



ecovadis

Carbon Maturity Report 2022

The State of Climate Action in Global Supply Chains

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Foreword

This year, the men's second tennis semi-final at Roland Garros was suspended by a protester who entered the court wearing a t-shirt with "We have 1028 days left" written on it. This message referred to the latest IPCC report highlighting that to limit warming to 1.5°C, carbon emissions must peak by 2025 and decrease rapidly thereafter, reaching net zero by 2050. Hence the "1028 days left" rallying cry. To add to this now-or-never anxiety, the month of May was the hottest on record for many European countries.

Many governments, businesses and individuals are taking action to build a more carbon-efficient world. The growing awareness of the urgent need to decarbonize is in part reflected by the steadily expanding scope of carbon markets: "[By the end of 2021 more than 21% of the world's emissions were covered by some form of carbon pricing, up from 15% in 2020](#)". However, change is not happening fast enough. According to the IPCC, current climate policies are likely to lead to a rise in temperature between 2.4°C and 3.5°C by 2100.

Too often we get stuck in a triangle of inaction: people expect businesses to change their operating or business models, businesses expect governments to put the right policy frameworks or tax incentives in place and governments wait for people to change their behavior. Rather than blaming each other for a lack of action, we need to work together. Supply chains are areas where collaboration on decarbonization has immense potential. Large corporations are the chief orchestrators of complex webs of suppliers that stretch around the planet, and finding new ways to engage and collaborate with these partners to scale emission reductions will be one of the keys to halting climate change.

In this context, we are pleased to publish the first edition of the EcoVadis Carbon Maturity Report, which is based on the carbon maturity ratings of more than 15,000 suppliers assessed within the past year. It explores the progress that companies in the EcoVadis network are making on climate action and shows that decarbonization is possible when you engage and collaborate with partners throughout your supply chain.



Sylvain Guyoton
Chief Rating Officer,
EcoVadis

Executive Summary



Climate Leaders Are Tackling Supply Chain Emissions

To meet the 1.5°C target established by the Paris Agreement and avoid the worst consequences of climate change, businesses must rapidly decarbonize supply chains, which account for up to 90% of a given company's greenhouse gas (GHG) footprint. Driving emission reductions across complex and global supply chains is a distinct challenge, but corporate leaders that have embedded climate goals in their procurement approach are making strong progress. With the emergence of sector-specific initiatives and platforms such as the [Science Based Targets initiative \(SBTi\)](#), CDP's Supply Chain Program, the Task Force on Climate-Related Financial Disclosures (TCFD) and the EcoVadis Carbon Action Module, companies now have the tools they need to embark on or accelerate their decarbonization journey – leading companies are already showing how this is possible.

Since the launch of the Carbon Action Module in spring 2021, EcoVadis has rated over 15,000 companies on the carbon management practices

– including commitments, actions and reporting – they use in their own operations and throughout their supply chains. This report shares insights on the carbon maturity of this growing network of companies that spans a wide range of global regions, industries and sizes.

A key takeaway from this unique data set is that the most mature companies are disproportionately large-sized, with over 1,000 employees, while small and medium-sized enterprises (SMEs) are predominantly in the early stages of implementing their climate programs.

SMEs are an integral part of global supply chains and must be key stakeholders in the decarbonization dialogue. When climate leaders start tackling their supply chain emissions, it is essential that engagement is not limited to just suppliers and business partners with advanced data capabilities. Instead, active engagement must occur at scale to gain insight into how to address the bulk of these emissions.

Regulatory trends, including the rise of mandatory climate reporting in line with TCFD guidelines in a number of jurisdictions globally, add to other drivers like the need to respond to consumer demand, investor pressure and climate-related business risk that are making it vital for companies to integrate climate goals into their procurement processes. To make this possible, companies must find new ways to gain actionable insights on the carbon maturity of their entire supply chain – across all geographies, company sizes and procurement categories.

Within this broader landscape, this report explores the progress that rated companies in the EcoVadis network are making on carbon maturity. It provides an overview of the Carbon Action Module and then shares data insights on the commitments that rated companies are making, the actions they are implementing to reduce their carbon footprint and the steps they are taking to track and report their progress.

Introduction

Enhancing Transparency and Collaborating for Decarbonization

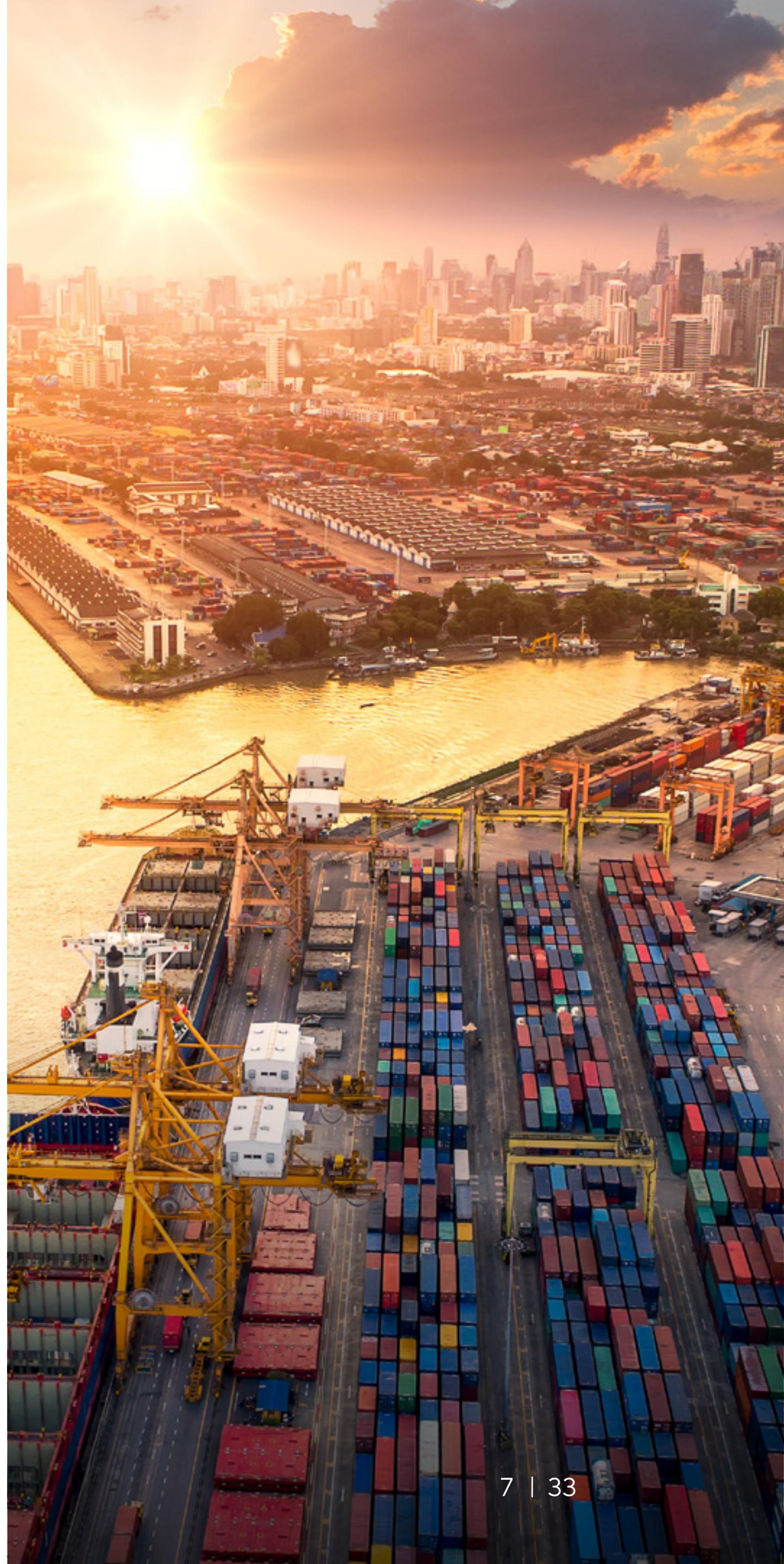
Decarbonization continues to take center stage on the corporate sustainability agenda. To achieve the Paris Agreement's 1.5°C ambition and avoid the worst consequences of climate change, corporate emitters must take urgent action to reduce emissions from not only their own operations but also their extensive supply chains, which can account for up to 90% of their overall GHG footprint.

