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Influencing a Sustainable Supply Chain

Part of the
Low Carbon Lincolnshire
Programme



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We're working on behalf of
Business Lincolnshire to deliver
the Low Carbon Lincolnshire
programme.



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Low Carbon Lincolnshire

A programme to help small-medium businesses in Lincolnshire and Rutland with their journey to Net Zero.

- One-hour introductory webinars in February.
- Half-day workshops in Lincoln, Grantham and Market Rasen.
- Virtual workshops.

All open for registration on the Business Lincolnshire website now.



The Net Zero Agenda



Paris Climate Agreement 2015 – to limit warming to well below 2°/1.5°C above pre-industrial levels

The UK has set, in law, their goal of becoming **Net Zero by 2050**.

- ‘Reaching Net Zero emissions; the activities within **the value-chain** result in **no net impact on the climate...**
- This is achieved by **reducing emissions... balancing** any remaining emissions through **carbon removals.**’

Supplier Engagement Support



Tools and resources - SME Climate Hub

Business Playbook - Exponential Roadmap Initiative

- [1.5C-Business-Playbook-Version-3.0.pdf \(exponentialroadmap.org\)](#)

Supplier Engagement Guide - Exponential Roadmap Initiative

How to be a good supplier | The Carbon Trust

- [How-to-be-a-good-supplier.pdf \(windows.net\)](#)

