

# Supplier Transformation Framework

WORKSHOP EXERCISE

# About this Workshop Exercise

Transform to Net Zero (TONZ) is a cross-sector initiative to accelerate the transition to an inclusive net zero global economy. The initiative includes companies that are climate leaders in their industries – Danone, GSK, HSBC, Maersk, Mercedes-Benz, Microsoft, Natura & Co., Nike, Inc., Ørsted, Starbucks, Unilever, and Wipro. Environmental Defense Fund is the founding NGO member and BSR serves as Secretariat.

This is a workshop exercise designed to familiarize users with TONZ' *Supplier Transformation Framework* by demonstrating how to use the maturity framework across a range of use cases.

# Supplier Transformation Framework

## Measurement and Target Setting

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
<b>GHG emissions measurement and assurance</b>	Create an inventory of all owned and operated assets, including facilities and vehicles, and their estimated use (e.g., facilities: annual electricity consumption; vehicles: annual mileage and fuel consumption)	Measure GHG emissions across Scope 1 and 2 according to the <b>GHG Protocol</b> annually	Measure GHG emissions across Scope 1, 2, and 3 according to the <b>GHG Protocol</b> annually	Externally verify Scope 1 and 2 GHG emissions inventory via an independent and reputable third-party assurance provider <ul style="list-style-type: none"> <li>Verification of Scope 3 emissions is not required but encouraged</li> </ul> Perform climate life cycle assessments (LCAs) for key products and services
<b>Target setting and validation</b>	Set loose goals and commitments to reduce emissions that are not time-bound	Set a net zero near- and long-term target in line with <b>SBTi criteria</b> <sup>1</sup> for absolute Scope 1 and 2 emissions	Set a net zero near- and long-term targets in line with <b>SBTi criteria</b> <sup>1</sup> for absolute Scope 1, 2, and 3 emissions and consider validating Scope 1 and 2 with SBTi	Validate absolute near- and long-term net zero targets for Scope 1, 2, and 3 with SBTi <sup>1</sup> <ul style="list-style-type: none"> <li>Target should be to halve emissions before 2030 and achieve net zero before 2050 aligned with a 1.5°C future</li> </ul>
<b>Renewable energy<sup>2</sup> (RE) target setting</b> (aligned with RE100)	Set loose goals and commitments to reduce emissions that are not time-bound	Set a public target to procure 30% RE by 2030, 70% by 2040, and 100% by 2050, and demonstrate progress yearly through concrete actions towards the purchase or generation of RE <ul style="list-style-type: none"> <li>For the purchase of RE, obtain RE certificates that meet the <b>RE100 technical criteria</b> as proof of validity</li> </ul>	Set a public target to procure 60% RE by 2030, 90% by 2040, and 100% by 2050, as aligned with RE100 <sup>2</sup> , and demonstrate progress yearly through concrete actions towards the purchase or generation of RE <ul style="list-style-type: none"> <li>For the purchase of RE, obtain RE certificates that meet the <b>RE100 technical criteria</b> as proof of validity</li> </ul>	Set a public target to procure 100% RE by 2030 <ul style="list-style-type: none"> <li>For the purchase of RE, obtain RE certificates that meet the <b>RE100 technical criteria</b> as proof of validity</li> </ul>

