



How to be a good supplier

Managing energy issues



Top Tips

- The supply chain is typically where the greatest climate change impacts and reduction opportunities exist.
- Turn a climate change related risk for the unprepared company into an opportunity for more the proactive.
- Your customers may consider energy and sustainability issues in their supplier selection and tendering processes and request information to monitor performance.
- Create a positive business case for action in your company. Start by focusing on areas where cost savings can be achieved through reducing energy and resource use.

Links and other best practice guides are highlighted throughout this guide as suggested sources for further information and reading.

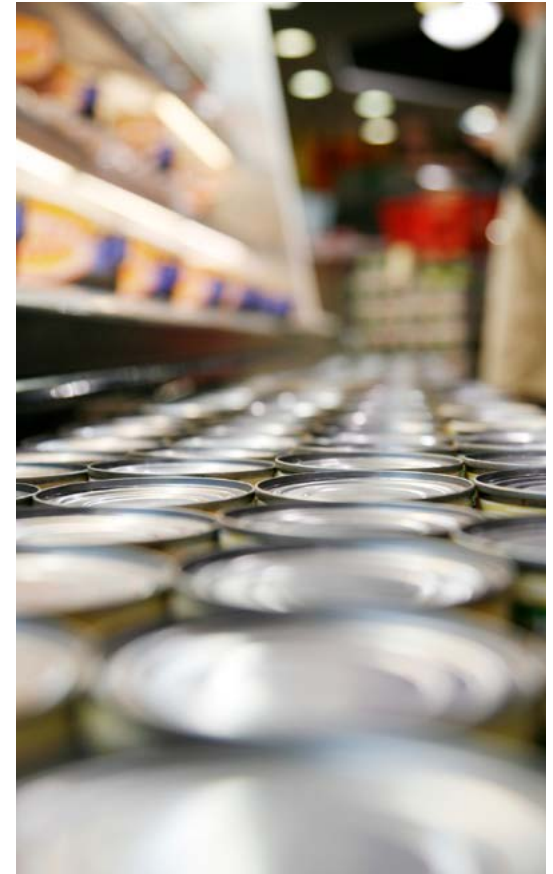
Who is this guide for?

Are your customers requesting more and more information about the energy and environmental impacts of your organisations' operations or those of your supply chain? Are you looking to communicate and demonstrate your sustainability credentials to stakeholders? This guide seeks to address these issues for SMEs.

In the transition to a low carbon economy, energy and environmental performance is increasingly under the spotlight, impacting a product or company's reputation or brand. As large organisations look to further reduce their carbon footprints, they are focussing on opportunities to cut emissions in their supply chains. Invitations to tender, conditions of contract and performance reviews are commonly asking for assurance of good energy and environmental performance and management.

Requests from suppliers may take many different forms: tender selection criteria, conditions of contract, supplier information questionnaires and annual performance updates, or a request to participate in the CDP supply chain programme or join supplier sustainability databases.

This guide will help you not just to respond to these requests, but help you understand what systems and practices you need to put in place to make sure your organisation really benefits. The focus here is on energy and carbon management, but much of the advice also applies to waste, water and other environmental issues.



Why are customers focussing on supply chain carbon?

There is broad consensus and international agreement on the urgent need for action to address the challenges of climate change. In many cases a significant proportion of the carbon footprint of products and services is attributed to the wider supply chain, not just the direct carbon emissions of the company providing the product/service. Therefore, organisations are increasingly looking to their supply chain to reduce the carbon impacts of business activity and find more sustainable practices.

Across the supply chain energy risks are multiplied; for example, if energy costs rise by 10%, this impacts your own operations, all your upstream suppliers and your downstream customers resulting in substantial impact on the end consumer. Organisations are looking to understand where their climate change risks are, and engage suppliers and encourage them to act.

Looking across the lifecycle of a product or service, businesses are seeking opportunities to reduce the environmental impacts through product and packaging design, selection of raw materials, manufacturing process, transportation, optimising usage and waste reduction and recycling.

Climate Risks to Opportunities

The supply chain is typically where the greatest climate change impacts and reduction opportunities exist. However, many suppliers lack awareness of the risks and opportunities that climate and environmental issues pose to their business and customers.