Corporate leaders around the globe are increasingly recognizing that supply chain transparency is key to scaling climate action and are taking steps to gain visibility far beyond their Tier 1 suppliers. Over 11,000 companies reported to the [CDP Supply Chain Program](#) in 2021 and the EcoVadis Carbon Action Module, launched in mid-2021, has now issued over 15,000 Carbon Maturity Scorecards and has more than 7,500 companies reporting their GHG emissions (over 15,800 data points).

Driving climate action in supply chains requires collaboration. While progress has been made

on the accessibility and sharing of emissions data in global supply chains, [reporting capabilities continue to lag behind](#). First-time reporters, and SMEs in particular, are often unequipped to produce high-quality emissions data, and buyers and business partners must provide the support needed to cascade their own climate efforts upstream. Moving beyond reporting and toward ambitious emission reductions requires effective collaboration between business partners to tackle GHG hotspots throughout the entire value chain.

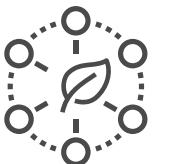
Disclosure and joint action are key not only within a given supply chain but also across sectors, as industry members tend to face the same fundamental challenges. Knowledge sharing is key to overcoming these challenges and climate leaders often leverage their efforts through sector initiatives and platforms that facilitate dialogue and help accelerate progress on decarbonization. Cross-industry examples include [WBCSD's SOS1.5 initiative](#); WBCSD's Partnership for Carbon Transparency, a global, cross-value chain



initiative dedicated to accelerating decarbonization through carbon transparency and collaboration; and [TCFD's](#) hands-on recommendations for effective climate reporting. A growing number of companies are collaborating with their industry peers to accomplish more together. In recent years, many industries have organized for sustainability, and EcoVadis is now serving some of them with tailored carbon-focused workstreams. A prime example of such a collaborative effort is the [Responsible Health Initiative's roadmap](#) for sustainable pharmaceutical and healthcare supply chains. It leverages the sharing of best practices and processes, drives a common understanding of sustainability across the industry and uses common tools to create efficiencies that improve sustainability performance and disclosure across its members' collective supply chains.

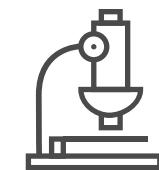
These collaborative pathways are essential to driving the impact at scale that is needed to slow climate change. Within this ecosystem, EcoVadis' Carbon Action Module enables corporate leaders to gain greater visibility into their supply chains while driving action through capacity building and engagement with business partners. This report shares key insights from the first 15,000 carbon ratings issued, explores what these maturity ratings reveal about the maturity of carbon action in global supply chains and identifies what is left to do in order to turn ambition into action and make science-based reduction pathways a reality.

Recent Developments in the Decarbonization Dialogue



Climate change regulations are evolving in scope and stringency.

Governments around the world are introducing increasingly stringent climate regulations. In 2022, the U.S. Securities and Exchange Commission launched a draft proposal mandating listed companies to disclose both their operational and supply chain emissions. In the EU, the Corporate Sustainability Reporting Directive is poised to develop sustainability reporting requirements for all large companies and listed SMEs and the world's first carbon border tax, which is expected to galvanize a wide range of companies around the globe into action. The landscape of climate financial regulations is also evolving rapidly, with the Sustainable Finance Disclosure Regulation in the EU set to come into effect from 2023 and countries such as Canada, the United Kingdom, Hong Kong, Singapore, Japan and Malaysia now requiring climate reporting in alignment with the TCFD guidelines. Beyond their direct impact on in-scope companies, these regulatory drivers are also increasing awareness of the ever-increasing need for climate action throughout the private sector.



The importance of setting science-based targets is growing.

Each year, more and more companies are realizing the importance of setting targets under the SBTi. As of August 2022, more than 3,500 companies have committed to or set approved science-based targets for emission reduction with SBTi, amounting to more than [1.5 billion tonnes of Scope 1 and 2 emissions](#) and close to one-third of global market capitalization. At this rate, it is estimated that up to [24% of global emissions](#) could be covered by science-based targets by 2025.

The EcoVadis Carbon Action Module: Building Upstream Carbon Management Capacity

Corporate leaders are taking a proactive approach to managing GHG emissions throughout their supply chain. Best practices span all stages of the GHG management journey, but an essential first step is assessing suppliers to gain insights into their carbon management maturity and establish baselines. These insights can then be leveraged to engage suppliers based on their maturity levels and drive improvements throughout their own operations and supply chain. An important final step in this cyclical journey is reporting on any progress made and communicating it widely.

Throughout this journey, the [EcoVadis Carbon Action Module](#) enables companies to gain an in-depth understanding of their business partners' – including suppliers and portfolio companies – carbon management practices and collaborate to drive improvements. EcoVadis' carbon maturity rating, which is integrated into the broader [Enterprise Solution](#), provides companies with key insights into their suppliers' carbon management maturity that they can then use to prioritize climate efforts in their supply chain. These insights, which collectively form the basis of this report, are derived from the rigorously screened evidence provided by each rated company.

One Year
of Carbon Action
Module Progress

11,500
SMEs assessed

15,000
companies assessed and given a Carbon Maturity Scorecard

60%
of companies with a GHG reduction target in place report that they are on track to achieve their goals

