pure|STRATEGIES®

COLLABORATE for CHANGE

Empowering Suppliers
to Advance Sustainability

pure
INSIGHT

Executive Summary

Suppliers are critical partners in advancing sustainability programs. However, companies often have a supplier base with different levels of resources and progress. As a result, coordinating a program that effectively engages suppliers can be a lot of effort. To unlock the benefits of supplier progress, it helps to first understand the barriers to working across the value chain and identify appropriate strategies for overcoming these barriers. This includes using a platform that empowers suppliers such as Pure Supply™ to engage, educate, and execute sustainability efforts with suppliers.

FIGURE 1. THE JOURNEY TO EFFECTIVE SUPPLIER ENGAGEMENT

Ineffective supplier engagement

- Poor alignment
- Disjointed communication
- Lack of connection to the business
- Limited supplier education and feedback

Mitigated via improved design and execution

- Make the business case
- Build internal capabilities
- Listen to suppliers
- Invest in technology

Leads to effective supplier collaboration

- Value creation for all parties
- Risk mitigation
- Innovation & partnership
- Progress in priority areas

Introduction

Because supply chains represent the majority of impact for most businesses, companies need their suppliers to effectively make progress to meet their sustainability commitments. From a climate perspective, sectors with complex supply chains such as food, apparel, and manufacturing have significant upstream greenhouse gas (GHG) emissions. In the food sector for example, farm and land-related emissions can range from 60% to 90% of total Scope 1, 2 and 3 emissions, according to **Sustainalytics**. Deforestation, water, and labor impacts typically mirror those of climate for many companies, making supplier engagement the focus of most corporate sustainability programs.

Whether it is to improve supply chain resilience, meet increasing investor and regulatory pressure, mitigate reputational risk, or secure more favorable inputs, the business case for engaging with suppliers is clear. For example, with greater interest from investors in climate disclosures and progress, there is a business case for working more closely with suppliers. Further, regulations such as the European Union Deforestation Regulation (EUDR) require companies to work in their supply chains to guarantee that the products EU citizens consume do not contribute to deforestation or forest degradation worldwide.

FIGURE 2. BREAKDOWN OF GHG EMISSIONS FOR FOOD INDUSTRIES

Legend:
- Scope 3 Downstream
- Scope 3 Upstream
- Scope 2
- Scope 1
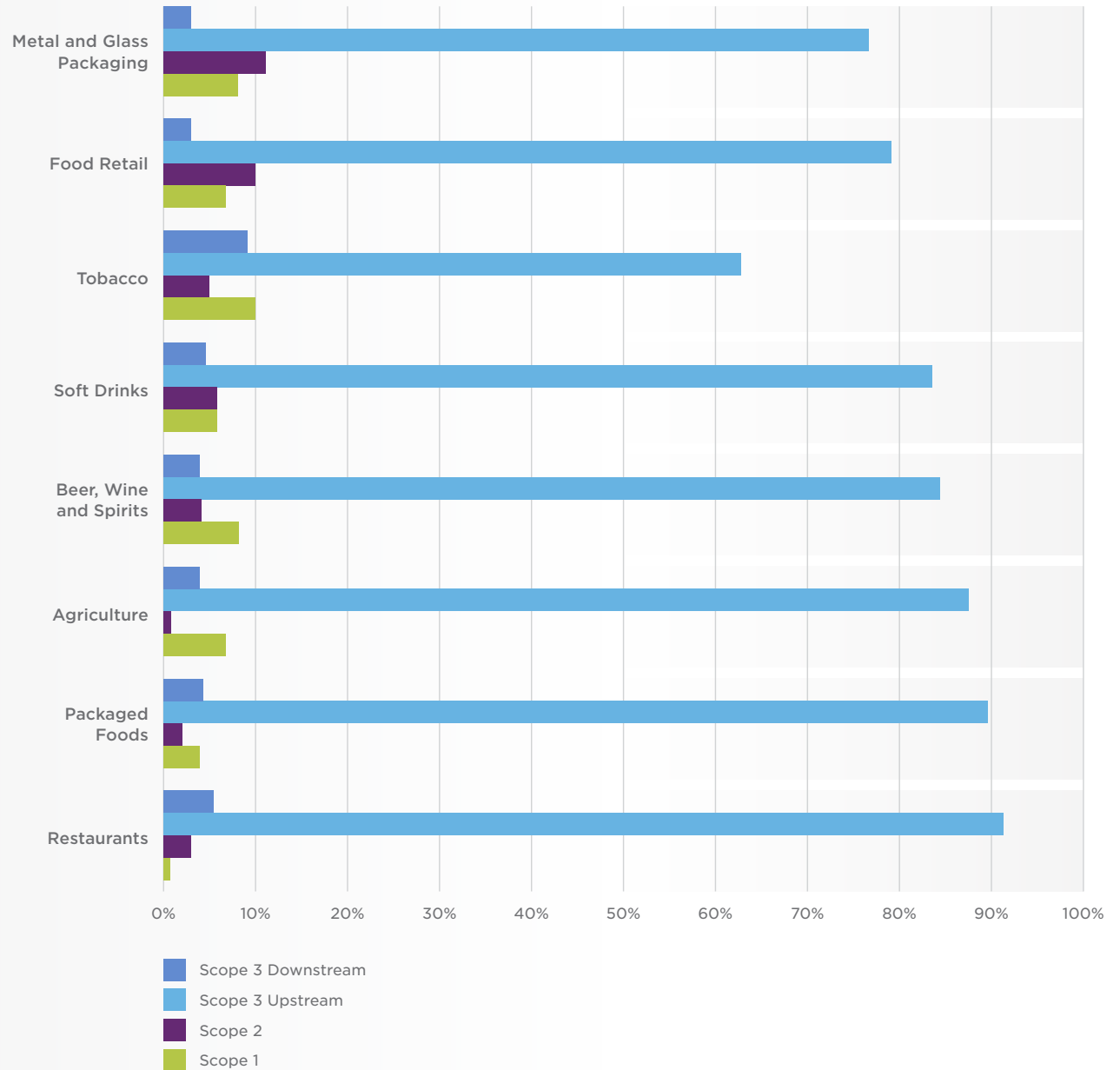
Source: **Morningstar Sustainalytics**. For informational purposes only.

