Transform to Net Zero

JULY 2023
TRANSFORMTONETZERO.ORG

Supplier Transformation Framework

TRANSFORMATION GUIDE

Contents

Introduction

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.

To support companies in meeting net zero targets no later than 2050, TONZ is publishing a series of Transformation Guides which share members' experiences and lessons learned from challenging issues in net zero implementation. A Transformation Guide does not prescribe a single way to tackle net zero implementation, but instead invites readers to adopt the approaches that are best suited to their circumstances.

The seventh in the series, this Transformation Guide takes a more action-oriented approach and provides guidance to companies on how to align supplier expectations for net zero transformation to accelerate Scope 3 reduction efforts.

The views expressed in this publication have been informed by the collective work of TONZ members but do not necessarily represent the views of every member on each issue.

The Problem

Scope 3 emissions represent the largest and hardest-to-address segment of most corporate carbon footprints. According to CDP, supply chain emissions alone are on average 11.4 times greater than a company's Scope 1 and 2 emissions combined. At the same time, in 2021 only 20% of companies reported Scope 3, category 1 (product goods and services) emissions. In addition, the lack of transparency in emissions reporting can obscure decision-making for buyers, suppliers, and ultimately the financial sector, preventing the proper allocation of capital towards climate-positive activities. These discrepancies present a significant challenge to achieving climate targets, and companies are increasingly turning to supplier engagement as a key strategy to measure and reduce Scope 3 emissions.

Companies are setting near- and long-term net zero-aligned supplier engagement targets and communicating these in supplier-facing documents. However, companies of different sizes, business models, and sectors inevitably have diverse supplier engagement targets (e.g., different timelines and emissions intensity reductions), and suppliers, who have multiple customers and are at different stages of climate maturity, struggle to meet these varying expectations.

Currently, companies assess suppliers according to their own individual standards. For example, companies develop maturity matrixes to evaluate suppliers and identify which actions to adopt with which suppliers. However, the lack of alignment on what constitutes best practice creates a confusing and sometimes contradictory landscape for suppliers to navigate. While one company might require disclosure of emissions associated with the products and services transacted between the buyer and seller, another company might request that suppliers set a renewable energy target with a particular target year.

Therefore, TONZ identified a need to 1) define a set of transformative, net zero-aligned climate expectations that suppliers can work towards to meet their customers' diverse expectations, and 2) provide a standardized framework for companies to assess their suppliers' climate maturity to best support them in meeting those expectations.

The Objective

This Transformation Guide presents a net zero-aligned supplier expectations framework that draws on the supplier engagement leadership experience and climate knowledge of supply chain, procurement, and sustainability teams from TONZ members. The framework presents four tiers of net zero aligned climate expectations to help suppliers more easily understand what beginner versus best practice looks like and what they need to do to achieve 1.5°C goals within their own value chains and beyond for their customers. The Transformation Guide concludes with a list of resources companies can provide their suppliers to begin or accelerate their decarbonization journeys.

The net zero aligned supplier expectations framework is intended to bridge the communication gap between supply chain professionals and tier 1 suppliers and build common ground in a varied buyer-supplier landscape. It is a minimal viable product, or "table stakes," and intended to be a high-level guide for setting climate expectations that companies can customize according to their unique circumstances.