Build a greener supply chain - UK Business Climate Hub

How to become a 'net zero ready' supplier

Source products and services from green suppliers

Sell lower carbon and 'circular' products

Find a green energy supplier

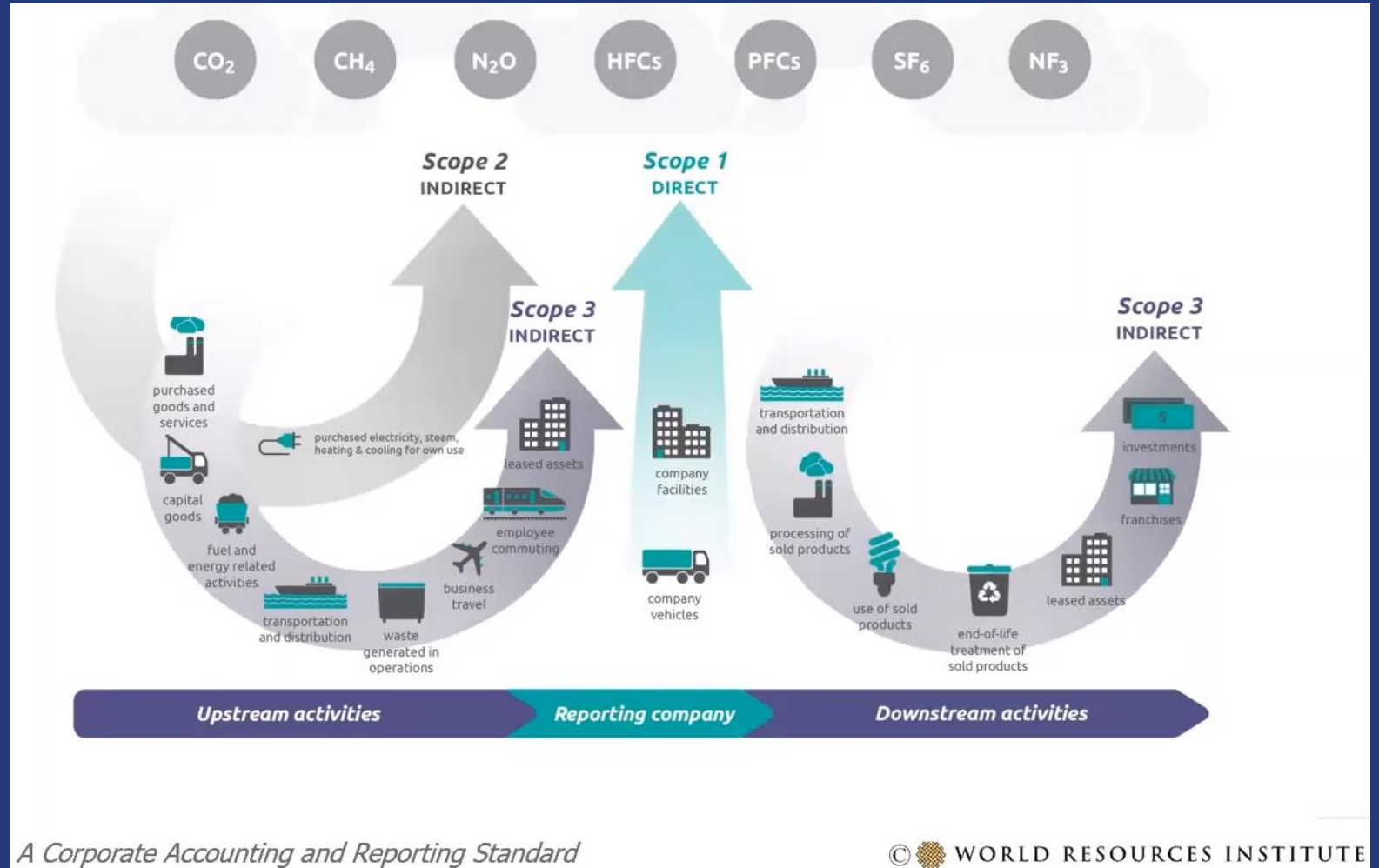
Reduce waste and recycle more

Low carbon supply chains

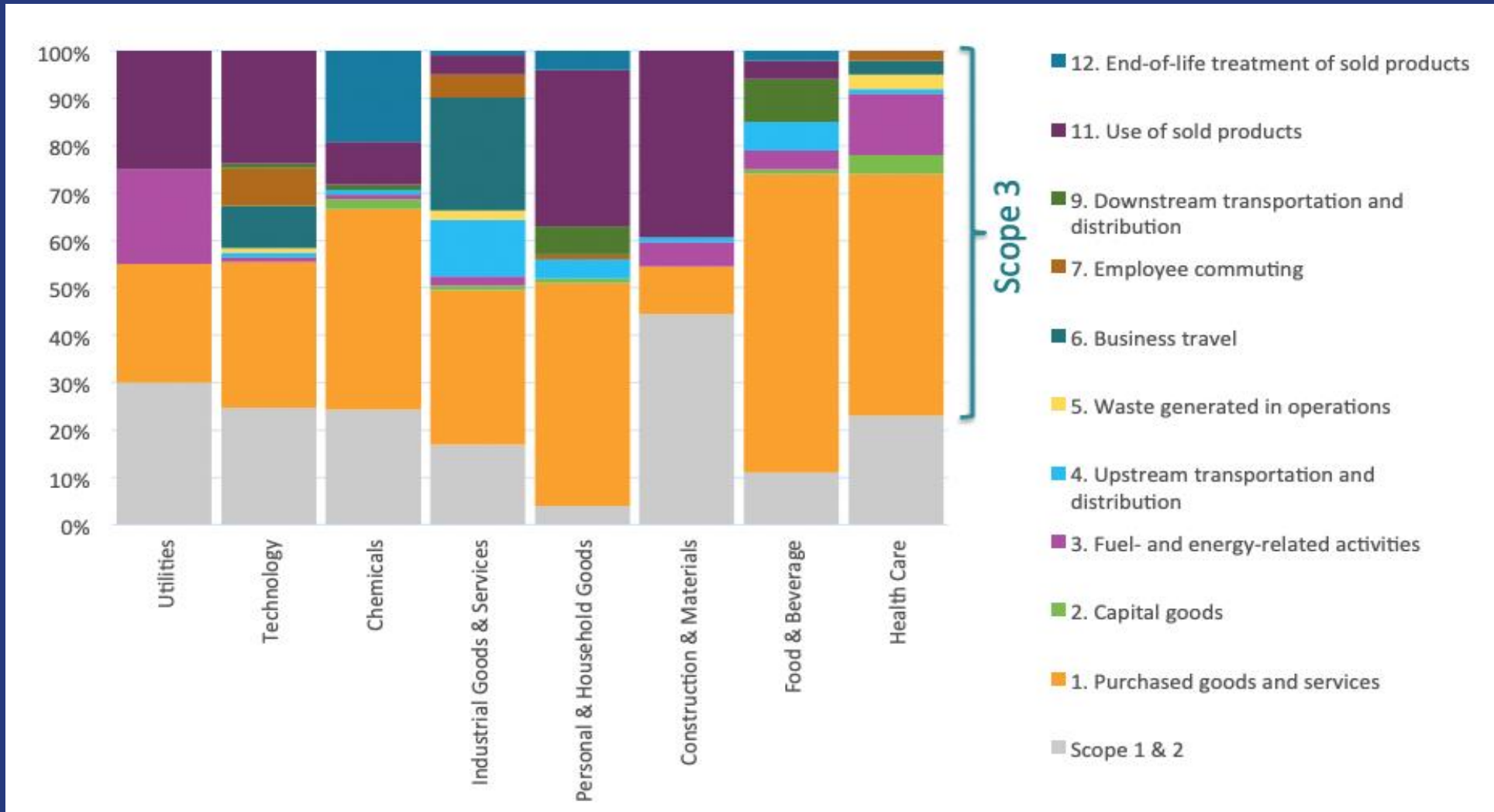
- What we buy can have a significant impact on our own carbon footprint
- For most organisations this (Scope 3) represents the most significant portion of their carbon footprint
- Supply Chains increasingly under pressure to show how they are working towards decarbonisation and reducing their carbon footprint
- Questions around low carbon, Net Zero, etc., increasingly part of the procurement process