Turn a climate change related risk for the unprepared company into an opportunity for the more proactive:

- Carbon pricing and regulation – offset any additional costs through benefiting from resource efficiency savings.

- Physical impacts of climate change – assess climate impacts and plan to mitigate risks and adapt.
- Consumer behaviour shifts – position the business to take advantage of new and expanding markets and customer preferences for sustainable products and services.
- Technology breakthroughs – benefit from technology by advancing product design and delivering new and optimised processes and services.

Acting to reduce the business risks associated with climate change – through clear governance and management of energy and carbon issues, integrating good practice into the business strategy, energy reduction projects or setting improvement goals – enables organisations to benefit from energy efficiency improvements and opportunities.

These can arise from regulation or product efficiency requirements, changing customer behaviour, enhanced reputation or acting ahead of the competition.

There are many available innovations and solutions to reduce environmental impacts. Resourceful suppliers can reduce their greenhouse gas emissions and environmental impacts while benefitting the business, customers and communities. Financial savings reported by suppliers prove that action is the smart thing to do for business.

GSK Case study

GlaxoSmithKline (GSK) spends over £2bn annually on materials, which drives over 40% of its value chain carbon footprint. GSK's long term goal is to be carbon neutral across its value chain by 2050. In looking at energy and carbon within its supply chain, GSK established that 65% of suppliers did not have an active programme in place to reduce energy costs. The supply base was also very fragmented, with no single supplier having more than a 1% impact on the company's supply chain carbon footprint.

In order to drive engagement at scale, GSK set up an online exchange for suppliers to share best practice on energy efficiency and reducing environmental impacts. More than 500 suppliers have joined the network, which is expected to enable value chain emissions to be cut by 25% by 2020.

In addition to the exchange, GSK has also run energy reduction workshops at supplier sites, identifying opportunities to save 20-30% of energy costs.



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What do your customers want?



Customers are asking for more information regarding climate and environment from suppliers. They are requiring increasing transparency, accountability and responsibility on these issues so that they can manage their business and reputational risks. They recognise that the significant opportunity to reduce environmental impacts is in the supply chain. However, in practice supply chains are global, often complex and can be difficult to influence. They are looking for suppliers to commit to action and for this action to cascade up the supply chain. Your action will help them to:

- Understand climate and resource impacts, risks, and opportunities in the supply chain. This will help to make operations more resilient as disruptions and resource scarcity can be costly.
- Identify raw materials and suppliers at risk from extreme weather events through vulnerable locations or resource/supply scarcity and define how much value is at stake.

- Identify performance efficiency opportunities in the supply chain, product or service.
- Identify innovations or opportunities which may lead to a step-change improvement.

Your customers are likely to now include carbon and sustainability issues in their procurement and on-going supplier management processes. This may include sustainability performance in supplier selection criteria and tendering processes, supplier performance monitoring or score-cards. They may also encourage action through awards programmes, and recognise good performance by providing incentives.



M&S Case Study

M&S has developed a bespoke supplier scorecard and approach to evaluation which is aligned with its Plan A strategy and objectives.

Based on their performance against defined criteria, suppliers are rated as Gold, Silver, or Bronze. M&S has used this framework to incentivise energy and environmental improvement in suppliers. For example, the company set itself the target to source a quarter of its food products from suppliers that have achieved at least 20% improvement in energy efficiency. This approach has been embedded within M&S procurement processes as part of supplier quality benchmarking.

Some specific areas which you might be asked to participate include:

Compliance

- Demonstrating compliance with energy and environmental regulations and other commitments.
- Maintaining certified Environmental or Energy Management System such as [ISO14001](#), or [ISO 50001](#).

- Developing products and projects to sustainability and energy efficiency standards e.g [BREEAM](#), [RICS SKA](#), [Energy Technology List](#), [Water Technology List](#).
- Supporting customer audits and site visits.

Information Disclosure

- Completing supplier sustainability information requests, providing evidence and regular updates.
- Responding to requests in relation to [Carbon Trust Supply Chain Standard](#) or [CDP supply chain](#) requirements.
- Reporting greenhouse gas emissions and product carbon footprints developed using [PAS2050](#).
- Engaging in supplier information networks e.g. [Sedex](#).

