Supplier Engagement Strategies to Achieve Scope 3 Targets

Climate Week | New York

September 25, 2025

2-3:30 p.m. EDT

Environmental Defense Fund

BSR®

Agenda

1. Arrive and Settle by 2pm (15 min)
2. Welcome and Introduction (5 min)
3. Presentation on Supplier Engagement (10 min)
4. Breakout Groups (40 min)
5. Report Backs / Plenary (20 min)
6. Engagement Opportunities and Close (10 min)
7. Networking (5 min to whenever you feel like leaving!)

BSR Environmental Defense Fund

Anti-trust statement

While some activities among competitors are both legal and beneficial to the industry, group activities of competitors are inherently suspect under the antitrust/competition laws of the countries in which our companies do business.

Agreements between or among competitors need not be formal to raise questions under antitrust laws. They may include any kind of understanding, formal or informal, secretive or public, under which each of the participants can reasonably expect that another will follow a particular course of action or conduct.

Each of the participants in this event is responsible for seeing that topics which may give an appearance of an agreement that would violate the antitrust laws are not discussed. It is the responsibility of each participant in the first instance to avoid raising improper subjects for discussion.

Ground Rules and Expectations

Chatham House Rule: When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed. We are not recording the session.

Be participatory! This is meant to be an interactive session. Not a panel, not a Q&A.

Be candid! We are here to dig into challenges/solutions. Leave the polished high-level talking points at the door.

Introduce yourself! Nametags don’t serve much of a purpose when you’re across the room. Please state your name and company when chiming in.

***<u>Be</u>* yourself!** We are not (necessarily) our companies. Feel free to draw on past experiences and prior roles, not just your current one.

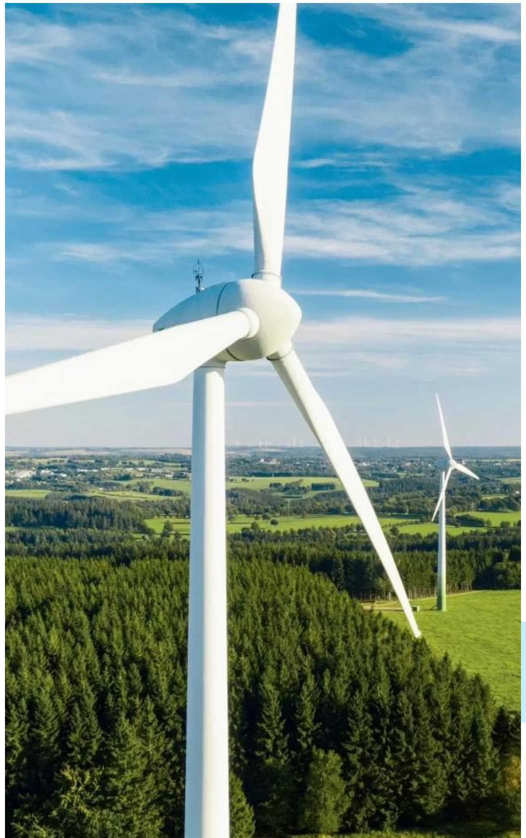
BSR creates long-term value for companies and society through business transformation.

BSR is a sustainable business network that provides global insights, strategic advisory services, and collaborations to more than 300 member companies in Asia, Europe, and North America.

BSR helps its members to see a changing world more clearly, create long-term value, and scale impact.