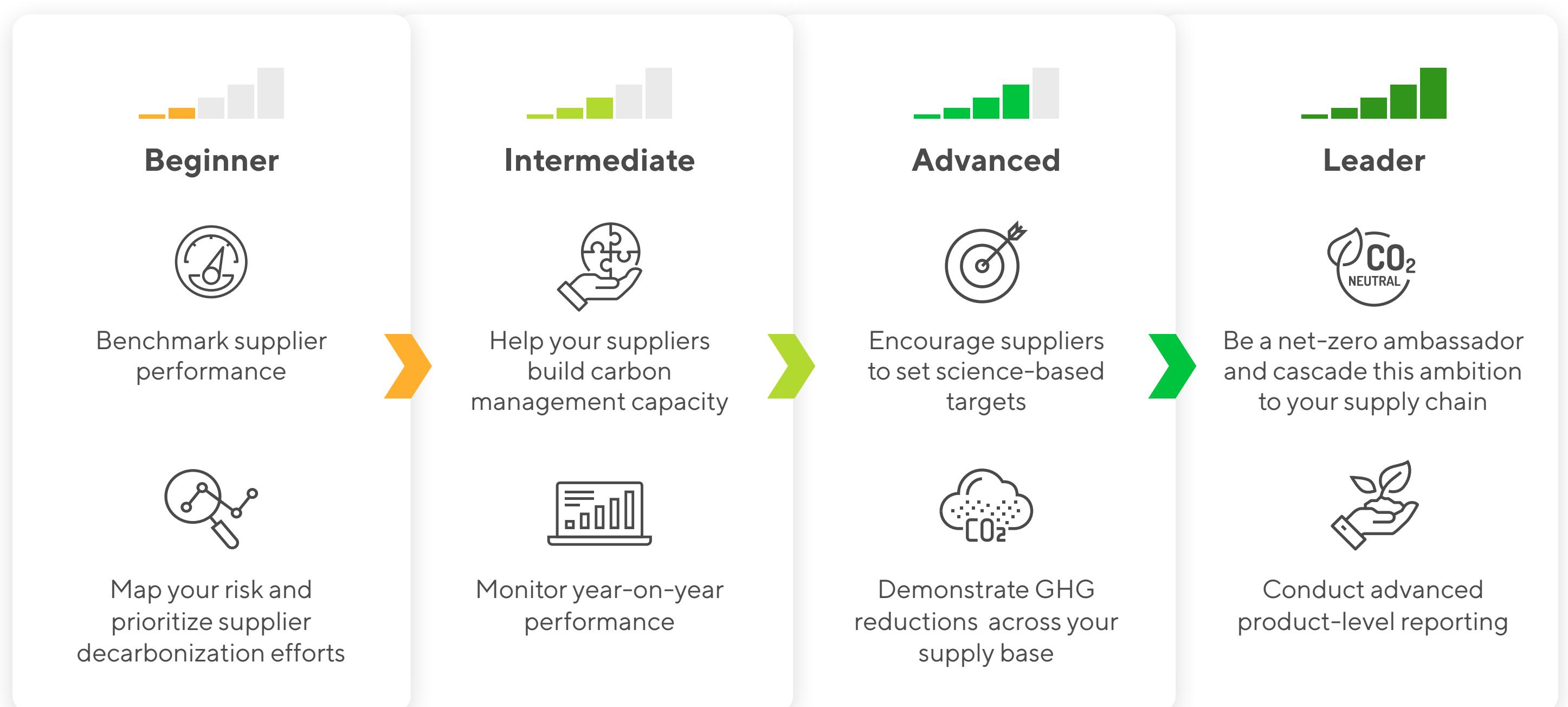
More than
15,000
data points on GHG metrics (Scope 1, 2 or 3) collected

Over half
of reassessed companies have demonstrated growth in carbon maturity

Upon undergoing an EcoVadis assessment, companies receive a detailed scorecard on their carbon management practices in addition to their scorecard on the four core EcoVadis sustainability themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement. The assessment and scorecard itself are customized based on a company's size, geography and industry. This ensures that the Carbon Action

Module is tailored to the needs of SMEs, which comprise more than 70% of global supply chains and must be core partners in collaborative efforts to reduce supply chain emissions. The Strengths and Improvement Areas shown for each supplier on the EcoVadis Carbon Maturity Scorecard, as well as targeted Corrective Action Plans between partners, provide an actionable roadmap for companies to improve their carbon management.

III Best Practices Along the Supply Chain Decarbonization Journey



EcoVadis' Carbon Methodology

The EcoVadis Carbon Action Module rates companies on their commitments, actions and reporting, analyzed across the 10 indicators shown to the right.

The assessment methodology and questionnaire have been developed based on internationally recognized standards, such as the GHG Protocol, ISO 14064, GRI and SBTi, providing a one-stop solution for assessing companies against these leading carbon management standards and more.

Commitments

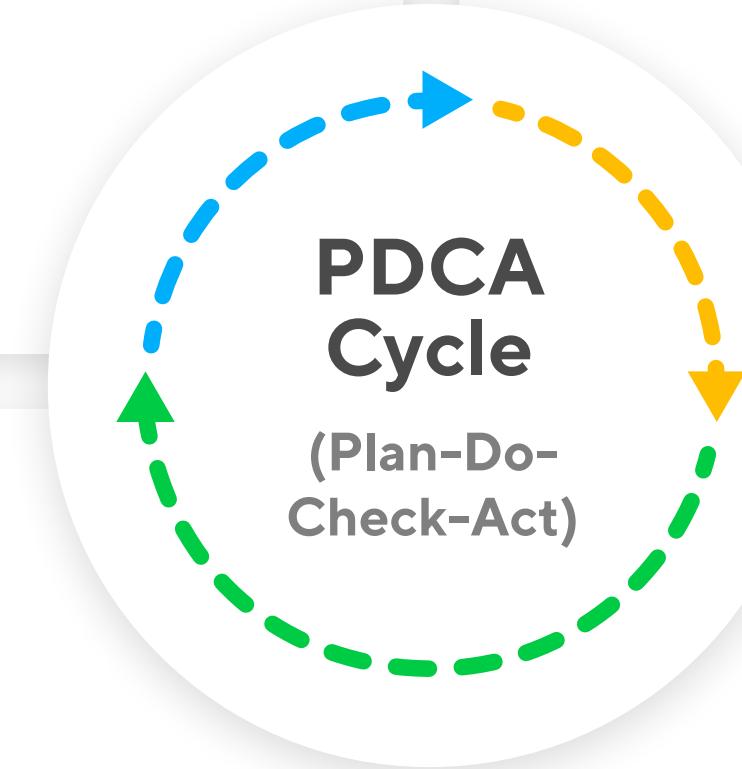
- ✓ **Targets^{SML}**
Time-bound GHG reduction targets
- ✓ **Governance^L**
Management structure to facilitate GHG action and management
- ✓ **Action Plans^L**
Actions or processes planned to achieve targets

Reporting

- ✓ **Performance Review^{SML}**
Regular performance review to assess progress toward targets
- ✓ **Reporting on Scope 1 + 2^{SML}, Scope 3^L**
Publication of GHG emissions performance for stakeholder transparency

Actions

- ✓ **Actions on Scope 1 + 2 emissions^{SML}**
Implementation of actions or process modifications to achieve GHG emission reductions
- ✓ **Actions on Scope 3 emissions^L**
Influencing suppliers to reduce their GHG emissions
- ✓ **Monitoring Coverage^{SML}**
Deployment of GHG emissions monitoring across the organization
- ✓ **Monitoring System^{SML}**
Data collection and emission tracking system
- ✓ **Supply Chain Monitoring^L**
GHG data collection from across the value chain



*SML indicates which company sizes are applicable. S = 26–99 employees; M = 100–99 employees; L = 1,000+ employees.

