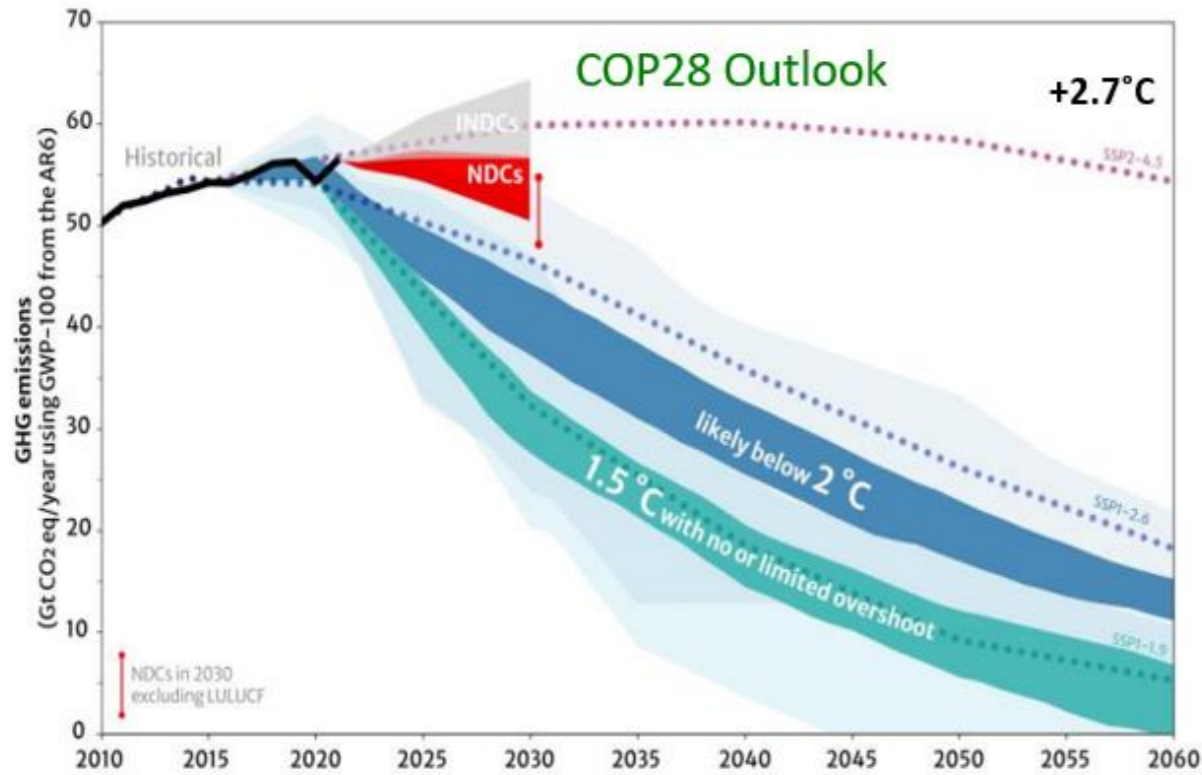


Net-Zero Procurement Toolkit

Why we need Net-Zero Procurement



“Nationally determined contributions under the Paris Agreement,” UN FCCC, November 2023.

- **Governments’ COP pledges are insufficient and unfulfilled.**
- **Most businesses are sitting on the sidelines** waiting for governments to fix climate change.
- Unless businesses set and meet science-based net-zero targets, the climate cannot be stabilized. **Business engagement is essential.**
- **Less than 3%** of buyers require their suppliers to disclose climate-related data.*
- **The buying power of governments & corporations using Net-Zero Procurement is an untapped market force that will mobilize businesses in the race to net-zero GHGs.**

* “CDP Global Supply Chain Report 2022,” CDP, March 2023.

Definition of Net-Zero Procurement (NZIP)

Net-Zero Procurement ensures that buyers...
 ...obtain the **best value for money** when purchasing...
 ...the **most low-carbon goods and services**...
 ...from **suppliers who are most committed to science-based net-zero targets** ...
 ...in support of the buyer’s organizational **purpose, policies, and strategic goals.**

Net-Zero Procurement (NZIP) Toolkit

These add-ons expedite the integration of core net-zero procurement elements into any current procurement system.

