



Supply Chain Decarbonization: An Essential Step Towards Net-Zero

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Foreword



Foreword

This report highlights the **challenges** and **opportunities** facing the private sector as it transitions to a **decarbonized supply chain**, an essential step in achieving **climate neutrality**.

The data in the report is based on **quantitative and qualitative** research conducted with a variety of companies, representing large corporations and small-and-medium-sized enterprises operating in various sectors and at different stages of maturity in their sustainability journey.

The aim of this report is to highlight **best practices** at all levels and to provide **recommendations** for other companies to take action.

It is a pleasure to present this report, which aims to guide companies in taking **concrete steps to address supply chain emission reductions**.

Small-and-medium-sized enterprises (SMEs) are part of global supply chains and many are in the early stages of managing their emissions, as compared to large companies. While their potential to drive the sustainable transformation and decarbonization of the economy is immense, they need the **tools** to help them take action.

This report responds to this need and is meant to help companies move towards more sustainable practices. This report is also a **call to action** - we invite all companies, regardless of their size, to play an active role in the decarbonization of the supply chain.

[Women Action Sustainability \(WAS\)](#) would like to thank Schneider Electric for its support and contribution in the design, coordination and elaboration of this report. They have brought fundamental technical knowledge and rigor to this work and have worked closely with experts from the WAS membership.

I encourage you to read and put this guide into action. Every step we take today will bring us closer to a **more sustainable and resilient future**.

Mónica Chao

President, Women Action Sustainability



Foreword

Since the Paris Agreement in 2015, we have witnessed a significant evolution in climate change initiatives, where the scale of transformation has been remarkable. However, real progress is still needed to drive **significant momentum** towards a sustainable future. In order to reduce emissions by half by 2030, we must commit to **transforming our economies** to prevent the worst impacts of the climate crisis. It is time for **governments** and **businesses** to accelerate the implementation of actionable measures.

Big business is playing a crucial role in this progress, using its resources and expertise to **lead climate action**. However, one of the biggest challenges we face is the **inclusion of small-to-mid-sized enterprises** (SMEs) in these efforts. SMEs are the **backbone** of many economies and face unique challenges in terms of **time, knowledge, talent and funding**.

The We Mean Business Coalition also believes it is critical for large companies to influence their **direct suppliers** to set **emissions reduction targets** as well. This can have a positive effect on the entire supply chain and contribute to the overall reduction of emissions.

Another issue to focus on is the **transition from fossil fuels to clean energy**. Fossil fuels still account for nearly 80% of the global energy supply. Governments and companies must focus on significantly reducing the use of fossil fuels so that **global emissions are reduced by half by 2030** in order to keep the global temperature increase below 1.5°C.

More than 13,000 companies have already committed to **reducing their emissions in line with climate science**, and the **Fossil to Clean** campaign seeks to accelerate this energy transformation. Taking action at the **COP28** conference is crucial to consolidating these efforts.

María Mendiluce

CEO, We Mean Business Coalition



Foreword

In the quest for a more sustainable world, aligned with **net-zero goals**, we face a new challenge: to **drastically reduce Scope 3 emissions**. These emissions, which come from our **supply chains** over which we have **no direct control**, have become the **new frontier** that we must all address.

We know that our **dispersed and fragmented** supply chains have been a significant barrier to efficient decarbonization. But, in the midst of these challenges, we find a light on the path: **digitization and pre-competitive partnerships**. Both come together to chart the path to a more sustainable and resilient supply chain.

Digitalization not only offers us **a solution**, it **changes the way** we approach this challenge. It empowers our suppliers, giving them the **tools** and **resources** to **lead their own carbon reduction initiatives**. It also enables us to **collect and analyze data**, driving our progress towards more ambitious decarbonization targets.

Collaboration is a **key driver of this transformation**. It shows us that, together, we can overcome obstacles, share knowledge and create synergies to address common challenges of Scope 3 emissions.

Climate change does not wait – we must **act with collective urgency**. In a world that demands immediate action, **we are not alone**. **Collaboration** and **digitization** are the driving forces for action.

Raquel Espada

Vice President, Strategy, EMEA, Schneider Electric & Partner,
Women Action Sustainability

Women Action Sustainability (WAS) is a non-profit organization whose purpose is to influence **sustainability** and **ESG** (environmental, social and corporate governance) and to become part of the **strategic decision**-making process that guides citizens, companies and administrations.

The objectives of WAS goes beyond the simple integration of sustainability. WAS seeks to **reinvent** governance, economy, employment, territories, and the way we build trust and optimism in our society. This involves promoting more humanistic and inclusive **leadership**, fostering **sustainable finance**, driving the **energy transition**, redesigning **labor relations**, and making our **cities** more livable places.

Through this report, the WAS Climate Change Group wants to raise awareness about the importance of **addressing Scope 3 emissions**, which represent a significant source of carbon emissions. Without reducing emissions, it will be **difficult to achieve climate goals**. To this end, WAS highlights the role of digitalization, the importance of **engaging SMEs**, and the need to build partnerships.

In addition, WAS calls on the **public administration** to **encourage and help** companies on this path by providing necessary **tools** and resources.

Sustainability is not only an obligation, but it is a unique opportunity to innovate, optimize efficiency and create a more prosperous and resilient future for all.

Ana Peña

Head of Sustainability, Climate Change and Environment, Ferrovial & President,
WAS Climate Change Group

Introduction



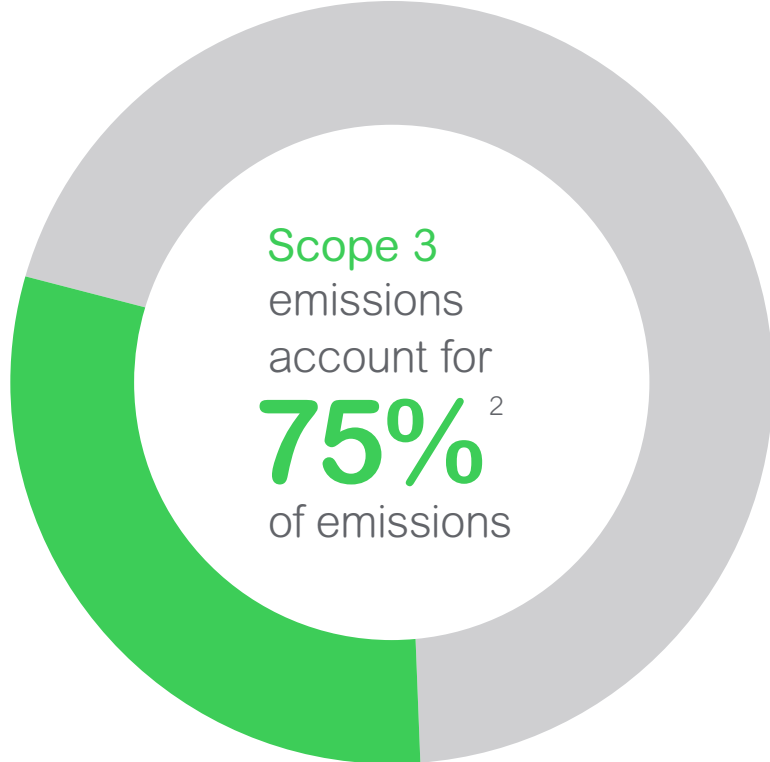
The Real Challenge of Climate Change: Emissions from Supply Chains

Investors, consumers and governments are increasingly demanding firm commitments to **reduce carbon emissions** and **increase transparency**.

On the path to net-zero, most companies have started measuring their Scope 1 and 2 emissions because they are often easier to address and understand. **Scope 3** is more challenging because of **complexities – both upstream**, embarking the entire supplier network on this journey; and **downstream**, assessing business impact and **customer engagement**. ([APPENDIX 1](#))

The [World Economic Forum](#) (WEF, 2023) warns that while efforts to limit global warming to under 1.5 degrees are underway, the majority of the challenge and the impact for most businesses is with Scope 3 emissions. These emissions could potentially be the driving force behind change.

Therefore, this call to action **extends beyond the direct operations of companies and emphasizes the need to address Scope 3 emissions within their supply chains**, which are currently characterized by uncertainty and a lack of direct oversight.



Only **41%**³ of companies report emissions produced from their supply chain.

76%¹ of global trade comes from transactions within global supply chains.

1 Source: <https://www.trade.gov/supply-chain-services>
2 SBTi, 2022
3 CDP, 2022



- Addressing Scope 3 emissions is a crucial component of any effective decarbonization strategy, given that they are typically **11 times higher** than Scope 1 emissions.
- The lack of direct control and the need for external information complicates the management of emissions in the supply chain.
- The supply chains of the future will need to integrate ESG criteria.



“Our Net-Zero future depends on **collective action** and proven **innovation**. With an ecosystem already in place to support Scope 3 targets, and technologies readily available to decarbonize and reduce energy use – we’ve reached a tipping point. It’s time to **connect the value chain in purposeful new ways** so we can pave a **shared path** to Net-Zero.”

Gwenaelle Avice-Huet EVP, Europe Operations, Schneider Electric



Sustainability in the Supply Chain: The Secret to Business Resilience

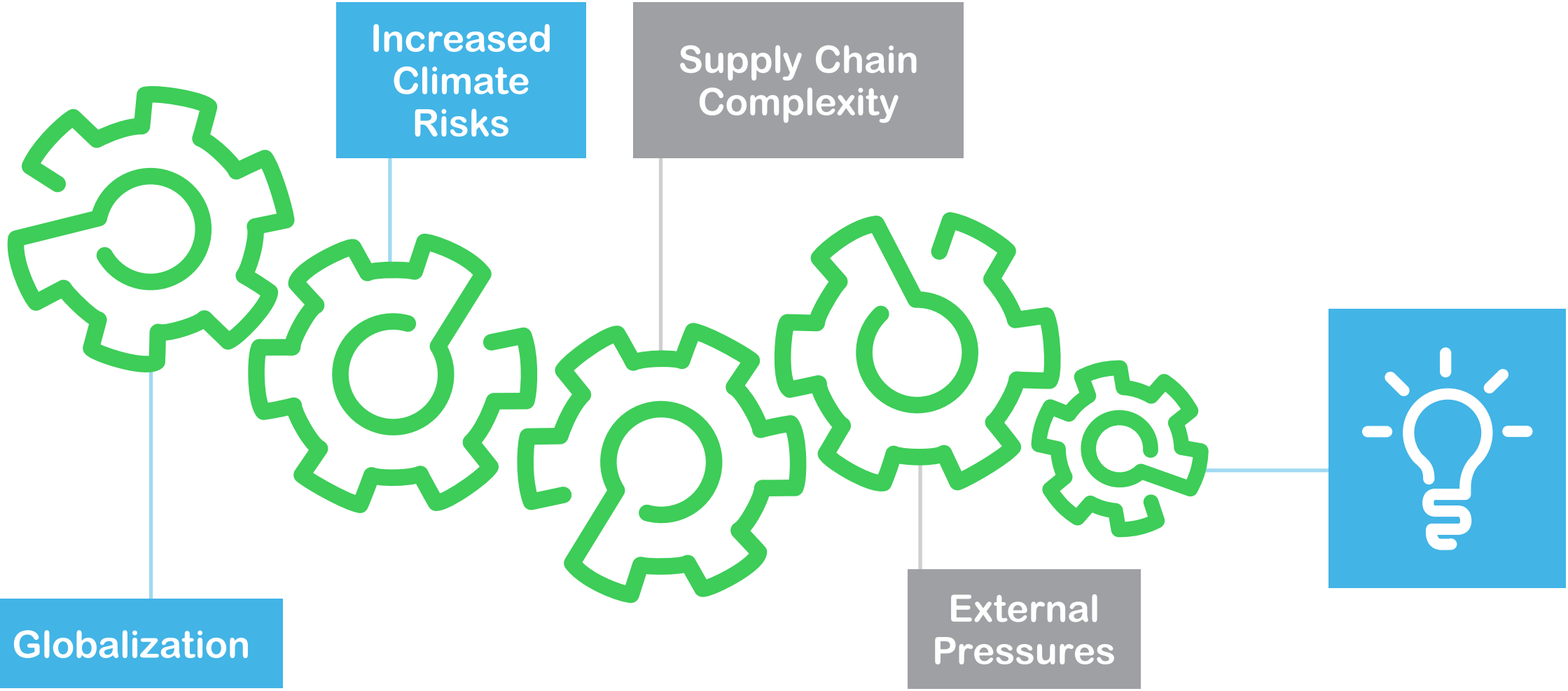
Supply chain fragmentation driven by climate risks and globalization is transforming the way companies operate and manage their operations. There is a need for operations to be more resilient, with the complexity stemming from the lack of direct control and influence over these operations.

Reconfiguration is driven by the demand for greater collaboration among various economic actors to effectively address additional challenges, ranging from product shortages to inflation and logistical complexity.

For supply chains to be more resilient, they will need to be more sustainable. Companies that are defining more sustainable supply chains are achieving their goals.



49% of organizations have set supply chain sustainability goals. (Supply Chain Dive, 2020)



60% of companies reporting Scope 3 in CDP consider external pressure as the main driver for reducing these emissions.

Benefits of Sustainability for Supply Chain Resilience

- Diversification and risk management
- Efficiency and cost reduction
- Collaboration with suppliers
- Innovation & Technology
- Anticipating Regulatory Compliance



Sustainability in the Supply Chain: An Emergency for Most Dependent Sectors

Addressing Scope 3 emissions is **urgent and strategic**, requiring solutions tailored to the challenges and opportunities of each sector.

Thus, we observe that in the **financial and capital goods sector**, Scope 3 emissions are typically very high, accounting for almost 100% of their impact. This is due to its **downstream complexity in assessing the impact** of financial activities on its entire value chain – including its customers through investments and project financing, that may have significant indirect emissions.

90% of emissions in the **real estate and construction sector** are Scope 3, as these industries are dependent on an extensive network of suppliers and subcontractors, which makes their upstream emissions significant. **Agriculture and food-related products** also have a high percentage of Scope 3 emissions, **exceeding 80%**. This is due to emissions associated with food production, including fertilizer use, transport and waste management.

On the other hand, cement and steel sectors have a lower percentage of Scope 3 emissions (approximately 20%) because much of the emissions in these sectors are generated in their own facilities (Scope 1) and in power generation (Scope 2), and so indirect emissions in the supply chain (Scope 3) are relatively smaller.

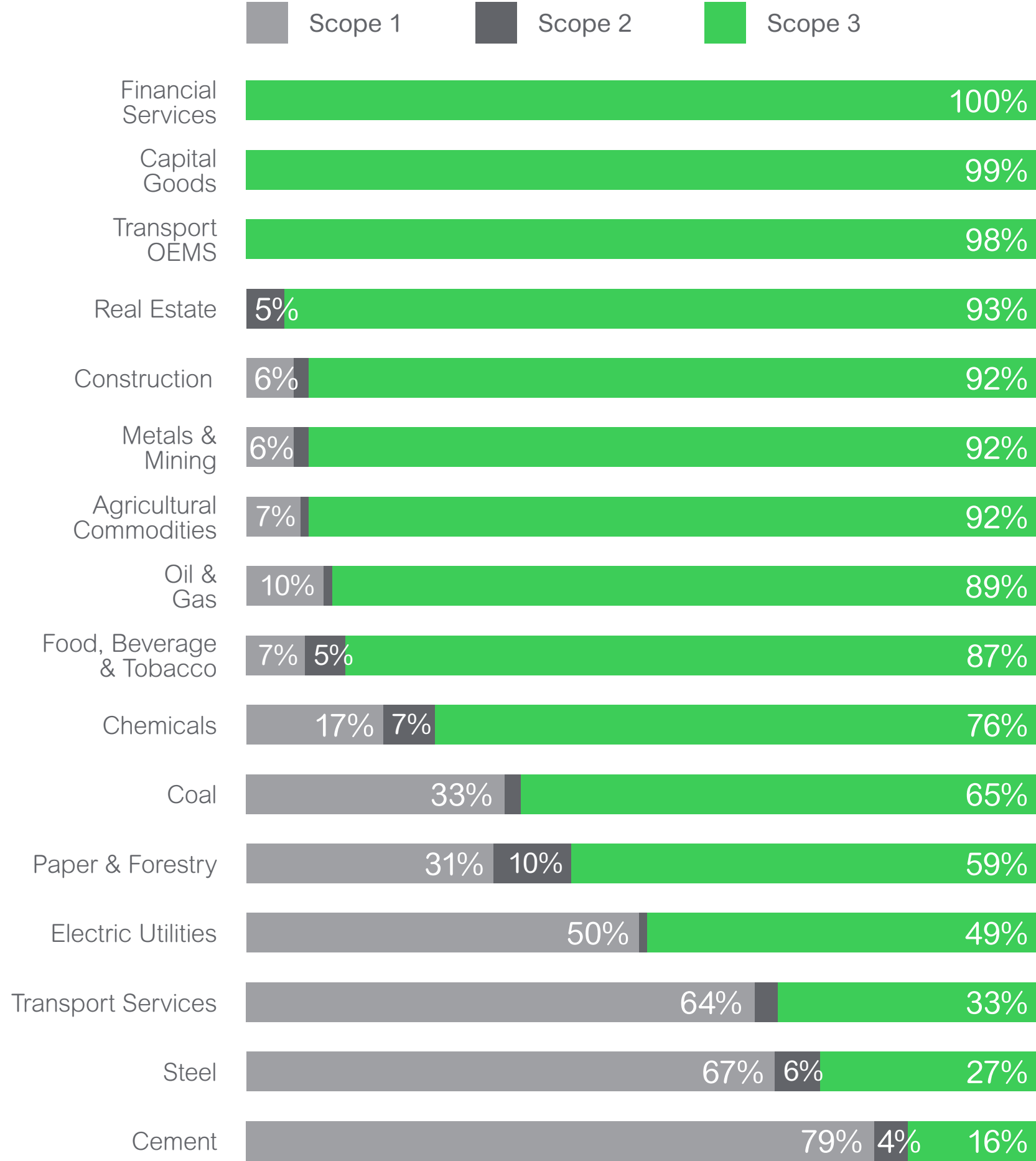


More than **60%** of European CEOs say they are reorganizing their supply chains in response to the pandemic.