Data Insights



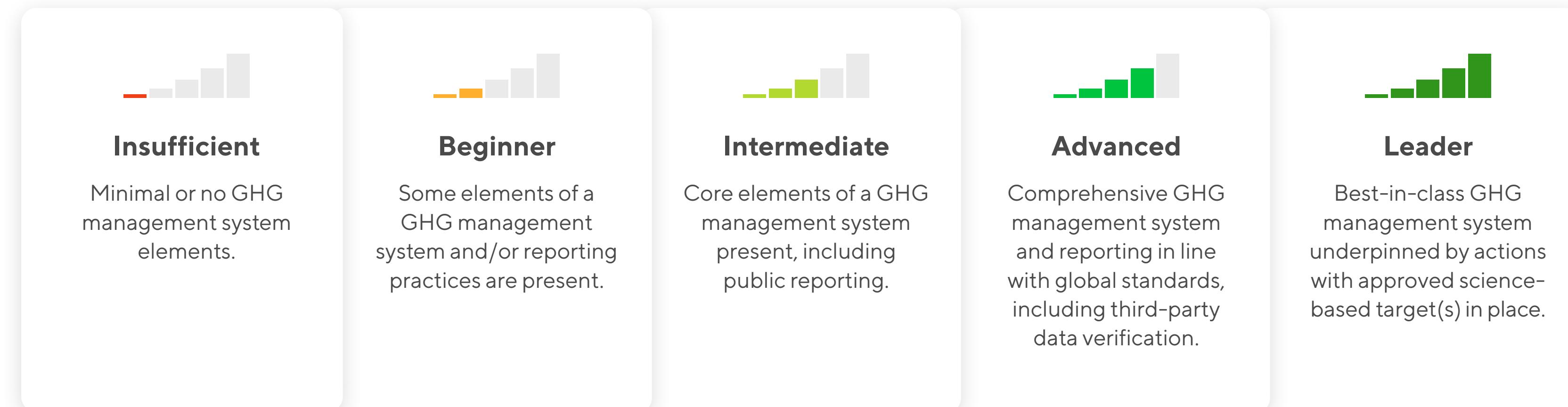
Supply Chain Partners' Carbon Management Maturity

Across 15,000 companies rated on their carbon management practices in 2021 and 2022, approximately 3% had Leader or Advanced-level carbon management systems. This was most common among large companies, with more than 10% falling into one of these two levels. This trend reflects the fact that larger companies tend to have more resources at their disposal and are under greater stakeholder pressure to implement and follow through on their sustainability agenda.

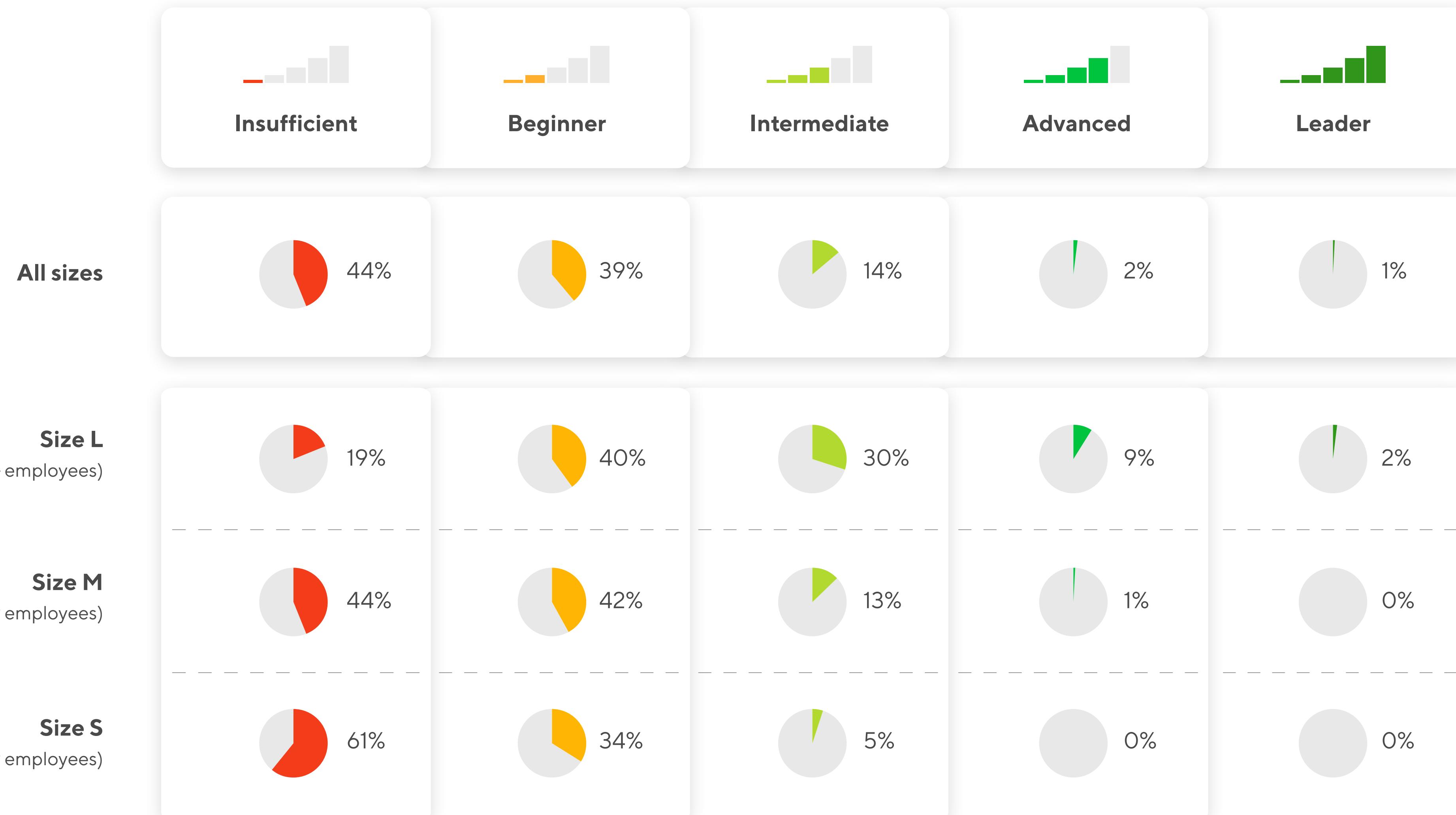
On the other end of the scale, approximately 44% of companies are still in the early stages of developing

a carbon management system and currently fall into the Insufficient category. While the percentage of companies at this level was greatest among SMEs at 61%, it was still fairly high among large-sized companies, with up to 19% currently at an Insufficient level. The remaining companies fell somewhere in between, with 39% at the Beginner level and 14% at Intermediate. The next section will explore the maturity distribution of companies in more detail according to each EcoVadis management indicator – commitments, actions and reporting – and offer a closer look at how effective carbon management can be cascaded upstream in the supply chain.

EcoVadis Carbon Management Levels



III Percentage of Companies at Each EcoVadis Carbon Management Level



Commitments: Large Companies Are More Likely to Set Targets

A scenic landscape featuring a range of mountains in the foreground and middle ground, with a vast sky above. The sky is filled with soft, pastel-colored clouds, transitioning from blue to orange and yellow near the horizon. The overall atmosphere is serene and suggests a natural environment.

Setting and committing to a clear GHG reduction target is one of the first and fundamental steps in a company's decarbonization journey. According to the [GHG Protocol](#), "any robust business strategy requires setting targets for revenues, sales and other core business indicators (...)" Likewise, effective GHG management involves setting a GHG target." By identifying and quantifying their GHG objectives, companies can begin to develop and implement concrete actions. Clear commitments can help a company effectively manage climate-related risks and demonstrate progress on carbon and sustainability management to its stakeholders, thereby strengthening its overall reputation.