## Governance

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
<b>Organizational design</b>	Assign individual accountability internally to drive climate-related initiatives forward	<p>Establish a sustainability function to drive climate-related initiatives forward</p> <ul style="list-style-type: none"> <li>The size of the department can range from an individual to a large team, as appropriate</li> <li>Assign CSR/ESG/Sustainability/Climate-related job titles to the individuals/department</li> </ul>	<p>Establish a leadership team and/or board oversight for implementation of climate-related initiatives</p> <p>Involve supply chain, sourcing, and procurement functions in climate-related efforts, with a focus on integrating climate goals into existing supplier relationships</p>	Involve all relevant functions <sup>3</sup> in climate-related initiatives. All relevant functions have an individual with climate expertise to guide activities within climate priorities, and all relevant departments and processes are aligned with climate goals
<b>Internal incentives</b>	Discuss climate priorities in reviews of employees with leadership positions, with no impact on performance review	<p>Integrate climate KPIs into the review of employees with accountability for climate-related activities<sup>3</sup></p> <ul style="list-style-type: none"> <li>e.g., emissions reduction target, RE target, % suppliers that report and reduce emissions, participation in climate-related events, etc.</li> </ul>	Integrate climate KPIs into the review of employees in relevant functions and those with climate-related responsibilities	<p>Tailor and embed climate action across all relevant functions<sup>3</sup>, with climate KPIs integrated into the review of all employees across relevant functions</p> <p>Tie executive compensation to climate targets</p>

## Reporting and Disclosure

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
<b>Management reporting capability</b>	<p>Publicly disclose energy and fuel consumption baseline for operated and owned assets and climate priorities annually</p> <ul style="list-style-type: none"> <li>This can be disclosed on any public facing website, letter, statement, or other external media</li> </ul>	<p>Publicly disclose Scope 1 and 2 emissions and other climate-related commitments, including progress towards targets, annually</p> <ul style="list-style-type: none"> <li>This can be disclosed on a public facing website, letter, statement, or other forms of external media, not necessarily a traditional sustainability report</li> </ul>	<p>Publicly disclose Scope 1, 2, and material Scope 3 emissions and other climate-related commitments, including progress towards targets, in an annual report or dedicated annual CSR/ESG/Sustainability report using a formally recognized international reporting disclosure standard or framework</p> <ul style="list-style-type: none"> <li>Disclosure frameworks (e.g., GRI, CDP, TCFD, ISSB, etc.) can vary based on differing use cases and jurisdictional requirements (e.g., EU CSRD, US SEC, etc.)<sup>4</sup></li> </ul>	Publicly disclose a detailed inventory of Scope 1, 2, and 3 emissions, including rationale for emissions not included in Scope 3. In addition, publicly disclose other climate-related commitments, results of LCAs, and abatement activities/ methodology, including progress towards targets, in an annual report or dedicated annual CSR/ESG/Sustainability report using a formally recognized international reporting disclosure standard or framework and/or via additional independent third-party disclosure entities (e.g., Ecovadis), and obtain third-party assurance



TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
<b>Disclosure of plans and roadmaps</b>	Internally disclose climate priorities and assign internal responsibility for the initial development of a roadmap	Internally disseminate plans and strategies to address climate impacts and publicly communicate climate commitments	Publish time-bound climate transition plans/decarbonization roadmaps with some key elements of climate transition plans according to relevant frameworks (e.g., CDP, GFANZ, TCFD, TPT, and TONZ) and disclose progress towards emissions reduction targets annually	Have all key elements of climate transition plans according to relevant frameworks (e.g., CDP, GFANZ, TCFD, TPT, and TONZ) and disclose progress towards described actions and initiatives