[Click here to view our "About BSR" video]

Intro to EDF



Environmental Defense Fund

Science
Using evidence to drive solutions

Economics
Rewarding people who protect nature

Partnerships
Building alliances across sectors

Advocacy
Shaping policy and taking legal action

30 years collaborating with business

The Net Zero Action Accelerator translate EDF's science, economics, and policy expertise into actionable guidance to help companies prioritize the most impactful climate actions.

netzeroaction.org

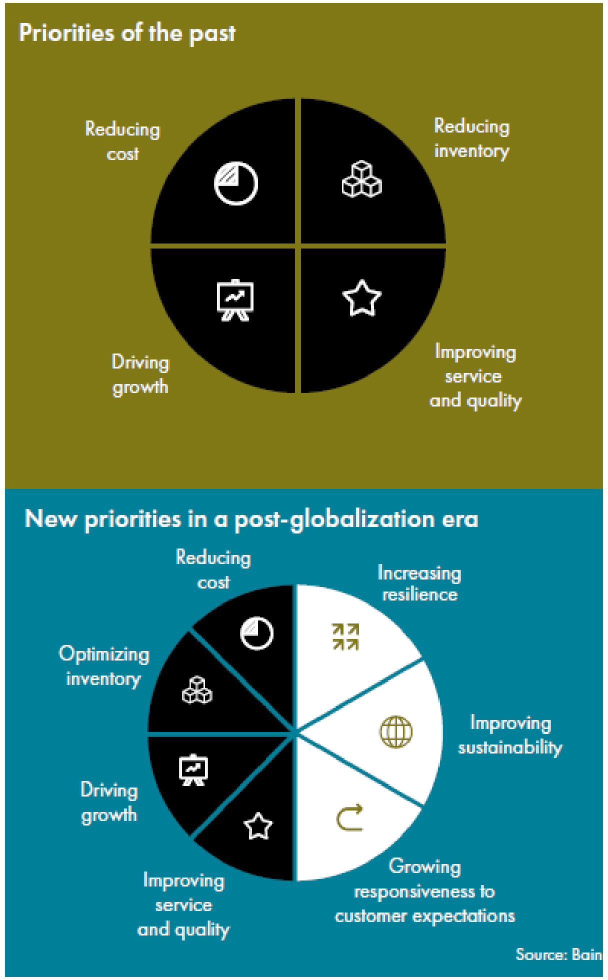
Presentation on Supplier Engagement

The Business Case for Supplier Engagement

Tariffs and geopolitical headwinds can be destabilizing, but a strategic approach to supplier engagement on climate can help mitigate risk and allow for more agile and resilient supply chains.

Climate action can help companies reduce risk across their value chains

- **99% of executives** surveyed by The Economist say that climate change has already affected their supply chains
- By assessing physical risks, companies can **safeguard value chains** and minimize disruptions. Carbon Disclosure Project (CDP) found that companies that actively manage supply chain emissions have **saved US$13.6 billion**
- Environmental risks were found as the **greatest long-term (10 year) concern** among global leaders surveyed by the World Economic Forum (WEF)
- An estimated **US$162 billion in potential financial costs** are tied to climate-related risks in the supply chain
- More resilient companies **outperform their competitors** in periods of disruption



Sources: The Economist, CDP, WEF, CDP, BCG, Bain, Supplier Engagement for Resilient Supply Chains (WMBC, BSR, CDP, EDF, ERI, WBCSD)