EcoVadis' data shows whether rated companies have valid Scope 1, 2 or 3 emission reduction targets. As of 2022, 9% of all companies were found to have at least one target in place. While this leaves much room for improvement in the years leading up to 2030 – the target year for the [EU Commission's goal](#) of reducing emissions by at least 55% – proactive companies of all sizes are beginning to set at least a Scope 1 and/or 2 reduction target. More than a fifth of large companies have already established these operational

targets and a growing number of SMEs are beginning to do the same, a promising sign for decarbonization efforts over the next decade. However, Scope 3 reduction targets are far less common across all sizes, a clear indication that many companies are still in the early stages of managing their supply chain emissions.

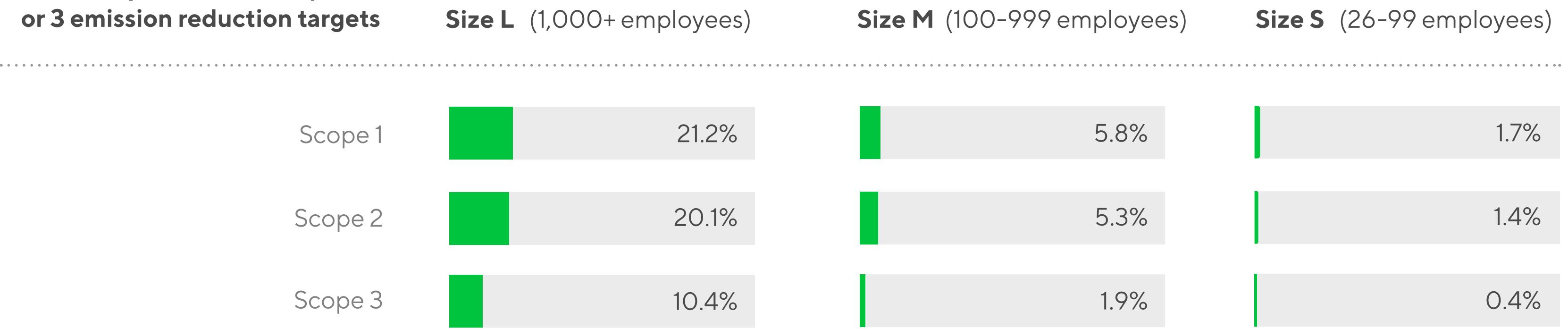
It is also worth noting that a significant portion of leading companies are strengthening their commitment by publicly announcing their targets and implementing performance reviews to measure their progress against reduction targets. These actions reflect the transparent and proactive attitude that leaders have toward mitigating their carbon impact – to make the 1.5°C ambition a reality, more and more companies must embrace these best practices.



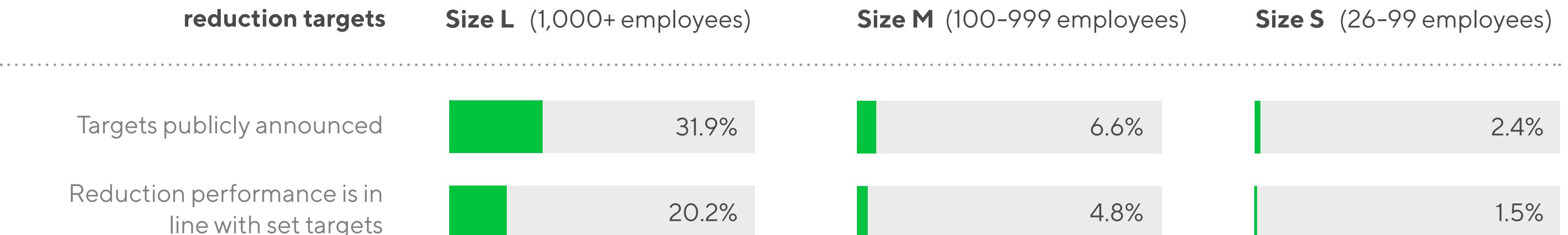
III Emission Reduction Targets by Rated Company Size

 **8.8%** of rated companies with a Carbon Maturity Scorecard have set at least one target for GHG emissions.

Rated companies with Scope 1, 2 or 3 emission reduction targets



KPIs related to emission reduction targets





While target setting in and of itself is valuable and essential for decarbonization, not all targets are created equally. It is becoming increasingly important for companies to set science-based targets validated by SBTi's technical experts. According to [SBTi's 2021 Progress Report](#), companies with science-based targets reduced their emissions by 29% over a six-year period from 2015 to 2020 and are consistently outperforming the global average. As the benefits of establishing science-based targets have become clearer, investor demands are intensifying: In September 2021, 220 investors holding nearly \$30 trillion in assets [called upon 1,600 of the world's biggest carbon emitting companies](#) to set science-based targets.

The SBTi is gaining momentum: In 2021, [the number of companies participating in the initiative doubled and the commitment and target approval rate tripled](#). Across the EcoVadis network, approximately 14% of large companies have either committed to or set targets under the SBTi (with a roughly 50/50 split between these actions). This drops to just 4% when all company sizes are considered, which reflects the fact that the network's SBTi participants are overwhelmingly large and/or listed companies. Making science-based climate tools more accessible to SMEs will be crucial to closing this gap and addressing the large portion of global GHG emissions that cannot be reduced without their active commitment.

■■■ SBTi Performance of EcoVadis-Rated Companies



Actions: Companies Are Stepping Up Their Efforts

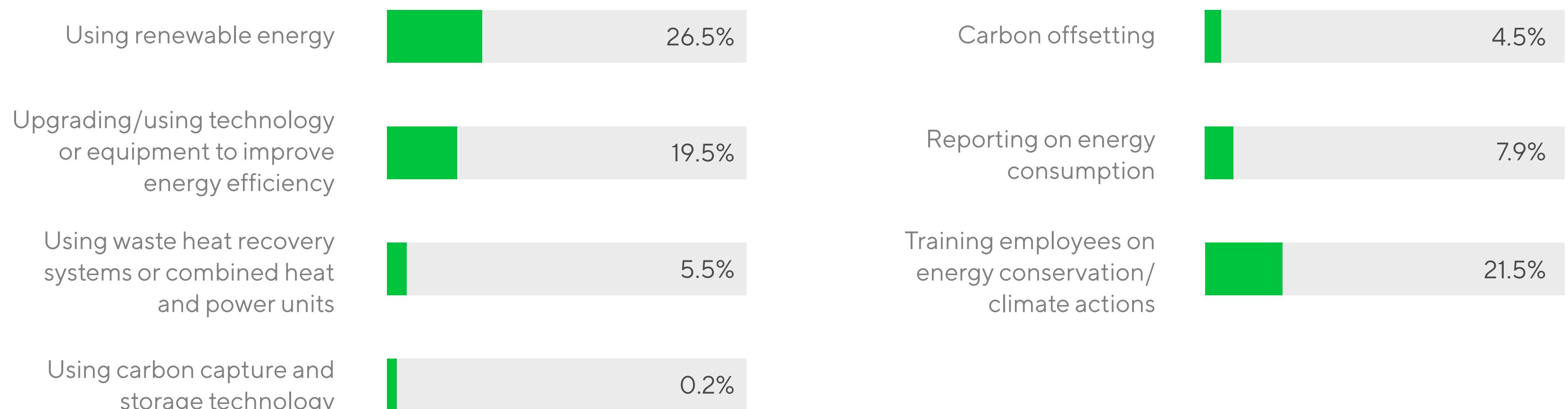
Once a company has made its commitments and reduction targets clear, concrete and effective action must be taken to turn intention into results. What are companies actually doing to lower their carbon impact?