Supplier Challenges

While the business case may be clear for the purchaser, the supplier's point of view is more complex. Their attitudes and capabilities span a wide spectrum from:

enthusiastic   ⟶   reluctant

educated   ⟶   uninformed

collaborative   ⟶   transactional

Their business model, culture, leadership, market position, and the relative importance of the customer to their business all shape their perspective.

Barriers to supplier progress in sustainability include:

- **Capacity** — the supplier may not have the internal knowledge/competency to respond to customer sustainability inquiries. Furthermore, suppliers may lack capacity due to small teams with limited resources.

- **Internal Alignment** — there may be silos in the organization, resources to collaborate may not be available, or the business case may be unclear.

- **Incentives** — customers ask for data, but provide limited feedback on supplier-provided responses and treat the engagement as a one-way interaction, instead of a collaborative effort.

Purchaser Challenges

Many of the same challenges to effective supplier collaboration face the purchaser. Internal teams need effective education and if purchasing and procurement teams are not aligned, the company may give ambiguous signals on how important sustainability is to its suppliers, relative to other priorities such as cost, delivery and quality.

Additional purchaser challenges include:

- **Scale** — Coordinating with a broad supplier base can be cumbersome, especially with standard technology tools (e.g., email and spreadsheets). While cost-effective for a limited number of suppliers, these tools do not scale.

- **Integration** — Supplier engagement responsibilities and data often ends up siloed from other management systems, making integration into decision-making, reporting, and disclosure difficult and less effective.

- **On-ramps** — Supplier starting points, staffing, and internal alignment differ significantly. Therefore, purchaser programs should accommodate different starting points and lay out a clear journey.

" At Radio Flyer, incentivizing suppliers with more business is a key sustainability strategy, as most of our carbon emissions stem from product materials and manufacturing. We award new business to suppliers who engage in sustainability projects, like installing solar arrays at their facilities or implementing sustainable materials like recycled content in our products."

— SAMANTHA STURGEON, PRODUCT DEVELOPMENT & SUSTAINABILITY MANAGER, RADIO FLYER

Addressing Challenges

Companies can follow a three-step process to overcome these challenges that involves engaging suppliers with aims, educating suppliers to support their progress, and executing the program to achieve the desired aims and outcomes.

Engage

Educate

Sustainability Performance at Scale

Execute

1 Engage

- Provide a clear set of expectations and provide regular feedback on progress so suppliers see what they need to do and how they play a part in the solutions.

- Include supplier status in business meetings and recognize progress so the value of contributing is communicated.

- Make it easy. Suppliers have to juggle many customer requests, so find ways to standardize/align with other approaches and limit the information/data requests to things that are going to be used. Avoid changing the request for information/data too often to help the supplier prepare and effectively make progress.

2 Educate

- Bring internal teams along the program by providing training so they are empowered to drive the program forward.

- Provide guidance that meets suppliers where they are on the journey and helps them understand the next steps, from getting started to advancing efforts.

- Help suppliers find solutions that enable progress. These could be tools, services, or innovative approaches.