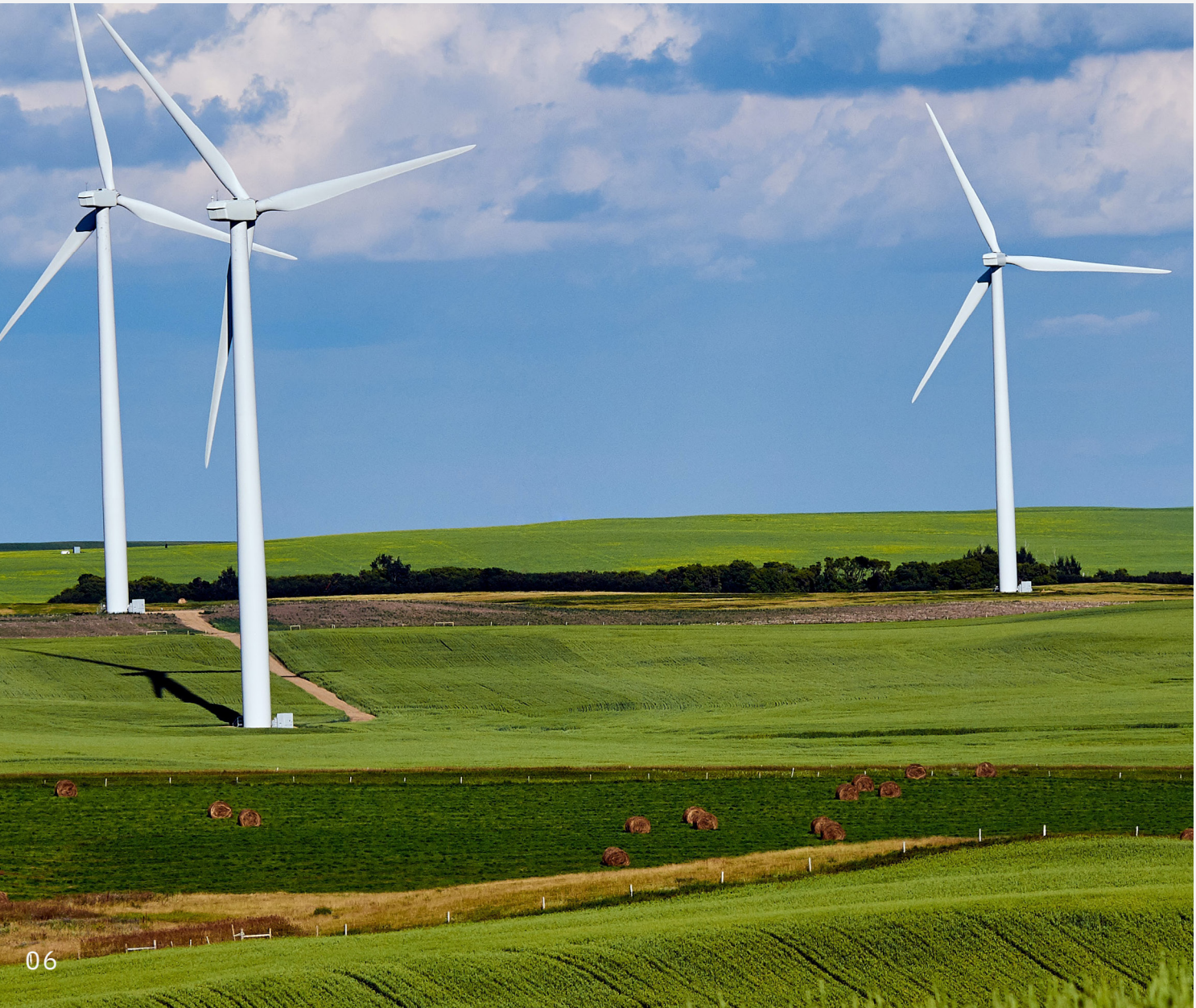
The set of Transformative, net zero aligned climate expectations articulated below is aspirational. The standardized framework to assess supplier climate maturity leading up to those Transformative expectations helps:

- Companies to institute common expectations for suppliers to reduce emissions and achieve 1.5°C goals while accounting for varying supplier climate action maturity levels;
- Suppliers to more easily understand the expectations asked of them to achieve 1.5°C goals within their own value chains and beyond for their buyers across industries;
- Both companies and suppliers to better position themselves to benchmark their climate performance against others and improve/develop engagement processes to decarbonize.

The goal of the framework is to strengthen buyer-supplier relationships, improve supplier engagement processes, and identify where support is needed to accelerate Scope 3 decarbonization. The framework recognizes that suppliers will be on a long-term journey toward meeting transformative expectations. The framework does not prescribe disclosure frameworks or mechanisms and rather seeks to reduce the burden on suppliers to have to disclose multiple times for different customers. As more companies adopt common climate expectations in their supplier engagement strategies, this will eventually have a cascading effect down the supply chain.

Development of the Framework

The framework was developed in collaboration with supply chain and procurement team representatives from TONZ member companies as well as in consultation with external entities, including Proxima Group and the Scope 3 Peer Group. It was informed by a variety of globally recognized climate and disclosure frameworks and standards. These include Ecovadis, CDP, Climate Action 100+, RE100, Science Based Targets Initiative's (SBTi) Net Zero Corporate Net Zero Standard, Global Reporting Initiative (GRI), 1.5°C Supply Chain Leaders Supplier Engagement Guide, The Chancery Lane Project's Net Zero Standards for Suppliers, World Business Council for Sustainable Development's report on Incentives for Supply Chain Decarbonization, and the Scope 3 Maturity Benchmark, created by Proxima and the Scope 3 Peer Group. As such, the content approaches climate action from the perspective of supply chain professionals and attempts to closely align with existing guidance and expectations.



