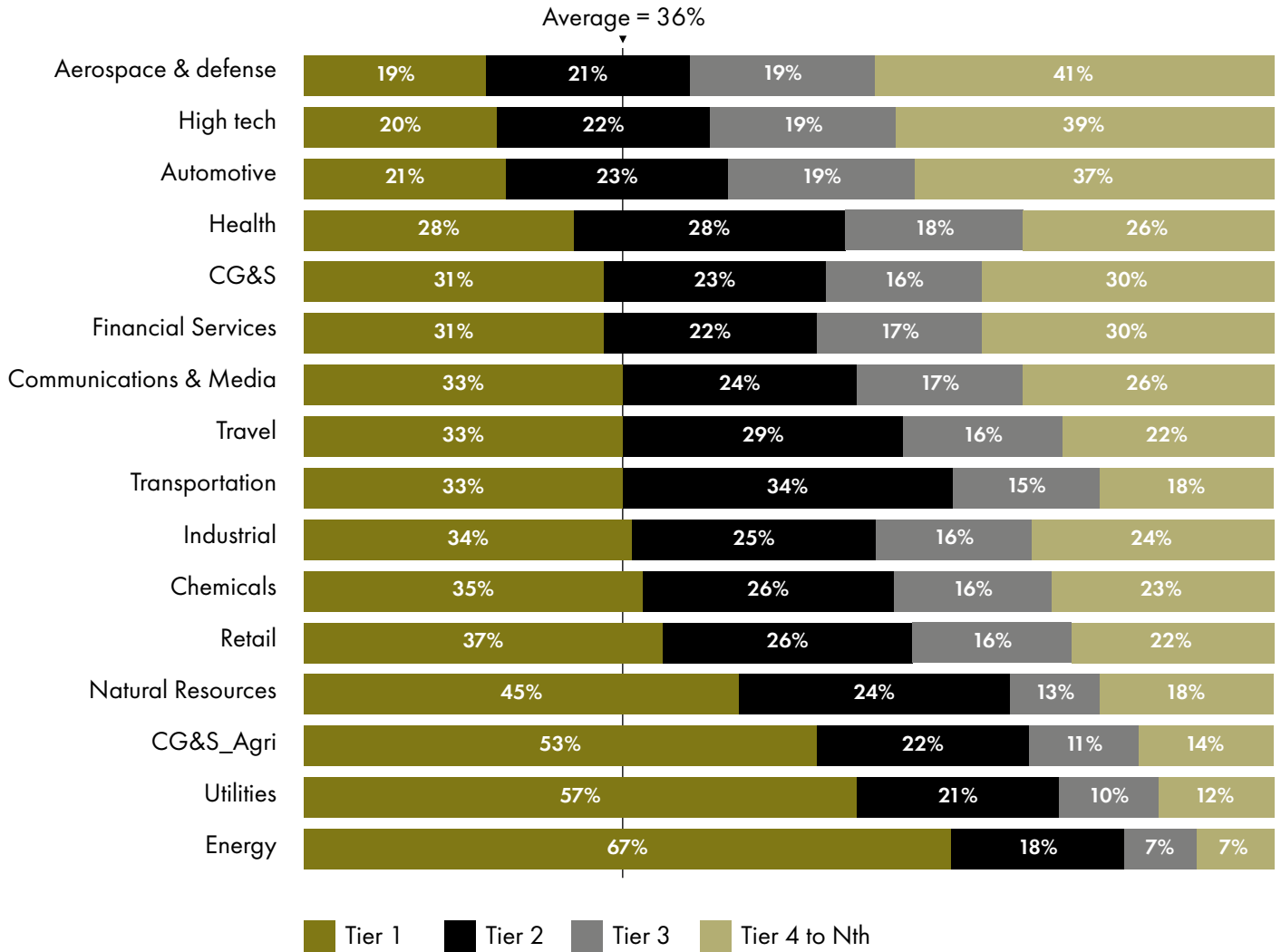
Example:

If tier 1 – You may want to focus on operational emissions of tier 1 suppliers.

If beyond tier 1 – You may want to set goals focused on specific commodities and engaging those companies directly and also empower your tier 1 suppliers to cascade targets through their supply chain.

Analysis of scope 3 reporting from Accenture shows that hot spots across tiers vary across sectors⁸, but almost all sectors have hot spots beyond tier 1, indicating that companies may want to consider goals that involve engaging further upstream.

Figure 2 **Distribution of upstream emissions by supplier tier**



Source: Accenture Research analysis based on EXIOBASE 3 Dataset, 2022

⁸ Accenture, Thought you knew the Scope 3 issues in your supply chain? Think again. 2022, <https://www.accenture.com/content/dam/accenture/final/accenture-com/document/Accenture-Visibility-Into-Scope3-Emissions-Report.pdf>.