Performance improvements

- Collaborating with suppliers on product design and packaging decisions.
- Achieved energy efficiency improvements and reduction targets.

What are your competitors doing?

Until relatively recently the level of engagement required by most customers was limited to responding to initial supplier information requests and occasional visits. Therefore, many companies have not yet considered their climate change risks or put sustainability improvement programmes in place. Some of the common reasons companies give for not acting are:

- It is not seen as a management priority.
- Costs associated with implementing a sustainability improvement programme.
- Lack of relevant knowledge, tools, and personnel to develop a structured process.
- A perceived lack of influence over suppliers and business partners.

However, now that customers (both end users and business customers) are expecting more, many suppliers are responding and therefore to remain competitive you will also need to take

action – ideally to be in front of competitors, or even just to keep up.

The good news is that taking action and engaging with your customers on sustainability issues has been shown to be good for business, providing both efficiency savings and reputational benefits and opportunities. So, get ahead now and take action to reduce your climate change risks and realise the opportunities.

68% of respondents recognise positive opportunities from action on climate change.

Only 34% of suppliers report an overall year-on-year decrease in their operational emissions, with a further 36% having insufficient data to track progress. But those who do are realising substantial savings – and these investments will continue to pay back for years to come.

The [2017 CDP supply chain report](#) in which 4,366 supplier companies responded to the questionnaire sent on behalf of its supply chain members, provides an indication of the level of awareness and engagement among these suppliers.

Many suppliers still lack awareness of the risks and opportunities that climate and water issues pose to their business and customers. Only 22% of respondents are engaging with their own suppliers to reduce carbon emissions, with just 4% having put supply chain carbon emissions targets in place.

How to get your own house in order

This begins with setting a vision and level of ambition, and then translating an understanding of impacts, risks and opportunities into a strategy and plan of action, in line with the wider organisational objectives. To create a positive business case for action, target areas where cost savings can be achieved, such as through reducing energy and resource use. Often the greatest areas of identified opportunity are in product design and reducing waste, both in terms of financial and carbon emission savings. For the purpose of this guide we have focused on implementing an energy management programme, but a similar approach can be used for resource efficiency or other sustainability programmes.

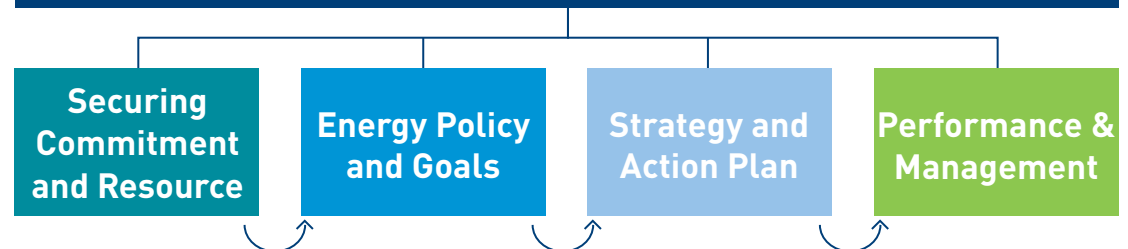
How to implement an energy management programme

An energy management programme is a continual improvement process that develops over time. Successful implementation requires commitment, planning and sustained effort. You won't be able to tackle everything at once, so will need to prioritise.

The key steps to delivering an energy management programme, outlined in this guide are:



Initial energy review



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Initial Energy Review

A good starting point is to carry out an initial review of your organisation's current approach to energy management. What is the current understanding of how energy is used and how well is it managed? You should consider; financial implications, legal compliance, energy efficiency, energy measurement, monitoring and management processes.

Key indicators of good practices are illustrated in a checklist in Appendix, to provide a quick view of your current position.

It is important to understand how fuel and energy consumption is affected by business activity or changes in production levels, and what other factors impact energy usage, such as weather, staff numbers or operating hours. By setting a relative performance indicator for your business it is possible to benchmark your current energy performance against similar buildings, organisations, or processes and analyse trends.