Only **5%** of companies in the S&P 500 confirm prioritizing environmental criteria for their supplier selection.

The Conference Board, 2021

Share of Scope 3 Emissions to Total Emissions, by Sector



Source: World Resources Institute. Data is from CDP. Research and analysis of this data was conducted by Concordia University.

An increasingly demanding regulatory framework for companies

In today's dynamic business landscape, the regulatory framework surrounding the decarbonization of the value chain is **constantly evolving**, with primary focuses on **accountability, transparency and sustainability**. This transformation is driven by a combination of **international efforts, targeted regional regulations**, and a **growing awareness of environmental and social risks** associated with supply chains.

Global Trends in Supply Chain Regulation

Globally, carbon emissions from supply chains face increasing scrutiny and regulation:

[United Nations Framework Convention on Climate Change \(UNFCCC\)](#)

The UNFCCC promotes global cooperation to reduce emissions, highlighting ambitious targets such as the EU seeking to reduce greenhouse gas emissions by 20% by 2020, and the UK committing to an 80% reduction in carbon emissions by 2050.

[Disclosures Improvement and Standardization Rule](#)

More and more stock exchanges and governments are establishing requirements for companies to disclose their climate risks and greenhouse gas emissions in accordance with the TCFD framework and GHG protocol requirements.

European Union (EU) Regulations

The European Union is at the forefront of supply chain decarbonization regulations.

Two key regulatory pillars:

[Supply Chain Due Diligence](#)

This involves proactively identifying, managing and mitigating inherent risks in supply chains.

[European Disclosure Directive](#)

This directive requires detailed reporting on non-financial information, such as ESG factors, within supply chains.

North American Regulations (NAM)

In North America, governments are implementing regulations to reduce emissions in the supply chain. One example of this is the Securities and Exchange Commission (SEC), which is evaluating the inclusion of Scope 3 emissions in its proposed climate change regulation.

Regulations in the Asia-Pacific (APAC) Region

The growth of Asian companies in the global economy drives the demand for sustainability reporting in Asia-Pacific. Regulatory pressure is increasing as supply chains move to the region, emphasizing the importance of transparency and sustainability. Although Europe and the Americas lead in standards, Asia-Pacific is advancing in its reporting practices in line with its objectives, facing challenges in the adoption of the International Integrated Reporting Framework.



An increasingly demanding regulatory framework for companies



Click on the countries to see more



Trends towards Net-Zero: Emerging Standards and Global Challenges

The concept of “**Net-Zero**” refers to when the greenhouse gas emissions released into the atmosphere are balanced by the amount of these gases removed from the atmosphere. This concept includes the need to decarbonize Scopes 1, 2 and 3 emissions.

To achieve this, [Net-Zero Stocktake 2023](#) report highlights **three phases**. The first sets out the **Net-Zero principles** and the second phase focuses on the **commitments** to achieve it. Currently, we are in the third phase: **implementation**. Entities should set their targets based on **science-validated decarbonization pathways**, implement **concrete measures** (such as interim targets, independent validation and annual reporting) and carry out all **elements of the commitment**.

Unlike a year ago, there are now **clear standards** and **expectations** for achieving Net-Zero. They highlight the importance of addressing **Scope 3 emission reductions** and **call for supporting SMEs** in their transition to sustainability. ([APPENDIX 2](#))



- **140+** countries committed to achieving climate neutrality by 2050
- **63%** of Global Fortune 500 companies have emissions reduction commitments
- Despite having Net-Zero commitments, no major country or company has committed to phasing out fossil fuels.



“We must turn all net-zero commitments into an unstoppable global movement.”

António Guterres
Secretary-General of the United Nations

Source: United Nations. Climate Action.
<https://www.un.org/es/climatechange/net-zero-coalition>



European Companies are leading the Way to Net-Zero

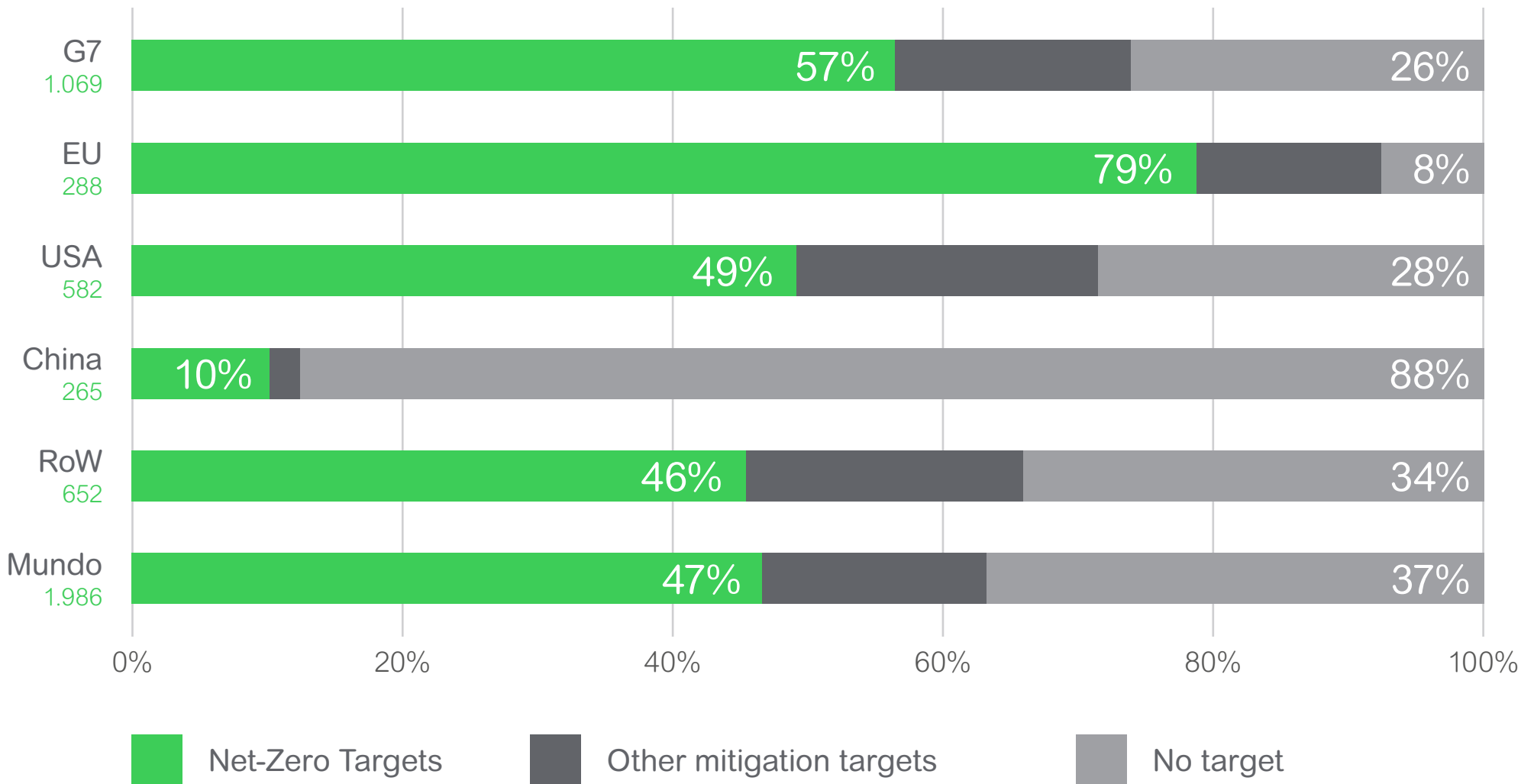
- Governments and regulators are turning commitments into requirements, focusing primarily on two areas: **disclosure and transition plans**.
- Businesses are responding to this pressure. While growth in the number of net-zero goals at the national and subnational levels have slowed, the momentum in setting these goals by companies continues has doubled in the last two years.



• According to Climate Action Tracker (CAT), **74%** of the countries that make up total global emissions have **inadequate targets** towards Net-Zero.

Final Mitigation Targets

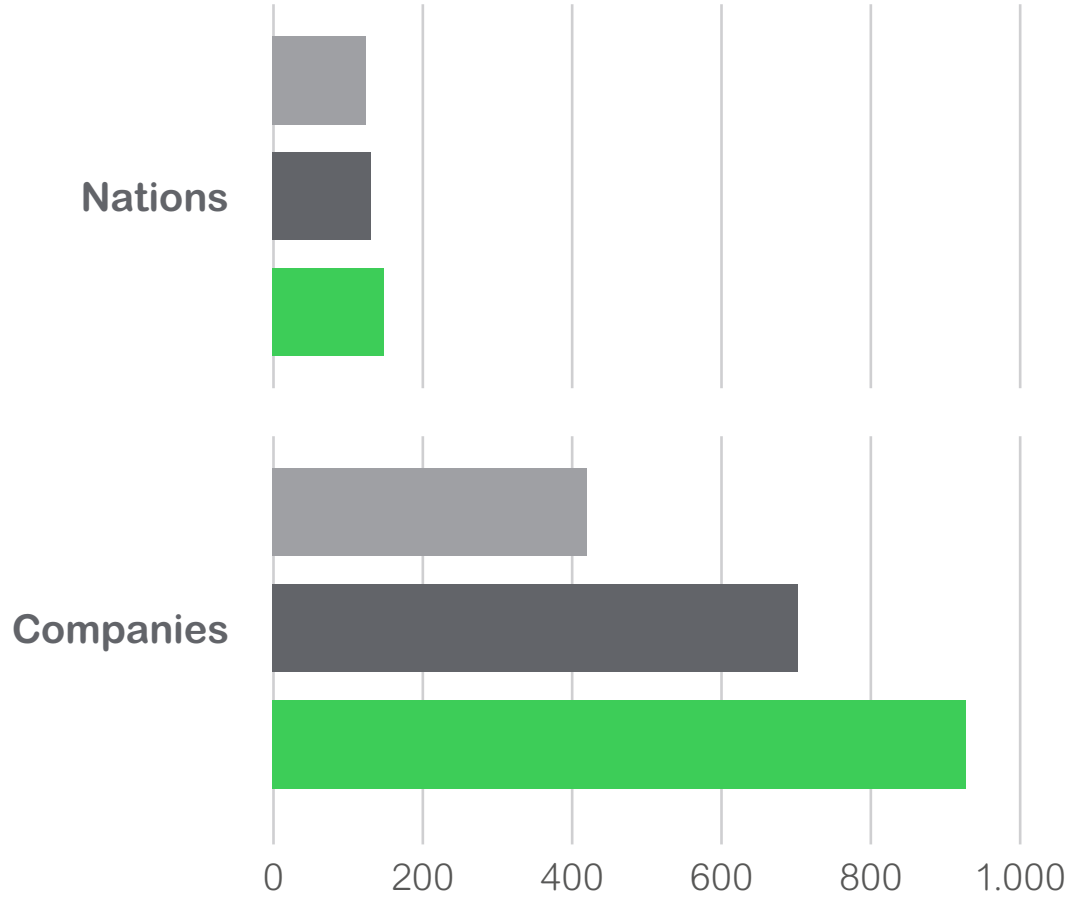
2,000 largest companies in the world by annual revenue



Source: Net-Zero Stocktake 2023.

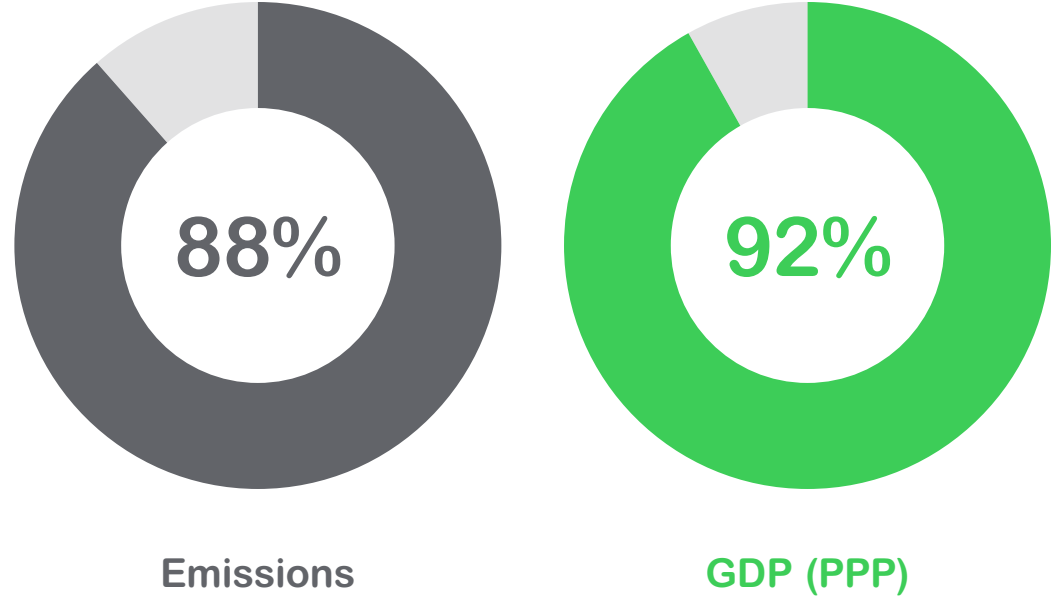
Net-Zero Goals

Comparing the number of net zero targets over the past two and a half years.



Source: Net-Zero Stocktake 2023.

% covered by Net-Zero targets



Source: Net-Zero Stocktake 2023.



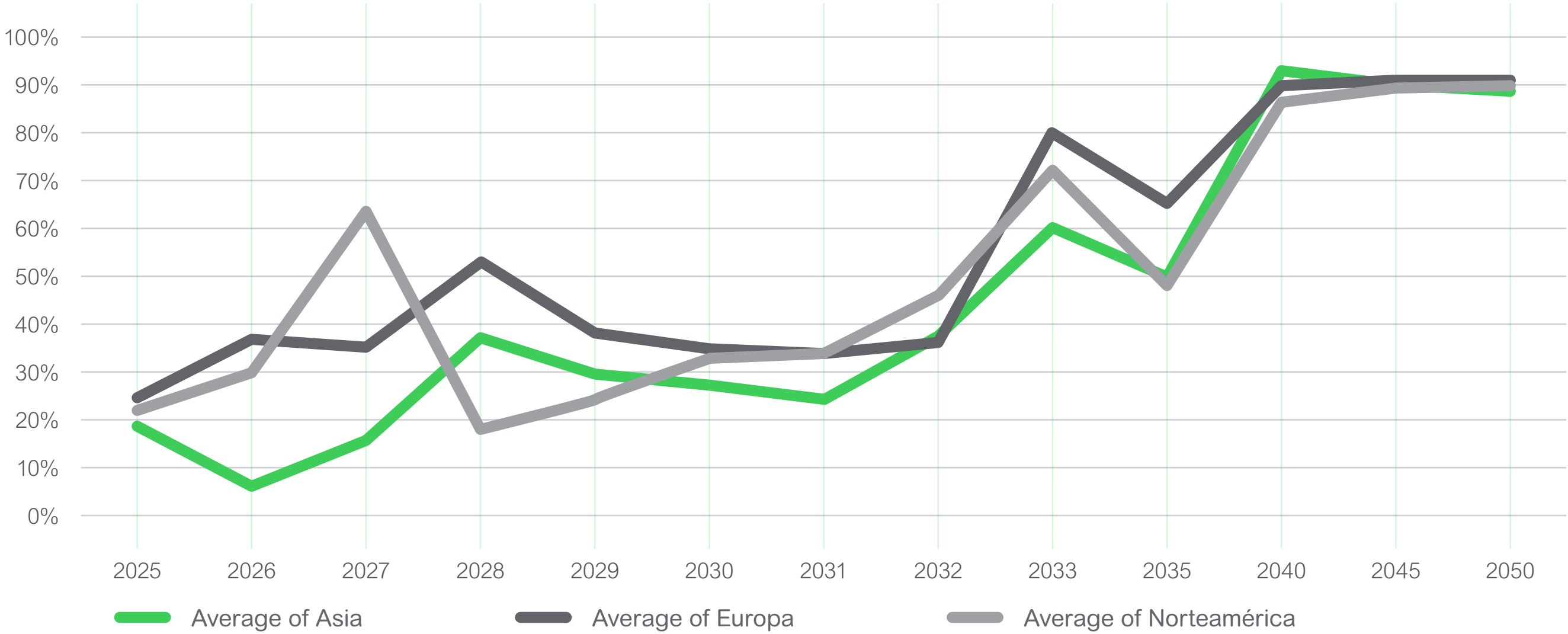
Companies as Drivers of Change Towards Net-zero

Reductions in Scope 3 emissions show regional variations, influenced by factors such as external pressures, governmental policies, resource availability, and geographical and cultural diversities. Despite these differences, the general trend is towards a **greater commitment to sustainability in the private sector**, with the **increase in Asia** being particularly noteworthy. This increase could be driven by pressure from global companies on their Asian suppliers to align with sustainability initiatives and set targets. This pressure will extend to all companies. In both the voluntary and regulatory spheres, actions are being aligned towards common objectives: **reporting emissions and establishing sustainability commitments**.



- In 2022, the number of Asian companies setting a science-based target increased by **127%**
- **96%** of companies with SBTi-validated targets include Scope 3 (excluding SMEs and financial institutions).

Average achievement of Scope 3 targets in SBTi - by region



Source: SBTi



“The number of companies engaged in net-zero action must increase from thousands to millions. The transition to net-zero is a challenge because of its scope and scale, but it is a necessary action that businesses can champion and lead. While companies may not have the perfect implementation plan yet, each step counts - and we must help remove obstacles to allow them to reach their sustainability goals. It is also essential to provide companies with flexible options to speed up their decarbonization process to reach net-zero goals.”

María Mendiluce
CEO, We Mean Business Coalition



Urgent Challenges on the way to Net-Zero: Accelerating Scope 3 Initiatives

An evaluation of companies in ten sectors that had expected to have the highest estimated percentage of compliance by 2050, were analyzed to track actual progress towards achieving SBTi's Scope 3 objectives – findings reveal that most of these companies **will not achieve objectives**.

This situation is due to the fact that appropriate measures are **not being implemented** or **not progressing at the expected pace**. The companies show a **lower degree of commitment** in relation to Scope 3 and specific actions to reduce emissions are not yet fully defined, which adds uncertainty to the situation.