Among corporate initiatives to reduce operational emissions, the most common is shifting to renewable energy usage. Of the companies assessed by the EcoVadis Carbon Action Module, 26% are now utilizing renewable energy, a reflection

of its growing accessibility in recent years fueled by factors such as decreasing costs, technological improvements and more active commitments by the public sector.

Globally, China continues to exhibit the fastest growth in renewable electricity generation and remains the leader in [overall renewable energy capacity](#), followed by the US, EU and India. However, in terms of renewable share in the electricity mix, countries like Costa Rica (98.5%), Norway (98%), Brazil (84%) and New Zealand (80%) lead the way.

III How Are Rated Companies Reducing Their Carbon Footprint?





Globally, the share of renewable electricity in total energy consumption is [expected to increase](#) from 20% to 50% by 2050. With renewables paired with electrification capable of delivering 75% of the required global carbon reductions, this trend must continue to accelerate in all regions across the world.

Another popular initiative was employee training on energy conservation and/or climate actions, with over 20% of rated companies implementing such programs. Employee awareness is crucial to ensuring that the company's carbon reduction goals are reflected in day-to-day operations and decision-making. Other actions that are starting to gain traction include reporting on energy consumption and the use of waste heat recovery systems and/or combined heat and power units. [According to the IEA](#), energy efficiency can help achieve over 40% of the GHG reductions needed to meet the goals of the Paris Agreement. Therefore, the growth in the number of companies taking these energy-conscious actions is encouraging and will hopefully accelerate in coming years.

On the other hand, there is significant room for improvement on the use of high-quality, third party-verified carbon offsetting and the use of carbon capture and storage (CCS) technology, with less than 5% and 1% of companies respectively utilizing these measures. With regard to carbon offsetting, [concerns have grown](#) around its potential use for greenwashing purposes. The purchase of carbon offsets alone does not reflect a strong carbon

management system if a company has not taken sufficient actions to reduce its emissions prior to offsetting, and SBTi emphasizes that only [5-10% of overall emissions](#) should be offset through high-quality removals. However, when used correctly, carbon offsets are a necessary means for ensuring that companies can reach net zero by addressing truly unavoidable, remaining emissions. Only a handful of companies were confirmed to be currently utilizing CCS technology, reflecting that it is at a very early stage globally in terms of practical application. While CCS remains an early-stage technology primarily being driven by a few private sector leaders, such as those that are part of the roughly [\\$1 billion Frontier advance market commitment](#), the latest IPCC report made it clear that reaching net zero will not be possible without it. Adoption rates of this burgeoning technology must accelerate to meet this reality.

Reporting: GHG Inventories and Metrics Remain Underutilized

III How Are Rated Companies Tracking and Communicating Their Progress?

14% disclose their emissions publicly

8% verify their GHG data through a third party

4% are screening their Scope 3 emissions to identify the most material categories

Only 2% of companies are performing life cycle analyses for carbon reduction

To complete the Plan-Do-Check-Act (PDCA) cycle, which provides a framework for an effective carbon management system, companies need to measure and report on their progress against their GHG reduction commitments. Only 13% of companies currently have a GHG inventory in place. Those that do still face many challenges related to the quality of reporting figures, which are measured by several indicators in the Carbon Action Module.

The first indicator is the reporting of intensity figures, which can quantify carbon impact regardless of business growth or decline and provide a comparable figure between companies and sectors. Currently, only 16% of companies provide intensity metrics alongside their broader GHG metrics. A smaller share (14%) disclosed their emissions publicly, indicating that there is still a great deal of room for improvement in terms of communicating with external stakeholders. Third-party verification is also increasingly preferred by stakeholders to ensure data accuracy and reliability, yet only about 8% of companies were confirmed to be undergoing this process. Finally, the number of companies performing life cycle analyses

for carbon reduction was lowest at 2%. While it is clear that leading companies are beginning to apply some of these best practices, we hope to see more widespread adoption in the future.

In addition, the development of more comprehensive reporting across all three emission scopes remains a key area for improvement, particularly for industries where emissions are concentrated in the supply chain. As companies assessed by the Carbon Action Module begin to build their capacity to monitor Scope 3 emissions, 4% are also screening their Scope 3 categories to identify those that are most relevant to their business. Although highly underutilized at the moment, this action is important for ensuring that decarbonization efforts are focused on the most material emissions. In the near future, we also hope to see more companies strengthening the reliability of their Scope 3 inventory by utilizing both primary and secondary data to aggregate their emissions. Today, only a small percentage of companies are disclosing their emissions data sources.

Supply Chain: Collaborating for Upstream Decarbonization



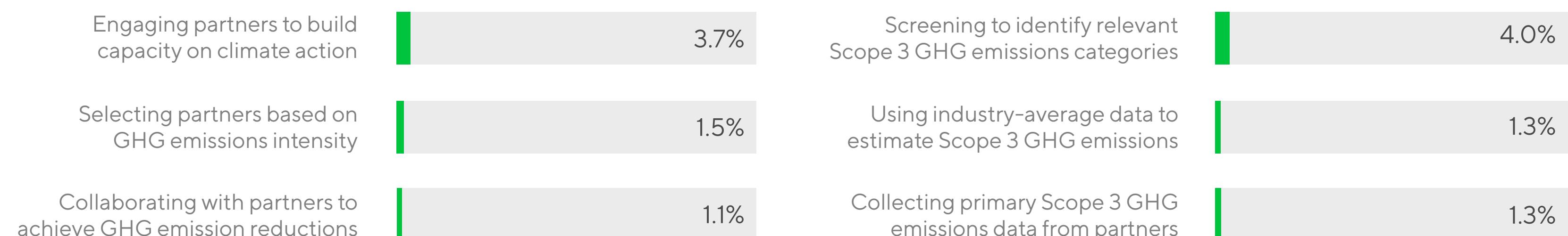
Corporate net-zero targets cannot be achieved without [addressing supply chain emissions](#). It is crucial that each company taking action in the supply chain cascades its GHG reduction efforts further upstream. Data shows how rated companies, that is, Tier 1 suppliers and business partners, are collaborating with their suppliers on carbon management to cascade climate action into Tier 2 and beyond within global supply chains. While the data shows that supply chain action is still in its early stages for most companies, some positive trends have emerged.

The most common type of supply chain action in the EcoVadis network is the engagement of partners in climate action through the promotion of GHG reduction efforts in supplier communication tools, such as supplier codes of conduct, contract clauses and supplier awards. This is an encouraging sign as it reflects the growing ambition of companies to reduce their supply chain emissions, but companies still face the

challenge of taking this ambition one step further through more active supplier engagement and regular reviews of suppliers' carbon maturity. Currently, this level of collaboration with partners, which includes the provision of technological support or involvement in joint projects for GHG reduction and selection of partners based on their actual emissions performance, is less common.