Securing Commitment and Resource

On average, a business can reduce its annual energy costs by up to 20% through improving energy efficiency and energy management so it makes good business sense. However, any energy management initiative is likely to falter without first gaining the support of senior managers. You will need to secure commitment and resources from decision makers by setting out a clear business case. Define the project carefully, and collate information on cost reduction, improved environmental performance and enhanced corporate reputation for your proposal. You will need to set out:

- what you are proposing to do and how and when it will be implemented
- why the business needs to do this
- what the costs and benefits will be
- who will be involved and what skills and resources are required.

Having secured high level commitment, the next steps are to:

- set up an implementation team with the necessary resource and skills
- assign responsibility for sustainability issues and allocate resources
- provide additional training and seek help from external expertise to complement and strengthen in-house skills and competence.

In larger businesses, it may be a good idea to appoint 'energy champions'. Tasked with understanding energy use in their own areas and identifying where savings can be made, they can report progress back to colleagues and be key contacts in raising awareness of energy efficiency. This helps to create a feeling of ownership and ensure behavioural improvements are not only made but also maintained.

Building energy management into a person's job specifications provides ownership and assigns responsibility for implementing energy improvements and, when accompanied by additional training and communication, helps ensure that staff are supported in this role.

Energy Policy and Goals

An energy policy is a statement of an organisation's energy management priorities, objectives and commitments. It can be a stand-alone document or part of a wider environmental or sustainability policy. It should be specific to your organisation and relevant to the size and nature of the activities; some businesses choose a high-level statement of principles, whilst others prefer to include more detail such as specific objectives, accountability and methodology for the delivery of the policy and review.

When approved, signed and dated by senior management, the policy provides an expression of aspiration and commitment and evidence of a proactive approach to energy management. It can be communicated to internal and external stakeholders, through the company website for example, reviewed and updated periodically.

Objectives and targets should be challenging but achievable, reflecting: the potential for reduction within the organisation, the level of available resource, and build on strengths and opportunities identified. Objectives and targets

provide focus and can be an incentive and driver for improvement. Of course, you also need to be able to measure progress towards reaching the target and have a plan in place to make it happen. Otherwise you may be disadvantaged as a supplier, if you have not been able to meet the goals you have set yourself.

Energy saving targets are often expressed in terms of an absolute percentage reduction in energy consumption or CO₂ emissions. Alternatively, they can be relative targets expressed in terms of an appropriate growth metric or benchmark. Performance indicators vary across sectors, but may be expressed in terms of revenue, production, or floor area.

It can be useful to set medium and longer term targets which signal an organisation's intentions to the market and suppliers, as well as driving action internally. Often the greatest areas of identified opportunity are in improved product design and reducing waste (including energy waste), leading to both financial and carbon emissions savings.



Strategy and Action Plan

The strategy is effectively the framework for implementing the policy objectives - and integrating it with the other activities of the organisation. It can either be a formal document or incorporated into the action plan. Some key issues to consider are:

- whether a formal management system should be implemented, such as ISO 14001, or ISO 50001
- the responsibility or accountability structure for energy management
- the process for identifying energy reduction opportunities
- resource requirements and whether these are availability internally
- compliance with energy and carbon regulation
- operational procedures for management of energy use for equipment and services
- the system for metering, monitoring, analysis and reporting of energy information

- training and development of staff to support the energy policy objectives
- communication plan for policy, targets and energy performance information both internally and externally as appropriate.

Part of developing the strategy is to identify which initial actions are needed to put good energy management into effect. The outcome is a live action plan that is regularly updated to show progress and development. The plan should:

- be agreed and approved by the senior manager who is ultimately accountable for energy management performance
- include actions to identify opportunities and implement energy reduction projects
- state clearly how the action plan will lead to the achievement of objectives and targets
- prioritise and assign actions to individuals with dates for reporting progress and completion
- state the budget allocated to complete each action.

A Sustainable Procurement Strategy

There are benefits in ensuring the sales and procurement teams are integral to the sustainability programme. The sales team can find out what customers are looking for and how your competitors are responding. Setting up a sustainable procurement process enables you to obtain improvements in energy performance through investing wisely in energy efficiency services and energy efficient equipment, and also to ensure that you consider the upstream carbon footprint of the materials you purchase.

An energy review may identify inefficiencies that require capital investment in new equipment. It is best practice to have procedures in place to ensure that energy performance is considered when purchasing new equipment. This requires energy and procurement personnel to work together.