Scope 3

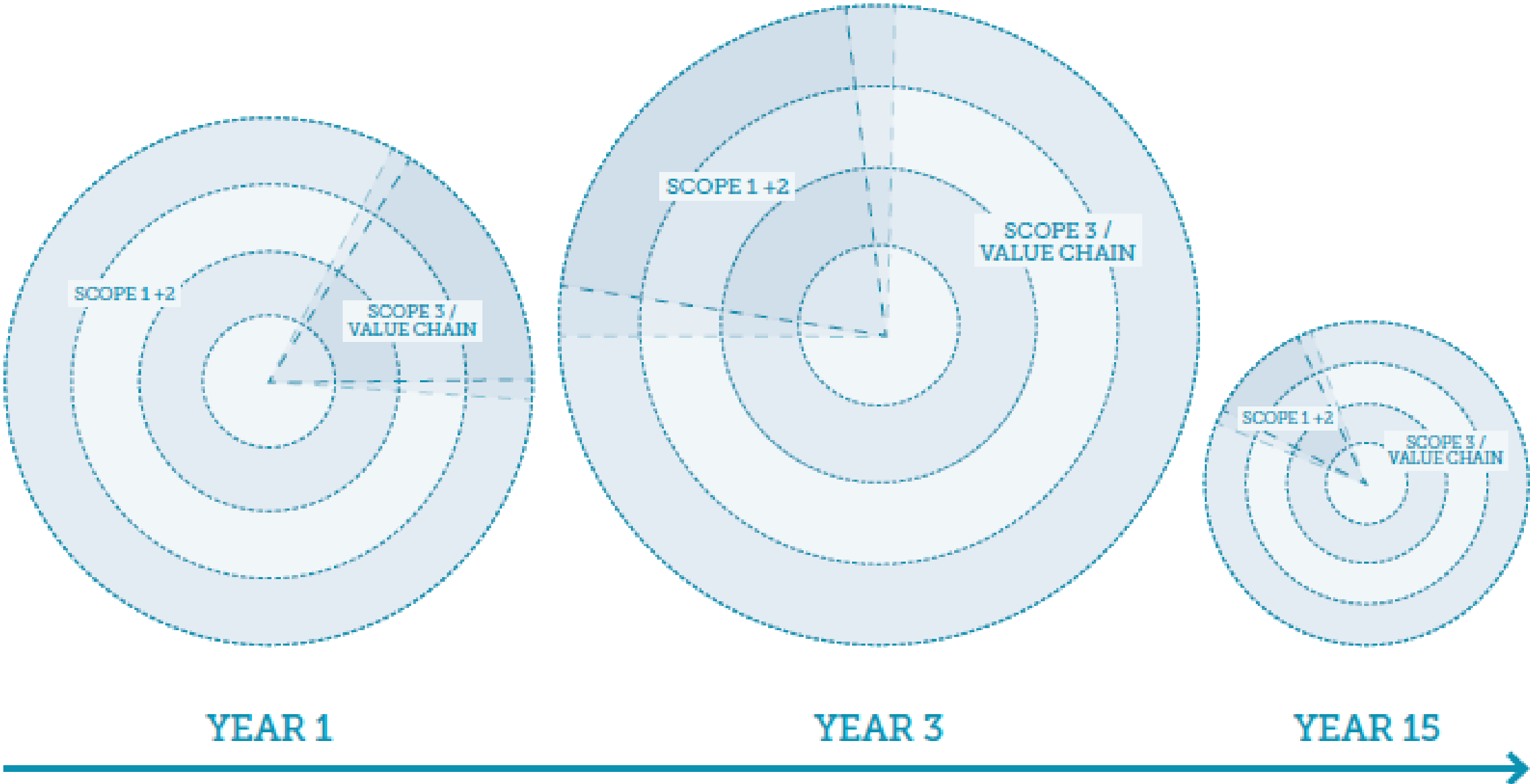
- To achieve Net Zero, you are required to understand and capture your Scope 3 emissions
- This will require understanding of the carbon emissions within your value chain
- Scope 3 is a measure of your influence and is made up of Scope 1 and 2 emissions from organisations/customers within your value chain