## Internal Engagement

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
<b>Climate literacy, knowledge, and expertise</b>	Implement initial education among leadership and managers on climate change and climate action to identify and define climate priorities and relevant functions <sup>3</sup>	Provide employees with educational materials on climate change and climate action for self-learning, with additional resources provided to employees in climate-related functions <sup>5</sup>	<p>Conduct a high-level annual sustainability training and provide resources/tools for internal education of employees in climate-related functions<sup>3</sup></p> <ul style="list-style-type: none"> <li>Train select members of the supply chain, sourcing, and procurement team on climate goals and highlight their roles in meeting those goals</li> </ul>	<p>Provide bespoke training, resources/tools, and other support/programs on climate-related commitments for internal and external education (e.g., suppliers)</p> <ul style="list-style-type: none"> <li>e.g., energy efficiency, GHG accounting, transportation optimization, etc.</li> </ul>
<b>Process integration</b>	Introduce climate-related topics at regular check-ins with business units	Communicate climate expectations across the business, and integrate discussion of progress on these at regular check-ins with business units	<p>Integrate climate expectations into internal documents, resources, and processes to help employees understand and achieve climate-related goals and commitments. Example documents and processes can include:</p> <ul style="list-style-type: none"> <li>Employee resource/training portals</li> <li>Code of Conduct</li> <li>Letter/Statement to employees</li> </ul> <p>Introduce climate expectations in ongoing business interactions between procurement and suppliers' sustainability and sales representatives</p> <ul style="list-style-type: none"> <li>For example, include climate-related goals and commitments in performance reviews of suppliers</li> </ul>	<p>Integrate climate expectations and clauses into supplier contracts and RFI/RFPs, as well as other internal and external documents, resources, and processes, and actively work with suppliers to implement these</p> <ul style="list-style-type: none"> <li>External supplier-facing documents tie the buyer-supplier relationship to achieving climate goals. These include, but are not limited to: <ul style="list-style-type: none"> <li>Self-assessments</li> <li>Performance scorecards</li> <li>Supplier Code of Conduct</li> </ul> </li> </ul>

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
<b>Strategy development and implementation</b>	Develop a strategy to measure Scope 1 and 2 emissions, set targets, and address climate priorities	Develop a decarbonization strategy across relevant functions <sup>3</sup> that details specific actions to meet Scope 1 and 2 science-based targets (SBTs) and other climate-related commitments, with recognition of the social impacts of the strategy and revise the strategy on a regular basis	<p>Develop a decarbonization strategy and/or roadmap with some key elements of climate transition plans according to relevant frameworks (e.g., CDP, GFANZ, TCFD, TPT, and TONZ) across relevant functions<sup>3</sup>. It should detail specific actions to meet Scope 1, 2, and 3 SBTs and other climate-related commitments, including integration of the social impacts of the strategy. The strategy should be revised on a regular basis</p> <p>This should include alignment of R&amp;D and innovation of existing and future products and services with net zero goals</p>	Implement a robust decarbonization strategy encompassing all key elements of climate transition plans according to relevant frameworks (e.g., CDP, GFANZ, TCFD, TPT, and TONZ). It should detail specific actions to meet Scope 1, 2, and 3 SBTs, including a strategy to phase out products and services that do not align with net zero targets, a process to decarbonize all capital expenditures, and considerations of social impacts across all elements of the strategy. The strategy should be revised on a regular basis

## External Engagement

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
<b>Industry collaboration</b>	Develop a list of collaborations and partnerships that align with established climate priorities for company participation	Meaningfully engage in constructive dialogue through climate-related industry webinars, events, workshops, and other educational tools available and share learnings	Participate in climate-related collaborations and partnerships through membership <sup>5</sup> and contribute to thought leadership and the development of webinars, workshops, and other educational tools	<p>Have participation from senior leadership in collaborations and engage in co-creation<sup>6</sup> of climate-related initiatives across industries</p> <p>Participate in innovation and R&amp;D that promotes decarbonization and/or circular economy across the value chain</p>
<b>Policy engagement disclosure<sup>7</sup></b>	Develop a list of existing policy advocacy activities related to climate, if any	Commit to disclosing all policy advocacy activities within a certain timeline, if any	<p>Disclose all policy engagement, advocacy, lobbying, and trade association memberships, and commit to aligning these with climate goals within a given time frame</p> <p>Internally define actions for industry associations identified as misaligned with climate goals</p>	<p>Disclose all policy engagement, advocacy, lobbying, and trade association membership, and clearly illustrate how these align with climate goals.</p> <p>Publicly disclose processes in place to remedy misalignment of positions with climate goals</p>



## References

<sup>1</sup> For companies in sectors where the [Science Based Targets initiative \(SBTi\)](#), the global body that defines and promotes best practice in emissions reductions and net-zero targets in line with climate science, has not released sector-specific guidance, companies should refer to the appropriate sectorial guidance for example [UN Race to Zero](#).