Overall, ongoing efforts in corporate decarbonization are disproportionately focused on operational emissions rather than supply chain emissions. Reducing supply chain emissions is of the utmost urgency if we are to act in line with climate science. Climate leaders must focus not only on tackling their supply chain emissions but also on ensuring that engagement is not limited to a select few suppliers and business partners. Active engagement must be implemented at scale and cascaded upstream to collect data from and achieve emissions reductions with as many supply chain stakeholders as possible.

III How Are Rated Companies Driving Climate Action in Their Supply Chain (Tier 2 and Beyond)?



Building Accountability





Effective Management Structures for Climate Action

Increasingly ambitious climate targets demand internal structures that enable companies to meet their goals – especially when it comes to supply chain action and the complex decision-making it requires. Leading research by the [World Economic Forum](#) highlights that good governance must include climate governance, and the [Brookings Institution](#) shows that integrating sustainability principles into corporate strategy must be the starting point for holding stakeholders accountable for the achievement of goals. Climate leaders are recognizing the importance of governance elements for GHG management, and the positive outcomes for climate trajectories are clear: [Ceres](#) found that companies with board oversight, who also link executive compensation to sustainability oversight, are over two times more likely to have company-wide, time-bound targets for GHG emissions reduction.

EcoVadis' data offers new insights into just how crucial it is to prioritize effective governance in order to meet science-based reduction targets. Although having sufficient resources to realize climate goals is essential to an effective climate strategy, less than 3% of the companies assessed by the Carbon Action Module have a dedicated budget for GHG management.

Climate action does not have to be costly – unlike purchasing offsets, emissions reductions can help [realize cost savings](#) along the supply chain – but companies across the global economy must take action by making internal resources available. Another essential component of effective internal carbon management is the presence of a time-bound and targeted action plan for GHG reduction; however, only 4% of rated companies in this study had such a plan in place. This number is even more concerning given that existing [transition plans regularly fall short](#) of stakeholder expectations.

When it comes to assigning responsibility and establishing accountability, companies must have a dedicated team with the resources and decision-making power needed to successfully [implement a carbon agenda](#). However, only 7% of rated companies had a team in place – a number that must rise if climate action is to be scaled throughout supply chains. Executive compensation is also a key governance tool that can be used to close the action-ambition gap. [PwC](#) found that 45% of FTSE 100 companies had at least one sustainability-related measure in executive pay in 2021. However, global supply chain participants are falling behind this leading group: Only 2% of rated companies in the EcoVadis network currently link their management team's compensation with progress toward achieving GHG reduction targets. This dropped to 0% for small companies.

Driving Impact



How EcoVadis' Carbon Maturity Rating Accelerates Supply Chain Transition

The EcoVadis Impact Model begins at the core of supply chain action: the relationship between business partners. The Carbon Action Module enables buyers and requesters to tackle their Scope 3 emissions by cascading their commitment to reducing emissions upstream. Buying and requesting organizations leverage business relationships with rated companies to encourage climate action and trigger a virtuous cycle of rating and continuous improvement. Placing climate action at the heart of procurement strategies through ambitious actions, such as integrating sustainability criteria into purchasing processes, setting targets for buyers and creating performance incentives for suppliers, enables buyers to scale their impact far beyond their own operations. Across global supply chains, this climate action turns into positive, sustainable impacts toward achieving the 1.5°C target.

Data from the first 15,000 Carbon Maturity Scorecards has shown that, although much work remains to be done in scaling the positive impact generated through the Carbon Action Module, significant progress has been achieved over the past year. The EcoVadis network now reports an aggregated 2,479 Gt of GHG emissions, with over 7,500 companies reporting quantitative metrics on carbon. With the right tools to create transparency and action, supply chain decarbonization is possible – companies around the world have successfully embarked on their journey.



III The EcoVadis Network Impact Model for Supply Chain Decarbonization



Taking Action



How EcoVadis Helps Suppliers Take Action

To achieve far-reaching decarbonization in supply chains, suppliers must be included in the dialogue. The EcoVadis Carbon Action Module makes this possible by providing the insights and tools that companies need to engage their suppliers on carbon management and empower them to take ownership of their decarbonization journey. This collaboration enables both parties to work toward their GHG targets and contribute to the global progress needed to limit the effects of climate change.

Whether a supplier is looking to further reduce its GHG emissions or take its first step toward carbon management, they must know that they are not alone. Once they have undergone the assessment process, suppliers can use the EcoVadis platform to connect with industry peers to exchange learnings and best practices. They can also access targeted [tools and resources](#) that will help them build capacity on sustainability within their

organization and develop an approach for internal GHG data tracking, management and disclosure. Within the Carbon Action Module, targeted Corrective Action Plans help rated companies identify and address key improvement areas. Designed by EcoVadis' leading climate experts, the Carbon E-learning Hub offers courses on a range of topics to help rated companies build the internal capacity they need to begin moving from climate ambition to action. An easy-to-use [Carbon Calculator](#) – supported by a global emissions factor database covering 180 geographies – enables suppliers with limited resources to calculate their GHG footprint for the first time. Ultimately, scaling supply chain decarbonization comes down to strengthening buyer-supplier relationships. By undergoing an EcoVadis assessment and engaging in the Carbon Action Module, suppliers can play a key role in making collaborative climate action a reality.



LC Packaging: Immediate Wins From GHG reporting

LC Packaging, [a high-performer in the top 1% of all companies assessed by EcoVadis](#), was facing some challenges related to launching its Scope 1 and 2 reporting efforts in line with the GHG Protocol. The company's 16 diverse locations – which span sales offices, warehouses and manufacturing sites across Europe, Asia and Africa – made ensuring alignment between internal stakeholders and collecting high-quality and reliable data challenging. But with customers demanding more transparency on LC Packaging's environmental impacts and the company wanting to better understand how to develop a transition pathway in line with the 1.5°C target, it decided to begin reporting on its GHG emissions in 2017.

Fast forward to 2022, LC Packaging has developed a smooth and highly efficient process for data collection from all its locations. Through an internal

questionnaire, points of contact at each site add their energy consumption and GHG data to a company-wide data collection tool.

Lotte Mastwijk, Manager of Communications and Sustainability at LC Packaging, shares the benefits the company has realized from collaborating with EcoVadis to improve its sustainability and carbon management:

“Reporting on carbon helps us to comply with customer expectations and made us well equipped during assessments, such as the EcoVadis assessment, audits and certification processes. [...] Having the data available provides us with the opportunity to make long-term plans [...] and have ambitious dreams, like reaching net zero by 2050.