Purchasing and product use are very common areas of high emissions



QUANTIFIED EMISSIONS - VARIATION OVER TIME



Scope 3 – upstream

GHG Protocol Scope 3 Category (upstream)	Category Description
1 – Purchased goods and services	All purchased goods and services, including water consumption and sewerage, hotel stays, materials, cloud computing, cleaning, etc.
2 – Capital goods	All capital plant and equipment used to conduct business activity
3 – Fuel and energy related activities	Transmission and distribution of electricity and fuels, including extraction and production of energy sources – Provided within DEFRA factors
4 – Upstream transportation and distribution	Transportation and distribution of products / goods purchased, includes Tier 1 only
5 – Waste generated in operations	Disposal and treatment of emissions of any waste generated – in UK landfill waste emissions include collection, transportation and landfill emissions; EFW or recycling includes collection and transportation only
6 – Business travel	All grey fleet travel – business travel conducted in employee owned vehicles or business travel conducted through public transport, flights, etc.
7 – Employee commuting	Transportation of employees between their home and any work site using vehicles / transport not owned
8 – Upstream leased assets	Owned buildings that you have been leased

Scope 3 – downstream

GHG Protocol Scope 3 Category (downstream)	Category Description
9 – Downstream transportation and distribution	Transportation and distribution of products / goods sold – should include retail and storage where applicable
10 – Processing of sold products	Processing of materials sold to an intermediary (e.g. manufacturer) to be used within a final product
11 – Use of sold products	End use of goods and services sold
12 – End of life of sold products	Waste disposal and treatment of products sold
13 – Downstream leased assets	Buildings that you are leasing off a building owner
14 - Franchises	Operations of franchises (Scope 1 and 2 emissions)
15 - Investments	Operation of investments (including equity and debt investments, and project finance)

Scope 3 planning

- Referred to as mapping the value chain, is a necessary step to identify the Scope 3 activities that are to be included within your inventory
- Using the Scope 3 categories, try to, as best you can:
 - Identify which categories apply to you
 - What activities are included within each relevant category
 - Map/list your products or services sold
 - List your suppliers and other relevant partners
- From this map, identify which Scope 3 emission sources you will start to account for

How do I assess size?

Start measuring - SME Climate Hub – provides a good Scope 3 starting analysis based on spend data

Business Carbon Planner | NatWest Business Banking – Quite detailed, but also provides action plan suggestions, useful as a carbon management tool

UK emissions database **Atmospheric emissions: greenhouse gas emissions intensity by industry - Office for National Statistics**

- Uses SIC codes to determine procurement categories
- Provides metric kgCO₂e/£ spend expressed as 1,000 tonnes per £mil
- To convert, multiply total spend in specific category by conversion factor to calculate CO₂e tonnes

