ZURICH

Supply chain climate action

A guide to emission reduction for suppliers

Our 1.5 degree future

- As a signatory of the UN Business Ambition for 1.5°C pledge, Zurich is committed to using the levers available – investments, operations, and products and services – to accelerate the transition and achieve net-zero emissions across its businesses
- Zurich has set science-based emission reduction targets and is targeting net-zero operational emissions by 2030
- To complement its net-zero strategy, Zurich aims to have 75% of its managed procurement spend[1] with suppliers that have science-based targets to reduce emissions by 2025 and targets to reach net-zero by 2030
- To support suppliers to align with these aims and start their climate action, Zurich is providing free access to the Normative Business Carbon Calculator which allows suppliers to estimate their baseline carbon footprint
- Once a relevant baseline is established, suppliers can set science-based targets to reduce their carbon footprint - a science-based target generally requires emissions to be halved by 2030
- Suppliers are encouraged to validate their climate commitments with third-parties such as the Science Based Targets initiative
- Whilst the actions available for implementation will differ based upon a company's specific situation, this guide aims to serve as a useful starting point, to fast track understanding and is aligned to the output provided by the Normative Business Carbon Calculator.

Scope 1 emissions

Direct emissions from the combustion of fossil fuels by a company, such as from company-operated cars, diesel generators and gas boilers.

Fuel combustion

Emissions generated when fossil fuels are burnt in an engine or boiler to generate power.

Companies can reduce these emissions by:

- Investing in energy efficiency measures that reduce energy consumption
- Replacing combustion engine vehicles with hybrid and electric mobility options
- Replacing diesel generators with solar hybrid generators.

Scope 2 emissions

Indirect emissions from the generation of energy purchased from an energy supplier, such as heating, cooling, steam, and electricity.

Electricity

Emissions generated by electricity producers when fossil fuels are burnt to generate energy that is in turn used to produce electricity.

Companies can reduce these emissions by:

- Investing in energy efficiency measures that reduce electricity consumption
- Purchasing Energy Attribute Certificates (EACs), which are generated by power producers for each megawatt-hour of electricity that is produced from renewable sources. EACs can be used to claim ownership of the renewable electricity generated enabling the owner to claim the associated emission reduction. EACs, referred to as Guarantees of Origin (GOs) in Europe and Renewable Energy Certificates (RECs) for most of the rest of the world, can be purchased from an existing energy provider or from a broker.

- Entering into a Power Purchase Agreement (PPA) to establish a direct supply of renewable electricity. Whilst these agreements can take several different forms, a PPA is essentially a long-term agreement under which a buyer agrees to purchase renewable electricity from a specific project at a specified price.
- Installing onsite facilities to generate their own source of renewable power (e.g. solar panel array).

Heat and steam

Emissions generated when heat or steam is provided directly for heating purposes via a district heating solution.

Companies can reduce these emissions by:

- Investing in energy efficiency measures that reduce heat consumption (e.g. insulation)
- Replacing fossil fuel heating systems with electric heating, powered by renewable electricitiy.

Scope 3 emissions

Indirect emissions associated with the companies' value chain which generally account for the majority of a company's overall emissions.

Business travel

Emissions generated in the transportation of employees for business related purposes, such as by aircraft, trains, buses, and passenger cars.

Companies can reduce these emissions by:

- Reviewing current business travel practices and balancing travel with virtual meetings.
- Establishing a travel policy for business travel. The travel policy should prioritize the use of public transport, rail travel over air travel and generally encourage employees to consider the environmental impact of their travel.

Upstream transportation and distribution

This includes emissions from the distribution of a business's products or services.

Companies can reduce these emissions by:

- Ensuring product packaging and distribution methods are efficient and optimized for the required transport
- Working with transport providers that themselves are engaged in climate action and for example are focused on emission reduction, especially by using electric and other low emission transport options.

Purchased goods, services and capital goods

Emissions generated from the production of goods, services and capital goods that are purchased by the company.

Companies can reduce these emissions by:

- Evaluating the carbon footprint of the goods, services and capital goods they buy and prioritizing those with a lower impact e.g. switch to 100% recycled paper
- Engaging their existing suppliers in climate action and using their influence as a customer to drive emissions reduction throughout their respective supply chains.

Setting science-based targets

Suppliers are encouraged to validate their climate commitments with third-parties such as the Science Based Targets initiative (SBTi). The requirements of the SBTi differ depending on the size of the company and the sector that the company operates in. Suppliers may consult the SBTi's "How-To-Guide" to learn about their target setting and validation process. Those suppliers meeting the SBTi's criteria for a Small and Medium-Sized Enterprise (SME) may refer to the FAQs for SMEs for additional information.

The Normative Business Carbon Calculator works best for SMEs operating in a single country, larger companies can work with Normative for carbon accounting and climate strategy services. Zurich has negotiated discounted fees for any of its suppliers who choose to work with Normative.

[1] Managed procurement spend means the spend of ca. USD 2bn annually managed by Zurich's Procurement and Vendor Management function on goods and services that are required to enable Zurich to maintain and develop its operations.

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