How to Use and Interpret the Framework

The primary audience for this framework is supply chain professionals who directly engage and have established relationships with suppliers, as well as sustainability teams that interact with supply chain functions. This includes supplier relationship managers, and sourcing and procurement leads (for others, see use cases on pg. 12). Users of the framework do not have to have climate expertise, rather the overall vision is to scale climate action by leveraging the framework to increase climate literacy across supply chain teams. The context for this framework assumes that the user has initiated some level of climate action internally and is looking to engage its suppliers to achieve climate targets. In most cases, the user of the framework will have set a Paris-aligned, net zero science-based target by 2050 or ideally earlier.

Companies can use the framework to collect relevant information about suppliers from public disclosures and to engage with them directly to understand their sustainability maturity, communicate current and future expectations, and evaluate their performance. This evaluation will ultimately help procurement teams and other functions prioritize which suppliers to engage with on which topics, depending on the team's goals.

The framework assesses supplier performance across five topics: measurement and target setting, governance, reporting and disclosure, internal engagement, and external engagement. Performance is evaluated using a four-tier system, ranging from Ad hoc to Transformative.

Maturity Ladder

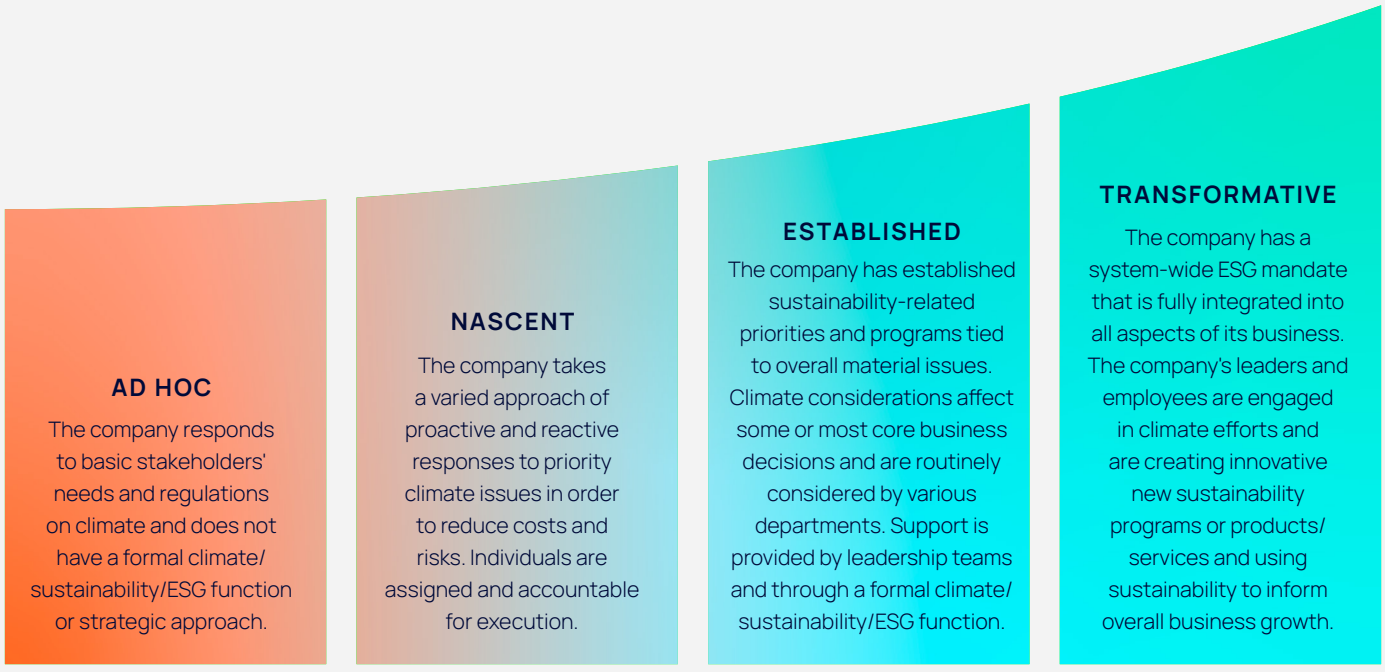


Figure 1. Illustrates the way TONZ analyzes a company's current state of supply chain engagement maturity.