lc packaging®

Outlook

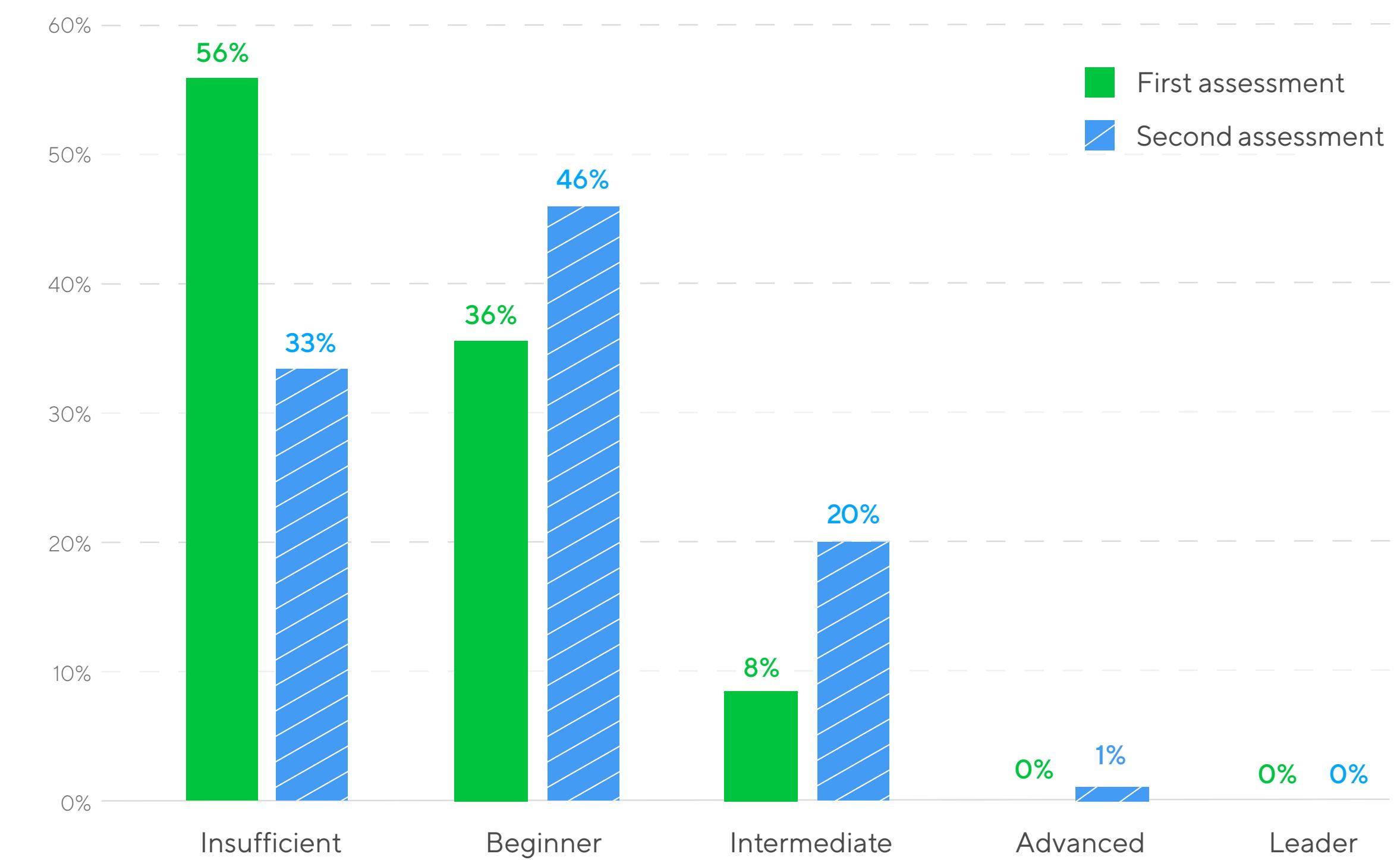


Supply Chain Partners Must Continue To Grow Their Carbon Maturity

Supply chain data shows that, while companies are starting to develop the various components of an effective carbon management system, overall maturity remains low. Legislators' heightened scrutiny around carbon reflects the need to respond to the latest climate science, which calls for immediate and ambitious action from stakeholders across global supply chains. However, there is a tremendous amount of work to be done to catalyze this level of action: Only 3% of EcoVadis Carbon Maturity Scorecards indicated that a company was at an Advanced or Leader maturity level.

Despite these low maturity levels, EcoVadis data shows that supply chain climate action is starting to gain momentum. Many of the rated companies that have been reassessed showed improvements in their management maturity, signaling the growing importance of the topic to their organizations. Although EcoVadis is just starting to see companies reassessed under the Carbon Action Module, one in two companies were able to score higher on their second assessment, while one in three improved enough to move up an entire maturity level (e.g., from Beginner to Intermediate). Demonstrating significant improvement over a short time period, 6% of companies even jumped up more than one level. Among the least mature companies that initially had no Strengths identified on their Carbon Maturity

III How Companies Are Improving Their Carbon Maturity Between Their First and Second Assessments





Scorecard and were assessed to be at the Insufficient level, 42% had more than one Strength identified upon reassessment, showcasing tangible improvements in their carbon management systems. Furthermore, companies were observed to be implementing more best practices, including updating their GHG inventory at least once a year, setting or committing to science-based reduction targets, verifying GHG reporting metrics through a third party and using renewable energy.

Corporate leaders that address their Scope 3 emissions must ensure that they work not only with their leading supply chain partners but also with their less mature counterparts. Working closely with SMEs should be a particular focus for buyers as they collectively account for the bulk of global supply chain emissions. Beyond disclosing metrics for direct and indirect emissions (including Scope 3), practitioners can use best practices, including sector initiatives and collaborative transparency efforts, that enable joint progress along the entire supply chain. While it is essential to corporate climate action, carbon management alone is not enough and must be incorporated into companies' broader sustainability management – taking a holistic approach to capacity building can ensure that improvements are long-lasting and scalable.

Suppliers themselves play a key role in achieving the needed GHG reductions. The data in this report shows that, while many suppliers are still in the early stages of their decarbonization journey, others are already paving the way for ambitious climate action. To build on this momentum, it is essential that all supply chain partners, across geographies, company sizes and industries, continue to expand their reporting practices and disclosure and leverage best practices to increase transparency and accelerate meaningful climate action. We will continue providing the insight, tools and resources that companies – and particularly the more than 90% of rated SMEs currently in the Insufficient or Beginner stages of their carbon management journey – need to transform their approach to tackling a range of carbon issues. Join us in helping to make the net-zero future a reality.

About EcoVadis: From Risk Mitigation to Performance and Impact

EcoVadis provides sustainability ratings and intelligence used in global value chains, finance and commerce, offering detailed insights into environmental, social and ethical risks across more than 200 industry categories and 160 countries. The EcoVadis Intelligence Suite covers:

Risk Mapping

EcoVadis IQ maps your entire supplier landscape for inherent risk and identifies additional due diligence needs.

Sustainability Ratings and Monitoring

EcoVadis Ratings engage companies in benchmarking and monitoring, to mitigate risk and improve their sustainability performance. A robust methodology covering 21 criteria and a 360° Watch tool that scans external inputs (e.g., trade unions, NGOs, watchlists, news, etc.) yield reliable ratings on a 0-to-100 scale that are easy to integrate into procurement or business decisions.

Engagement and Improvement Tools

Detailed scorecards provide feedback and guidance for improvements. The Carbon Action Module engages deeper on measurement, reporting and action on reducing GHG emissions. The Corrective Action Plan enables collaboration with customers/ requesters to prioritize improvements. The EcoVadis Academy provides e-learning courses to help rated companies build capacity on a range of sustainability topics.

Service, Support and Community

Enterprise offerings include program management support – change management, journey mapping, global deployment, supplier/ rated company onboarding, dashboarding and reporting etc. – and training options for requesting (buyers, portfolio managers, etc.) and rated companies.