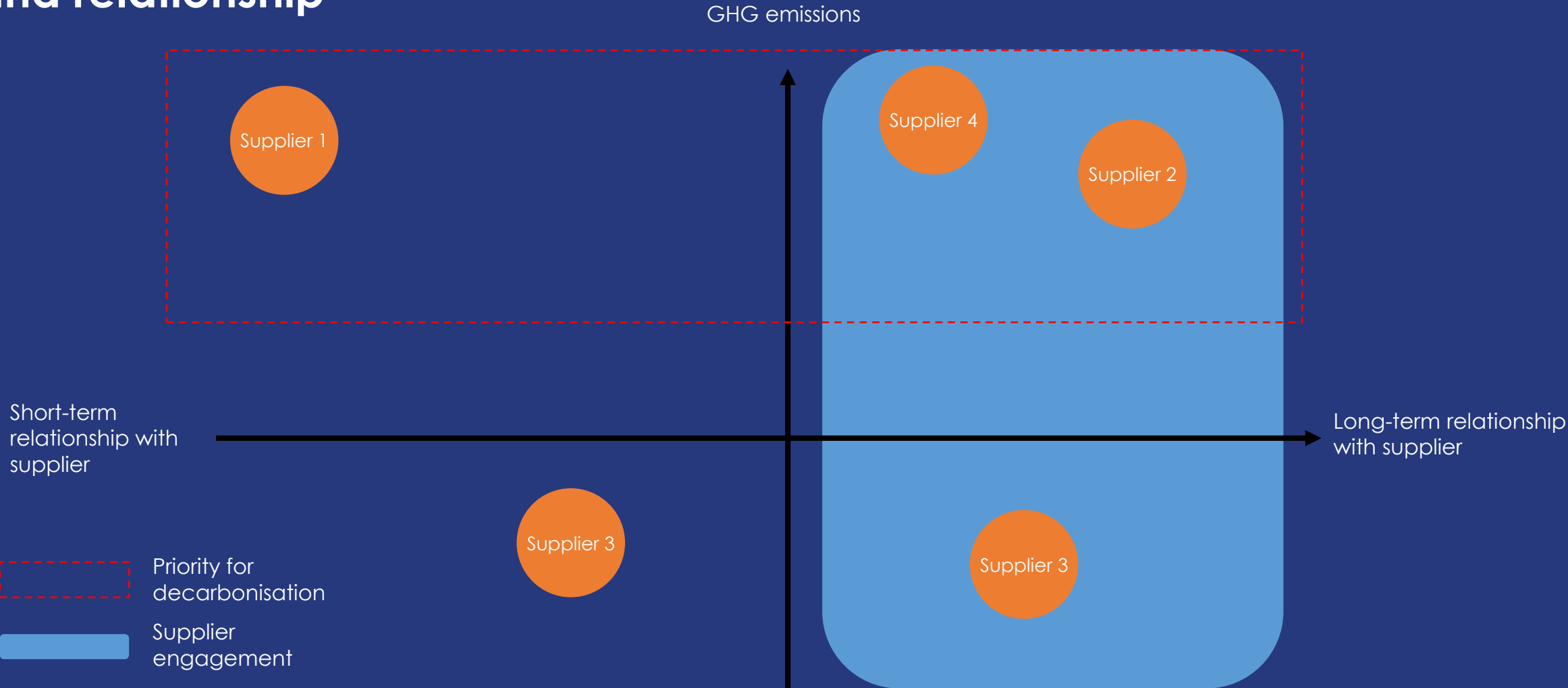
Scope 3

Identifying relevant activities

Table [6.1] Criteria for identifying relevant scope 3 activities

Criteria	Description
Size	They contribute significantly to the company's total anticipated scope 3 emissions (see section 7.1 for guidance on using initial estimation methods)
Influence	There are potential emissions reductions that could be undertaken or influenced by the company (see box 6.2)
Risk	They contribute to the company's risk exposure (e.g., climate change related risks such as financial, regulatory, supply chain, product and customer, litigation, and reputational risks) (see table 2.2)
Stakeholders	They are deemed critical by key stakeholders (e.g., customers, suppliers, investors, or civil society)
Outsourcing	They are outsourced activities previously performed in-house or activities outsourced by the reporting company that are typically performed in-house by other companies in the reporting company's sector
Sector guidance	They have been identified as significant by sector-specific guidance
Other	They meet any additional criteria for determining relevance developed by the company or industry sector

Example: supplier engagement prioritisation based on GHG emissions and relationship



Supply Chain Strategy

- Most organisations can have complex supply chains – an approach is needed to prioritise and quantify emissions and to decarbonise
- There is flexibility in how to approach this based on spend and carbon intensity or duration of supplier relationship:
 - Identify suppliers – spend, most impact, best relationship
 - Choose approach – supportive, competitive, etc.
 - Communicate – procurement strategy and guidelines, company values
 - Collaborate / support – discuss options, offer resources, guidance, etc.
 - Monitor – regular engagement, dialogue, etc., looking for continued improvements where available
 - Reinforce – opportunities to maintain engagement, encourage active participation

[Supplier Engagement Guide - Exponential Roadmap Initiative](#)

Supply chain emissions reduction strategies specific to Category 1: Procurement of goods and services

Shift to a Low Carbon Product

Enable your procurement strategy to consider and select low carbon materials/products

Shift to a Low Carbon (or carbon conscious) Supplier

Enable your procurement strategy to assess and select suppliers committed to a low carbon transition

Supplier Engagement

It may not always be feasible to simply switch

Engage with key suppliers to reduce emissions (this can be built in as part of procurement strategy)

How far down the rabbit hole?