Overview of Use & Interpret

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
Measurement and Target Setting				
Governance				
Reporting and Disclosure				
Internal Engagement				
External Engagement				

Figure 2. Presents a summary table of the framework's structure. The maturity tiers presented in the table reflect a high-level overview of what constitutes Ad hoc, Nascent, Established and Transformative. In the framework, each topic will have unique expectations for each tier.

Each consecutive tier assumes that the expectations set by the previous tier were achieved, and each expectation is intended to have a Yes/No answer. Like a rubric, suppliers will be classified in the tier in which their climate actions predominantly fall. As the framework is not a formal rating system, it does not result in an aggregated final score.

The framework includes an Ad hoc tier to account for suppliers that are only just initiating their climate journey. However, given the urgency of the climate crisis, companies should encourage and support suppliers to achieve the Nascent tier, at minimum, and move towards Transformative expectations rapidly.

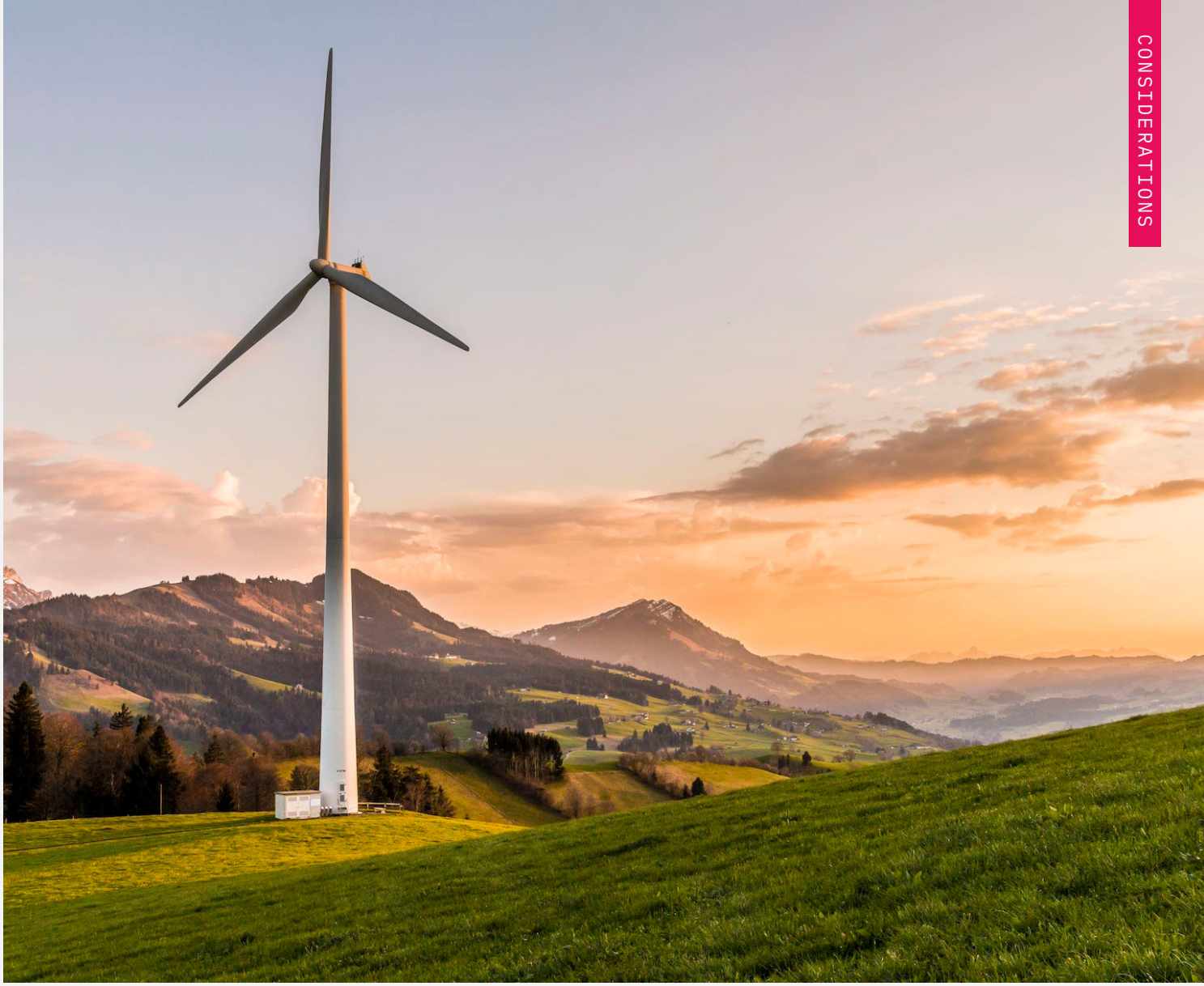
Additional Considerations

The framework is industry agnostic and only focused on climate topics needed to decarbonize value chains towards net zero, meaning it only accounts for actions directly pertinent to reducing greenhouse gas (GHG) emissions and does not assess suppliers on ancillary topics like their procurement strategies and policies, operational effectiveness, category management, sourcing and contracting processes, data and technology management, company culture, and nature (e.g., water, waste, land, biodiversity).