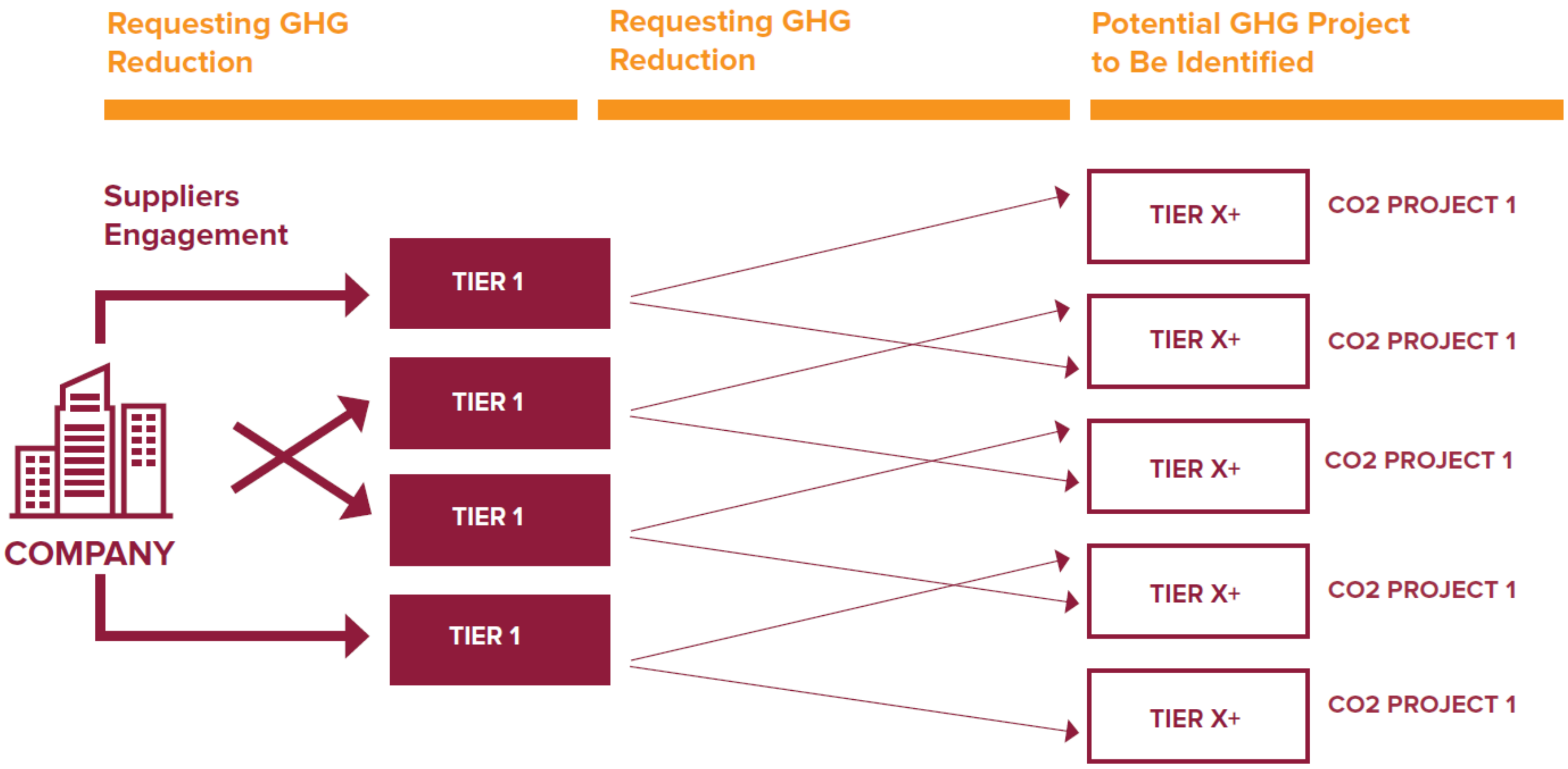
Reducing Scope 3 Emissions Presents Challenges

Unlike with direct operations, there are no “simple” solutions readily available to solve Scope 3. Significant GHG reductions require innovation, commitment, supply chain relationships, innovative business models, and collective action. Most companies, from sustainability leaders to laggards, struggle with:

Measurement	Complexity	Bringing suppliers /customers along	Resistance to business model change
• Unreliable, **lacking primary data** • Multitude of GHG **reporting platforms** and schemes • **Non-interoperable** GHG reporting systems • Slowly developing guidance	• Lack of **transparency** on how their supply chains work • **Prioritization**, often amongst thousands of suppliers • Lack of connection to the **root causes** of the impact (e.g., upstream raw materials)	• Different degrees of **maturity** or technical expertise in suppliers • Lack of **demand** by customers • **Duplicated** efforts by individual companies, rather than teamwork • Engagement can be challenging and **costly**	• Complexity of **aligning** sustainability, procurement, or design and innovation team goals • **Short-term business cycles** often fail to see the long-term business transformation necessary to achieve net zero emissions

Traditional Engagement Entails Asking Suppliers to Act on Scope 1 and 2

A common approach to upstream Scope 3 reduction is buyer-supplier engagement. Buyer approaches first request GHG emissions reductions of direct suppliers (Tier 1), then cascade this up the supply chain. This requires prioritization of key suppliers for direct engagement, and resources for the long tail.