Estimated achievement of 2050 goals

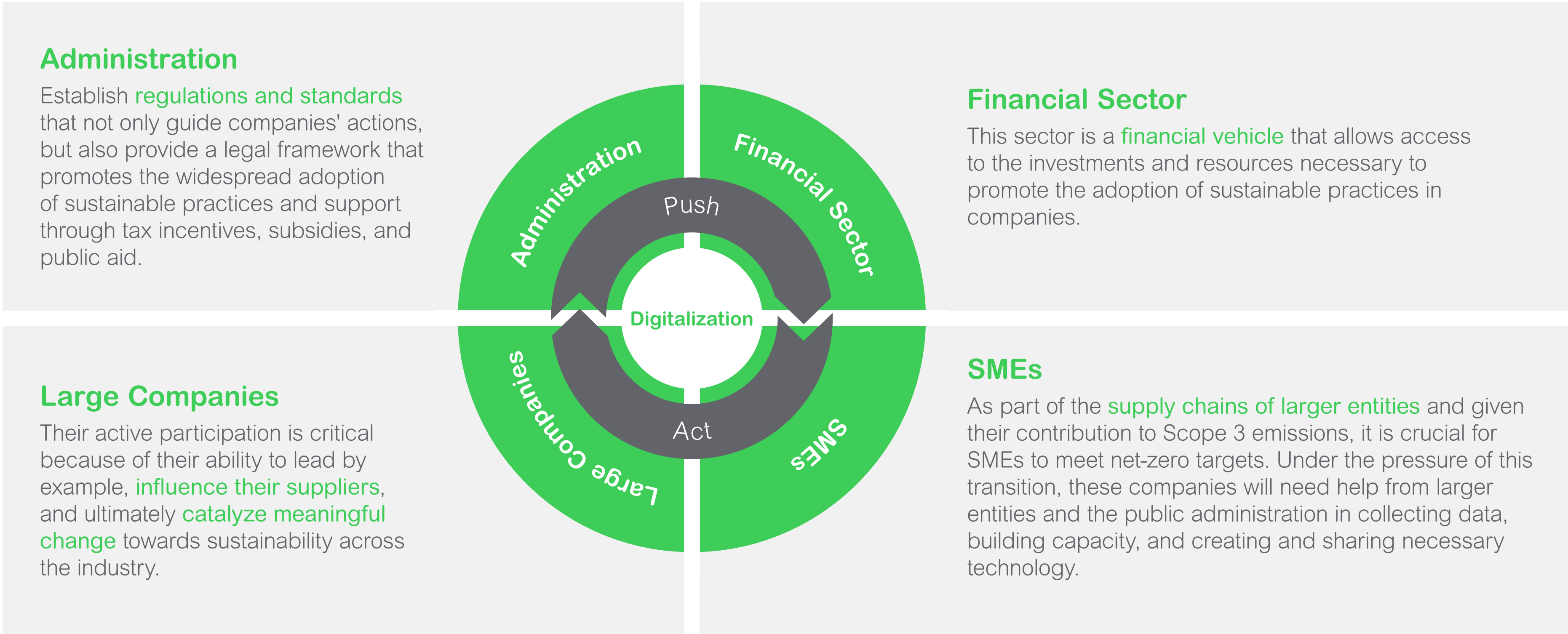


- Despite increasing ambition and carbon neutrality targets set by many companies, progress in reducing Scope 3 emissions remains limited. Only **9%** managed to reach their emissions targets. (Ecovadis, 2023).



Current Reality: Actors of Change

The reality of decarbonization across the supply chains of **large companies, SMEs and financial institutions** contains different aspects, but they are all part of the same challenge. The interviews and survey conducted for this report were aimed at these three groups with the objective of highlighting the interconnectedness of their roles in the process of decarbonizing the supply chain. We must also consider that these entities operate in a globalized world, where the role of **public administration** is fundamental to supporting the supply chain decarbonization journey.





“**90%** of the industries in the world are SMEs, accounting for more than 50% of employment.”

OCDE

Current Landscape



Profile of Companies Surveyed

Research was conducted for this report involving a representative group of **more than 50 leading companies** from a wide range of sectors. The conversations and data collected have provided a solid and reliable basis for the results and conclusions presented in this report and offer a comprehensive perspective on how companies are coping with the decarbonization of their supply chain.

The companies are catalysts for guiding the transition of their supply chain and include **small-to-mid-sized enterprises** as well as companies in the **financial sector**.

78%

of the answers are from **large companies**

+ 60%

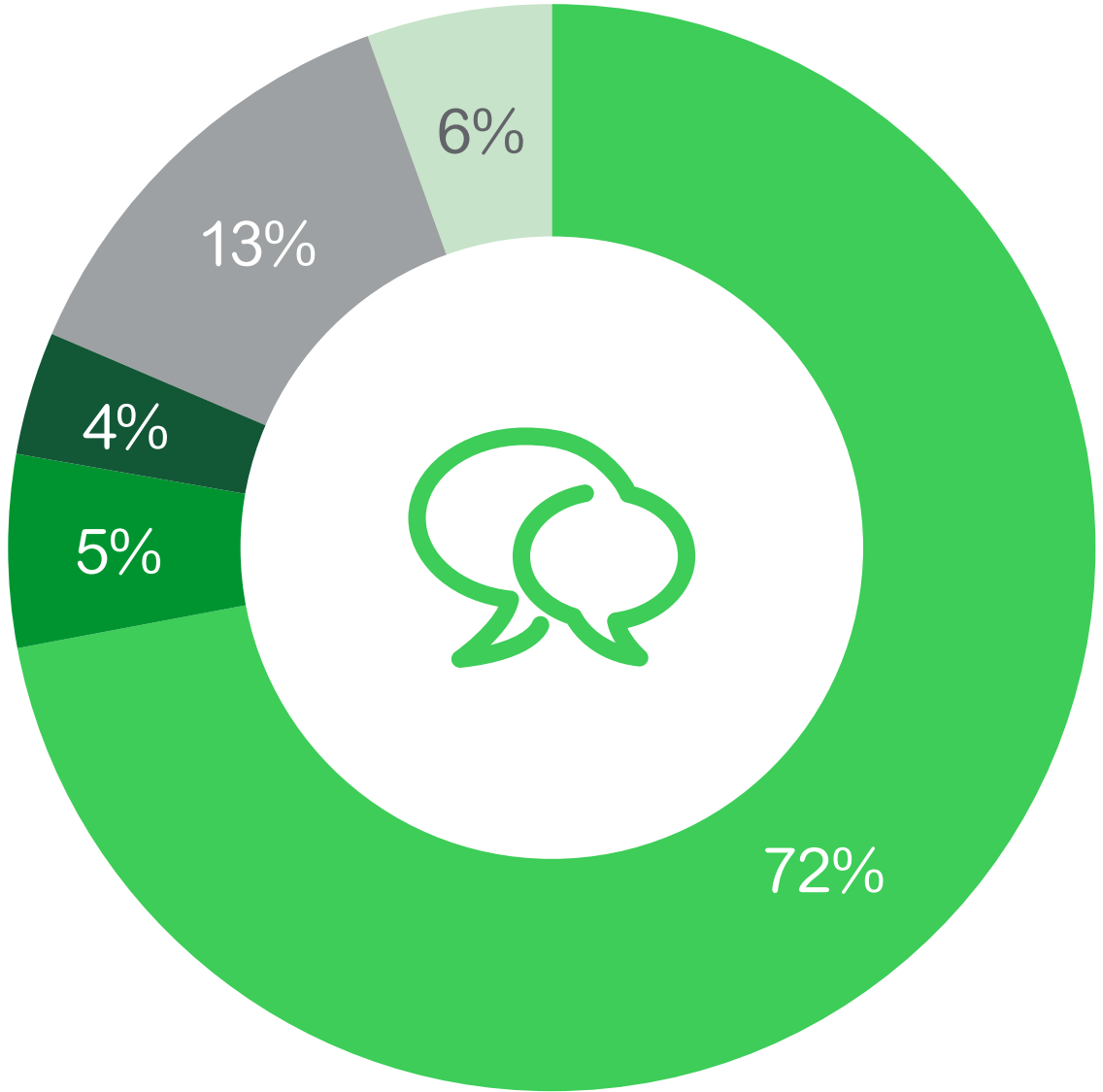
of the **companies surveyed** have a person or team dedicated to sustainable procurement

22%

of the responses are from **SMEs and micro-SMEs**

This survey covers a wide variety of sectors.

The most represented are the agri-food and chemical industry sectors, each accounting for more than 10% of the responses.



- Large global enterprises (>250 employees)
- Large national enterprises (>250 employees)
- International SMEs (<250 employees)
- National SMEs (<250 employees)
- National micro-SMEs (<10 employees)



Scope 3: The Grey Zone on the Road to Climate Neutrality

Data sources show a **diverse picture** in the measurement of the corporate carbon footprint, as large companies and SMEs have different levels of maturity in the calculation of their greenhouse gas emissions.

Scope 3 accounts for the majority of reported emissions. **43%** of survey respondents have not yet calculated their Scope 3 emissions.

Incidentally, the other **57%** of respondents who currently disclose Scope 3 emissions have more mature practices than the overall global average (only 41% of companies disclosing to CDP are reporting supply chain emissions).

Note: compared to the 2021 WAS report ([“Retos y oportunidades de la descarbonización para las empresas en España”](#)), there is an increase of **18%** in companies reporting Scope 3 emissions.

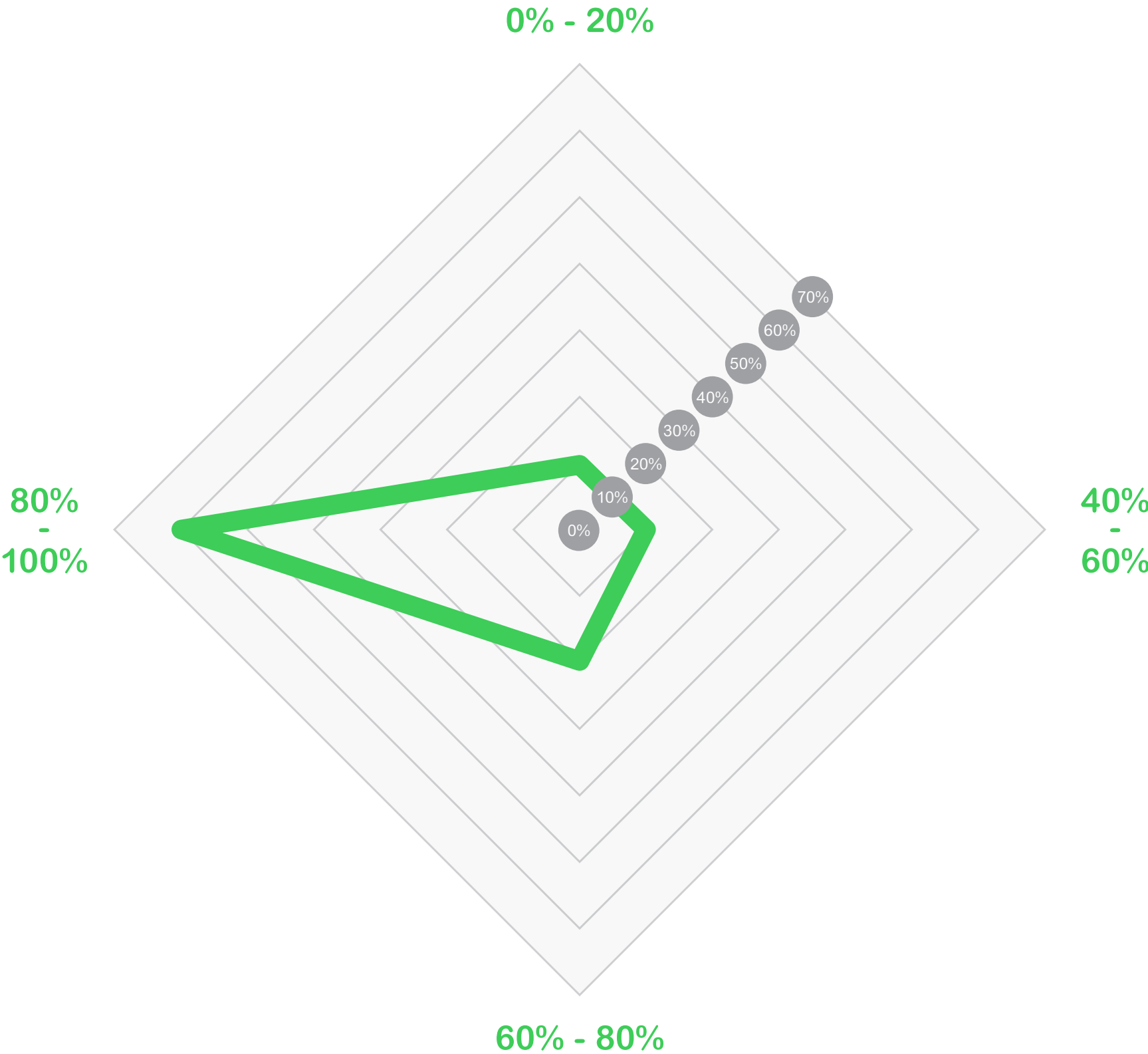
100%
of large companies have calculated their carbon footprint

75%
of SMEs have calculated their carbon footprint

43%
of respondents have not calculated their Scope 3 emissions

94%
of those that do report their Scope 3 are large companies

Scope 3 represents the vast majority of emissions reported by the companies surveyed



Objectives and Commitments of the Companies Surveyed

In terms of setting **greenhouse gas (GHG) emissions reduction targets**, survey results reflect a significant commitment to sustainability and the fight against climate change.

+ 80%
of the companies surveyed
(83% of large companies and
75% of SMEs) have adopted
a GHG emissions reduction
target.

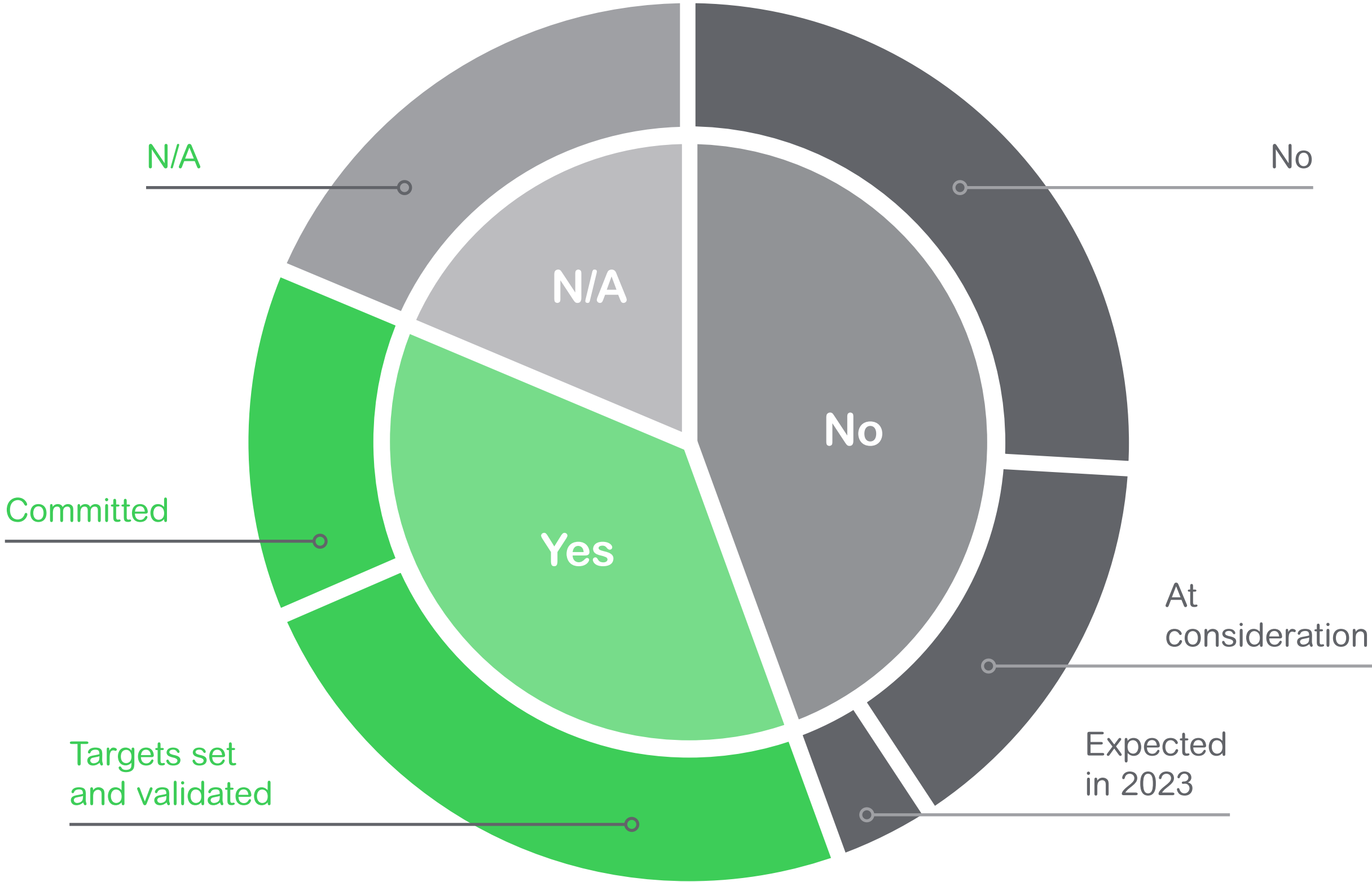
37%
of the companies that
have committed to, or with a
set goal, have been validated
by the SBTi (Science-Based
Target initiative)



“Climate change is the most important and urgent ESG issue facing us today. 1.5°C is no longer a target, it is the limit and we all need to act to mitigate climate change.”