Moreover, the framework is not intended to be prescriptive, rather, it provides recommendations, agreed to by leading companies across various sectors, on what constitutes beginner through advanced action on climate. As companies have different supply chains and decarbonization strategies, it is up to an individual company to choose which portion of its supplier base to engage. Companies should prioritize engaging suppliers representing the largest contribution to their Scope 3 emissions. Companies that have neither calculated Scope 3 in their GHG inventories nor identified emissions hotspots may select suppliers based on purchase volume, spend, category, climate maturity, and other factors.

As different topics will be more or less material to different suppliers, companies can adopt or reframe the topics so long as they retain the essence of the original framework. For example, when a topic is not materially relevant to a supplier, the company may choose not to apply it to that supplier. The ultimate objective is to align expectations across industries, so companies should strive to adopt and apply as many topics as possible and minimize changes.

Additionally, while this framework is applicable to companies of all sizes and across all sectors, companies may need to adjust expectations for the small-to-medium enterprises (SMEs) in their value chains since SMEs may have more nascent climate programs and/or limited expertise, human capital, and financial resources to meet higher expectations. Companies with many SMEs in their supply chain, and/or with SMEs who are not in their priority group for engagement, can also direct these suppliers to the SME Climate Hub, which provides extensive, freely available resources to initiate SME climate action.



While the framework mentions various external frameworks, standards, and resources, these are intended as suggestions and not requirements. It is an individual company's choice to set expectations on which frameworks and standards to use to improve performance and ensure transparency and accountability. However, companies should encourage suppliers to move towards consistency in public disclosures, promoting alignment with widely recognized frameworks and standards.

Finally, while the framework is largely focused on achieving net zero, companies should not lose sight of the social implications of climate action. The impacts new strategies or initiatives will have on people should be considered for all emissions reduction efforts on an ongoing basis. For example, companies should ensure human rights are being respected across the value chain in the procurement of renewable energy, and frontline communities should be meaningfully and continuously engaged as renewable energy solutions are implemented. The TONZ Climate Justice Transformation Guide provides guidance on why and how to engage in climate justice.

Meeting the expectations set out in the framework requires climate knowledge, capital, and human resources that many suppliers might not have. If companies are instituting these expectations, they need to be prepared to support their suppliers throughout this process, both financially and with other tools, resources, and capacity building.

A NOTE ON FINANCE:

Access to capital is a significant, if not the largest barrier to real change for many companies. Suppliers need financing to procure energy efficiency CAPEX, renewable energy, and other activities to meet both their own targets and the targets of their buyers. Financing solutions can come from within the company, from the buyer, or from banking partners. Given its importance, TONZ will address supply chain finance solutions specifically in a future publication.

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. This information can also be used as a basis for supplier selection reflected in an RFP or climate-related dialogue and partnerships with suppliers.

2. **Double as a supplier self-assessment**
   Suppliers can use the framework to assess their own climate action performance/maturity and compare it to peers or industries.

3. **Provide targeted support for suppliers to decarbonize**
   Companies can aggregate the framework's results to get insight into the areas suppliers are underperforming in and can provide support to decarbonize specific parts of their value chains (e.g., e-learning courses, virtual workshops, decarbonization programs, etc.).

4. **Train supply chain professionals on pertinent climate-related issues and activities**
   Companies can use the framework's results as the basis for internal trainings with non-sustainability, supply chain relevant functions to educate teams on the actions that suppliers can undertake to achieve net zero emissions

5. **Basis for "green gamification" and financial recognition of climate-related efforts**
   Buyers can choose to employ gamification techniques to drive climate action or reward/recognize suppliers based on their tiers (e.g., preferential conditions reflected in a contract, financial incentives, etc.).