- The Scope 3 Guidance provides what is considered as a minimum boundary – how far down the carbon chain you need to go
- What it doesn't stipulate well, is what level (Tier) of supplier an organisation needs to account for – this is where Net Zero standardisation needs to intervene
- It is important to consider your organisational impact and influence, as well as the data you have available to you
- Start working towards your immediate boundary (tier 1) and engage with your suppliers

What to consider when engaging?

All suppliers have different characteristics, each of which will impact the way in which you interact with them.

Supplier characteristics include:

- Size - are they a small or large company?
- Location - are they situated near your business, nationally, or even internationally?
- Relationship – are they a valued supplier, or do they sell unique products not available elsewhere, or are they a high value (cost) supplier?

As a business, you should ensure your supply chain is as sustainable as you

What information do you want?

Using more sustainable suppliers or working with your existing suppliers to improve their sustainability can have several benefits to both your business and the environment. So what information do you need from them?

Net Zero elements

- Carbon data – focus on Scope 1 and 2 only

You also want to consider what they are doing to decarbonise:

- Do they have a carbon reduction plan?
- Have they set carbon targets?
- Have they established a Net Zero target?

Environmental benefits

While we are focusing on Net Zero as the driver, this is also a good opportunity to consider wider sustainability initiatives:

- Where do they source their materials?
- Are their goods / products durable, repairable, recyclable, etc.?
- Are they willing to reduce packaging, etc.?



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Improving Scope 3 data over-time – ‘completeness’ of the inventory is important

Least complex and accurate

Most complex and accurate

Spend-based

Average data

Hybrid

Supplier specific

Relies on organisation's activity spend data and industry average emission factors, e.g., UK Emissions by procurement code

Relies on average / estimated consumption and default emission factors by activity, e.g., KgCO₂e per mile travelled for commuting; benchmark data (kWh/m²); etc.

Relies on a combination of emissions and emission factors provided by third parties – using spend-based data to fill gaps

Relies exclusively on emissions and emission factors from third parties – e.g., product-specific carbon footprints and/or life cycle data

Allocating emissions

- While we are seeking primary data as it is the more accurate of data available, it is important to consider how that data was calculated
- It may be necessary to allocate emissions, which is the partitioning of carbon emissions from a single facility or activity among its various outputs
- Allocation is needed when a single emissions data source is provided for an activity or process that produces multiple outputs
- In this circumstance, the carbon emissions need to be shared (allocated) to the appropriate parties

Allocating emissions

Physical allocation: Allocating the emissions of an activity based on an underlying physical relationship between the multiple inputs/outputs and the quantity of emissions generated

Allocation factors	Examples of allocation factors and formulas
Mass	<p>Mass of co-products</p> $\text{Allocated Facility Emissions} = \frac{\text{Mass of Products Purchased}}{\text{Total Mass of Products Produced}} \times \text{Total Emissions}$
Volume	<p>Volume of cargo transported</p> $\text{Allocated Facility Emissions} = \frac{\text{Volume of Products Purchased}}{\text{Total Volume of Products Produced}} \times \text{Total Emissions}$
Energy	<p>Energy content of heat and electricity co-products</p> $\text{Allocated Facility Emissions} = \frac{\text{Energy Content of Products Purchased}}{\text{Total Energy Content of Products Produced}} \times \text{Total Emissions}$
Chemical	<p>Chemical composition of chemical co-products</p> $\text{Allocated Facility Emissions} = \frac{\text{Chemical Content of Products Purchased}}{\text{Total Chemical Content of Products Produced}} \times \text{Total Emissions}$
Number of units	<p>Number of units shipped</p> $\text{Allocated Facility Emissions} = \frac{\text{Number of Units Purchased}}{\text{Total Number of Units Produced}} \times \text{Total Emissions}$
Other factors	<p>Protein content of food co-products, floor space occupied by products</p> <p>Other formulas</p>

Physical, economical, and other methods

Economic allocation: Allocating the emissions of an activity based on the market value of each output/product

Allocation factors	Examples of allocation factors and formulas
Market value ⁵	<p>Market value of co-products</p> $\text{Allocated Facility Emissions} = \frac{\text{Market Value of Products Purchased}}{\text{Total Market Value of Products Produced}} \times \text{Total Emissions}$
Other methods:	<p>Allocating the emissions of an activity based on industry-specific or company-specific allocation methods</p>
Allocation factors	Examples of allocation factors and formulas
Other factors	<p>Other formulas</p>

Procurement policy - questions

A well-considered procurement policy can have a huge impact on your environmental footprint. Start to think about minimising your environmental impact and carbon footprint by asking yourself the following questions:

1 *“Do we really need to buy this product or service?”* > **process change**

2 *“Is there another way to buy this product or service (ie rent)?”* > **contract change**

3 *“How will we dispose of this item when we no longer need it?”* > **consider whole life costs**

Think about the life cycle of a particular item and whether it can be reused/repaired instead of discarded to extend its useful life

Low Carbon Procurement - key actions

Review key procurement **activity** (know your supply chain!)