Elena Bou Bustamante Quality, Environment and CSR Manager, REVENGA Smart Solutions

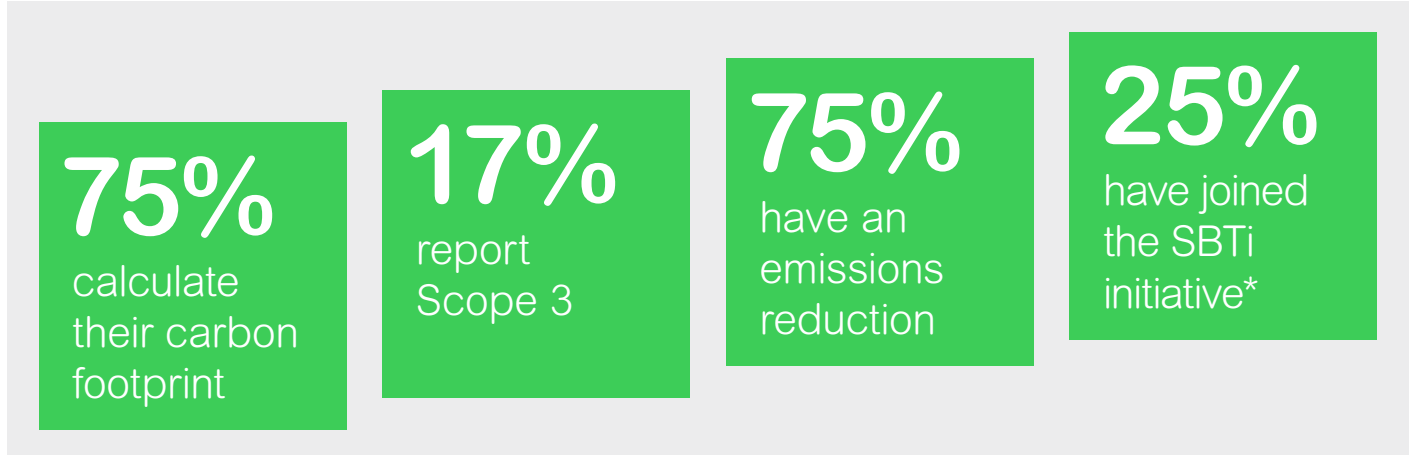
Have you joined the SBTi (Science-Based Target initiative)?



Stakeholders' Visions of Change

SMEs

According to survey results:



SME lack:

1. Time
2. Knowledge
3. Talent with training in sustainability
4. Financing
5. Negotiation power

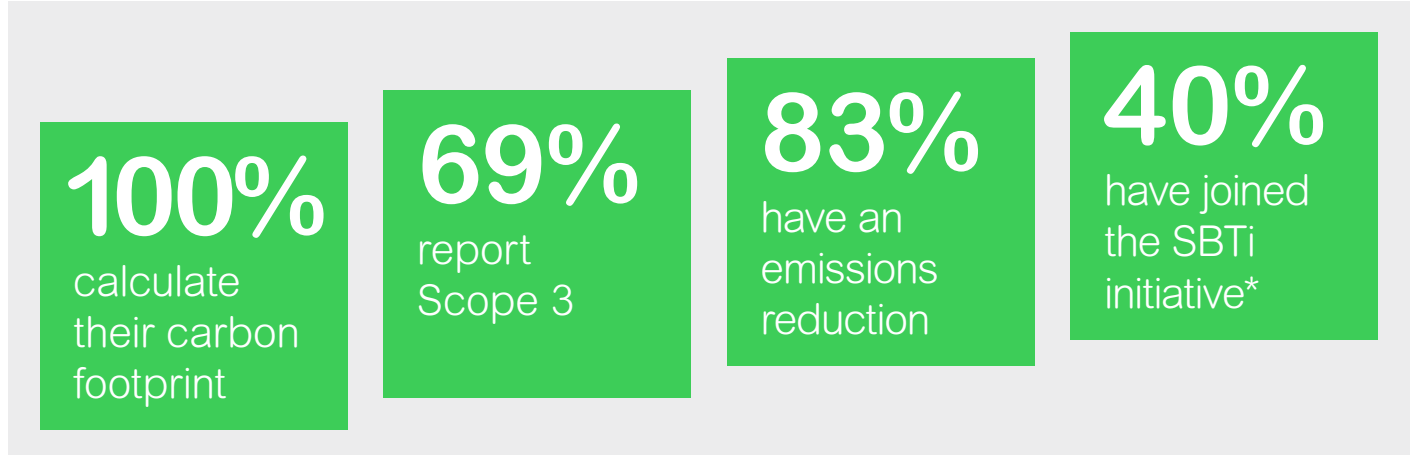
“Our ability to influence our suppliers is limited, as our spending on them is not significant and many of them are large companies.”

Clara Arpa Azofra, CEO, ARPA Mobile Campaign Teams

* Significant growth in the number of SMEs setting targets (SMEs accounted for 58% of organizations setting targets in 2022 according to SBTi).

Large Companies

According to survey results:



Key stages at the enterprise level:

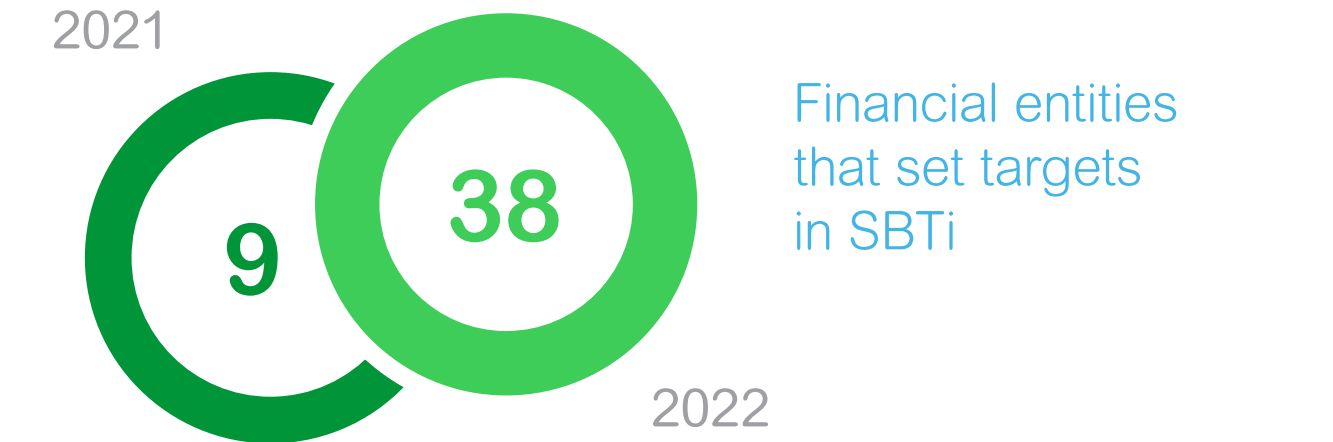
1. Measure and report your emissions
2. Have an emissions reduction target
3. Have a transition plan
4. Report progress against this target and plan

“It is not sufficient to have an emissions reduction target (be it SBTi or SME Climate Hub), companies must have a transition plan. They must have a position consistent with these targets in their dialogue with governments and report their emissions in a transparent and comparable manner to international standards.”

María Mendiluce CEO We Mean Business

Financial Sector

According to results from the report [“Sustainable Finance as a Fuel to Action”](#) (2022):



SBTi is **encouraging financial institutions to more broadly adopt commitments** because of the immense potential they have in reducing GHG emissions across entire sectors and economies.

There are currently **47 financial institutions in SBTi**. Investors aim to build more resilient portfolios, which means better risk management and higher long-term returns.

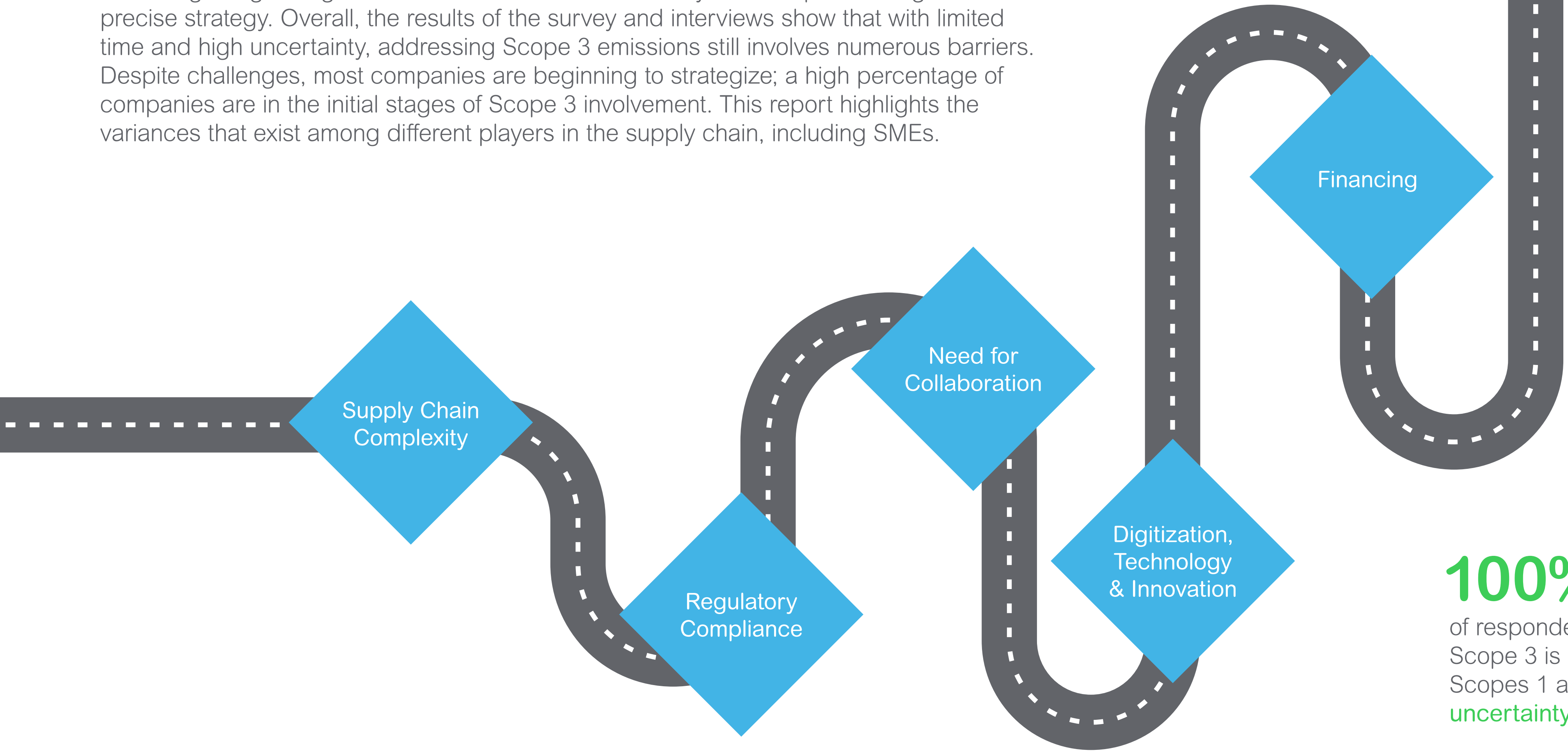


Challenges



Key Challenges

Achieving the global goal of net-zero carbon emissions by 2050 requires an agile and precise strategy. Overall, the results of the survey and interviews show that with limited time and high uncertainty, addressing Scope 3 emissions still involves numerous barriers. Despite challenges, most companies are beginning to strategize; a high percentage of companies are in the initial stages of Scope 3 involvement. This report highlights the variances that exist among different players in the supply chain, including SMEs.



100%
of respondents agree that addressing Scope 3 is more challenging than Scopes 1 and 2, due to **greater uncertainty and lack of direct control.**


Supply Chain Complexity

Upstream emissions result from the production of a company's products or services, while downstream emissions come from their use and disposal.

With a lens on **upstream emissions**, globalization has increased the complexity of supply chains, making it difficult to track and manage carbon emissions at all stages throughout the cycle. For many companies, supply chain emissions are distributed among hundreds or thousands of suppliers in many different countries around the world. Oftentimes, suppliers do not remain constant, as some elements within the supplier network may change from year to year.

8 out of 10 respondents in this study describe their supply chain as highly complex due to factors such as globalization, geographic and supplier diversity, high dependence on some suppliers, and increasing demand. These factors complicate supply chain management and limit direct control of operations.

In addition, **24% of respondents from large companies and 25% from SMEs and micro-SMEs, have not yet analyzed the carbon footprint of their supply chain.** This lack of analysis and control prevents the implementation of effective supply chain emissions reduction planning.



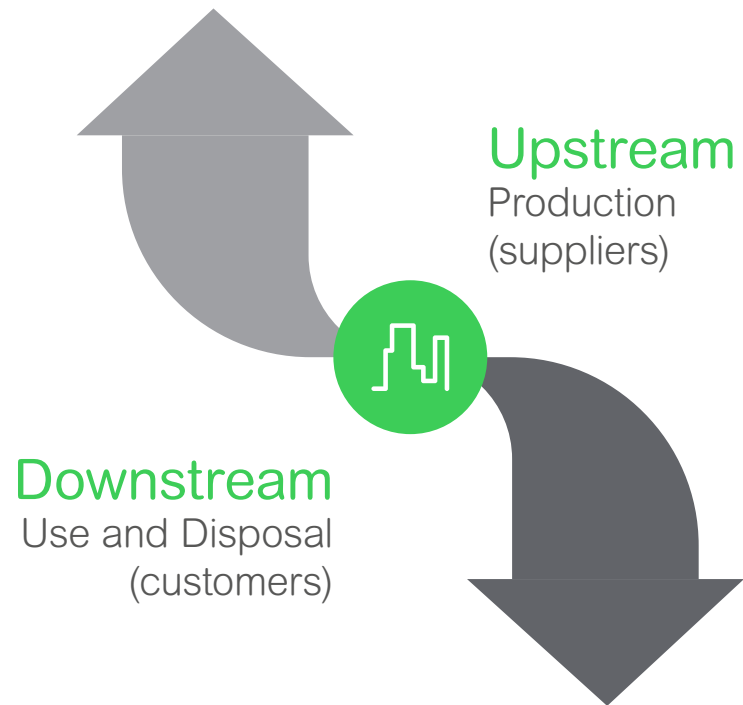
“Our supply chain is characterized by its complexity, with a large number of suppliers, most of them non-recurring, a high degree of subcontracting, and a constant need to adapt to the requirements of each local market. In addition, our products are not manufactured in an industrialized manner. This scenario presents unique challenges on our path to decarbonization.”

Ana Peña Head of Sustainability, Climate Change and Environment, Ferrovial

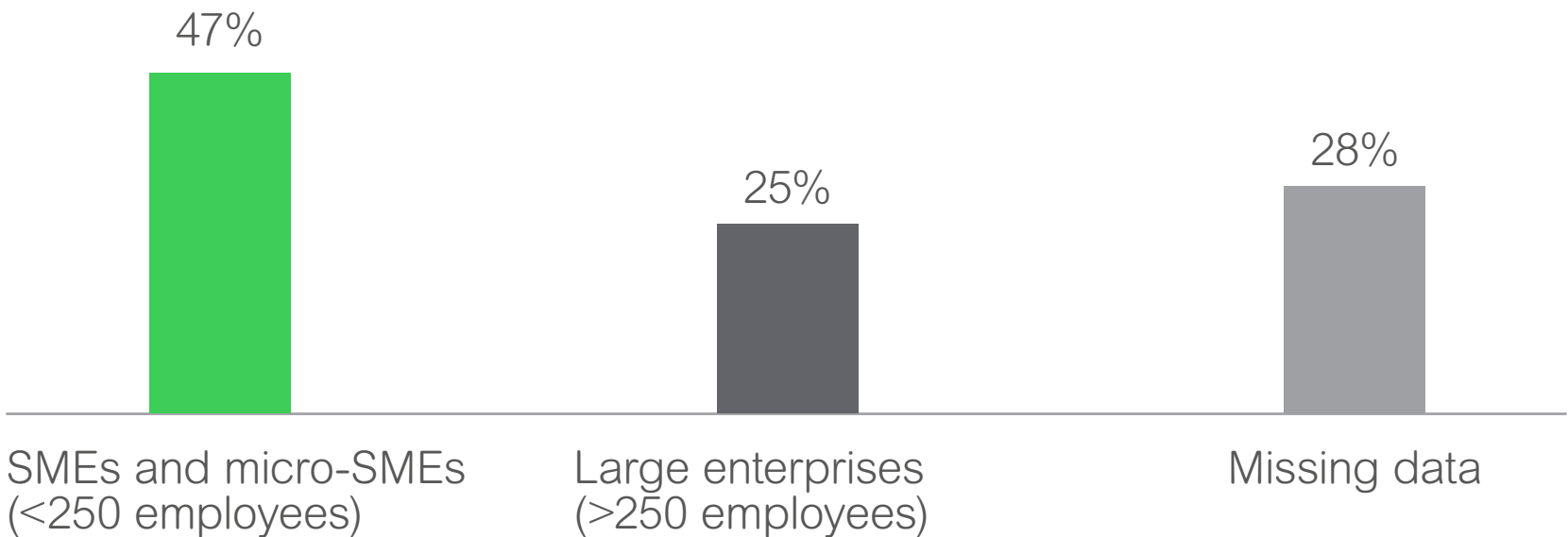


“Our supply chain is globalized and with a great diversity of products, which increases its complexity. Having control of data is key to achieving levers and synergies with suppliers.”

Cristina Sánchez Executive Director of Positive Impact, Leroy Merlin



Types of suppliers involved in the supply chain



Supply Chain Complexity

For some sectors, the **downstream supply chain is very long**, making it particularly difficult to decarbonize. Managing these emissions presents a number of unique challenges:

Diversity of actors

The supply chain involves everyone from distributors and retailers to end consumers. Each of these customers may have different levels of commitment and ability to reduce emissions.

Reliance on third-party actions

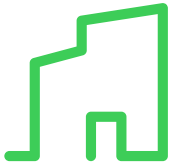
Reducing these emissions depends on the actions of third parties, such as consumer behavior or retailer policies.

Limited visibility and control

Companies face difficulties in measuring and controlling downstream emissions, making it difficult to implement effective reduction strategies.

Need for high investments in product design and R&D

Investment in ecodesign and R&D can involve significant costs, time, associated risks and specialized technical capacity.



The **financial sector** is the most affected by downstream emissions, with **more than 90%** of emissions associated with its customers.