Considerations:

What inputs are the largest sources of emissions in your supply chain? Would setting targets around those specific issues be an easier way to engage those suppliers?

How are you collecting data now, and how do you plan to collect it in the future?

Examples:

You may have commonalities across suppliers on specific emission sources, like dairy methane or electricity use, and setting targets around those specific issues could be an easier way to engage those suppliers.

Metrics include but are not limited to greenhouse gas (GHG) emissions reductions, the percentage of suppliers with validated targets, the proportion of energy derived from renewable sources, and emissions intensity measured as emissions per unit of product or revenue.



Senior PLC, a UK based engineering solutions provider, has committed through SBTi that 82% of its suppliers by spend covering purchased goods and services and capital goods will have science-based targets by 2025.

Albertsons, one of the largest food and drug retailers in the US, has committed through SBTi to having 63% of its purchased goods and services suppliers by emissions set science-based targets by 2026.

Track progress and build check points in your program to determine when suppliers are ready for the next step. Building a process by which you assess KPIs regularly and use that information to understand the positive or negative impacts of your tactics will allow you to scale and pivot accordingly. And, by having strategic KPIs, your measurement of progress doesn't have to be hindered by limitations in availability and accuracy of suppliers' emissions data.



Schneider Electric divided their supplier engagement program **The Zero Carbon Project** into three phases. The first focused on quantification and reporting, aiming for a **50% operational GHG reduction by top 1,000 suppliers in five years and for 100 suppliers to compute and report** emission reductions. Phase 2 will focus on suppliers adopting ambitious reduction targets and phase 3 will focus on implementing a roadmap to achieve the reductions.



Where should I ask my suppliers to start? What kind of target should my suppliers set?

3

Ask your suppliers to set targets

193M
tonnes of CO₂e

Estimated impact of implementing all emissions reduction project ideas submitted by 5,500+ suppliers in the CDP Supply Chain program⁹.

Our general recommendations:

1. Ask your suppliers to start by calculating scope 1 and 2 emissions. Scope 3 emissions should also be calculated or estimated using models to understand supplier hotspots.
2. Non-emissions-based targets can be simpler to track progress while suppliers are building up their ability to understand and calculate emissions data.

Many companies with supplier engagement programs have goals that focus on requiring or encouraging suppliers to set targets. Asking suppliers to set targets is effectively asking them to secure leadership buy-in, calculate their impact, allocate resources, and ultimately reduce their emissions.


Public targets especially provide evidence that the supplier is committed to managing their climate risks before they can demonstrate actual emissions reductions. And, understanding supplier targets, progress, and/or transition plans can help identify ideas for joint decarbonization initiatives with suppliers.

Most companies start by asking their suppliers to calculate their emissions and report publicly. After they have completed that, they move on to target-setting. This approach is referenced in a number of recommendations, including from [WEF](#) and [SBTi](#). There are a number of different ways to frame your ask.

Consider the following options and what might be best for your suppliers

| NON-EMISSIONS-BASED TARGETS | EMISSIONS-BASED TARGETS |
|--|--|
| <p>Examples include:</p> <ul style="list-style-type: none"> • Supplier engagement • Renewable energy procurement • Fleet decarbonization • Procuring lower-carbon materials | <ul style="list-style-type: none"> • Scope 1 and 2 emissions are more easily measured • Scope 3 emissions are often estimated with models that make tracking progress more difficult • Many net zero target standards and frameworks are emissions-based • Sector-specific guidance may be available |
| <p>Carbon-free electricity</p>  <p>Microsoft has incorporated a requirement for “select scale, high-volume suppliers to use 100% carbon-free electricity for Microsoft delivered goods and services by 2030” according to their 2024 sustainability report.</p> | <p>Emissions reductions</p>  <p>Philips set a target for 50% of its suppliers (based on spend) to commit to science-based targets for CO₂ emissions reduction by 2025.</p> |




The goal of supplier engagement is progress, not perfection. Meet the supplier where they are, consider their readiness for setting different types of targets, and aim for them to ramp up to longer-term or more formal targets as soon as they are able to.

| NEAR-TERM | LONG-TERM TARGETS |
|--|--|
| <ul style="list-style-type: none"> • Typically 5-10 years for a public target | <ul style="list-style-type: none"> • 10+ years • Net zero targets often have a 2040 or 2050 endpoint |
| <p> Lego asks the company's largest suppliers to set near-term targets that they need to meet by 2026, and then further by 2028.</p> | |

Our general recommendations:

- 1.** Ask your suppliers to start with a near-term target since there are fewer unknowns and their management is more likely to incentivize a short-term target than a long-term one.
- 2.** Suppliers should ramp up to long-term targets once they've demonstrated an ability to make progress against near-term targets. Long-term targets will still need to be complemented by shorter term ones to ensure that action is happening at the pace required along the way.