3 Execute

- Integrate the program across the organization. This especially includes sourcing/procurement teams, helping them see supplier progress and ensuring that they connect with suppliers about their progress and recognize their efforts. This may include financial incentives such as better financing terms or shorter invoicing terms.

- Measure and communicate progress so the impact and outcomes are clear both internally and to suppliers. Recognize suppliers for their engagement and accomplishments.

- Collaborate for change. Use the program to identify additional opportunities to work together so that this is not a one-way exchange of information. This includes innovative financing tools such as green bonds, participatory PPA programs and better payment terms.

![ProjectGiganton™ logo]

Case Study: Walmart Meets SBTi Target Through Gigaton Supplier Engagement Program

With more than 5,900 suppliers, Walmart has led an industry leading supply chain engagement program called Project Gigaton which **reached its goal** of reducing scope 3 emissions by over a gigaton (one million metric tons) six years early. Three keys led to Walmart's success, according to **Trendline**: education, financing, and recognition.

- **Education** — A dedicated **platform** and tools to help suppliers learn and contribute to the effort

- **Finance** — Walmart issued a **green bond**, launched its own supplier-focused **PPA program**, and provided suppliers with financial tools including one that, through HSBC, provided **supply chain finance access and terms** to vendors that hit certain milestones.

- **Recognition** — Walmart gives **recognition** for excellence in targeting, action and results.

According to Ron Voglewede, Walmart's Global Director of Sustainable Retail, "Recognizing Gigaton participating suppliers can help them feel they are part of a much larger thing, and being part of a bigger thing is a big deal."

Technology Solutions

Many companies look to software to help solve challenges such as the ones described for supplier engagement. However, effective programs require more than a technology solution. A more holistic approach has efficiency tools but also ways to communicate, build capacity, and enable collaboration to engage-educate-execute.

The **Pure Supply** platform helps companies to connect directly with their suppliers and communicate expectations, build capacity, collect data, and advance in critical sustainability goals.

![pure SUPPLY™ logo]

TABLE 1: ATTRIBUTES OF SUPPLIER ENGAGEMENT TOOLS

ATTRIBUTES	DESCRIPTION
Survey	A means to collect the needed information and data from suppliers to track performance; ideally, standardized and used by other companies
Education	Upskill suppliers with guidance and training such as with documents, videos, and advisory support
Supplier Communication	Manages communication with suppliers
Collaboration	Facilitates interaction between the supplier, its customer, and other suppliers
Scalability	Capability to scale from dozens to hundreds to thousands of suppliers across one or more domains (e.g., climate, circularity, renewable energy, etc.)
Integration	Capability to align with internal structures and tools (e.g., business unit level supplier performance dashboards, impact reporting tools and frameworks)
Resources	Provides ways for suppliers to advance their progress (e.g., easy-to-use calculators, external funding sources, list of best practices or innovations)
Cost	Cost of the solution

Supplier engagement solutions can be classified as good, better, and best based on the types of features. The 'best' solution may not always be appropriate or needed for a company, so consider what level of tool will fit your company best.

★★☆ Good

A good solution is where many organizations begin. It relies on email communication, a spreadsheet-based survey or similar solution, basic instructions, with limited ability to summarize year-to-year progress for the supplier, limited dashboards for internal progress tracking and no capability to link to internal management systems or external reporting frameworks.

- **Pros:** low cost, gets the process going

- **Cons:** difficult to scale, time intensive, manual to communicate across the company and to suppliers

★★☆ Better

A better solution provides more automation, often through a software as a service (SaaS) model and includes a survey tool that provides dashboard type performance information to the supplier and the purchaser and has automatic communication and educational materials.

- **Pros:** scalable, fewer resources, automated feedback to supplier, company dashboard

- **Cons**: lacks an educational focus, opportunities for suppliers to collaborate, and integration into corporate management and disclosure systems

★★★ Best

The best solutions are like the better ones but come with connectivity to internal data systems including supplier communication and external reporting systems. These may or may not be able to manage multiple issues and can include more "white glove" advisory support, education, and engagement to drive the process.

- **Pros:** everything in Better plus opportunities to collaborate, real-time surveying, and hands-on expert support

- **Cons:** Typically more costly and requires more set up time, IT alignment and resources to connect with internal business tools

TABLE 2: SUPPLIER SOLUTION CLASSIFICATION

GOOD	BETTER	BEST
Lower cost	**Medium Cost**	**Higher Cost**
Annual or less often	Annual or less often	Ongoing or at specific timeframes
Spreadsheet-based survey and data analysis	Online survey with automated scoring	Real-time survey and scoring
Limited education	Education to support the program, integrated into the program	Hands-on advisory support and tools/solutions to enable supplier progress
Manual and limited communication with suppliers	Automated supplier communication	Interaction opportunities for collaboration
	Limited to one sustainability issue (e.g., climate)	Able to manage multiple supplier engagement issues (e.g., climate, packaging, sourcing)
		Integration into data management systems to support disclosures