6. **Basis to push for performance improvement (e.g., via financial penalties, contract termination, or carbon pricing).**

Supplier Transformation Framework

Measurement and Target Setting

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
GHG emissions measurement and assurance	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 GHG Protocol annually	Measure GHG emissions across Scope 1, 2, and 3 according to the GHG Protocol annually	Externally verify Scope 1 and 2 GHG emissions inventory via an independent and reputable third-party assurance provider • Verification of Scope 3 emissions is not required but encouraged Perform climate life cycle assessments (LCAs) for key products and services
Target setting and validation	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 SBTi criteria[1] for absolute Scope 1 and 2 emissions	Set a net zero near- and long-term targets in line with SBTi criteria[1] 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[1] • Target should be to halve emissions before 2030 and achieve net zero before 2050 aligned with a 1.5°C future
Renewable energy[2] (RE) target setting (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 • For the purchase of RE, obtain RE certificates that meet the RE100 technical criteria as proof of validity	Set a public target to procure 60% RE by 2030, 90% by 2040, and 100% by 2050, as aligned with RE100[2], and demonstrate progress yearly through concrete actions towards the purchase or generation of RE • For the purchase of RE, obtain RE certificates that meet the RE100 technical criteria as proof of validity	Set a public target to procure 100% RE by 2030 • For the purchase of RE, obtain RE certificates that meet the RE100 technical criteria as proof of validity

Governance

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
Organizational design	Assign individual accountability internally to drive climate-related initiatives forward	Establish a sustainability function to drive climate-related initiatives forward • The size of the department can range from an individual to a large team, as appropriate • Assign CSR/ESG/ Sustainability/Climate-related job titles to the individuals/department	Establish a leadership team and/or board oversight for implementation of climate-related initiatives Involve supply chain, sourcing, and procurement functions in climate-related efforts, with a focus on integrating climate goals into existing supplier relationships	Involve all relevant functions[3] 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
Internal incentives	Discuss climate priorities in reviews of employees with leadership positions, with no impact on performance review	Integrate climate KPIs into the review of employees with accountability for climate-related activities[3] • e.g., emissions reduction target, RE target, % suppliers that report and reduce emissions, participation in climate-related events, etc.	Integrate climate KPIs into the review of employees in relevant functions[3] and those with climate-related responsibilities	Tailor and embed climate action across all relevant functions[3], with climate KPIs integrated into the review of all employees across relevant functions Tie executive compensation to climate targets

Reporting and Disclosure

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
Management reporting capability	Publicly disclose energy and fuel consumption baseline for operated and owned assets and climate priorities annually • This can be disclosed on any public facing website, letter, statement, or other external media	Publicly disclose Scope 1 and 2 emissions and other climate-related commitments, including progress towards targets, annually • This can be disclosed on a public facing website, letter, statement, or other forms of external media, not necessarily a traditional sustainability report	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 • 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.)[4]	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 LCA's, 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
Disclosure of plans and roadmaps	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
Climate literacy, knowledge, and expertise	Implement initial education among leadership and managers on climate change and climate action to identify and define climate priorities and relevant functions[3]	Provide employees with educational materials on climate change and climate action for self-learning, with additional resources provided to employees in climate-related functions[3]	Conduct a high-level annual sustainability training and provide resources/tools for internal education of employees in climate-related functions[3] • Train select members of the supply chain, sourcing, and procurement team on climate goals and highlight their roles in meeting those goals	Provide bespoke training, resources/tools, and other support/programs on climate-related commitments for internal and external education (e.g., suppliers) • e.g., energy efficiency, GHG accounting, transportation optimization, etc.
Process integration	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	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: • Employee resource/ training portals • Code of Conduct • Letter/Statement to employees Introduce climate expectations in ongoing business interactions between procurement and suppliers' sustainability and sales representatives • For example, include climate-related goals and commitments in performance reviews of suppliers	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 • External supplier-facing documents tie the buyer-supplier relationship to achieving climate goals. These include, but are not limited to: • Self-assessments • Performance scorecards • Supplier Code of Conduct

TOPICS	AD HOC	NASCENT	ESTABLISHED	TRANSFORMATIVE
Strategy development and implementation	Develop a strategy to measure Scope 1 and 2 emissions, set targets, and address climate priorities	Develop a decarbonization strategy across relevant functions[3] 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	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[3] . 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 This should include alignment of R&D and innovation of existing and future products and services with net zero goals	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
Industry collaboration	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[5] and contribute to thought leadership and the development of webinars, workshops, and other educational tools	Have participation from senior leadership in collaborations and engage in co-creation[6] of climate-related initiatives across industries Participate in innovation and R&D that promotes decarbonization and/or circular economy across the value chain
Policy engagement disclosure[7]	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	Disclose all policy engagement, advocacy, lobbying, and trade association memberships, and commit to aligning these with climate goals within a given time frame Internally define actions for industry associations identified as misaligned with climate goals	Disclose all policy engagement, advocacy, lobbying, and trade association membership, and clearly illustrate how these align with climate goals. Publicly disclose processes in place to remedy misalignment of positions with climate goals

Suppliers with limited resources may consider prioritizing the elements as outlined below. However, in many cases, the activities described across tiers are intrinsically related. For example, setting a net zero target requires measurement of GHGs, and achieving actual reductions in GHG emissions requires developing a decarbonization strategy and establishing a sustainability function to drive initiatives forward.