- Most significant **areas of spend**
- Which **procurement categories** present significant **risks**
- Identify procurement categories that can enhance environment/sustainability performance e.g. **facilities management** services, energy management

Procurement **governance**

- Who is responsible?
- Assess the level of **knowledge** for sustainability (product choices)

Communication strategy



Procurement policy

- Sets out principles and guidance on product selection, based upon values and objectives set by the organisation
- It is a method of choosing rather than an exclusion of choices – prioritise selection based on sustainability criteria
- Is an evolving document that will adapt and change with time
- Provides suppliers with guidance on product choices you are seeking and informs them of your values as an organisation

Procurement policy – examples...

- *[WE] will give preference to purchasing environmentally preferable products and services that meet current performance, safety and regulatory requirements.*
- *[WE] will continue to source and increase the purchase of products and services that are deemed “Environmentally Preferable” using the criteria set out below.*
- *[WE] will consider the following options as part of its environmental policy and where practical, implement changes:*
 - Least environmentally harmful
 - Low carbon
 - Locally sourced
 - Reusable / Remanufactured / Recycled content
 - Low energy

Procurement policy – examples...

- *It may not be possible to purchase a green alternative for every product or service. Compromise may be required. It is therefore important to:*
 - Review and improve policy annually
 - Set targets for change
 - Engage with suppliers, etc.
- *[WE] will consider the following checklist wherever practicable with regards to resource use and recycling, hazardous content, energy, packaging, and transportation.*
 - Resource use and recycling
 - Hazardous content
 - Energy
 - Packaging
 - Transportation
 - Catering
 - Environmental reporting

Procurement Policy Note 06/21

- What is it?

- **Procurement Policy Note (PPN) 06/21** sets out how to government departments should take account of suppliers' Net Zero **Carbon Reduction Plans** in the procurement of major Government contracts.
- This PPN applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies ('In-Scope Organisations')
- In-Scope Organisations have been required to apply PPN 06/21 since **30th September 2021** when procuring goods and/or services and/or works with an anticipated contract value above £5 million per annum (excluding VAT) which are subject to the Public Contracts Regulations 2015

Procurement Policy Note 06/21

- What does it require?

As part of assessing a supplier's technical and professional ability, In-Scope Organisations should include, as a selection criterion, a requirement for bidding suppliers to provide a **Carbon Reduction Plan** confirming the supplier's commitment to achieving Net Zero by 2050 in the UK, and setting out the environmental management measures that they have in place and which will be in effect and utilised during the performance of the contract.

Carbon Reduction Plans

Carbon Reduction Plans (CRP) must meet the required standard as set out by the supporting guidance for PPN 06/21. This includes, but is not limited to:

- Confirming the bidding supplier's commitment to achieving Net Zero by 2050 for their UK operations.
- Providing the supplier's current emissions for the sources included in Scope 1 and 2 of the GHG Protocol, and a defined subset of Scope 3 emissions.
- Providing emissions reporting in CO₂e (Carbon Dioxide Equivalent) for the six greenhouse gases covered by the Kyoto Protocol .
- Setting out the environmental management measures in effect, including certification schemes or specific carbon reduction measures you have adopted, and that you will be able to apply when performing the contract and that support achieving Net Zero by 2050.
- Publication of the CRP on the supplier's website.
- CRP must be provided – can't substitute with other documents

Procurement Policy Note 06/21: Taking account of Carbon Reduction Plans in the procurement of major government contracts - GOV.UK (www.gov.uk)

Carbon Reduction Plans

[PPN-0621-Carbon-Reduction-Plan-Template-Jan22.odt \(live.com\)](#)