Many financial institutions do not conduct climate scenario analysis, therefore, there is a need for better data collection and engagement with clients in transition plans.

CDP estimates that Scope 3 emissions by financial institutions are: **700 times higher** than their direct emissions. According to the latest data from S&P Global's Corporate Sustainability Assessment, despite announcements of net-zero targets, less than **25% of financial institutions** currently aim to reduce emissions across their supply chain.

Regulatory Compliance

Legal ambiguity, coupled with a **lack of global harmonization and collaboration**, is creating a climate of uncertainty as companies transition to **supply chain decarbonization**. Changing environmental regulations requires operational adjustments and increases the complexity of compliance.

Recently, the escalating wave of regulations, such as those seen in Europe with CSRD, EINF, and Taxonomy, is forcing companies to adapt their resources to be able to respond. While this poses a massive burden for large companies, SMEs perceive this as a challenge they cannot afford.

This complexity, combined with the pressure to comply with specific requirements at a national and/or regional level, places companies in uncertain scenarios where they often do not have enough time to adapt and execute the necessary changes.



60% of CDP companies identify regulatory compliance as a potential risk



- **75%** of those interviewed highlighted that the **regulatory pressure is one of the main factors** that has prompted them to implement decarbonization strategies.
- Both large companies and SMEs agree that **more transparency, coherence and unification of parameters** is necessary.
- More than **75%** of the interviewees agree that the **focus should be on incentivizing and channeling funds**, rather than penalizing them. This approach would be much more dynamic and effective in driving change.



What the Experts Say



“At PepsiCo, we are working steadily toward decarbonization by 2040. Regulation, infrastructure, energy mix and incentives, especially for the small and medium-sized companies that are part of our value chain, must accompany us on this journey.”

María Leiva SWE Sustainability Impact Manager, PepsiCo



“Sustainable financing has a dynamic effect, driving the shift towards a low-carbon economy. It is essential for public administration to have an active role in encouraging and facilitating this change.”

Beatriz Roa Tejero Sustainable Solutions Director, BBVA



“The current regulation is focused on penalizing non-compliance. Regulatory changes should also support and favor the areas that are developing and working effectively today. The human effort to understand and generate consortia is very high.”

Roberto García Torrente Sustainable Development Director, CAJAMAR



“SMEs often feel overwhelmed by complex regulation as they have neither the resources nor the adequate knowledge to address this challenge. We cannot afford to let these companies fall behind on our path to sustainability.”

Nuria Mesonero Picazo Climate Change Section Coordinator, Tyspa Group



The Need for Collaboration

Companies cannot meet this challenge alone.
Collaboration is the only way to achieve goals.

Resistance to **change** and lack of awareness about the importance of sustainability hinders the adoption of sustainable practices by all parties involved. As a result, **less than 30%** of the companies surveyed consider sustainability as **a relevant factor in the selection of suppliers**. In addition, **reliance on suppliers** that do not follow sustainable practices further hinders the reduction of Scope 3 emissions. The **need for collaboration** with suppliers, customers and all supply chain partners is essential for effective decarbonization - which is a logistical and strategic challenge.

56% of the companies surveyed have not initiated any partnerships with the aim of decarbonizing their supply chain.



“BMI has already conducted Scope 3 emissions screening, recognizing that the carbon dioxide impact derived from its upstream supply chain is significant. For companies like BMI, engaging suppliers in driving decarbonization will be key in the coming years.”

Isabel Alonso de Armas Sustainability & Business Development Director, BMI Roofing Systems



“On the road to decarbonization, it is no longer enough to just collaborate - we need to involve all stakeholders in the pursuit of common goals.”

Delia García Sustainability and CSR Director, L'Oreal Spain and Portugal



“Our main challenge is to respond to our customers' needs, support them in their challenges and look for ways to optimize resources. To do this, it is essential to work closely with them.”

Coral Erum CEO Americas and Asia, Erum Group



“At Ilunion Hotels, the key challenge is to educate our suppliers about the importance of decarbonization. We need them to understand and act, not out of obligation, but out of conviction.”

Elena Martin Cuesta Sustainability Director, Ilunion Hotels



Digitalization

Sustainability management and emissions reduction in the supply chain are hampered by a **lack of accurate data**, which hinders data-driven decision making.

Survey results highlighted that **less than 6%** of respondents have digital tools for measuring the carbon footprint of their suppliers. This addresses the need for accurate measurement and effective reporting to significantly advance supply chain emissions management.



“Carbon footprint is a new concept for many of our suppliers. Our main challenge is how to measure the emissions of the products we market. We lack accurate data and therefore have uncertainty in the calculations.”

Yolanda Fernández Jiménez CSR and External Communications Manager, Alcampo



“At Bayer, data measurement and verification are key elements. To this end, we are developing a hybrid model for Scope 3 that combines real and macro-economic data.”

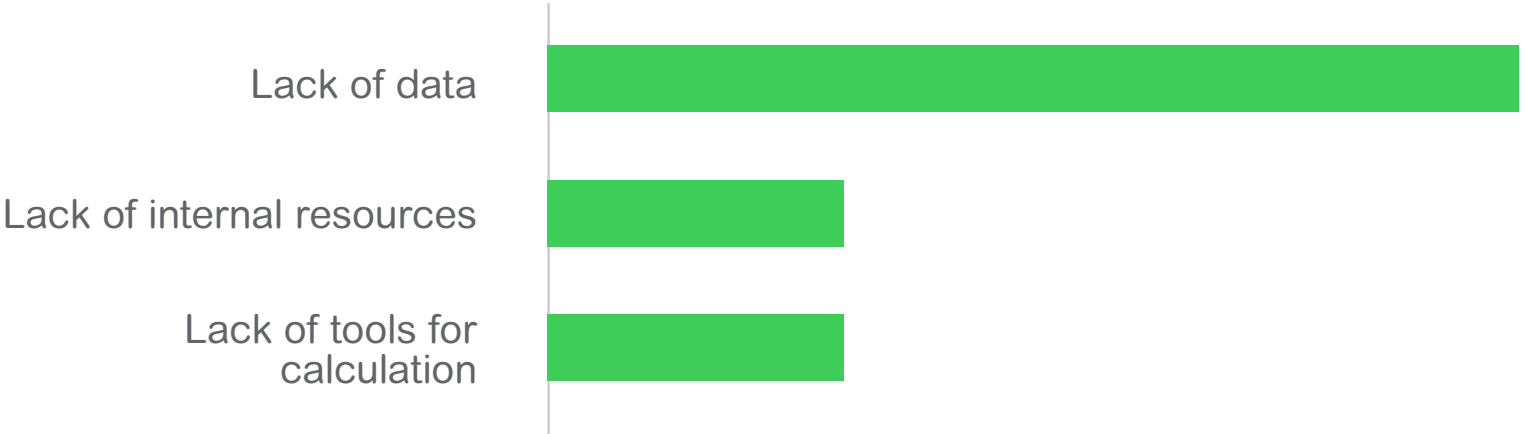
Daniel Schneiders Climate Program Manager, Bayer



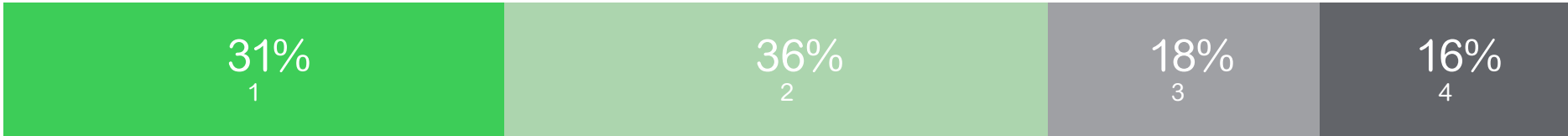
- **More than 80%** of respondents see digitalization as a key driver for supply chain decarbonization.
- **Only 33%** of respondents have a system in place to measure the carbon footprint of their suppliers, and among these respondents, **less than 6%** use digital tools.

Digitalization

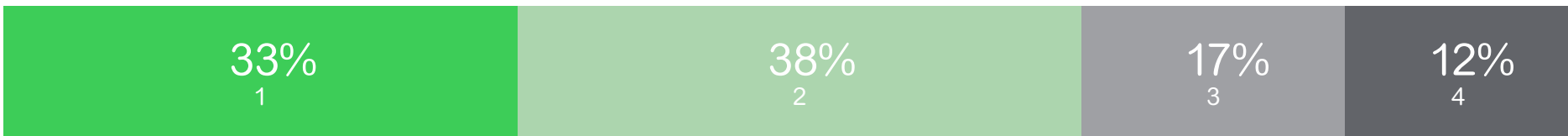
The companies surveyed for this report indicated that the lack of **available data**, access to **tools**, and **internal resources** prevent them from not calculating emissions.



How would you rate the availability of emissions data in your supply chain?

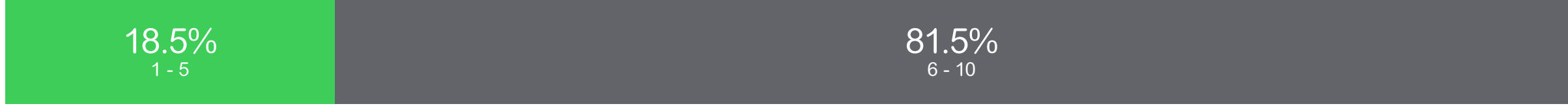


How would you rate the accuracy of emissions data in your supply chain?



Note: 1 (low), 4 (high).

To what extent does your organization consider digitalization as a key tool for the decarbonization of its supply chain?



Note: 1 (low), 10 (high).



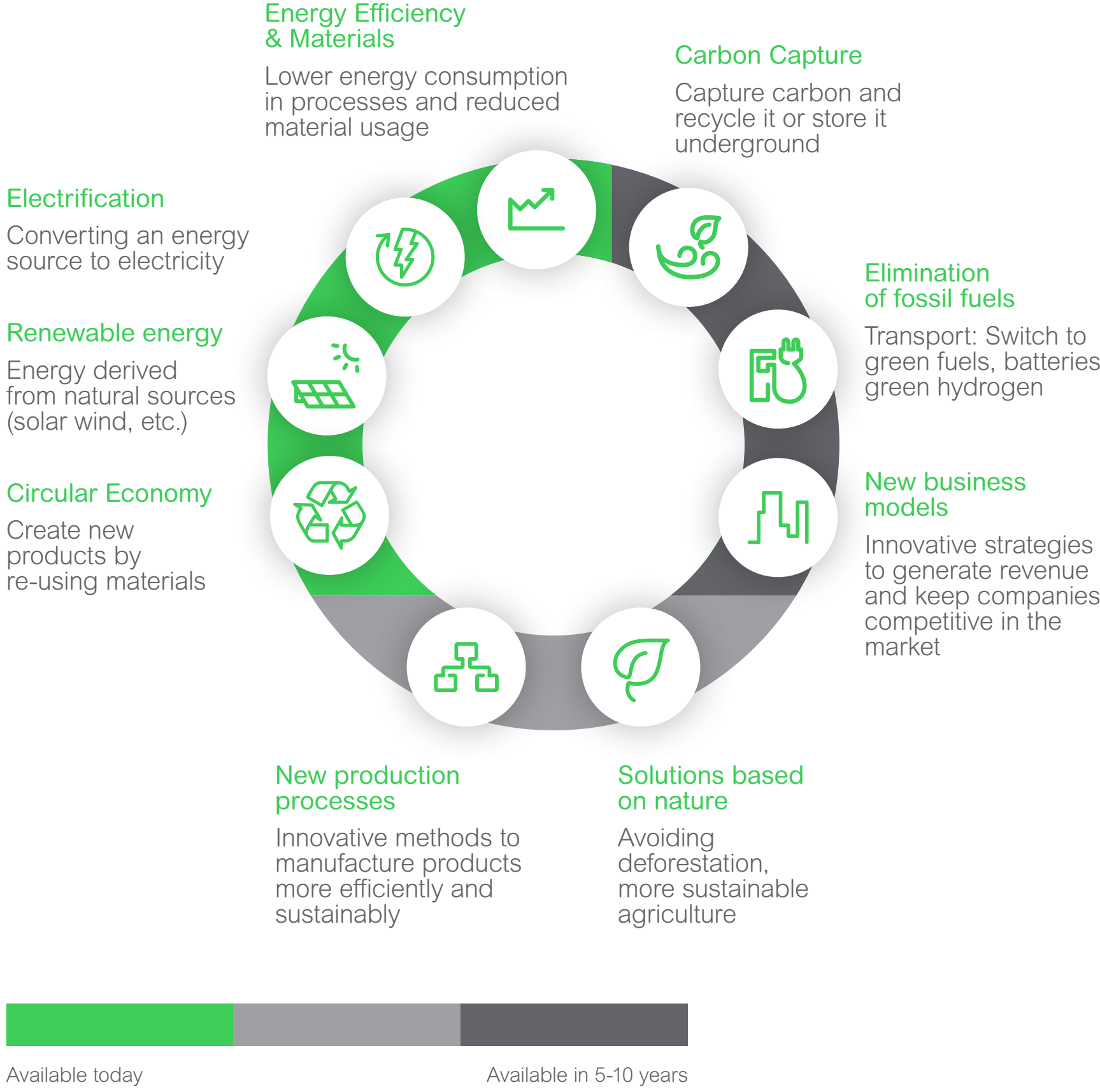
Source: Surveys conducted by Schneider Electric

Technology & Innovation

Supply chains face several challenges in the transition to sustainability – with significant sectoral differences:

- **Lack of awareness of clean technologies:** Many companies, especially SMEs, are not familiar with available technologies that could help them reduce their carbon footprint.
- **High investment in emerging technologies:** For sectors that rely heavily on fossil fuels, transitioning to cleaner technologies, such as green hydrogen or biofuels, may require significant investment in the development of new technologies.
- **Variable clean energy:** The availability of renewable energy sources can vary considerably depending on geographic location, adding a layer of complexity and requiring solutions tailored to local circumstances.
- **Need for grid infrastructure:** With the transition to clean energy, more investment in the development of grid infrastructure is required to support these new energy sources. This includes the need to address additional costs for infrastructure and system support investments.
- **Geographic concentration of clean technology production:** Current supply chains for clean energy technologies present risks due to the high geographic concentration of resource mining and for the manufacturing of technologies. For technologies such as solar panels, wind power, electric vehicle batteries, electrolyzers and heat pumps, three countries account for at least 70% of manufacturing capacity for such technologies, with China dominating all of them. In addition, the mining of critical minerals is concentrated in a small number of countries.

Levers to reduce supply chain emissions:



What the Experts Say



“Decarbonization presents a significant innovation challenge. It forces us to adapt to market realities, our customers' needs and our own capabilities. We are changing the way we do things, identifying opportunities in the midst of these challenges. This is a challenge that drives us to improve and constantly seek new solutions for our business.”

Ernesto Barceló
Chief ESG Officer, Gestamp



“Industrial heat production is a key source of greenhouse gas emissions but is often referred to as ‘hard-to-abate’ when it comes to decarbonization. Electrification can be a game changer, with many decarbonized process heating technologies presenting attractive options for businesses to move toward net-zero industrial heat.”

Fabien Chêne
Head of Sustainability Business Europe, Schneider Electric



“At BASF, we face a two-fold challenge in decarbonizing our value chain. Upstream, we must address our dependence on fossil resources, which are a significant part of our raw materials. Downstream, we have a responsibility to design products that not only have a low carbon footprint, but also help our customers and end consumers reduce their own carbon footprint. This challenge drives us to constantly innovate and seek solutions that benefit both our company and society as a whole.”

Carles Navarro Managing Director, BASF Española



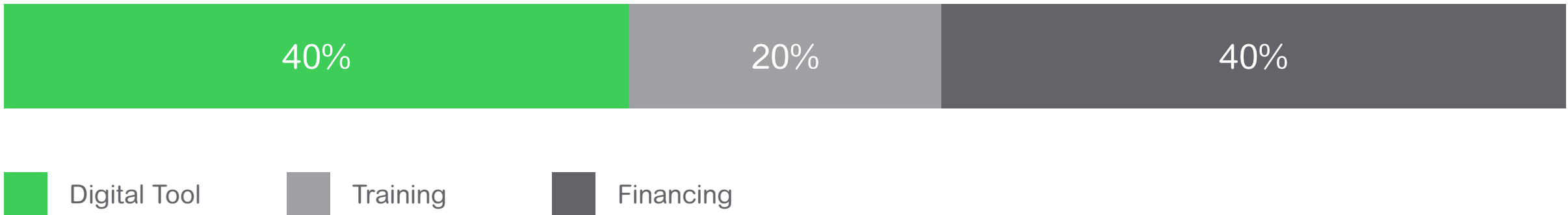
Financing

According to the [World Business Council for Sustainable Development \(WBCSD\)](#), climate change and environmental degradation represent significant financial risks. **Climate inaction could cost the global economy \$178 trillion over the next 50 years.** In addition, natural resource depletion threatens to affect half of the world's GDP. As a result, regulators and investors are increasingly demanding that companies integrate climate and environmental considerations into their corporate decisions.