Engaging sales and procurement teams in sustainability can be difficult as they have other priorities (price, availability, quality, resilience etc.) before they even start to consider energy and sustainability. However, through training

and awareness staff will be able to base procurement decisions on: whole-life costing, operational energy use and maintenance requirement, waste, recycling considerations, and wider resource efficiency opportunities, alongside other business and financial considerations.

Whole-life costing gives a full picture of how much equipment will cost over its life cycle. The running and maintenance costs of equipment is added to the initial capital cost to provide a total cost over the lifetime of the equipment. Then a discounted cash flow model can be used to account for the value of money over time. A higher purchase price for more efficient energy equipment can often be justified using this method. For example, the capital cost of an electric motor may be as little as 1% of its lifetime cost.

Energy procurement is about getting the best energy supply contract for your business, rather than energy management. However, this procurement decision requires understanding of both the energy markets and your organisation's energy use both now and in the future. You may also consider buying

energy from low carbon or renewable sources as part of your sustainability strategy.

When developing a sustainable procurement policy it should include:

- Provision to ensure that service and contract agreements incorporate terms and conditions regarding energy performance.
- Reference to relevant energy efficiency standards or guidelines for purchasing equipment, buildings or services.
- A requirement to involve the energy management team in the procurement decision-making process for strategic items or service contracts.
- A commitment to only lease or purchase buildings that meet high energy efficiency standards as these decisions have a long-term impact on the energy performance of the organisation.

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Driving performance through measuring, monitoring and reporting

You can't manage what you don't measure, or what is not measured is not managed. Metering, monitoring and targeting (MM&T), is the management information system that supports energy management. Studies by the Carbon Trust and others show MM&T can typically deliver energy use savings of between 5% and 15%. A good MM&T system provides:

- timely, relevant information on energy use
- an understanding of the energy performance of buildings and processes
- alert of exceptions in performance
- ability to identify improvement opportunities
- energy reports to support accountability for energy use
- the ability to verify savings made.

Internal energy reports should be appropriate to the audience and what they are to be used for:

- Senior management need regular updated on key performance indicators, and progress

towards achieving targets and policy objectives, integrated with other business reporting systems.

- Accountable departments need timely information on energy use and analysis of trends and exceptions.
- All staff should be informed about the organisation's policies, progress and performance .

Communicating what you are doing

Good communication of the energy management plan is essential for ensuring that the whole organisation works together to implement an energy management strategy.

Internally, engage staff in energy management by highlighting achievements and good performance, sharing best practice and empowering employees to come up with new ideas. Running mini-competitions, league tables and having a specific budget for environmental improvements and investment can help to achieve your goals. An organisation's sustainability track record can be an important consideration for prospective and existing employees.

For more information try the following Carbon Trust publications:

[An introduction to energy management](#)

[A comprehensive guide to energy management](#)

[Better business guide to energy saving](#)

[Monitoring and Targeting](#)

[Making the business case for a carbon reduction project](#)

External communications to key stakeholders such as the organisation's customers and investors provide an opportunity to report on progress and achievements towards your sustainability goals and enable them to understand your ambitions towards brand, product and organisation sustainability.

Consider whether your organisation would benefit from implementing an energy or environmental management standards and gaining recognised certification. This has the benefit of ensuring that commitment and continual improvement is maintained as well as demonstrating your achievement to customers and other stakeholders.

Publishing your environmental and energy policy on your website demonstrates your commitment.

However, your business' reputation matters, so make the changes real before you publicise them to avoid being accused of 'green-wash'. There are guidelines for: making environmental claims about your products, services or organisation; marketing environmental attributes; and responding to customer queries.

Accept a helping hand from your customers

Customers are often keen to engage with suppliers and assist them in taking action. This may include organising roadshows, supplier meetings and guidance, or providing access to e-learning modules or face-to-face training. Engaging directly with customers enables you to find out what they want from their suppliers and if any help is available.

There may be opportunities for customers to provide products or services to help their suppliers become more sustainable. Collaboration through trade associations and industry peer groups also provide useful platforms for engagement across the value chain.