Patterns of Success and Challenges on Supplier Engagement

1. **Supplier engagement efforts are early & steadily increasing**
2. **Climate asks are voluntary; incentives remain soft**
3. **Data collection and quality is a constant challenge**
4. **Companies increasingly sharing enablers of success**
5. **Provision of trainings is common, other support limited**
6. **Existing guidance meets general needs**

A Sample Approach to Supplier Engagement

With the foundation set–an ambition to reduce Scope 3 emissions–a generic approach to supplier engagement can be as follows. What phase of the journey is most challenging for you? Are you getting stuck at a particular point along the way?

Identify hotspots

- Conduct Scope 3 inventory
- Identify categories with highest emissions

Segment suppliers

- Establish supplier segmentation (e.g., priority level, degree of influence/control, categories/channels)
- Assess suppliers' maturity

Engage suppliers

- Communicate the overarching ask/expectation
- Understand challenges and help suppliers increase maturity

Collect data; **support** suppliers

- Provide resources for each maturity level to ensure robust data calculation (tools, templates, etc.)
- Collect data on key metrics
- Monitor supplier progress and adjust approach as necessary

Validate data; **report** progress

- Ensure data quality/ accuracy (whether internally, via a tool or platform, or through external audit/assurance)
- Aggregate data; identify potential gaps or remaining needs
- Disclose Scope 3 emissions in annual reporting

Reward suppliers; **increase** ambition

- Recognize performance
- Consider next steps (e.g., moving from data provision to actual reductions)

Across these three steps, remember key principles of GHG accounting and reporting: relevance, completeness, consistency, transparency, and accuracy.

Breakout Group Introduction

Please choose a breakout group based on which topic you would like to discuss!

Problem Statement: Producing *actual* emissions reductions is the end goal of supplier engagement. However, different incentive mechanisms, opportunities, and challenges exist depending on which supplier actions companies are interested in—and based on suppliers' own unique contexts.

Group 1: Nonfinancial incentives (Kitchen/Lounge)

Exercise: Discuss which nonfinancial incentives (public recognition, capacity building initiatives or offers of shared learning/upskilling, "co-opetition," etc.) are best suited for which supplier asks. What is most effective to produce reductions when, and where? What have the challenges been and how do you overcome them?

STAY HERE IN THE KITCHEN!

Group 2: Financial and finance-adjacent incentives (BSR Conference Room)

Exercise: Discuss which financial incentives (premium price paid for sustainability performance, preferential contracting terms, connections to financial actors and capital investment, etc.) are best suited for which types of supplier asks. What is most effective to produce reductions, what have the challenges been, and how do you overcome them?

GO TO THE CONFERENCE ROOM BY THE ENTRANCE!

Breakout Group 1: Nonfinancial incentives

Exercise: Discuss which nonfinancial incentives (public recognition, capacity building initiatives or offers of shared learning/upskilling, "co-opetition," etc.) are best suited for which supplier asks. What is most effective to produce reductions when, and where? What have the challenges been and how do you overcome them?

Step 1: Scan handout and share (please introduce yourself first when doing so!)

- Which type of incentives have you already tried?
- How were you involved? What did you and the supplier(s) in question find personally motivating (or not)?

Step 2: Discuss top two incentives of common group interest

- What was the problem you were trying to solve; why did you opt for this incentive over a different one? To what degree was the supplier voice heard. Did you identify *their* challenges/barriers first?
- What worked, what didn't, and why? What made the approach effective (or not)? What context (geography, individual personalities, corporate culture, broader political backdrop, etc.) played a role?
- Alternatively, discuss how to align incentives to barriers (e.g., technical support for RE procurement vs. general trainings and provision of public tools for suppliers needing support for basic Scope 1 and 2 calculations).