| INTERNAL | PUBLIC | PUBLIC AND THROUGH AN INITIATIVE |
|--|--|--|
| <ul style="list-style-type: none"> Set a specific, measurable, ambitious, time-bound, internal target that makes sense for the organization | <ul style="list-style-type: none"> Set a specific, measurable, ambitious, time-bound public target that makes sense for the organization | <ul style="list-style-type: none"> Set a public target tied to the standards of a public initiative, such as SME Climate Hub or Exponential Roadmap Initiative Consider going a step further by getting that public target validated through initiatives like the Science Based Targets initiative |
| <p>SMART targets</p>  <p>To join Walmart's Project Gigaton, the first requirement is to set a SMART (Specific, Measurable, Achievable, Relevant, Time Limited) emissions reduction goal. The goal is up to the supplier and Walmart encourages them to consider selecting goals that are ambitious or "stretch" goals and eventually build toward setting a science-based target.</p> | <p>Science-based targets or equivalents</p>  <p>L'Oreal Group sets clear expectations for suppliers to develop climate transition plans with science-based targets or equivalent strategies. L'Oreal has supported suppliers in measuring greenhouse gas emissions, encouraged participation in the CDP Supply Chain, and offered training.</p> | <p>SBTi-aligned</p>  <p>Fujitsu encourages tier 1 & 2 suppliers to set science-based targets. Since 2016, Fujitsu has provided simple tools to visualize scope 1 and 2 emissions and align targets with SBTi.</p> <p>Multiple initiatives</p> <p>BT Group works with multiple public initiatives, including supporting smaller companies in its value chain through the SME Climate Hub and working with Exponential Roadmap Initiative to set up the 1.5°C Supply Chain Leaders Initiative, to drive climate action throughout global supply chains.</p> |

Our general recommendations:

1. Consider the readiness of suppliers and consider helping them build up to a formal target. Smaller suppliers will likely benefit from a more informal approach, especially when they are just getting started.
2. Larger, more sophisticated suppliers often have the resources to get a publicly validated target. This third-party validation process then makes it easier for companies to track their suppliers' progress.





What data should we collect and how should we collect it?

4

Use available tools and data

Supplier data is needed to understand program impact and show progress toward goals and targets. The program, system, or platform companies use to collect data is an important consideration.

Consider the following options and what might makes sense for your circumstances:

| PUBLIC DATA | DATA FROM SUPPLIERS |
|--|---|
| <p>Public sources of targets are SBTi and SME Climate Hub.</p> <p>Publicly available emissions data are available through SME Climate Hub but harder to come by for other companies who don't refer to the SME Climate Hub.</p> | <p>Data already collected by your procurement team may be useful, such as information about the supplier (number of employees, annual revenue) or information about transactions with the supplier (spend, type of purchase).</p> <p>You will likely have to request at least some new data as part of your program.</p> |
| <p>Data from supplier websites</p>  <p>One company we spoke to was scraping suppliers' websites to capture data that are important for the company to track progress against their supplier goals.</p> | <p>Exchanging product carbon footprints</p>  <p>Since 2004, <u>Fujitsu</u> has implemented a data exchange program using product carbon footprints (PCFs) and its ESG Management Platform to visualize and reduce emissions from purchased materials. This initiative allows suppliers to share emissions data securely while aligning with global standards, enabling targeted reductions and progress tracking.</p> |

Our recommendations:

- 1.** Avoid asking suppliers for information they may already provide publicly or in a format that is different to other requests they get from your procurement team. Streamlining these asks as much as possible will increase your success rate.
- 2.** Use established metrics, frameworks, and industry standards where available for new data requests. For SMEs, it is particularly important to offer simplified reporting frameworks that minimize administrative burden while still capturing critical information, like the SME Climate Hub.
- 3.** If you are developing your own questionnaire, worksheet, or system to collect data, provide clear guidelines and offer training to your suppliers to ensure they understand your request.



