

# How to decarbonize your supply chain using procurement criteria

**AREAS TO DISCOVER**

- Where to start
- What to consider
- How to implement decarbonization criteria
- When to leverage procurement processes

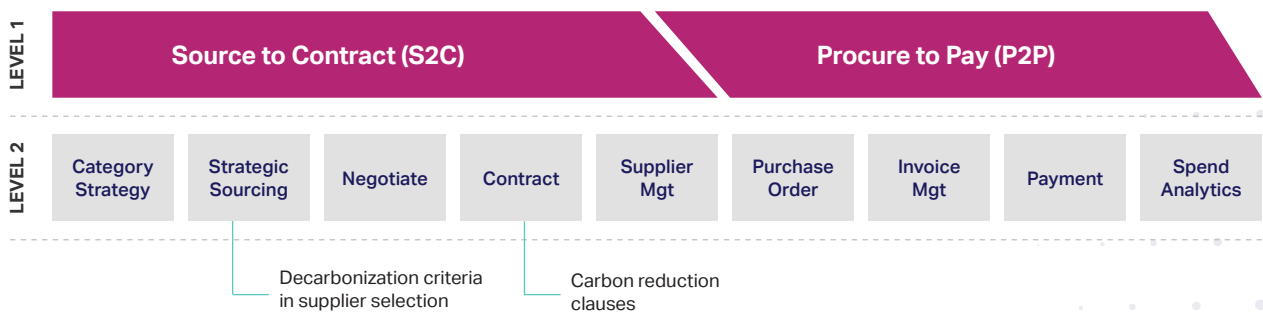
**Organizations can embed decarbonization expectations into existing procurement processes which is a high impact and cost-effective way to kick start supply chain decarbonization.**

In the tender phase, organizations can introduce carbon requirements into supplier selection and increase the weighting of such criteria in supplier scoring. Contract renewal points can be utilized to strengthen existing sustainability requirements or to introduce new criteria in order to achieve net zero.

## Procurement process

It is essential that sustainability and procurement teams work in unison to ensure decarbonization criteria are realistic from a sourcing perspective, and targeted on the areas with greatest potential for carbon reduction. Decarbonization criteria can be integrated at several stages of the procurement process from Source to Pay.

Here we focus on levers associated with procurement criteria. Other carbon reduction levers will be covered in future issues.



**Procurement teams are centerfold to climate action. It's our duty to share decarbonization levers with them and empower them to reduce scope 3 supplier emissions. Procurement criteria traditionally leveraged to reduce costs, must be evolved to reduce carbon too.**

**Hannah Loake,**  
Senior Manager, Climate Action

# Where to start

## DESIGN YOUR DECARBONIZATION CRITERIA

### Understand supply chain landscape and targets

Identify your supply chain emission hotspots, consult procurement and sustainability teams to determine what interventions can be used to meet KPIs. What supply chain emissions reduction do you need to meet your Scope 3 targets? What percentage of suppliers need to set an SBT?

### Develop selection criteria

Use your ESG ambitions to inform the key requirements for your supplier selection criteria. Ensure that these are underpinned by measurable targets and performance metrics from supply chain planning.

### Create a framework

Create a list of questions for suppliers at pre-selection stage. Identify where these might vary for different suppliers (by size or sector). Try to tailor the questions e.g. for IT, hotel or airline suppliers. For suppliers at contract renewal stage, look to increase the existing requirements.

Using the list of questions you have designed, you can build a consistent methodology for evaluating suppliers against carbon targets. This will ultimately lead to net zero objectives being integrated across each stage of the procurement cycle.

# What to consider

When deciding which suppliers to apply specific procurement criteria to, think about emissions impact, contract value and contract duration.

### EMISSIONS IMPACT

*Which suppliers are responsible for most of your upstream emissions?*

Prioritize efforts on working with the suppliers that will have the greatest impact on your Scope 3 emissions reductions.

### CONTRACT VALUE

*Consider materiality. Where do you have leverage?*

Your organization may have greater leverage with suppliers that you spend more with. These suppliers are also more likely to be keen to collaborate and innovate with you to achieve emissions reductions. Suppliers who meet ESG requirements could be offered premium rates.

### CONTRACT DURATION

*Is the contract one off, short-term or multi-year?*

Where you have a longer contract in place your organization has the opportunity to support the supplier to make larger, longer term investments. You may choose to offer suppliers who do not meet sustainability criteria shorter contracts, with a view to reducing your dependency on those relationships.



We've developed a decision tree that allows the procurement team to understand the number and depth of ESG questions to ask the supplier. This decision tree is based on three criteria: spend, duration of contract and impact.



Latifa Kapadia,  
Supply Chain Sustainability Lead, PwC UK

## How to implement decarbonization criteria

### Increase the ambition of existing policies

Strengthen the requirements of your existing Third Party Code of Conduct. This is a good way to communicate an increased level of ambition to all suppliers at once with relatively low effort.

### Evaluate coverage vs effectiveness

Focus your resources where you can have the most impact by prioritising your efforts on the most carbon intensive suppliers.

### Embed criteria into existing processes

Use Tender or RFP processes. Update existing supplier scoring mechanisms to include decarbonization criteria, or give these existing criteria greater weighting when assessing suppliers.

### Engage beyond procurement

Engage with the account managers or the people who make the day to day decisions about how a product or service is used as they often have regular contact with the suppliers outside of contract negotiation.

## When to leverage procurement processes

1

### Tender phase

You have greatest leverage at the tender phase. Maximise efforts at this stage before contractual requirements are established for the duration of the contract. Use supplier questions (in the RFI and RFP) and weighted selection criteria.

2

### During contract

You may be able to take a blanket approach to communicating expectations to all suppliers including those mid-contract by updating your Third Party Code of Conduct if all suppliers adhere to this.

3

### Contract renewal

Be aware of when contracts are coming up for renewal as this is an opportunity to integrate clauses with increased net zero ambition.

### GET IN TOUCH

For more information on the Supply Chain Decarbonization series, contact: [Hannah Loake](#), WBCSD or [Rebecca Osmaston](#), PwC