Step 3: Governance factors and additional considerations

- How do you make the business case internally to provide the incentive or gain approval? How did you align sustainability and procurement teams? What resources did/do you need? Who else needs to be involved (internally or externally) in providing the support?

Group 1 Handout | Overview of nonfinancial incentives / levers

	Type	Description	Pros	Cons	Supplier Considerations
Reputational/Competitive	**Public recognition/peer benchmarking**	Feature high-performing suppliers in press releases, company reports, supplier awards, or public events.	• Builds brand value and enhances credibility with investors or customers. • Can create a "halo effect" for suppliers' other clients. • Low-cost for buyer to implement. • Appeals to suppliers who are brand-forward or B2C.	• Limited appeal to B2B suppliers. • Risks "greenwashing" accusations if recognition is not evidence-based. • Can alienate laggards if recognition is seen as exclusive. • Reliant on interest in demonstrating leadership	• Do they historically respond to sustainability asks? • Do they communicate sustainability publicly (or seek to)? • Do they operate under heavy regulatory pressure or scrutiny? • Are they in competitive/brand-sensitive sectors? • Do you have a strong enough supplier segmentation and robust, validated data to be credible and effective for these methods?
	Peer benchmarking	Scorecards/rankings comparing suppliers' decarbonization or ESG progress against industry peers.	• Stimulates competition; motivates suppliers to avoid being at the bottom of the list. • Provides transparency on progress and gaps. • Helps identify leaders who can mentor others. • Focused on measurable impact.	• Requires robust, comparable data; can be reporting-heavy. • May cause pushback if suppliers feel unfairly ranked • Demotivates those always in lower tiers. • Needs careful messaging to avoid "naming and shaming."	
Capacity Building and Support	**Direct training and education**	Supplier-focused workshops, webinars, e-learning, or onsite coaching on specific ESG topics.	• Addresses knowledge/skills gaps directly. • Scalable if online. • Demonstrates buyer commitment to supplier development. • Builds trust and long-term relationships.	• Resource intensive and potentially costly to design/deliver. • Uptake uneven—suppliers may lack bandwidth. • Risk of duplicating efforts (multiple buyers offering similar training).	• Do they have awareness and/or execution capacity? • Are they in emerging markets vs. developed ones? • Do they need local vs. global solutions? • Are there financial, knowledge, or language barriers? • Do you have the capabilities to right-size the training and resources for different supplier segmentations? • What incentives are there to follow up on trainings to ensure action?
	Shared learning networks	Peer groups, supplier forums, industry working groups or non-profit-led initiatives for pre-competitive knowledge sharing.	• Normalizes challenges and fosters transparency. • Encourages peer-to-peer support. • Can accelerate diffusion of good practices across geographies. • Builds a sense of community vs. competition.	• Risk of low participation if suppliers see no immediate ROI. • Competitive sensitivities may limit openness/candor. • May need strong facilitation.	
	Tailored technical assistance	Customized support such as toolkits, audits, or co-financed upgrades.	• High-impact for laggards with structural barriers. • Demonstrates buyer investment in long-term supplier performance. • Can unlock systemic issues (e.g., RE procurement).	• Expensive and hard to scale. • Requires local expertise. • Can create dependency if not paired with supplier ownership.	
Collaboration and Relationship	**Co-opetition (pre-competitive collaboration)**	Buyers and suppliers align with competitors on shared sustainability issues (e.g., responsible sourcing codes).	• Creates collective pressure, leveling the playing field. • Reduces "ask fatigue" from multiple buyers. • Signals seriousness of industry commitments. • Spreads costs of solutions (e.g., pooled audits, tools).	• Time-consuming consensus-building. • Potential anti-trust concerns. • Watered-down commitments due to larger group. • Harder to sustain momentum without an industry convener.	• Are they strategic/critical vs. transactional? • Are they innovation partners vs. commodity providers? • Do they value long-term contracts or stable demand? • This can align incentive strength to supplier importance but can create inequity if only a few benefit.
	Joint innovation pilots	Partnering with suppliers to co-develop and test new technologies or business models (e.g., closed-loop plastics).	• Encourages suppliers to take risks with reduced downside. • Builds deep loyalty and innovation ecosystem. • Can generate breakthrough solutions that benefit whole sector.	• Resource- and time-intensive. • Financial component with uncertain ROI. • Benefits skew toward strategic suppliers. • Risk of pilots failing to scale.	
	Preferential access	Offering long-term contracts, preferred partner status, or early access to new opportunities for suppliers who deliver on ESG.	• Creates strong motivation—ties sustainability to revenue. • Signals credibility and commitment from buyer. • Reduces risk for suppliers investing in upgrades. • Strengthens strategic partnerships.	• Hard to implement fairly across supplier base. • May lock in underperforming suppliers if misapplied. • Requires strong procurement alignment. • Can trigger pushback from suppliers excluded.	

