

How to engage with suppliers beyond tier 1



The first step to engaging with your upstream supplier network is to build visibility of suppliers at tier 1, then go beyond tier 1.

1. How to build visibility of your supply chain

Visibility at tier 1, then beyond is key to managing supply chains and procurement effectively as it empowers your organization to make data driven decisions - prioritizing the highest polluting steps in the value chain.

Lack of visibility may be characterized by limited emissions data to compare sourcing options, no view of nth tier supplier networks, or lacking the system support to build emissions data into your supply chain planning processes.

GATHER DATA

Work with suppliers to get consistent GHG data. Estimates based on spend category and location can provide a baseline

CALCULATE FOOTPRINT

Footprint your supply chain to understand greatest emissions sources

ANALYZE SPEND VS EMISSIONS

Map your spend and emissions data to supplier categories

BEYOND TIER 1

Start to engage suppliers beyond tier 1, focusing on those with most impact and leverage



Work with groups of suppliers which face shared challenges; build alignment on purpose, and activate with the incentives, resources and technical advice necessary to drive change and decarbonization.

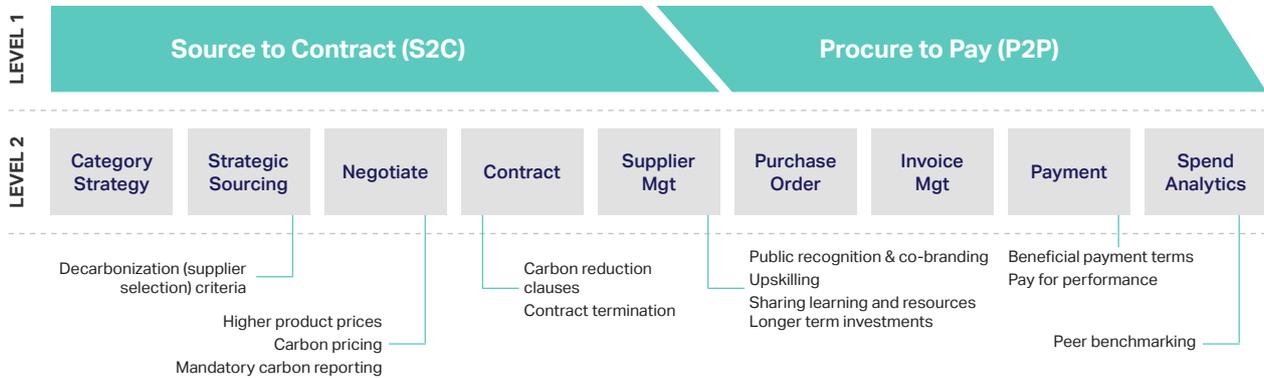
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2. Where to start

EMBED DECARBONIZATION LEVERS

Sustainability and procurement teams should work together to embed decarbonization levers into the procurement process and collaborate on how to apply them from source through to pay. This framework can then be used to look at applying the levers to different categories of spend and roll out to the nth tiers of the supply chain.

Decarbonization levers applied to the procurement process.



APPLY DECARBONIZATION CRITERIA TO YOUR CATEGORIES OF SPEND

Once you have mapped your chosen decarbonization levers to the procurement source to pay process, you need to consider applying them to different categories of spend. See a worked example applied to a technology hardware company's suppliers below:



WHAT TO CONSIDER

FOOTPRINT

Every spend category has a different spend profile and GHG emissions footprint by geography

COST TYPES

Indirect costs are industry agnostic, direct costs tend to be sector specific

LEVERS

Carbon reduction levers vary in effectiveness across categories of spend

TIERS

The tier at which you contract is not always the maximum point of influence for emissions reductions, the greatest opportunities to drive decarbonization may be beyond tier 1

3. How to engage

Leverage supplier agency

Support suppliers to drive change in their upstream value chains.

Start by upskilling and/or incentivizing them to reduce their own emissions and to engage with their tier 1 suppliers.

This will help to further build capability in tiers they are closer to.

Group your suppliers

Group your suppliers by identifying overlaps in your upstream supply chain, for example by industry, location, or by those that face shared challenges / incentives. This may involve collaboration with peers and other industries, or across geographic regions.

Think about how to inject knowledge, how to engage with local governments, and how to utilize opportunities to collaborate using technology between your groups of suppliers.

Foster collaboration

Collaboration with suppliers is essential for building trusted relationships and can help you share information beyond tier 1 with their suppliers, or to cascade requests through the tiers (e.g. setting Science Based Targets).

Collaboration with peers who share a similar supplier base can scale impact by streamlining data sharing to understand and map supply chain and emissions data between tiers.



Building trust with tier 1 suppliers to drive decarbonization further upstream is critical. Without a solid relationship you will lack visibility and the agency to mobilize beyond.

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

DISCLAIMER

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