What information does procurement already collect from suppliers (either during contract or ongoing)? Is a supplier scorecard used? How easy would it be to add climate-related scoring?

| EXISTING COLLECTION SYSTEM | NEW COLLECTION SYSTEM* |
|---|--|
| <p>Procurement may have a supplier portal or other way of capturing information from suppliers.</p> | <p>There are many programs and tools out there to collect climate data from suppliers.</p> <p>According to the Scope 3 Peer Group's 2024-2025 Tools Review, the most mentioned scope 3 tools vendors were SiGREEN, Manufacture 2030, Sphera, and Ecovadis.</p> |
| <p>Existing system</p>  <p>Steelcase uses OneTrust, a data privacy tool that was being used by its supply chain management team. The company's sustainability team adapted the tool to fit their needs and sent out a questionnaire through it. Responses are logged in a database connected with SAP, so all of their supplier data can be seen together and evaluated holistically.</p> | <p>CDP Supply Chain</p> <p>One program is CDP Supply Chain, which has a "write once, read many" approach: Data written once through CDP can be used many times, by many stakeholders, on many platforms, for many uses. AstraZeneca has invited over 700 suppliers to submit data through the CDP Supply Chain Membership.</p> |

*References do not constitute an endorsement

Our general recommendations:

1. Understand what platform your procurement team uses, if it is fit for purpose, and whether it includes or can be expanded to include the emissions data and other climate information you are looking for. Systems that integrate with financial systems are ideal if you plan to use supplier data in future emissions calculations, so also consider other platforms at the company that may be able to meet your needs.
2. For external collection systems, consider whether your sector or industry peers are aligning around certain platforms or systems, as mutual suppliers may be more familiar with those.



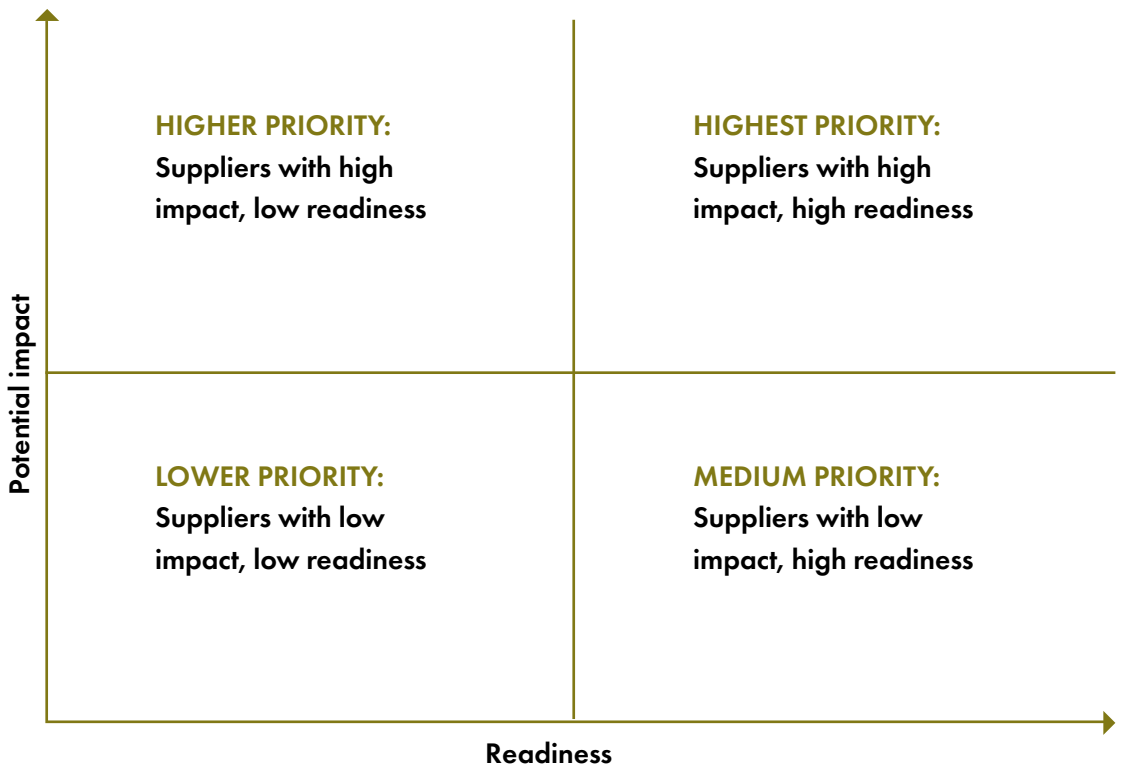
How should we prioritize suppliers for more hands-on support?

5


Prioritize suppliers by potential impact and readiness

All suppliers benefit from managing climate risks – but it may not be feasible or impactful to engage them all in the same way. Companies should prioritize additional hands-on engagement with suppliers who have high potential impact.

Figure 3 Mapping by potential impact and readiness



Consider meeting with high-impact suppliers before sending any requests, whether in 1:1 meetings or grouped workshops. This can help you identify the right people to engage and gather information on their readiness.

 Does procurement already have a list of key suppliers?