Breakout Group 2: Financial and finance-adjacent incentives

Exercise: Discuss which financial incentives (premium paid for performance, preferential contracting terms, connections to financial actors/capital investment, etc.) are best suited for which types of supplier asks. What is most effective to produce reductions, what have the challenges been, and how do you overcome them?

Step 1: Scan handout and share (please introduce yourself first when doing so!)

- Which type of incentives have you already tried?
- How were you involved? What did you and the supplier(s) in question find personally motivating (or not)?

Step 2: Discuss top two incentives of common group interest – what resonates most?

- What was the problem you were trying to solve; why did you opt for this incentive over a different one? To what degree was the supplier voice heard. Did you identify *their* challenges/barriers first?
- What worked, what didn't, and why? What made the approach effective (or not)? What context (geography, individual personalities, corporate culture, broader political backdrop, etc.) played a role?
- Alternatively, discuss how to align incentives to barriers (e.g., technical support for RE procurement vs. general trainings and provision of public tools for suppliers needing support for basic Scope 1 and 2 calculations).

Step 3: Governance factors and additional considerations

- How do you make the business case internally to provide the incentive or gain approval? How did you align sustainability and procurement teams? What resources did/do you need? Who else needs to be involved (internally or externally) in providing the support?
- How do you define the minimum standard of sustainability to qualify for incentives, and how do you verify this?