1. **Bid Appraisal Template**
 Makes GHG reductions matter by heavily weighting the **supplier** score on commitment to science-based net-zero targets, and the **product** score on low-carbon specs.
2. **Supplier Disclosure Tool**
 The **Net-Zero Ambition Assessment Tool (NZAAT)** scores suppliers on their commitment to SBTs
3. **Product Specifications Checklist**
 Specifications used to score the low-carbon and circular attributes of products.
4. **Sample Ts & Cs**
 Ensure winning supplier net-zero targets are met.

The Toolkit also includes a **Total Cost of Ownership (TCO)** calculator for use, if appropriate.

The Net-Zero Procurement Toolkit is freely available from sustainabilityadvantage.com/sp/net-zero/



1. NZIP Bid Appraisal Template:

Heavily **weights** (i.e., allocates 10%-30% of the points to) ...

- 1) **suppliers’ NZAAT scores**
- 2) **products’ scores on low-carbon and circularity specs**

The weightings in the appraisal make supplier commitment to net-zero targets, and the product score on low-carbon and circularity specifications, **matter**. *This is the signature feature of a net-zero procurement system.*

% Weight (% of Points)	NZIP Bid Appraisal Criteria	Score (0-100%)	Weighted Score
10-30%	Supplier score on Net-Zero Ambition Assessment Tool (NZAAT)	Score	Weighted score
10-30%	Product score on low-carbon & circularity specs	Score	Weighted score
X%	Score on other product quality and performance specs	Score	Weighted score
Y%	Score on other supplier-related attributes e.g., location, size, social enterprise, ownership diversity, track record	Score	Weighted score
Z%	Price / Total Cost of Ownership (TCO)	Score	Weighted score
100%	Best value for money is the supplier’s bid with the highest total weighted score		Total

The template is in the Net-Zero Procurement Toolkit: sustainabilityadvantage.com/sp/net-zero/

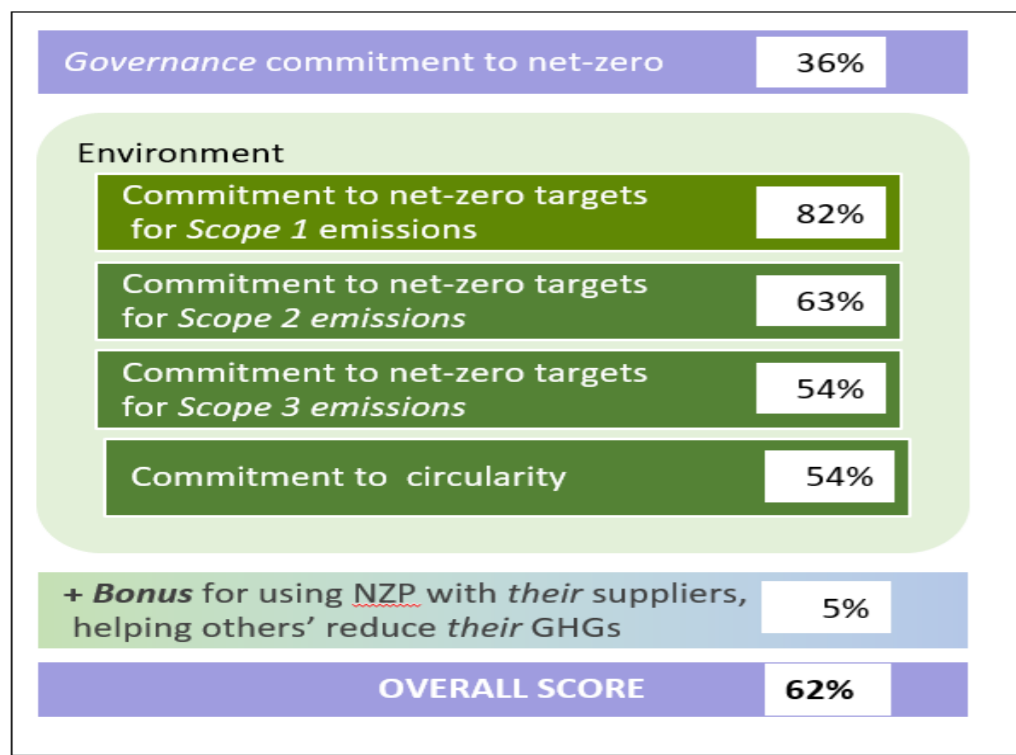
Benefits to Buyers of Net-Zero Procurement

- Ensures **best value** for money ... **weights what matters most.**
- **Enabler of corporate purpose** ... uses **buying power as a market force** for a decarbonized, circular economy.
- **Reduces reputational risk** ... mitigates supply chain climate **hot-spots.**
- **Increases reputation** and **employee engagement**, if disclose NZIP use.
- Improves readiness for net-zero procurement **regulations.**
- Creates **partnership opportunities** for innovation with suppliers.
- **Non-disruptive integration** ... builds on current procurement systems.
- If the buyer is a government, it is acting as a **customer** vs. a regulator.