<sup>2</sup> Renewable energy sources include wind, solar, geothermal, sustainably sourced biomass (including biogas), and sustainable hydropower. These align with those considered by RE100.

<sup>3</sup> Relevant functions include, but are not limited to, procurement, sourcing, finance, product design, R&D, among others.

<sup>4</sup> Note: TONZ is keeping a close eye on regulatory developments on mandatory climate disclosure. This framework is a live document and will be updated as regulations evolve.

<sup>5</sup> Membership: this is defined as membership of a public partnership or industry peer-group with commitment to be involved for a minimum of a one-year period, or for the duration of the collaboration, if shorter than one-year.

<sup>6</sup> Co-creation: In the context of climate justice, co-creation is a collaborative process that centers affected communities in engagement with a variety of stakeholders to take collective action on issues which affect the entirety of the group, with the goal of driving positive and equitable social and environmental outcomes.

<sup>7</sup> The [TONZ Climate Policy Engagement Guide](#) provides additional guidance on how policy engagement can advance climate goals and progress.



# Use Cases

Companies can use the framework following a simple process, as a high-level example:

- 1 Identify if your supplier is Ad hoc, Nascent, Established, or Transformative
  - 2 In collaboration with your supplier, use the framework to decide the topics and expectations most relevant to them
  - 3 Review progress and evaluate when to increase expectations to move suppliers to the next tier, collaborating with suppliers to understand their capacity
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There are varying use cases depending on the needs of the functions leveraging the framework. These include:

## 1. Standalone climate performance assessment to evaluate existing or prospective suppliers

Companies can use the framework to benchmark suppliers' climate action performance/maturity. Alternatively, suppliers can use the framework to assess their own climate action performance/maturity and compare it to peers or industries.

## 2. Provide targeted support for suppliers or supply chain professionals on climate related issues

Companies can aggregate the framework's results to get insight into the areas suppliers are underperforming in and can EITHER provide direct support OR use it as a basis for internally training non-sustainability, supply chain relevant functions on the actions that suppliers can undertake to achieve net zero emissions (e.g., e-learning courses, virtual workshops, decarbonization programs, etc.).

## 3. Basis for "green gamification" or performance improvement

Companies can adopt a "carrot and stick" approach, EITHER employing gamification techniques to drive climate action and reward/recognize suppliers based on their tiers (e.g., preferential conditions reflected in a contract, financial incentives, etc.), OR sanctioning suppliers for lack of progress (e.g., removal from preferred supplier lists, contract termination, etc.).

# Workshop

This is a workshop exercise designed to familiarize users with TONZ' *Supplier Transformation Framework* by demonstrating how to use the maturity framework across a range of use cases.

## WORKSHOP EXERCISE

### Context: Here's the Situation

Like most companies, you have calculated your greenhouse gas (GHG) inventory and found that your scope 3 emissions represent the largest segment of your corporate carbon footprint. The emissions are mostly derived from your suppliers' activities, and as a procurement/supply chain lead with sustainability expertise, you have been tasked with engaging your suppliers to reduce emissions based on your company's climate targets and timelines. Inbound climate disclosure regulations and the impact supply chain emissions reductions would have on your climate goals make supplier engagement a priority, so your work will have visibility in your organization. While strategizing on how to kickstart or accelerate your supplier engagement efforts, you were introduced to the Transform to Net Zero (TONZ) Supplier Transformation Framework, a multifaceted tool that addresses supplier derived scope 3 emissions.

### Workshop Exercise: "What is my most effective supplier engagement use case?"

Step 1: Which use case do you envision implementing within your organization that will yield the most successful results in supplier engagement?

**Please proceed to the table with your use case number.**

Step 2: Glance through the Framework. In your unique organization's situation, highlight the topics that are relevant to assessing your suppliers' climate maturity.