Assess potential impact. There are a few different approaches to assessing your suppliers' potential impact:

Emissions contribution

- Companies that have already estimated their scope 3 emissions can use that data to identify suppliers that contribute to emission hotspots. Companies getting started can perform a hotspot analysis using internal spend data with spend-based emissions factors to estimate scope 3 emissions. This is the least specific, but most accessible method. The SME Climate Hub hosts a free **Scope 3 Specific calculator by Emitwise**, aimed at SMEs, which uses procurement data to estimate scope 3 emissions.
- Companies that haven't estimated their scope 3 emissions can still prioritize by emissions by assessing which suppliers provide emissions-intensive activities or materials, like transportation or steel. For an overview of the emissions-intensive activities that most need addressing, refer to **Project Drawdown Foundations** or **Systems Change Lab Shifts**.

Spend and volume

- Companies can prioritize high-spend and high-volume suppliers, as these are the suppliers that are most impactful to your business and for whom you may have the most influence. If these are suppliers of emissions-intensive activities or suppliers who use a lot of fuel and electricity in their operations, influencing them to manage emissions can save costs and reduce climate risks. It is still important to consider whether these strategic suppliers overlap with emissions-intensive activities to avoid missing large emission hotspots.
- According to one company we spoke to, the most impactful actions leading to the success of its supplier engagement strategy was both narrowing the focus to emission-intensive supply chain categories and the largest suppliers by spend within these categories, and then acknowledging a wide range of climate maturity even within a single commodity.

Other impacts to consider

- Critical material inputs can significantly impact a company's ability to produce their products. Suppliers of these materials are high-impact, particularly if the supplier pool is limited or the material input has higher climate risks. Higher risks could be due to the way the input is grown, processed, mined, transported, or manufactured, or if it is specific to a high-risk geographical location.
- Certain suppliers who are critical to achieving a company's specific climate goal should be considered high-impact.



General Mills has a goal to advance regenerative agriculture on 1 million acres of farmland by 2030, and they seek out interested farmers in key regions to participate as program partners.

Assess their readiness to engage. Differentiate between suppliers with advanced sustainability practices and those beginning their journey, providing appropriate support for each group.

Do they measure and disclose their scope 1, 2, and 3 emissions?

Companies already tracking emissions are better positioned for target-setting and reduction efforts.

Do they have science-based targets, net-zero, or decarbonization commitments?

If so, this indicates a high level of readiness and commitment to emissions reductions. This could also indicate that they are already investing in emission reduction measures, like adopting renewable energy, low-carbon materials, or energy efficiency improvements.

Have they historically responded to sustainability-related requests from buyers, or do they participate in sustainability initiatives?

Reporting to frameworks like CDP or EcoVadis, or participating in initiatives like the SME Climate Hub or Exponential Roadmap Initiative, suggests a more advanced understanding of climate risks and commitments. Past responsiveness to surveys, reporting requirements, or supplier engagement programs can indicate willingness to collaborate and suggests a more advanced understanding of climate risks and commitments.

Do they publicly communicate sustainability efforts, or is there evidence they have dedicated sustainability personnel or teams?

For example, is sustainability featured on their website, in any of their annual reports, or in their marketing or social media presence? If not, they may have a lower level of readiness.

Are they in an industry with high regulatory or customer pressure for decarbonization?

Suppliers in carbon-intensive sectors or those serving sustainability-focused clients may be more responsive to engagement.



Klöckner Pentaplast engaged their top 50 suppliers by emissions, classifying them into four different maturity levels and communicating specific follow-up actions depending on the maturity level. The end goal is that these 'carbon-strategic' suppliers manage their GHG emissions using targets, Life Cycle Analyses (LCA) and action programs..

Mars prioritizes suppliers by risk and readiness through its Next Generation Supplier Program. To define risk, the company uses spend and emissions intensity data to identify high impact suppliers, such as its top 10 raw materials supplier or high emissions resources. Mars assesses readiness by using the EcoVadis platform to understand sustainability performance and climate maturity.

Understand whether your supplier is an SME, what countries they operate in, and what other customers they serve, as this will affect what type of reporting platforms they will use, targets they might set, whether they have jurisdictional requirements, and/or if industry-wide programs exist to improve engagement.

Address language barriers, which can hinder clear communication and understanding of climate commitments. Providing translated resources, using visual guides, and leveraging local industry groups can help bridge these gaps.



CBRE's decentralized supply chain requires an approach that accommodates many different needs. The suppliers are highly dispersed geographically, to support buildings in the company's global portfolio, so CBRE is working to translate materials into the biggest language groups in its supply chain. A large proportion of suppliers are SMEs, and CBRE provides a number of options for communication and support, including live forums, Q&A sessions, and face-to-face engagement.