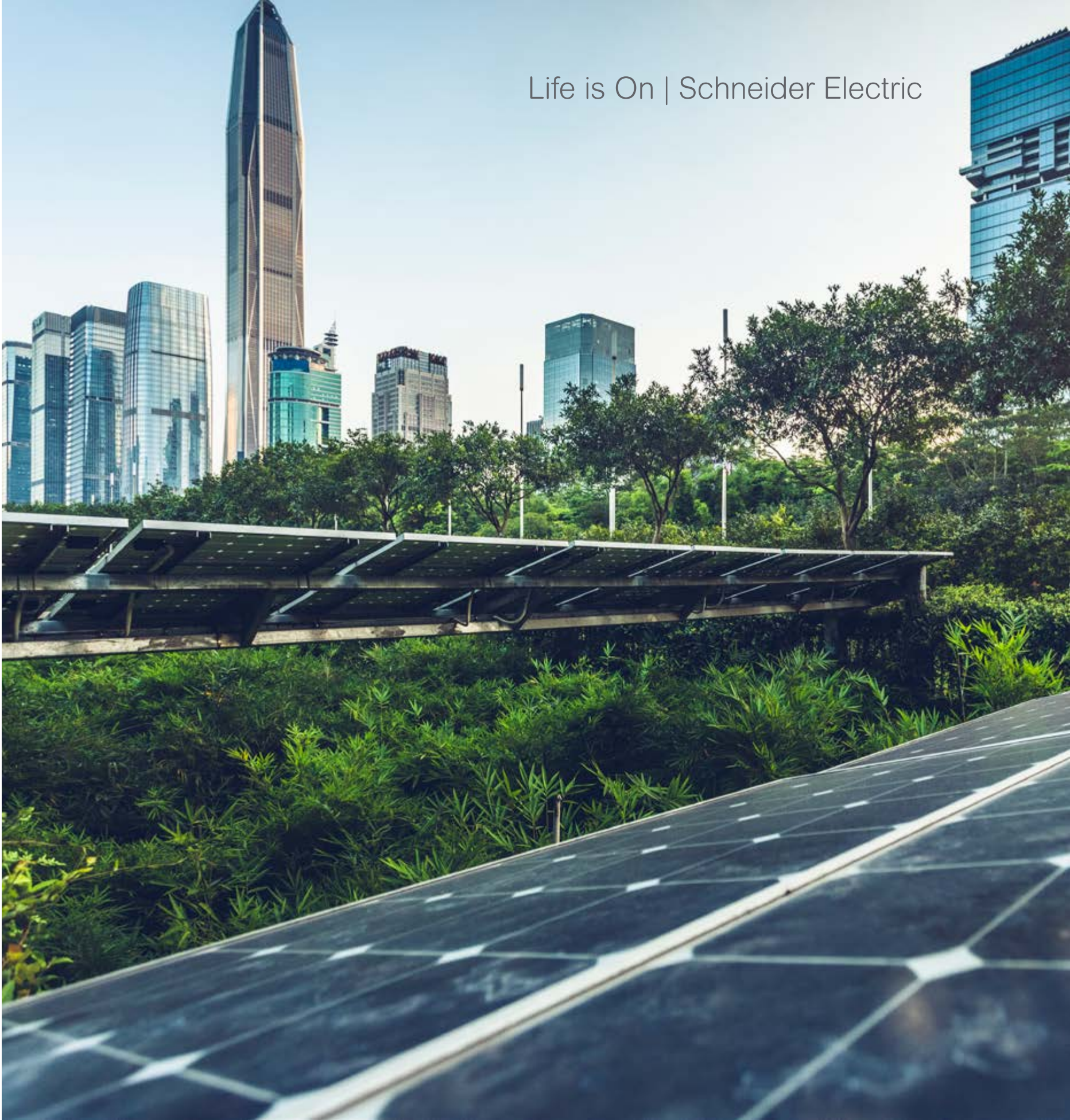
Meanwhile, **supply chain decarbonization challenges prevail, with access to finance being a key barrier to Scope 3 progress.** Significant upfront costs, lack of strong financial incentives, and the tendency of investors to focus on short-term goals are major barriers. In addition, lack of support and transparency as well as the complexity of bureaucratic procedures, has led to uncertainty for companies seeking to respond to the growing demand for more efficient and environmentally-friendly solutions.

The need for financing is positioned as a fundamental pillar to support companies' ambitions on their journey towards a more sustainable supply chain.

What type of support do you require to help decarbonize the supply chain?



Source: Surveys conducted by Schneider Electric.



40%

of SMEs and micro-SMEs surveyed said they need financing to help them decarbonize their supply chain. They rank this need for financing at the same level as the need for digital tools.



What the Experts Say



“After years of working on the efficiency of internal processes linked to Scopes 1 and 2, now the real challenge is to continue with the decarbonization of Scope 3. This requires significant changes in both the business model and financing so that it is a transformation that permeates the entire value chain.”

Charo Saavedra Sustainable Development Manager Iberia,
DANONE



“To boost financing in the current regulatory context, simplification, standardization, and harmonization are levers that need to be activated. Current requirements can be complex and often represent a challenge for SMEs. This is essential if regulation is to translate into a mobilization of funds in favor of sustainability.”

Marta Aisa Blanco Responsible Banking and Sustainability
Director, Banco Santander Spain



“In Iberia most of BMI local suppliers are SMEs, often with limited resources, which need simplified processes and easier access to public funding to make progress on sustainability topics.”

Isabel Alonso de Armas Sustainability & Business Development
Director, BMI Roofing Systems



“Supply chain decarbonization is essential for the real decarbonization of the economy. Supporting SMEs in this challenge is a priority today. Support in terms of knowledge, tools and access to financing is required.”

Mónica Chao President, Women Action Sustainability



“In the tourism sector, sustainability and profitability have to go hand in hand. It is essential to understand that we will either exist sustainably, or we won't exist.”

Javier Villanueva CEO, Silken Hotels



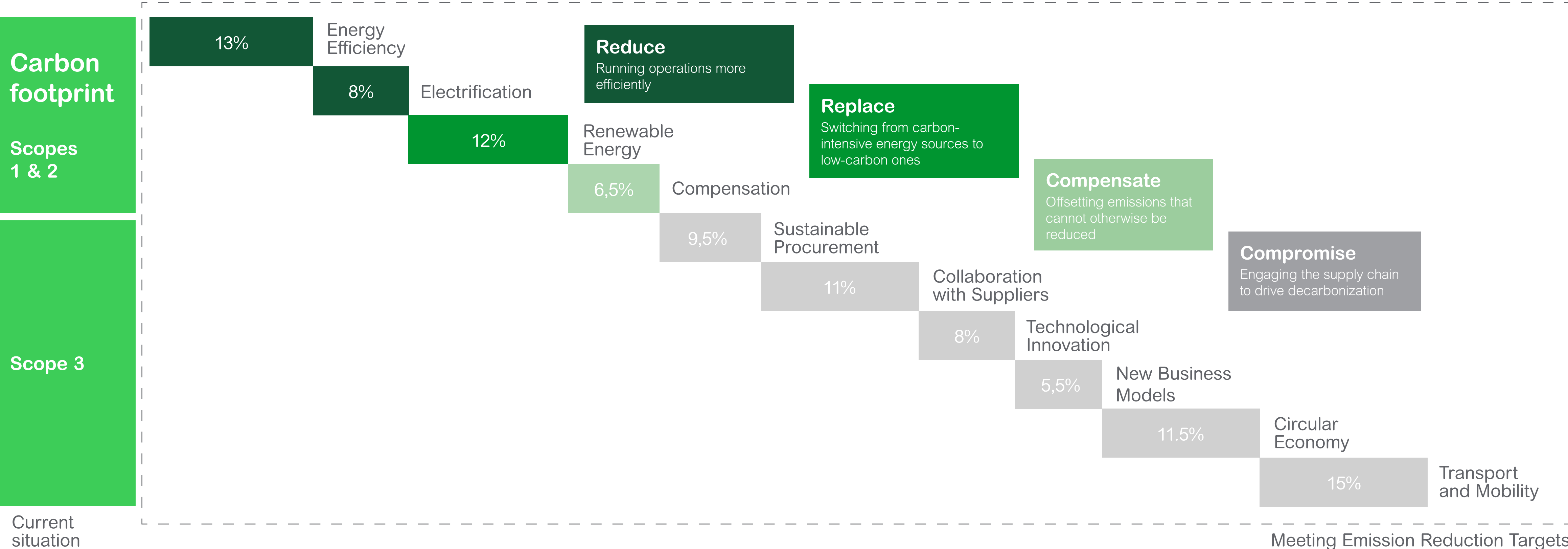
Opportunities and best practices



Decarbonization Levers


Of all companies surveyed, **more than 95%** have started to implement **an action plan** to achieve decarbonization and have identified **key areas** that require specific measures to reduce emissions. Compared to other companies globally, the degree of maturity and initiatives undertaken by these respondents is high.

Below is a ranking of the **decarbonization** levers identified by respondents:



Partnerships

Partnerships drive **decarbonization efforts through the sharing of knowledge**, influence across the supply chain, achieving **economies of scale, and mitigating risks**. Alliances need to occur at all levels to have a real impact on the supply chain.

 “Sustainability is essential to the viability of the tourism sector. We are establishing strategic alliances to accelerate our progress towards sustainability at the sector level.”

Javier Villanueva CEO, Silken Hoteles

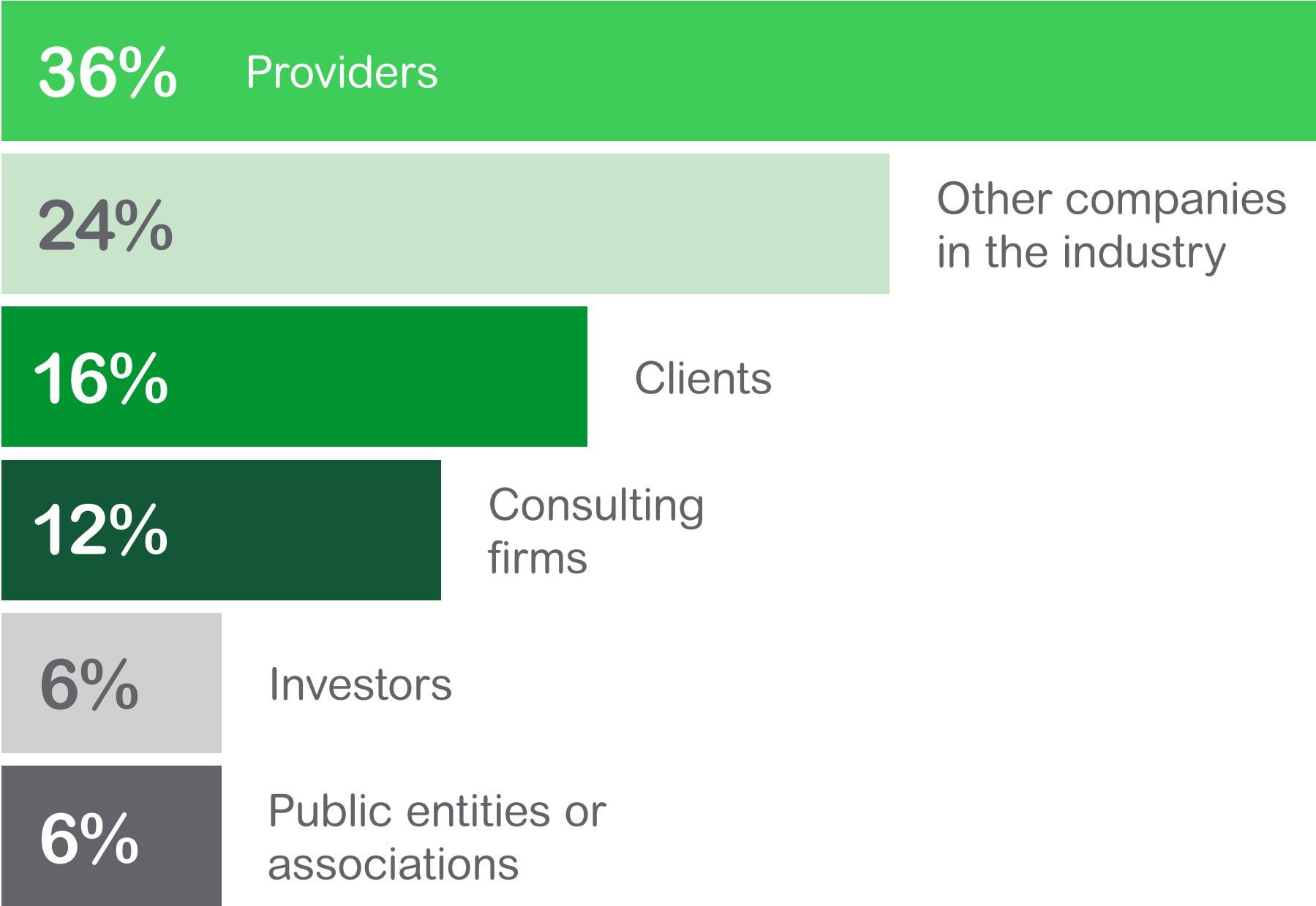
 “We explore strategic partnerships and pilot projects with companies in renewable energy and steel industries to drive decarbonization and foster the transition to low-emission materials. These partnerships are fundamental to our sustainability strategy and we look forward to expanding them in the future.”

Ana Peña Head of Sustainability, Climate Change and Environment, Ferrovial

 “The partnerships we have developed with the acquisition of Gescrab, with suppliers such as Arcelor and our sector partnerships with Sernauto, are critical to decarbonizing our supply chain. These alliances allow us to share knowledge, technology and investment, which helps us to move faster in our commitment.”

Ernesto Barceló Corporate ESG Director, Gestamp

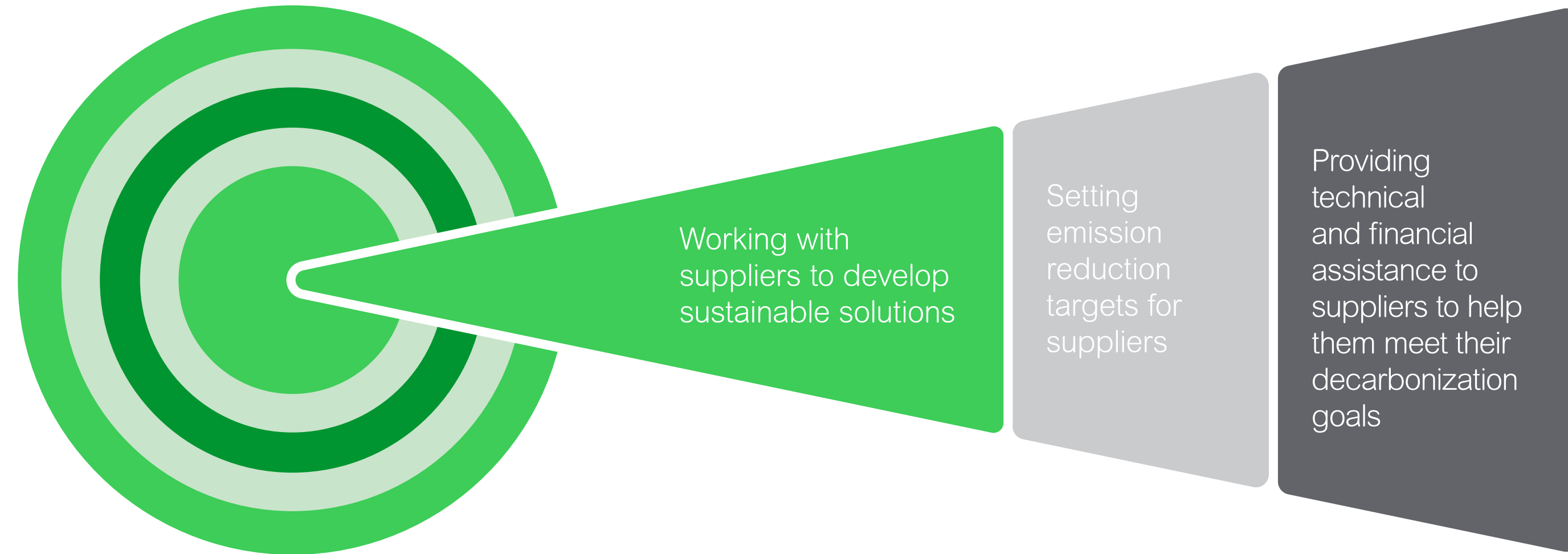
Which of the following partners have you formed alliances with to decarbonize the supply chain?



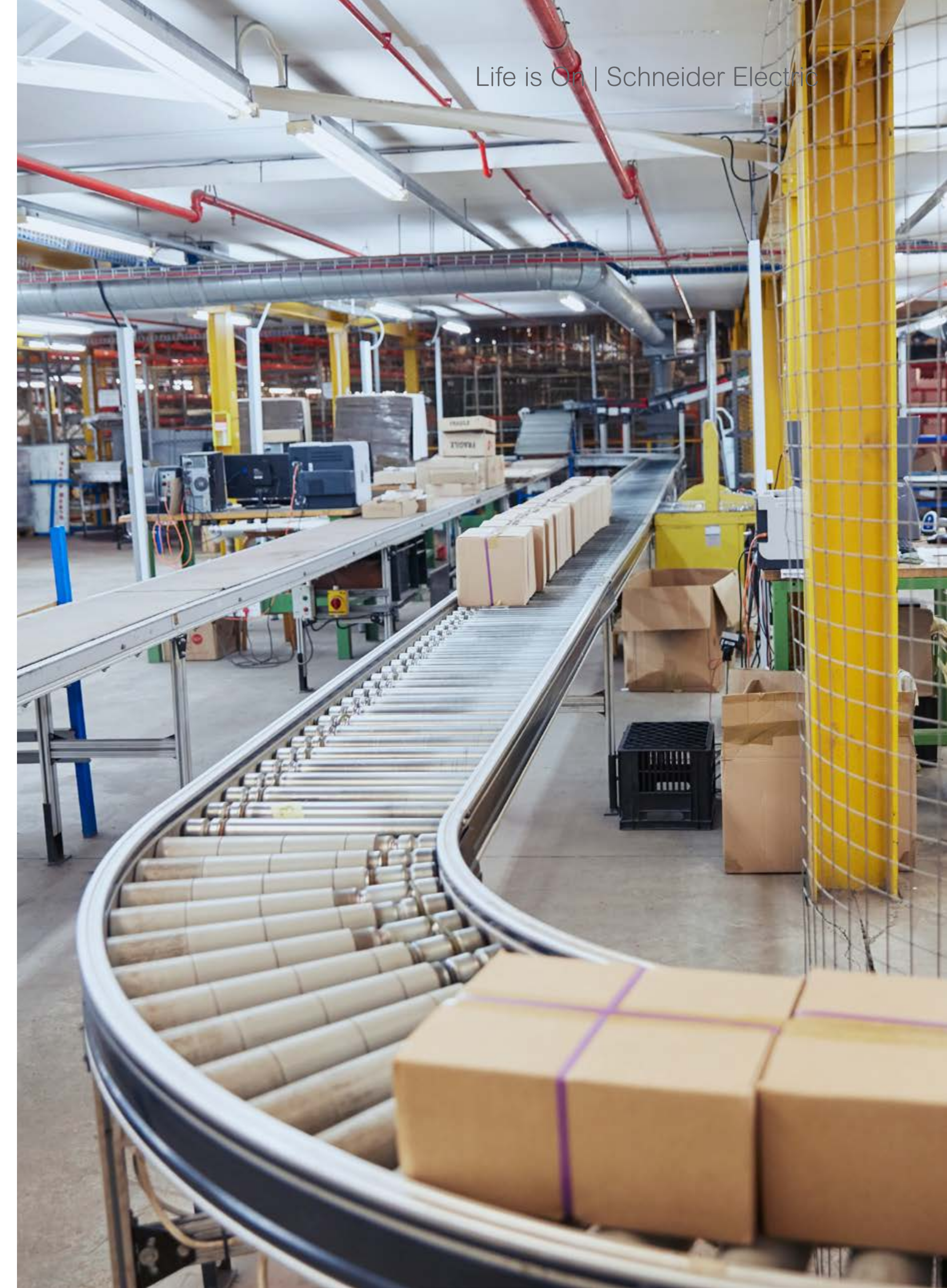
36% of respondents have partnered with their suppliers to decarbonize their supply chain.