Group 2 Handout | Overview of financial incentives / levers

Type	Description	Pros	Cons	For Suppliers, Consider…
Long-term contracting/ volume guarantees	Offering long-term purchase agreements or volume commitments tied to sustainability performance.	• Reduces supplier investment risk. • Encourages long-term sustainability planning • Strengthens loyalty.	• Limits buyer flexibility. • Financial exposure if supplier underperforms. • May lock in higher costs.	• Is the supplier strategic to buyer's supply chain? • Are they willing to invest in long-term sustainability if guaranteed demand exists?
Preferential pricing/ contract premiums	Paying higher rates for products that meet sustainability standards (e.g., fair trade, recycled content).	• Direct market signal that sustainability has value. • Creates revenue upside for compliant suppliers. • Reinforces long-term market transformation.	• Raises buyer's costs. • Risk of "label fatigue" if premiums proliferate. • May drive exclusion of smaller suppliers who cannot afford certification.	• Do suppliers already provide certified "sustainable" products? • Are they in sectors where sustainability premiums are common?
Preferential payment terms	Faster payments, advance payments, or improved cash flow terms for suppliers that meet sustainability requirements.	• Strong, immediate motivator. • Directly improves supplier liquidity. • Attractive for SMEs with cash constraints. • Demonstrates tangible buyer commitment.	• Costly for buyers (working capital impact). • Unsustainable if scaled broadly. • May not be meaningful for large, financially stable suppliers.	• Is the supplier cash-constrained? • Are they SMEs or emerging-market based? • How dependent are they on short-term liquidity?
Performance-based bonuses	Suppliers receive financial bonuses or rebates for meeting defined sustainability targets (e.g., GHG reductions).	• Directly links performance to reward. • Transparent, measurable. • Creates strong motivation across supply base.	• Requires clear metrics and monitoring. • Risk of "gaming the system." • Can disadvantage suppliers with fewer resources to invest upfront.	• Do suppliers have the capacity to track/report progress? • Are targets ambitious but sufficiently realistic? • Do they already participate in performance-based programs?
Shared investment/ co-funding for joint innovations	Building on joint innovation pilots and non-financial levers around partnerships, buyers co-finance equipment upgrades, such as renewable energy or efficiency projects, with suppliers.	• Addresses CapEx barriers. • Aligns buyer–supplier interests. • Unlocks major sustainability improvements (emissions, energy, water, etc.).	• High upfront cost. • Risk if supplier doesn't follow through or relationship ends. • Difficult to scale across large supply bases.	• Does the supplier lack financing access? • Is the project CapEx-heavy (e.g., boilers, solar, etc.)? • What is already planned vs. what requires additional support?
Access to finance/ green loans	Buyers facilitate access to sustainability-linked loans, insurance, or grants (sometimes via banking partners), often at lower cost/interest rates.	• Helps suppliers overcome financing barriers. • De-risks investments. • Builds long-term supplier capacity.	• Requires partnerships with banks/financiers. • Administrative burden to set up. • Not all suppliers can qualify.	• Do suppliers lack credit history? • Are they in high-risk geographies or sectors where external financing is limited?

Report Outs from the Groups and Plenary Discussion

Close/Follow Ups

Supplier Engagement Guidance | We Mean Business Coalition

BSR CDP Ceres TheClimateDrive Environmental Defense Fund EXPONENTIAL ROADMAP INITIATIVE SME Climate Hub

Companies are asking: Where should we start? How do we reach all of our suppliers? How do we integrate sustainability-related goals into procurement goals & processes?

1

Tip 1 – Build a cross-functional dream team

Successful supplier decarbonization requires consistent messaging and engagement enabled by cross-functional collaboration, with procurement and sustainability playing central roles.

If collaboration is successful, engaging suppliers on climate can be another tool to maximize supply chain resilience, and procurement teams will be incentivized to slipstream sustainability goals in with their existing priorities and programs. The teams should work together to identify the business case by asking questions like what risks (climate or otherwise) within your value

- Answers top questions collected from companies
- Organized as seven "tips"
- Includes 30+ specific examples of tactics used by companies
- Geared towards companies starting or refining a supplier engagement program

SEVEN TIPS FOR EFFECTIVE SUPPLIER ENGAGEMENT

1 Build a cross-functional dream team

2 Have clear, measurable objectives for your supplier engagement efforts

3 Ask your suppliers to set targets

4 Use available tools and data

5 Prioritize suppliers by potential impact and readiness

6 Find the right incentives

7 Be prepared

EDF and BSR are Happy to Help You Drive Impact, Together!

- Climate Corps Fellowship
  - Graduate student summer placements based on mutual alignment of skills, interests, and company needs. Provides cost effective, skilled support to help companies meet climate goals, backed by EDF training and oversight.
- Net Zero Action Accelerator
  - Free platform to help companies turn net-zero commitments into real-world impact, featuring 25 sector-specific pathways with 75 actionable steps, tailored to guide leaders across sustainability, procurement, and finance functions.

- Cross-industry and industry-specific collaboration, knowledge sharing, and joint action (e.g., Transform to Net Zero)
- Development of thought leadership (e.g., Supplier Cascade guidance, SME Climate Hub

- Net zero target setting and road mapping
- Supplier engagement strategy-setting and implementation
- Supply chain governance and function-specific trainings
- Climate and nature integration and knowledge sharing (e.g., Climate & Nature Working Group)
- Climate-relevant roundtables

Thank you!

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