Example tactics for different suppliers

| SUPPLIER READINESS | LOW READINESS | HIGH READINESS |
|--------------------|--|---|
| High impact | Provide direct support for building the internal case for climate action and emissions accounting. Offer capacity-building programs and low-barrier tools to help establish reduction strategies. | Engage on target-setting, transition planning, and addressing hot spots upstream through cascading engagement and partnership on initiatives. |
| Low impact | Share resources like SME Climate Hub , The Climate Drive , Net Zero Action Accelerator and the 1.5° Business Playbook to encourage emissions measurement, basic reporting and learning.. | Encourage target setting and transition planning. |



How do we incentivize action? How do we accelerate progress for our most important suppliers?

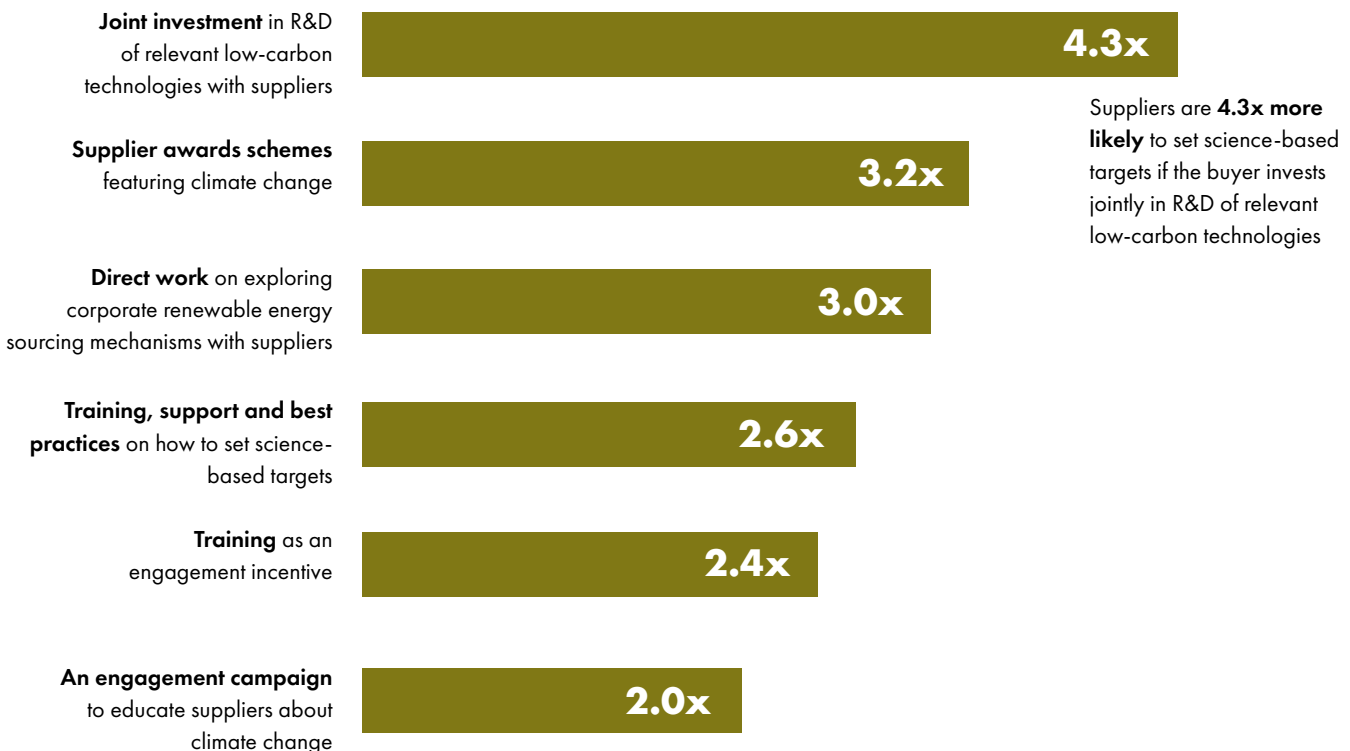
6

Find the right incentives

There is no one-size-fits-all approach to incentivizing suppliers to reduce emissions; however, active engagement is key. Research on the effectiveness of supplier engagement tactics to reduce emissions is limited but a recent CDP report found that 87% of suppliers who reported emission reductions had climate-related requirements and were actively engaged by customers¹⁰.

They also evaluated which tactics made suppliers more likely to set science-based targets:

Figure 4 **Supplier likelihood of setting science-based targets by type of engagement**



¹⁰ CDP, *Strengthening the chain*, 13.

Develop, test, and reiterate on your own incentive mix. As you build your program, ask high-impact suppliers what they need, consider the costs and effectiveness of these levers and how they might be best utilized for suppliers in your value chain. The following real-world examples may help you better understand what different tactics look like in practice.

Build supplier capacity

through tactics like education, training, and engagement campaigns. This capacity-building can be general but is often topic-specific, focusing on key elements like setting targets for procuring renewable energy.