Supplier Engagement

Companies' emissions occur throughout their supply chain, from the extraction of raw materials to the distribution of products. Carbon emission reduction can be achieved by:



44% of survey respondents have a supplier engagement program in place.



What the Experts Say



“To decarbonize the supply chain, we need the collaboration of all stakeholders. Through the initiative [“Together for sustainability Industry”](#), we are working with our suppliers to develop a data standard that facilitates the measurement of their emissions. This standard is an essential step towards achieving our decarbonization goals.”

Daniel Schneiders Director Climate Program, Bayer



“At Leroy Merlin we work closely with our suppliers from conception to the development of products so that they are sustainable from the beginning through this eco-design creation.”

Cristina Sánchez Director Sustainability and Positive Impact, Leroy Merlin



“At L’Oreal Spain, we have helped hairdressers we collaborate with get access to renewable energy that they could not access because they are SMEs.”

Delia García Sustainability and CSR Director, L’Oreal Spain and Portugal



“We are transforming our entire value chain, starting at the source with our dairy farmers with whom we have been working for more than five years to implement calculation tools and CO2 emission reduction projects on their farms. Now we are going one step further and by working together, we have set a target of reducing our methane emissions for fresh milk production by 30%.”

Charo Saavedra Sustainable Development Manager, Iberia, Danone



“The energy transition offers great opportunities for collaboration that we must seize. The contribution of companies to decarbonize is multiplied if we promote new alliances and collaborations throughout the value chain.”

Olalla del Río Head of Sustainability and Energy Transition, Cepsa



“We are proud to have already reduced CO2 emissions in Scope 3 by 19% in Spain since 2019. Despite this progress, we are aware that we have to go further. We are working with our partners from large and small-to-mid-sized companies to help raise awareness about the importance of this path, so we can create a solution to this challenge that we can all share.”


Carmen Lara Corporate Communications & Sustainability, Bayer Spain



Commitment to Suppliers

The companies surveyed have initiated the following commitments with their suppliers:

 <p>Increase suppliers' awareness on sustainability issues (training and awareness)</p>	 <p>Work with suppliers on the specification or development of sustainable products/ business models</p>	 <p>Promote transparency and disclosure of information related to suppliers (e.g. CSDR reporting, ESG performance reporting, Ecovadis, CDP, EINF audit, etc.)</p>	 <p>Provide support and services to help sustain the process of supplier transformation</p>
 <p>Measure the carbon footprint of suppliers</p>	 <p>Promote a common program with suppliers to enable supply chain optimization and compliance with regulatory requirements</p>	 <p>Get suppliers to commit, set GHG emission reduction targets, and join initiatives such as SBTi, CDP or RE100</p>	 <p>Shape agreements with suppliers and lead negotiations with them to promote their commitment to reduce emissions</p>




“At BASF, we see decarbonization as an opportunity to innovate and create low-carbon products that help our customers reduce their own footprint. In the future, those who cannot propose sustainable solutions will not be able to compete.”

Carles Navarro General Manager, BASF Spain



“Our goal is to reach 100% by 2025. We are working in coordination with our suppliers through CDP to mitigate emissions in the supply chain. Together, we are facing the challenge of making renewable energy available at an attractive price to our customers so that we can help European Mobile Operators contribute to the decarbonization of the Telco sector.”

Mila Rey Porto Head of Energy, Cellnex



“At Alcampo, we cannot decarbonize our supply chain alone. That is why we are committed to collaborating with our stakeholders in general and our suppliers in particular through our [Alianzas por la Descarbonización](#) program.”

Yolanda Fernández Jiménez Director of CSR and External Communications, Alcampo

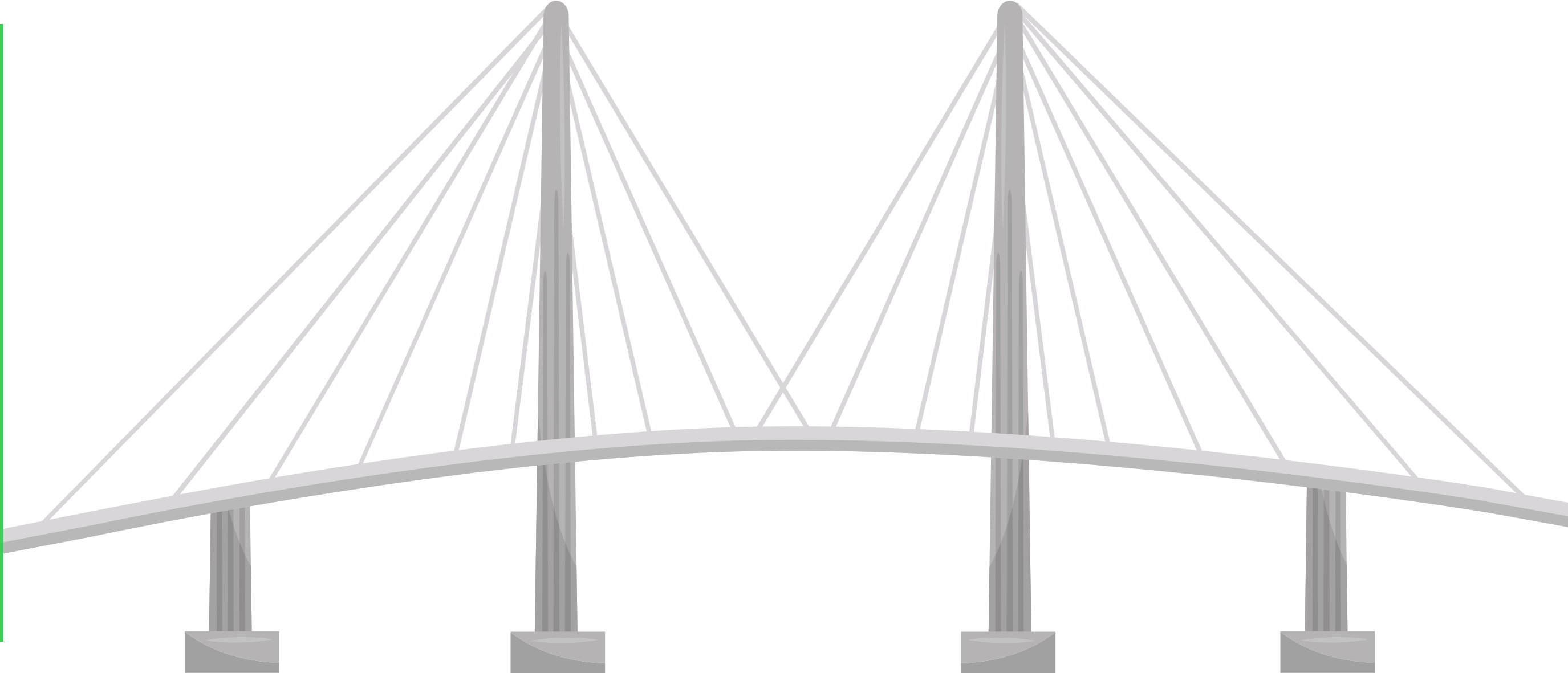


Digitalization, Technology and Innovation

The transition to a decarbonized global economy involves significant investments in **digitalization, innovation, and infrastructure**. In return, it offers the possibility of **reducing the cost of energy, improving efficiency, and reducing the volatility of the energy system**.

- Improve visibility and control of the supply chain.
- Make emissions reduction decisions based on real-time data.
- Implement solutions to reduce emissions through better management of energy data.
- Incorporate intelligent energy management systems.

Digitalization



- Implement new clean energy technologies (green hydrogen, energy storage, CCU) and improved sustainable processes.
- Create new sustainable business models that integrate circularity into processes and services.
- Support customers by providing products and services that reduce emissions in their own operations (eco-design and use-phase efficiency).
- Integrate renewable energy sources into operations.

Technology & Innovation

What the Experts Say



“Momentum is growing and clean energy is getting cheaper every year. It's time to set deadlines for the end of fossil fuel use, integrating the deadline into our transition plans, and ensuring a just transition for workers in these industries. We must accelerate the decarbonization of the electricity grid and map out national decarbonization pathways for the most challenging sectors. The focus must be on shifting away from investments in fossil fuels and accelerating the use of renewables and investing in efficiency. These are the next steps to reaching climate goals.”

María Mendiluce CEO, We Mean Business Coalition



“Real-time data is a basic and indispensable tool for improving processes and efficiency. It is key to information management and traceability, allowing us to pinpoint the origin of our carbon footprint. In addition, the use of artificial intelligence and supercomputing allows us to develop new, more sustainable products.”

Carles Navarro Director General, BASF Spain



“Digitalization and artificial intelligence are key tools in our decarbonization process. They allow us to optimize our logistics and transportation models, thus reducing our emissions footprint.”

Coral Erum CEO Americas and Asia, Erum Group



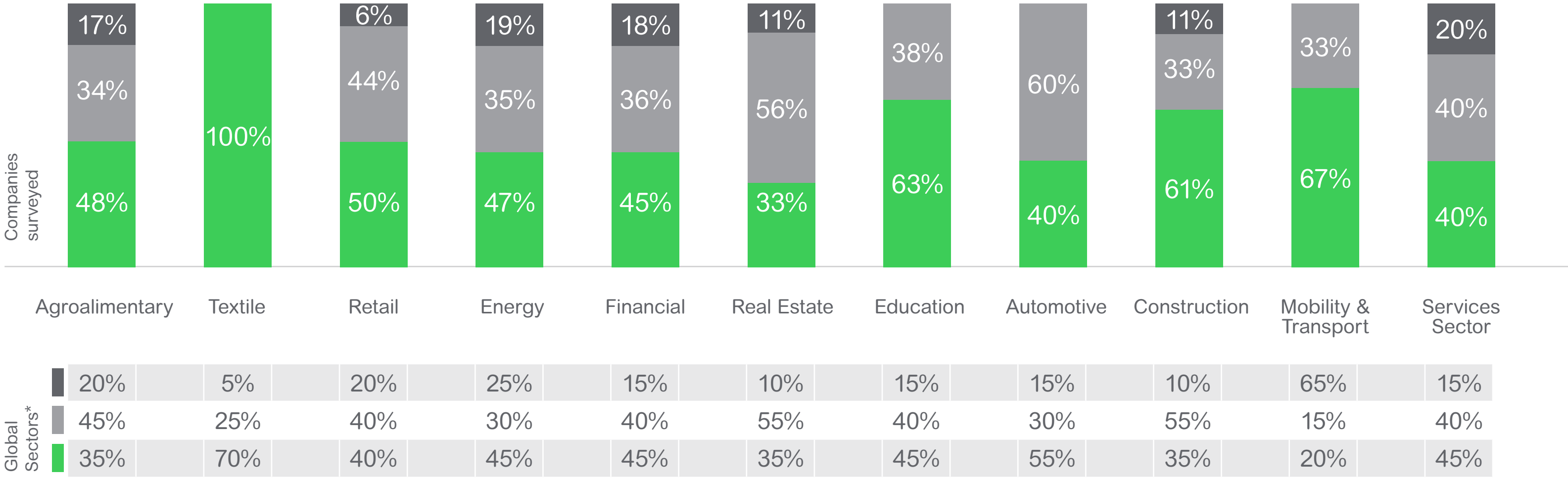
Digitalization and Technology: Available and Affordable Catalysts for Change

Digitization, electrification, and new technologies are critical in our fight against climate change. There are tools and technologies that are readily-available to measure, track and reduce Scope 3 emissions more quickly and effectively.

40% of all emissions in the supply chain can be eliminated with measures such as **electrification, efficiency, renewable energy, and circularity**.

3 transformations required on the path to net zero by 2050

Availability and level of strategies based on results from companies surveyed by select industries of operation



- Decarbonization of energy supply **45%**
- Process electrification **30%**
- Demand optimization (efficiency and circularity) **25%**

% impact of key transformations in decarbonization

*Information drawn based on Schneider Electric's experience and knowledge

■ Available today
 ■ Available in 1-4 years
 ■ Available in 5-10 years

Financing

The 2022 [Sustainable Finance as a Fuel to Action](#) report already highlighted the role of the financial sector as a **driver of systemic-level change** to support sustainable transformation. Financial institutions can have a **significant impact** by unlocking capital, providing guidance and tools, and offering ESG-linked products (such as loans and bonds) to support transition activities.

To build a financial sector that can fully support sustainability goals, it is essential that the public sector promotes a clear legal framework that ensures investor confidence in environmental, social and corporate governance (ESG) aspects, as well as **strong fiscal incentives** that drive the implementation of these transition plans.

Finally, it is critical that large companies recognize the **importance of supporting SMEs**, which are part of their supply chains and generally lack the economic and technical capacity to carry out their own sustainable initiatives. Without this pull factor, it will be impossible to achieve climate neutrality.

Have experienced **financial benefits** from the decarbonization of their supply chain (**43%** of large companies and **8%** of SMEs).

Survey Results



Have experienced **increased demand for information** on the decarbonization of their supply chain from investors and/or financial institutions (**83%** of large companies and **42%** of SMEs).

State that **financing conditions** have been more favorable for projects that include sustainability aspects as compared to those that did not include such requirements.



“The combination of efforts and the efficient allocation of capital and financing is essential to achieving this goal. Sustainable finance has a catalytic role in ensuring the more sustainable allocation of resources and the more accurate representation of risks and opportunities, taking into account social and environmental aspects.”

Marta Aisa Blanco Responsible Banking and Sustainability Director, Banco Santander



“The financial sector and large companies have a significant role in sustainability. Large companies can have a pull effect on SMEs, guiding them and giving them economic and technical support towards more sustainable practices.”

Roberto García Torrente Sustainable Development Director, Cajamar



Best Practices



Click on the
+ to learn more



Best Practices



Partnerships ✕

Public initiatives

- [Race to-Zero](#): United Nations-led initiative promoting a coalition of leading net zero emissions initiatives, representing thousands of government actors, companies, and financial institutions.
- [Blackcycle](#): European project to design new tires from end-of-life tires.

Private initiatives

- [Energize](#): The world's leading pharmaceutical companies are helping hundreds of suppliers they collaborate with to gain access to renewable energy purchases.
- [The Climate pledge 1.5](#): Co-founded by Global Optimism and Amazon, it is driven by 445 companies in 38 countries around the world to achieve net-zero carbon emissions by 2040. Among them are Iberdrola, Schneider Electric, Prologis, ARPA, P&G, Telefónica and Heineken.



Click on the  to learn more



Best Practices



Click on the  to learn more

Financing ✕

Creation of sustainable investment products

- **Banco Santander:** Has created [Santander Green Investment](#), a new platform for acquiring and investing in renewable energy projects in Spain. It has also [aligned its portfolios](#) to achieve net-zero by 2050.
- **BBVA:** Promotes [sustainable investment](#) through different products for individuals and companies, as well as wholesale financing, being the first Spanish bank to issue green bonds.

Supplier financing and education

- **Cajamar:** Collaborates with farmers through financing and education actions to promote sustainable and profitable agriculture [Agrosostenibilidad](#).

Best Practices



Click on the  to learn more

Supplier engagement ✕

Access to renewables

- **L'Oréal:** Through its [Spread the Green Vibes](#) program helps suppliers around the world by training programs and providing access to renewable energy for their entire supply chain.
- **PepsiCo:** Launched its [pep+ REnew](#) program to help its suppliers access renewable energy procurement.
- **Microplásticos:** Gains access to renewable energy procurement through [Schneider Electric](#) commitment to its supply chain.

Supplier training and capacity building

- **BASF & Grupo Antolin:** Together with other companies promote [the United Nations Global Compact's Sustainable Supplier Training Program](#) aimed at SMEs to help them in their sustainability training.
- **Beiersdorf:** Collaborate with local suppliers through [Women in Circularity](#) program by training local women entrepreneurs on circularity and establishing local plastic recycling infrastructure.
- **Almirall SA:** Through their [Supplier Engagement Program](#) monitor their suppliers to support them in their sustainability commitments.
- **Danone:** Promotes [sustainability in its livestock farms](#) through regenerative agriculture actions and proximity to food to reduce its farmers' emissions by 25%.

Supplier incentives

- **CEPSA:** has a comprehensive supplier plan, including incentives such as [WePioneer](#) recognition program.
- **Ferrovial:** collaborates with its suppliers to contribute to [improving processes and adding value.](#)

Best Practices



Digitalization ✕

Digital tools to help decarbonization

- [Supplier Cascade](#)
- [SME Climate Hub](#)
- [Zeigo](#)
- [Dcycle](#)
- **Bayer:** Creates the digital tool [ImpacTest](#) to help its suppliers to measure and monitor the footprint of their suppliers.
- **Enagas:** Relies on [digital technologies](#) to verify and track the sustainability compliance of its suppliers.
- [Resource Advisor](#)



Click on the **+** to learn more



Best Practices



 Click on the  to learn more

Innovation & Technology ✕

Hydrogen

- **PepsiCo & Fertiberia:** Launched a pioneering program to reduce emissions in potato cultivation through the use of [Impact-Zero](#) fertilizers from green hydrogen and precision agriculture.
- **Arpa Equipos Móviles de Campaña:** Bets on [hydrogen](#) by establishing the first hydrogen plant for public use in Aragón.
- **Enagás:** Launches [Call For Interest](#) process for the first axes of the Spanish Hydrogen Backbone.