Step 3: Answer the questions or follow the instructions based on your use case.

# USE CASE 1

## Standalone climate assessment to evaluate existing or prospective suppliers

- Who is going to conduct the assessment?
  - Company (buyers)? Suppliers (self assessment)? Both?
- Based on the topics you have identified, how are you going to collect accurate supplier data and track it?
  - Are you going to rely on publicly reported data or directly engage with suppliers (e.g., annual survey)?
- When and how often will the assessment be conducted?
- How will you communicate the results to your suppliers and engage them in climate action?

# USE CASE 2

## Provide targeted support for suppliers or supply chain professionals on climate-related issues

- Imagine the Framework is a rubric describing your tier 1/priority/GHG hotspot suppliers' climate actions. Based on the topics you have identified, review the actions and identify the tier that your suppliers predominantly fall under.  
**Congrats, You have benchmarked your suppliers!**
- Focusing on the topics where your suppliers are underperforming, how will you provide support?
  - Do you want to provide direct support to advance your suppliers to the next tier? If so, what kind of support is most effective for your supplier base (e.g., e learning courses, virtual workshops, decarbonization programs)?
  - Do you want to provide support/training to relevant staff to help suppliers advance to the next tier?
    - What kind of climate training and capacity building are you currently providing your relevant staff? What's missing? What could be improved? Are there process that need to be instilled or adapted?
- How and when will you communicate your support plan to suppliers or staff?



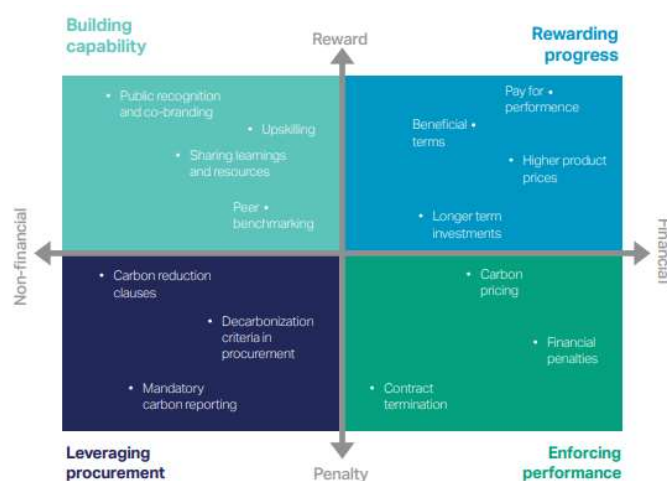
# USE CASE 3

## Basis for “green gamification” and performance improvement

- Imagine the Framework is a rubric describing your tier 1/priority/GHG hotspot suppliers' climate actions. Based on the topics you have identified, review the actions and identify the tier that your suppliers predominantly fall under.

**Congrats, You have benchmarked your suppliers!**

Refer to the [WBCSD's Incentives for Scope 3 supply chain decarbonization: accelerating implementation framework](#)



- Based on the topics you have identified, what functions will you have to engage internally (get buy in) in order to set up a climate incentivization/recognition program for suppliers?
- How will you determine the rewards/recognition given for actions and achievements? What topics and tiers might you prioritize and/or require achievement to receive rewards/recognition?
- What kind of reward/recognition would be an effective lever? (e.g., preferential contractual conditions, financial incentives)
- Based on your business model and supplier base, can your company afford to implement an “Enforcing Performance” model?
  - If yes, what kind of penalty would be an effective lever for suppliers who are not making progress on climate action after a certain timeframe (e.g., removal from preferred supplier lists, contract termination, etc.)?
  - If not, what other levers can you leverage to improve the climate performance of those suppliers?
- How will you communicate these expectations to suppliers?



## Supplier Transformation Framework Transformation Guide (PDF)



## Online Supplier Transformation Framework

[TRANSFORMTONETZERO.ORG](https://TRANSFORMTONETZERO.ORG)



natura&co



Secretariat



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