CBRE has invested in their Carbon Trace platform in partnership with Emitwise to enable suppliers to calculate their emissions and submit data in a standardized way. The platform is free of charge to participating suppliers and particularly supports CBRE's many SME suppliers, who may be calculating their emissions for the first time.

Steelcase organizes webinars and workshops on calculating emissions and setting targets to support their suppliers. The company has found that suppliers also value one-on-one check-ins to provide greater guidance and identify challenges and solutions.

Printpack, a packaging supplier, participates in the **SupplierLOCT** initiative, where they identify and invite suppliers to free training and support provided by Guidehouse. Suppliers that complete the training get public recognition.

Philip Morris International (PMI) designed their Sustainability Accelerator program as a 3–6-month intensive collaboration that results in each supplier building their own roadmap with specific opportunities for decarbonization. PMI follows up with regular touchpoints and the program supports faster implementation of sustainability goals and targets.

Facilitate access to

solutions such as renewable energy and support to upgrade, for example to new machinery or low-carbon technologies. One way to enable this is through funding, which can be through buyer subsidies, co-funding/joint investment, and facilitating institutional financing.

Companies can also explore collaborative solutions such as group financing for renewable energy projects or shared infrastructure and tools to help reduce costs.



Energize, a partnership between the Pharmaceutical Supply Chain Initiative and Schneider Electric, provides suppliers with educational resources and opportunities to participate in the market for renewable electricity. Suppliers can join a "buyers' cohort," in which multiple companies combine electricity demand and go to market together in a multi-buyer PPA.

Apple has a target to use exclusively clean electricity across its value chain by 2030. They have developed a Supplier Clean Energy Program (CEP) to help "enable suppliers' transition to renewable electricity by advocating for policy changes, providing information and access to renewable energy procurement options, and creating engagement opportunities with renewable energy experts."

IKEA offers direct suppliers across three key markets – China, India, and Poland – access to localized renewable energy solutions, including bundled framework agreements and Power Purchase Agreements (PPAs) at pre-negotiated rates.

Vattenfall asks suppliers to submit CO₂ reduction ideas with separate pricing, allowing them to present the lowest base price alongside optional sustainability measures. These proposals are a key factor in supplier selection, encouraging sustainability and innovation.

Reward performance

through supplier recognition programs, award schemes, and improved contract terms, such as better financing rates or increased order volumes. These could be based on quantitative criteria (i.e. a specific reduction in emissions) or qualitative criteria (i.e. if a supplier has publicly set a target).



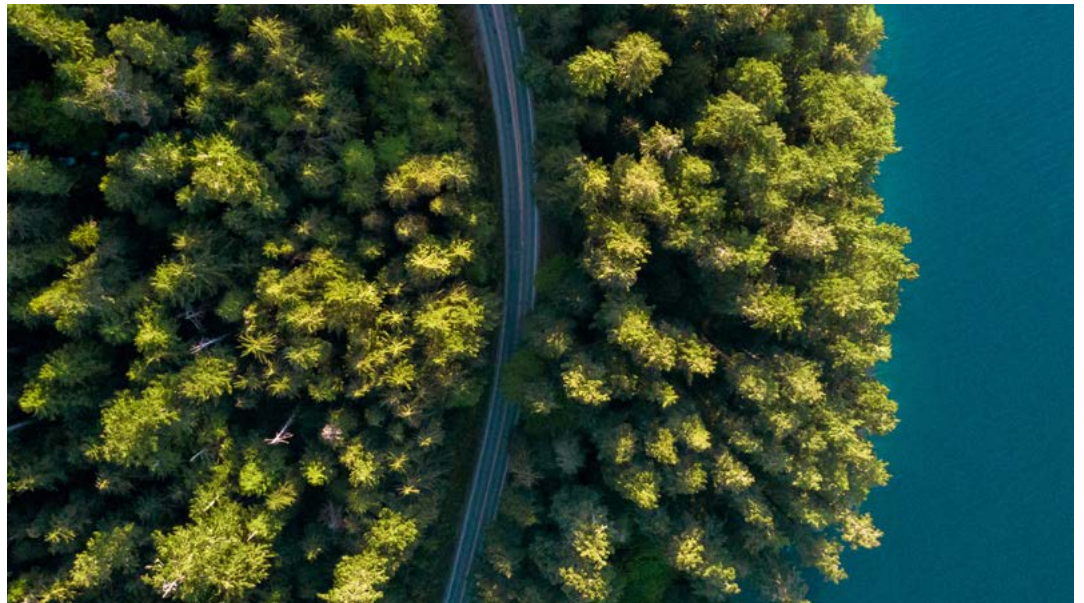
BASF integrated ESG criteria into its procurement process with BonusMalus tool to provide up to 5.5% bonus or malus to suppliers' tenders in bidding process, based on ESG performance.