2. NZP Supplier Assessment Tool: Scores suppliers' commitment to net-zero targets and circular design.

In an NZP system, **all** suppliers – regardless of sector or size – **voluntarily disclose** their ambition re GHG reduction. They use a consistent, reasonable, short questionnaire to self-assess their tracking of GHG inventories, their target reductions from base year emissions, their commitment to circular design, and their governance support for these efforts. e.g., the **Net-Zero Ambition Assessment Tool (NZAAT)**

Sample Supplier NZAAT Scores



NZAAT is freely available from <https://sustainabilityadvantage.com/assessments/nzat/>

Signal: Invite all suppliers to self-assess using NZAAT or equivalent, and explain how the scores will be used. If suppliers choose not to disclose, they simply score zero. **The scores become part of the supplier's profile** and can be updated at any time, including at tender time. The scores are heavily weighted in the Bid Appraisal template (see panel 3).

3. NZP Product Specifications Checklist: Ensures goods and services are low-carbon and designed for circularity.

“The most sustainable products are the ones you don't buy.”

Before purchasing new goods, ask these questions:

- Is the product function still required?
- Is the current product repairable / upgradable?
- Is Product-as-a-Service (PaaS) / Pay-for-use a viable option?
- Are other “access over ownership” options viable?
- Could a refurbished product satisfy the desired function?

Sample NZP product specifications

Specifications / Criteria / Eco-labels	Score
Product-as-a-Service (PaaS) or lease options	--%--
Supplier-refurbished product option	--%--
Take-back / trade-in / extended warranty options	--%--
Designed for repair, upgrades, refurbishment	--%--
Designed for disassembly and reuse of parts	--%--
% recycled, renewable, biodegradable materials	--%--
Traceability / chain of custody certifications	--%--
Harmful / toxic materials & chemicals	--%--
% recycled, biodegradable materials in packaging	--%--
% reuse & takeback of packaging	--%--
Carbon footprint of the product	--%--
GHGs from shipping / delivery	--%--
GHGs emitted during use, repair, EOL disposition	--%--
Energy efficiency ecolabel	--%--
Design for accessibility, data security, privacy	--%--
(Other ...)	--%--
Average score	--%--

4. NZP Sample Ts & Cs: Contract terms and conditions that help ensure winning suppliers will meet their net-zero commitments and meet their net-zero targets.

Contracts with winning suppliers stipulate an appropriate combination of **incentives, penalties and conditions** that reinforce supplier commitment to net-zero targets.

Sample Contractual Terms and Conditions

- *Financial penalties / bonuses* re completion of the supplier's short-term net-zero action plans.
- *Preferential payment terms or financing rates* based on carbon reduction targets, disclosure and progress.
- *Verification* of supplier score on net-zero commitment questionnaire by qualified third party. Contract termination if verified score is >10% lower.
- Suppliers must *publicly communicate* their net-zero commitment, plans, and progress on their net-zero targets.
- Requirement that suppliers require their *CEO's compensation* be linked to meeting their short-term net-zero targets.
- *Contract termination* if specified net-zero targets are not met.

Based on “Reaching Net-Zero: Incentives for Supply Chain Decarbonization,” World Business Council for Sustainable Development (WBCSD) and PwC, November 2021, and The Chancery Lane Project, SME's Net-Zero Objectives clauses.

Benefits to Suppliers of Net-Zero Procurement

- **Competitive advantage** ... earn significant points for net-zero efforts.
- **Creates a market** for their climate-beneficial products.
- **Increases reputation** and **employee engagement**.
- Improves readiness for net-zero procurement **regulations**.
- Creates **partnership opportunities for innovation** with buyers.
- Validates that a net-zero **purpose drives profits**.
- Yields a **net-zero assessment**, useable with other stakeholders.
- Can use **NZP with their suppliers**, to ensure best value for money.