Considerations

- Whilst PPN 6/21 only currently applies to £5 million + contracts, there's a good chance that threshold will reduce in time to include significantly smaller contracts (much like plans for Energy Savings Opportunity Scheme (ESOS))
- Good chance that larger commercial businesses and other organisations will voluntarily adopt a similar approach to address the carbon related impacts of their own procurement decisions
- Familiarity with the requirements of PPN 06/21 and more specifically how to complete the Carbon Reduction Plan would place you in a good position should you ever need to provide one

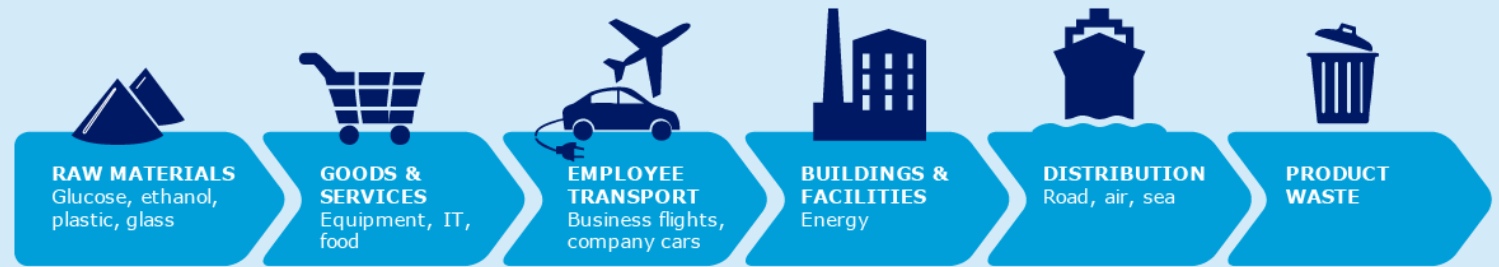
PPN 06/21 Scope 3 requirements

GHG Protocol Scope 3 Category (upstream)	Levers to reduce emissions
4 – Upstream transportation and distribution	Supplier engagement, procurement policy, product/service design
5 – Waste generated in operations	Supplier engagement, procurement policy, product/service design, circular economy
6 – Business Travel	Procurement policy, operational policies (e.g., travel hierarchy)
7 – Commuting	Operational policies (e.g., work from home)
9 – Downstream transportation and distribution	Supplier engagement, procurement policy, buying less, product/service design

Scope 3

For Net Zero claims: you will be required to understand and capture all Scope 3 emissions

TRACKING CARBON EMISSIONS AT EACH STEP OF THE VALUE CHAIN



- Start with the easy stuff where you have access to data – waste, water, commuting, etc.
- Then look at your immediate suppliers and customers and start conversations – encourage them to consider their own carbon footprint
- Your value as a business, in terms of the % value, determines the % of emissions you are accountable for
- Consider life cycle analysis for any product or service you provide to understand the impact its use or provision, including end-of-life, could have
- Consider and engage with customers on the best way to use your product to minimise the carbon impacts, including end-of-life

More information & support

Low Carbon Lincolnshire webpage:

[Low Carbon Lincolnshire | Make Savings to Grow | Business Lincolnshire | Business Lincolnshire](#)

Our full workshop schedule and resources

Business Lincolnshire Specialist Advisor:

Tony Neul, Low Carbon Specialist



Tony Neul

Low Carbon Specialist

Contact

Examples of further support

zellar

Lincs Zellar programmes

Business Lincolnshire and North Kesteven District Council have launched programmes with Zellar to support local businesses on their sustainability journeys. 400 businesses are invited to claim free access to Zellar's online sustainability platform to enable them to reduce their carbon emissions and save up to £4,100 in energy bills. Scan the QR codes to visit the sign-up page.



Investors in the Environment (iE)

PECT's flagship iE programme supports businesses to get started or elevate their sustainability journey - and become recognised for it! With over 300 members across the UK in all sectors and sizes, we offer a proven framework for organisations to save time and money and reduce their impact on the environment. Find out more at www.iie.uk.com.

North Kesteven



Greater Lincolnshire



Coming up next...



In person workshops:

- Net Zero – **Lincoln** – AM Tuesday 16th April 2024
- Decarbonisation – **Lincoln** – PM Tuesday 16th April 2024
- Net Zero - **Grantham** – AM Thursday 4th July 2024
- Decarbonisation - **Grantham** – PM Thursday 4th July 2024
- Net Zero - **Market Rasen** – AM Tuesday 10th September 2024
- Decarbonisation - **Market Rasen** – PM Tuesday 10th September 2024

Virtual workshops (2 hour):

- How to manage your energy use – 9th May 2024
- More to follow in June, October, November