Philips recognizes suppliers for their carbon reductions, which supports their brand image, and offers improved payment terms to suppliers that take concrete steps on climate action. Philips also facilitates access to lower cost of capital for investing in greening solutions.

CBRE has been gradually embedding sustainability as an expectation in the company's Partner Excellence Program, which provides benefits such as improved payment terms, chances to meet with senior leaders in the business, and panel buying opportunities.

52%

Suppliers are 52% more likely to reduce their annual emissions when their buyers offer financial incentives compared to when only training was provided.¹¹



¹¹ CDP, *Strengthening the chain*, 14.

?

What happens if a supplier pushes back?

7

Be prepared

The [Chancery Lane Project](#) has developed guidance and boilerplate language for companies to implement climate-aligned clauses into their own contracts.

When implementing your program, anticipate a range of reactions and be ready to address them effectively.

Align policies and procedures with your expectations to reinforce them.

One way to reinforce your expectations is to integrate your supplier engagement asks into your procurement documents, contracts, and supplier codes of conduct. This allows you to set expectations for both new and renewed contracts during a time when suppliers are more motivated to accept and plan for such requests.



Microsoft communicates their general requirements in the company's Supplier Code of Conduct. The company also acknowledges potential challenges and provides further details on disclosure requirements, reduction targets, and compliance timelines through supplier contracts or direct communication.

Salesforce integrates their [Supplier Sustainability Exhibit](#) into standard contracts, which outlines supplier requirements. To boost participation, Salesforce designed the Exhibit to be adaptable to unique situations. They also provide training for procurement and legal teams, and proactively engage high-impact suppliers.

Respond to the supplier's specific concern. Here are some common examples of supplier hesitations or questions:

Uncertainty about where to start

For suppliers citing a lack of capacity or education, targeted support such as training programs and simplified tools can reduce the burden and enable them to participate.

Concern about upcoming regulatory requirements

For suppliers who will soon be required to disclose emissions and climate risks under regulatory frameworks, urge them to prepare for these disclosures by staffing up and creating capacity to meet these requirements and support them where you can. A key part of most supplier codes of conduct is that suppliers abide by local legislation, so if the supplier doesn't then comply with the regulations once they are in place, terminating the contract may be warranted.

Won't set a particular target (net zero targets, public target etc.)

If the supplier is reducing emissions, but won't set targets, start by acknowledging their progress while emphasizing the importance of transparent and measurable goals to drive meaningful change. There is also the option to build their confidence by working with them on short-term interim steps, for example an alternative commitment focused on energy efficiency.

- For suppliers just getting started (particularly smaller suppliers with limited resources), if they are making progress, they should be given the opportunity to demonstrate that progress without setting a target.
- For larger suppliers, you may want to escalate your ask over time and consider punitive measures if they are lagging behind peer companies with science-based targets.



One company we interviewed encountered a close supplier who declined to set a formal decarbonization target. Despite this, the supplier demonstrated strong collaboration, taking significant steps toward emissions reductions. The buyer elected to recognize demonstrated emissions reductions in lieu of a public commitment for this key supplier.

Questions on funding

Suppliers can have expectations of costs associated with climate targets and valid concerns about how those costs can be covered. Capacity-building and education can help here, sharing stories of peers who have taken key actions like efficiency savings and seen cost savings as a result.



One company we interviewed was having trouble getting a supplier to engage, so they enlisted their trade association of similar customers to develop a shared ask of their suppliers. This can be particularly useful tactic when a supplier is high-impact to a buyer, but the buyer may be a small percentage of the suppliers' revenue. Partnering with other buyers in a pre-competitive way elevated the ask and benefitted all buyers.

Conclusion

The business value of building a resilient supply chain is clear and compelling. Engaging suppliers on climate change is a win-win: it builds the capacity needed to support supply chain resiliency by improving relationships, risk identification and transparency, while tacking climate change, a key risk that, if managed, can reduce the severity of supply chain disruptions in the future.

This guidance, along with the resources shared throughout, is designed to answer common questions backed by real company examples. See these other resources from our partners for more step-by-step guidance for building and executing a successful supplier engagement program

[BSR and Exponential Roadmap Initiative](#)

[EDF: Engage Your Suppliers](#)

[Exponential Roadmap Initiative: Supplier Action Guide](#)

[SBTi: Engaging Supply Chains on the Decarbonization Journey](#)

[SME Climate Hub: Mobilize your SMEs](#)

[Sustainable Purchasing Leadership Council \(SPLC\) Guidance](#)

[WBCSD and BCG: Supply Chain Masterclass Series on The Climate Drive](#)

[We Mean Business Coalition: How Companies Can Accelerate Value Chain Decarbonization](#)