Trade bodies providing guidance for suppliers include Foreign Trade Association's [BEPI Initiative](#) and the [Green Construction Board](#).

Reaching out further to your suppliers

Once you have started to put your own house in order, the next step is to engage with your own

suppliers and encourage them in turn to take action in reducing their energy and environmental impacts.

Phillips Lighting Case Study

Phillips recognise there are commercial opportunities for us to provide products or services to help our own suppliers become more sustainable. They can offer light-as-a-service, to help suppliers upgrade to LED lighting and deliver energy and carbon savings without up-front investment costs.



Further links and guides

Initial Energy Review Checklist

Examples of energy and environmental management good practice	Yes/No
There is clear accountability and responsibility for energy management	
We actively manage energy as a key issue which is reviewed at a senior level in the organisation	
We have an energy policy or a mandate to manage energy within a wider environmental or sustainability policy	
We have fully integrated energy management with other business management systems	
We regularly measure, monitor and report energy consumption, as well as cost	
We have a proactive and integrated approach to procuring energy supplies and energy efficiency equipment?	
We have clearly defined our energy management risks and actively plan to meet future regulations and requirements	
The organisation operates an environmental management systems with energy as a significant aspect or an energy management system. Are these systems certified to ISO 14001 or ISO 50001?	
We recognise energy management as an opportunity to improve performance and reduce operating costs.	
Are there adequate resources allocated to energy management?	

There is a reliable and effective system for monitoring and reporting energy performance?	
We regularly measure and monitor our energy consumption data	
We set reduction targets on our energy consumption	
We have identified and introduced low/no-cost energy efficiency measures	
We have identified and are investing in energy efficiency projects/measures	
We have measured the reduction in our energy consumption from energy efficiency measures.	
We have considered on-site renewable energy supplies and/or procure renewable energy.	
We engage our workforce in our energy management strategy and promote awareness of energy issues at each level of the organisation.	
We have implemented an environmental management system or won an environmental award.	
We communicate our sustainability commitments and progress to our customers.	
We use Eco Labelling/Carbon Labelling/Carbon Trust Standard.	
We train our sales and procurement teams in energy and sustainability issues.	
We have redesigned our products and services to reduce their impact on the environment	
We work with our suppliers and customers to reduce the energy and resource impacts across our value chain.	
We are reducing the energy and fuel impacts of our fleet and materials transportation	
We are engaging staff in ways to reduce business travel and encouraging uptake.	
We engage our stakeholders in our energy efficiency strategy, including customers, investors, community, employees and regulators.	

Go online to get more

The Carbon Trust offers a range of services to help businesses measure, communicate and reduce their carbon emissions. These include:

Website – Visit us at www.carbontrust.com for our full range of advice and services.

➤ www.carbontrust.com

Tools, guides and reports – We have a library of publications detailing energy saving techniques for a range of sectors and technologies.

➤ www.carbontrust.com/resources

Events and workshops – We offer a variety of events, workshops and webinars ranging from a high level introductions to our services through, to technical energy efficiency training.

➤ www.carbontrust.com/events

Small Business Support – We have collated all of our small business support in one place on our website.

➤ www.carbontrust.com/small-to-medium-enterprises/

Our client case studies – Our case studies show that it's often easier and less expensive than you might think to bring about real change.

➤ www.carbontrust.com/our-clients

The Carbon Trust Green Business Fund – is an energy efficiency support service for small and medium-sized companies in England, Wales and Scotland. It provides direct funded support through energy assessments, training workshops, and equipment procurement support

➤ www.carbontrust.com/greenbusinessfund

SME Network – Join a community of over 2000 small and medium-sized businesses to discuss your strategy and challenges to reducing carbon emissions and improving resource efficiency. Sign up for free to share knowledge, exchange useful resources and find out about the support and funding available in your area, including the details of your local energy efficiency workshops.

➤ www.smenetwork.carbontrust.com/

The Carbon Trust is an independent company with a mission to accelerate the move to a sustainable, low-carbon economy. The Carbon Trust:

- advises businesses, governments and the public sector on opportunities in a sustainable, low-carbon world;
- measures and certifies the environmental footprint of organisations, products and services;
- helps develop and deploy low-carbon technologies and solutions, from energy efficiency to renewable power

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