In essence, in order to achieve decarbonization by 2050, it is necessary to complete most of these elements in tandem.

- GHG emissions measurements and assurance
- Target setting and validation
- Strategy development and implementation
- Management reporting capability
- Organizational design

Resources

Suppliers across industries will be at different stages in their climate journey and experiencing different challenges (e.g., some will not have considered or started on climate action, and some will have already set net zero targets, but their emissions reduction rates might not align with their customers' expectations). As suppliers increasingly receive climate-related requests from their customers, it is critical to not only set and communicate clear expectations but to also provide the support that will help reduce the barrier to action and in turn advance progress.

Climate Specific Reporting Frameworks and Standards:

- CDP Climate Change 2023 Questionnaire
- CDP Climate Change 2023 Reporting Guidance
- TCFD Recommendations
- ISSB Climate Standard current draft. The final standard is pending.
- RE100 Technical Criteria

Climate Transition Plan Frameworks:

- CDP Discussion Paper on Carbon Transition Plans
- TCFD Guidance on Metrics, Targets, and Transition Plans
- GFANZ Recommendations and Guidance: Financial Institution Net-zero Transition Plans
- UK Transition Plan Task Force
- We Mean Business, CDP, Ceres, and Environmental Defense Fund Resources on creating a Climate Transition Action Plan

GHG Accounting and Target Setting Tools:

- GHG Protocol Corporate Standard Training Webinar
- SBTi Target Setting Methodologies and Tools
- GHG Protocol GHG Emissions Calculation Tools
  (INCLUDES CROSS-SECTOR, COUNTRY-SPECIFIC, AND SECTOR-SPECIFIC TOOLS)
- GHG Protocol Reporting Template

TONZ and Member Resources:

- TONZ Transformation Guide: Innovating Net Zero Products and Services
- TONZ Transformation Guide: Climate Transition Action Plans
- TONZ Transformation Guide: Climate Justice
- TONZ Transformation Guide: Climate Policy Engagement
- HSBC Supplier Finance Management Solutions
- Ørsted Guidelines for Procurement of Renewable Energy
- Unilever Responsible Partner Policy
- Energize Program

Other:

- Oxford Net Zero
- Scope 3 Maturity Benchmark
- 1.5°C Business Playbook: Building a strategy for exponential climate action towards net-zero emissions
- IFC Supplier Financing Program
- 1.5 Supplier Engagement Guide

  OUTLINES A FRAMEWORK ON HOW COMPANIES CAN COLLABORATE WITH SUPPLIERS TO SET AND IMPLEMENT A 1.5°C TARGET ACROSS FIVE PILLARS RANGING FROM EXPECTATIONS TO PROCUREMENT. INCLUDES TOOLS, TEMPLATES, AND EXAMPLES OF SPECIFIC COMPANY APPROACHES.

Tools and resources tailored specifically for small- and medium-sized businesses:

- SME Climate Hub
- Climate Fit
- Business Carbon Calculator
- SBTi SME FAQ
- SBTi Target Validation for SMEs

Glossary of Terms

CSRD:

The Corporate Sustainability Reporting Directive (CSRD) is a new European directive that modernizes and strengthens the rules concerning the social and environmental information that companies have to report. It entered into force in January 2023.

GFANZ

The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy.

ISSB:

The International Sustainability Standards Board (ISSB) is an independent, private-sector body that develops and approves International Financial Reporting Standards (IFRS) and Sustainability Disclosure Standards (IFRS SDS).

GRI:

The Global Reporting Initiative (GRI) is the independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts.

LCA:

A life cycle assessment (LCA) is a systematic analysis of environmental impact over the course of the entire life cycle of a product, material, process, or other measurable activity.