Renewable raw materials

- **BASF:** Includes [renewable raw materials](#) through life cycle analysis in its production chain.
- **Michelin:** Introduces resin of circular origin in its production chain through [Resicare](#).

Use of biofuels

- **Freixenet:** Collaborates in a [pilot test](#) with Repsol, Serveto, and Scania to contribute to the decarbonization of freight transport through the use of renewable biofuels.

Circularity

- **ACCIONA and AENA:** Collaborate through the use of low-emission [circular steel](#) in the remodeling and expansion of the Son Sant Joan airport.
- **BRITA IBERIA:** Uses [bio-based plastic](#) that comes only from the residues of other processes.
- **Signus:** Uses [recycled materials](#) from end-of-life tires
- **Schneider Electric and Enagás:** [District Cooling Project](#), an innovative system that takes advantage of the residual cold produced in the regasification process of the Enagás plant in Barcelona for the air conditioning of facilities such as Mercabarna or the port of Barcelona.

Innovation in materials and eco-design

- **Roca Group:** Collaborates with its suppliers in [materials innovation and eco-design](#).
- **Puig:** Includes eco-design and innovation throughout its value chain through the [SPICE](#) tool.

Recommendations for taking action

Recommendations for large companies



Build a prioritization and data-driven strategy

- Define a **strategy** with clear and tangible objectives.
- Evaluate and establish value chain **baselines**:
 - Compile and validate Scope 3 emissions inventory.
 - Set objectives and targets, benchmarked against your industry and quantifiable by science.
- Design a strategic program with governance, establishing **defined responsibilities and economic incentives** for employees within the organization
- **Identify and prioritize** those actors in the supply chain that contribute the **greatest amount of emissions**



Drive participation and take action on supply chain initiatives

- **Integrate ESG criteria** in supplier selection.
 - **Incentivize your supply chain by sharing best practices, training, and digital tools** to help them build their decarbonization action plan.
- This can include:
- Developing **new capabilities and strategies**.
 - **Aggregation of renewable energy**, support in **energy efficiency** projects, **electrification, carbon offsetting strategy**.
 - Creating **collaborative spaces** to share information and learning.
- Work with your supply chain **on innovation** to develop new processes, products, and **circular** services that accelerate the transition to sustainability, especially downstream.



Follow up and adapt the strategy by involving the ecosystem

- Collect and report **information centrally** for effective performance tracking and risk management
- **Inform** internal and external stakeholders on **progress** regarding program objectives and successes.
- **Engage all stakeholders** in the ecosystem, including industry associations, industry companies, public administration, among others.
- **Constantly adjust, optimize, and expand** the supply chain strategy.



Recommendations for SMEs

Steps to transform commitments into action



Action Drivers

Green financing

Ask for **grants and financial incentives** offered to SMEs by public institutions and banks.

Use loans, sustainable credits or green savings accounts that promote energy efficiency improvements, access to clean technologies and renewable energies.

Digital tools

Use dedicated SME tools to **calculate, measure, and analyze the carbon footprint**. Establish the baseline and define decarbonization goals, following customized action plans.

Use digital tools that put you in contact with solution providers in your geographical area.

Partnerships

Participate in collaborative spaces with your suppliers and customers. Partnerships are key to **expanding resources, sharing costs and accessing knowledge and technologies** and staying ahead of regulatory compliance.

Leverage support from larger companies and financial institutions that offer training.

Recommendations for the financial sector

The financial sector is an important catalyst for change

Define and adapt a strategy for sustainable impact

Define an ESG strategy at all stages of the investment cycle (from preliminary analysis and due diligence, to ownership and exit strategy), which includes assessing and managing the supply chain impacts of portfolio companies.

Improve data quality

Understand and promote improvements to the quality of financial portfolio supply chain data, **providing access to tools and resources, especially for SMEs.**

Align with relevant stakeholders

Create a **governance structure of investees** to **integrate potential material supply chain impacts** into the overall transition plan.

Set ambitious and up-to-date objectives

Set **targets in line with best practices and industry-specific requirements**, leveraging, where possible, **regulatory frameworks** that address supply chain impacts (CSRD, CSDD, etc.).

Navigate pathways to net-zero - sector-by-sector

Each sector has its own varying technological pathways, capabilities, and implementation timelines. Examine the routes to carbon neutrality for each sector individually, as well as their collective impact, in the **short, medium, and long term.**

Take realistic actions to finance decarbonization

Provide access to capital through **financing tools linked to long-term sustainability.**



Recommendations for public administration



Lead by example

- Implement sustainable policies and practices in their own operations and set **clear and demanding standards in their procurement processes.**
- Regulatory policies should encourage **incentives rather than penalties**, thereby creating a more dynamic and resilient ecosystem.



Simplify processes

- Simplify public procurement processes.
- Facilitate access to financing for SMEs in sustainability issues (“Next Generation EU” funds).
- Simplify the processing of clean energy projects or building renovation projects.
- **Harmonize disclosure and measurement standards** to facilitate emissions monitoring in line with international standards (Taxonomy, NFR, TCFD) and ensure consistency with other regions.



Empower SMEs

- Promote **sustainability education** for SMEs to provide them with **the knowledge and tools necessary** to implement sustainable practices in their operations.



Mobilize capital

- Establish **public-private** partnerships to mobilize significant financial resources to drive the adoption of large-scale sustainable solutions. This involves **reforming financial policy and investment financial policy.** The investment frameworks attract private capital and align business models with the Paris Agreement goals.



Facilitate access to technology

- Encourage the implementation of new technologies and innovation through a **favorable regulatory framework, provide financial incentives, and support research and development** so that companies can maintain their competitive status vis-à-vis other companies.



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Glossary

Supply Chain

Focuses on the procurement of materials and the delivery of products and services to the customer.

Value Chain

Goes beyond selling goods and products, it's about delivering value throughout the entire customer journey, from marketing to after-sales support.

Net-Zero

A term that refers to the zero emission of greenhouse gases.

ESG

Environmental, Social and Governance factors companies should consider in their operations.

SBTi

Science-Based Targets initiative: a global initiative that helps companies set science-based greenhouse gas emission reduction targets.

EINF

Non-Financial Information Statement: an annual report that presents relevant information for all stakeholders on the impact of an organization's performance on five core issues: Environmental, Social, Human Rights, Employees, Anti-Corruption.

TCFD

Task Force on Climate-related Financial Disclosures: an organization that develops voluntary, consistent recommendations for climate disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

Taxonomy

A framework that classifies economic activities based on their environmental impact and their contribution to sustainability goals.

CSRD

Corporate Sustainability Reporting Directive: the new EU legislation requiring all large companies to publish regular reports on their environmental and social impact activities.

CDP

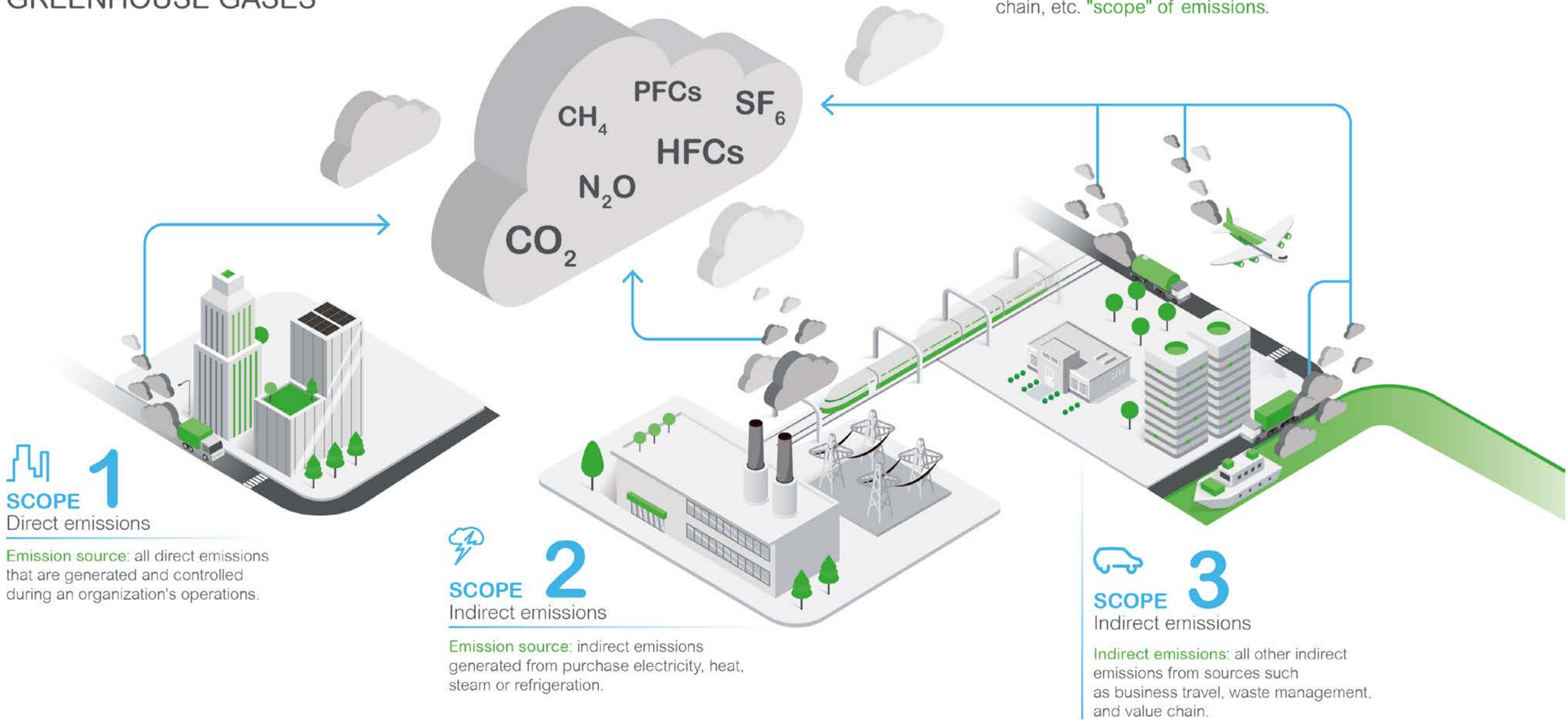
Carbon Disclosure Project: a non-profit organization that collects information about the environmental performance of companies.



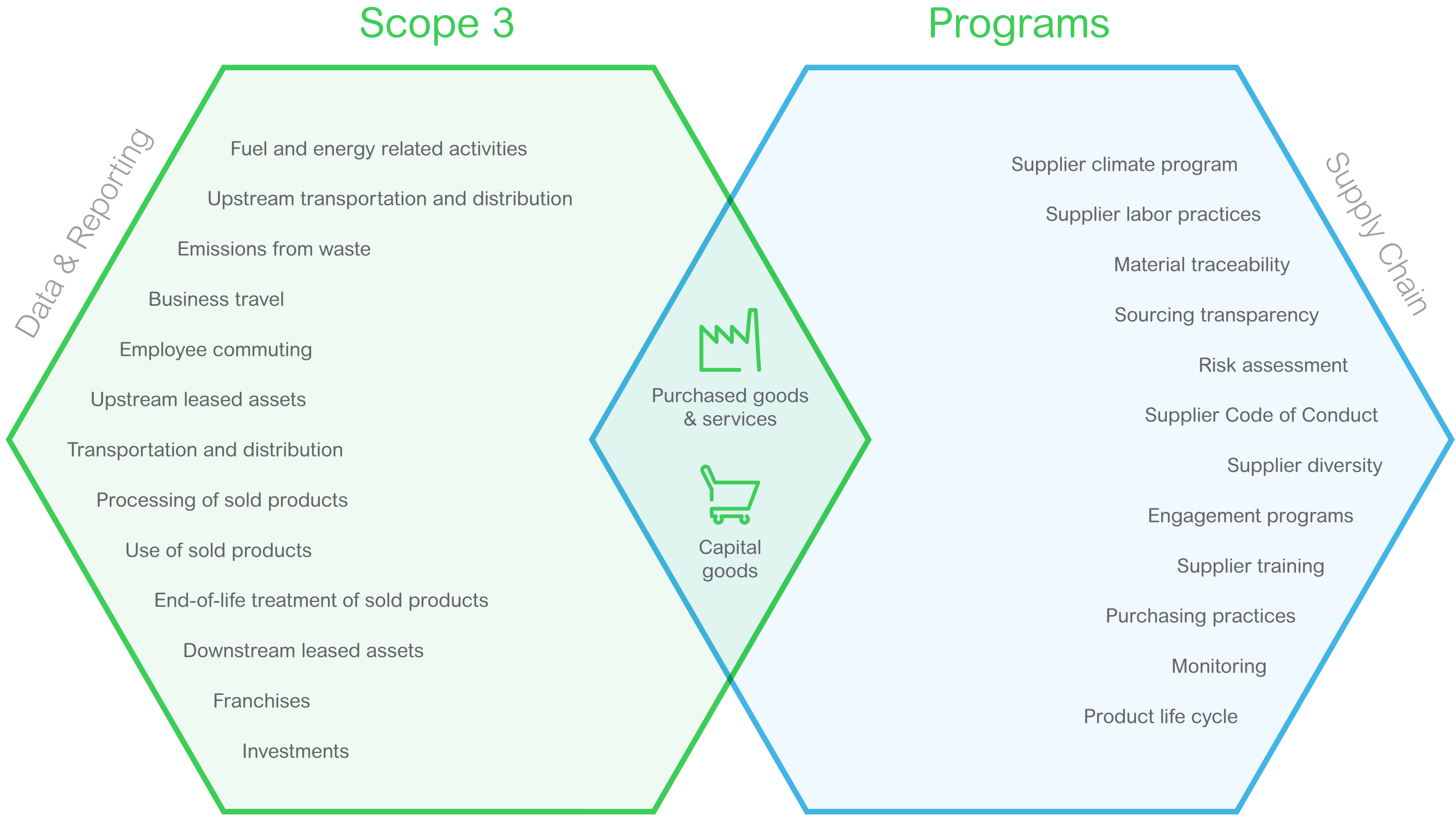
Appendix 1: Scopes 1, 2 and 3

ATMOSPHERIC GREENHOUSE GASES

All other indirect emissions from sources such as business travel, waste management, value chain, etc. "scope" of emissions.



Appendix 1: Scope 3 vs. Supply Chain



Appendix 2

	Level of convergence on Principles	Level of Specificity for Operationalization	UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities	International Organization for Standardization "ISO Net-Zero Guidelines"	UN Race to Zero (RtZ) Starting Line and Leadership Practices 3.0	Science-Based Targets initiative's "Net-Zero Standard"	Corporate Climate Responsibility Monitor (2023)	University of Oxford's "Defining Net-Zero for organisations" report (McGivern et al, 2022)
1. COVERAGE OF EMISSION SCOPES	HIGH	HIGH	ALL SCOPES	ALL SCOPES	ALL SCOPES	MD5A-24	ALL SCOPES	ALL SCOPES (According to 75% of the initiatives)
2. INTERVALS OF INTERIM TARGETS	HIGH	HIGH	5 YEARS	2 - 5 YEARS	NOT SPECIFIED	5 - 10 YEARS	5 YEARS	5 YEARS FROM 2030 (Some from 2025)
3. RED. OF EMISSIONS ALIGNED TO 1.5°C	MODERATE	MODERATE						
Recommendation to align with 1.5°C compatible pathways		N/A	YES	YES	YES	YES	YES	YES
Minimum reduction for "credible net-zero"	MODERATE	MODERATE	NOT SPECIFIED	OVER 90% (Over 72% for forest, land and agricultural sector)	NOT SPECIFIED	OVER 90% (Over 72% for forest, land and agricultural sector)	OVER 90%	UNCLEAR (For initiatives that define residual emissions, minimum of 90% is mentioned).
Specific requirements to comply with the 1.5°C - aligned milestones	MODERATE	LOW	NOT SPECIFIED	YES	NOT SPECIFIED	YES	YES	NO COVERED
4. 1.5° ALIGNED TRANSITION PLANS	MODERATE	LOW - MODERATE						
Specific requirements to set 1.5 °C - aligned emission reduction targets up to 2030	LOW - MODERATE	LOW	NOT SPECIFIED	NOT SPECIFIED	NOT SPECIFIED	YES	YES	YES (For those initiatives that specify a reduction pace)
Specific requirements for transition plans and/or key mitigation areas up to 2030	MODERATE	MODERATE	YES	YES	NOT SPECIFIED	NOT SPECIFIED	YES	NOT COVERED
Fossil fuel phase - out	MODERATE	LOW - MODERATE	REQUIRED	REQUIRED	REQUIRED	NOT SPECIFIED	REQUIRED	NOT COVERED
Aligning Lobbying & Advocacy	HIGH	LOW - MODERATE	REQUIRED	REQUIRED	REQUIRED	NOT SPECIFIED	NOT SPECIFIED	ENCOURAGED (By just over half of the 33 initiatives)

Source: Net-Zero Stocktake 2023, Net-Zero Tracker.



Appendix 2

	Level of convergence on Principles	Level of Specificity for Operationalization	UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities	International Organization for Standardization "ISO Net-Zero Guidelines"	UN Race to Zero (RtZ) Starting Line and Leadership Practices 3.0	Science-Based Targets initiative's "Net-Zero Standard"	Corporate Climate Responsibility Monitor (2023)	University of Oxford's "Defining Net-Zero for organisations" report (McGivern et al, 2022)
5. OFFSETTING WITH CARBON CREDITS & CDR INSIDE THE VALUE CHAIN	MODERATE	LOW						
To achieve interim emission reductions	HIGH	LOW - MODERATE	NOT ALLOWED	NOT ALLOWED	RECOMMENDS PRIORITIZING REDUCTIONS OVER OFFSETTING	NOT ALLOWED	NOT ALLOWED	MIXED
To apply for Net-Zero	MODERATE	LOW - MODERATE	ALLOWED	ALLOWED	ALLOWED	ALLOWED	NOT RECOMMENDED	NOT COVERED
Criteria for high quality credits and/or CDR within the value chain	MODERATE	LOW	NOT SPECIFIED	SPECIFIED	NOT SPECIFIED	NOT SPECIFIED	SPECIFIED	MIXED

Source: Net-Zero Stocktake 2023, Net-Zero Tracker.

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