Pure Supply™

Pure Strategies' Pure Supply™ platform empowers suppliers to advance sustainability with many of the features in the "Best" category. This platform is designed to simplify communications, education, and progress tracking for both suppliers and purchasers. Pure Supply features include:
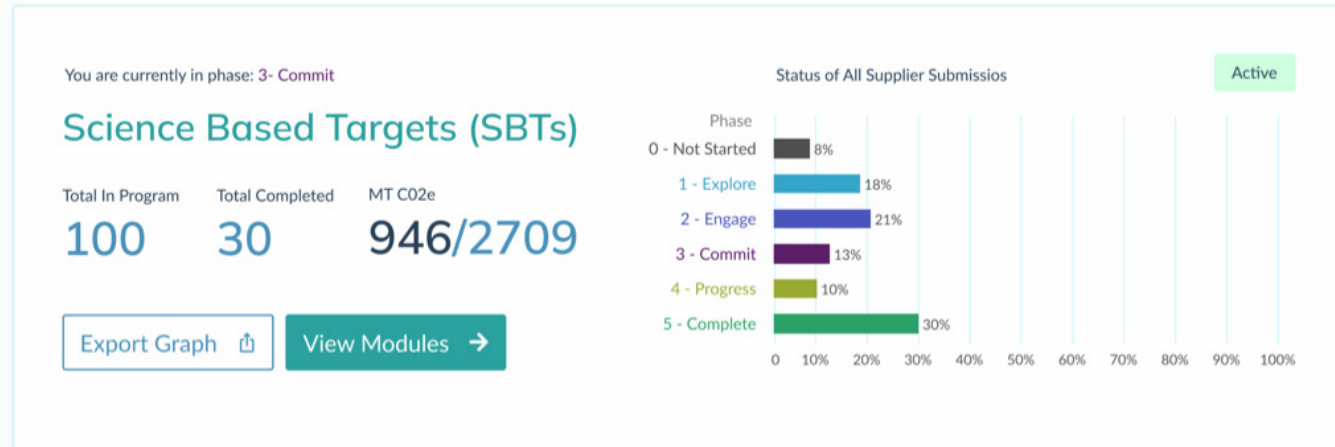
- Online platform for greater automation and scalability

- The ability to view real-time status and benchmark progress across suppliers

- Library of educational resources and ways to learn from peers

- Expert advisory support available to facilitate supplier progress

- Customizable internal company management dashboards to track supplier performance

- The ability to manage multiple sustainability programs/issues[1]

Email **puresupply@purestrategies.com** to learn more about Pure Supply™ or visit the Pure Strategies website: **purestrategies.com/puresupply**

[1] The initial version of Pure Supply included modules for suppliers to 1) set/progress on SBTs for climate and 2) transition to using renewable energy (with additional modules available upon request).

Module Dashboard

You are currently in phase: **3- Commit**

Science Based Targets (SBTs)

Total In Program	Total Completed	MT CO2e
100	30	946/2709

Export Graph | View Modules →

Status of All Supplier Submissios — Active

Phase	
0 - Not Started	8%
1 - Explore	18%
2 - Engage	21%
3 - Commit	13%
4 - Progress	10%
5 - Complete	30%

Supplier engagement is more than asking for data. To be successful, suppliers need to be empowered with clear information, guidance, and support.

EXPLORE ▷ ENGAGE ▷ COMMIT ▷ PROGRESS ▷ COMPLETE
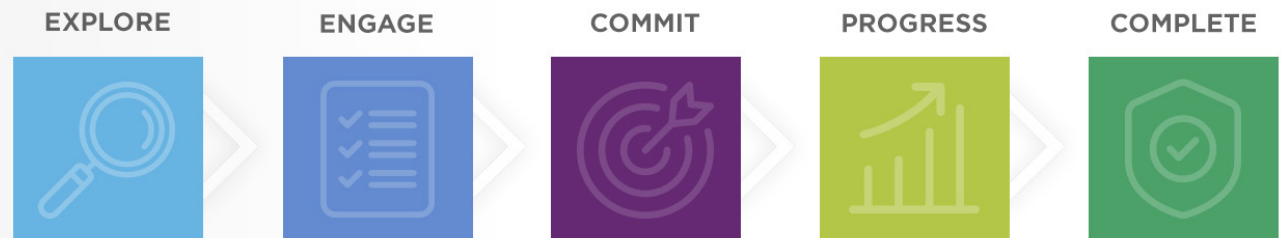
Pure Supply provides this communication and capacity building through 5 phases of supplier progress, beginning with exploring and through to achieving the program aims.