TCFD:

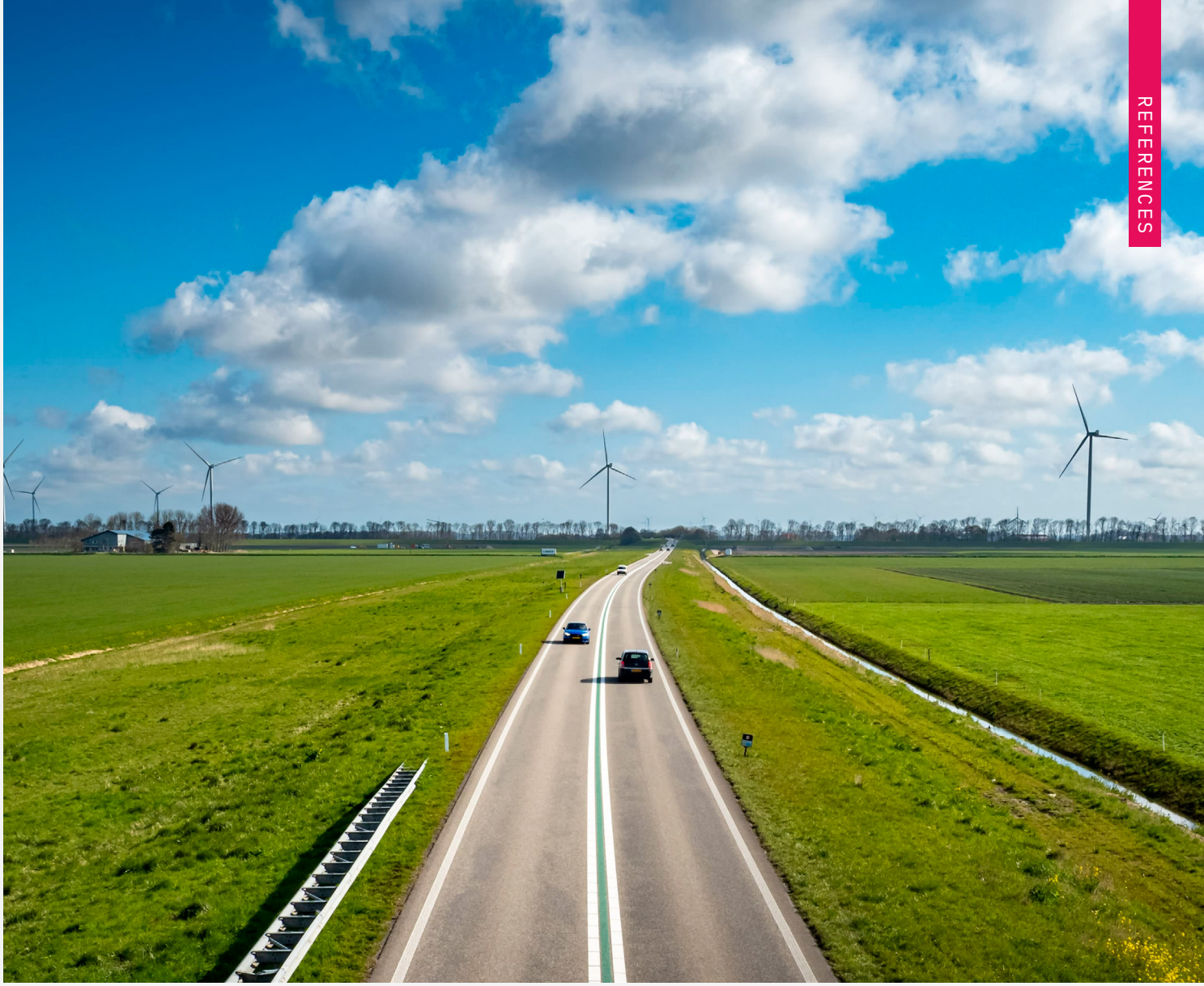
The Task Force on Climate-Related Financial Disclosures (TCFD) develops recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change.

TPT:

The Transition Plan Taskforce (TPT) was launched by HM Treasury in April 2022 to develop the gold standard for private sector climate transition plans. The TPT is informing and building on international disclosure standards.

IFC:

The International Finance Corporation (IFC) provides financing of private-enterprise investment in developing countries around the world, through both loans and direct investments. They are pioneers in supplier financing.



References

[1] 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

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

[3] Relevant functions include, but are not limited to, procurement, sourcing, finance, product design, R&D, among others.

[4] 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.

[5] 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.

[6] 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.

[7] The TONZ Climate Policy Engagement Guide provides additional guidance on how policy engagement can advance climate goals and progress.

Transform to Net Zero

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