

Decarbonization Pathway

This is intended to provide a framework that PSCI members can use to support their suppliers in decarbonization towards Net Zero, in line with global goals such as the COP Paris Agreement and UN Sustainable Development Goals.

- To deeply decarbonize, PSCI members need to address our Scope 3 emissions i.e. the GHG emissions generated by our suppliers in the course of delivering their contracts with us.
 - PSCI members will require our suppliers to address their own Scope 1 & 2 GHG emissions and those of our suppliers own supply chain i.e. their Scope 3 emissions.
- The principle is embedded that our suppliers (PSCI members Tier 1 suppliers) would flow this framework down to their supply chains (members Tier 2+).
 - This approach builds on Maturity Models for other PSCI focus areas.

Maturity model for Decarbonization

	Level 01 Starting out	Level 02 Developing	Level 03 Implementing	Level 04 Leading
Targets	<ul style="list-style-type: none">■ Set baseline for reducing Scope 1 and 2 emissions	<ul style="list-style-type: none">■ Public target to reduce Scope 1 & 2 GHG emissions■ Public commitment to setting Science Based Targets (in line with a 1.5°C trajectory)■ Public commitment to increasing use of renewable electricity (at least 80%)■ Set internal target for engagement of supply chain	<ul style="list-style-type: none">■ Obtain SBTi verification of Near Term Science Based Targets aligned with 1.5°C or SBTi equivalents if they meet the SBTi criteria and are validated by a 3rd party■ Set Scope 3 GHG emissions reduction targets, including targets for suppliers to reduce their GHG emissions	<ul style="list-style-type: none">■ Obtain SBTi verification of a Near and Long Term Net Zero target or SBTi equivalents if they meet the SBTi criteria and are validated by a 3rd party■ Require suppliers to set Science Based Targets
Enablers & Actions	<ul style="list-style-type: none">■ Actively assess reporting and disclosure tools, processes and management systems to establish an annual GHG reporting process■ Establish a baseline for Scope 1 and 2 GHG emissions in line with GHG Protocol and publicly disclose them<ul style="list-style-type: none">- <i>Operating under own internal management systems without external validation</i>■ Initiate internal processes for Scope 3 screening of some Scope 3 categories using spend-based methodology■ Ad-hoc success in implementing actions for reduction in emissions, mostly focussed on Scope 1 & 2 <div>Suppliers are expected to undertake most, or all, of the steps outlined at each stage of maturity</div>	<ul style="list-style-type: none">■ Management systems and governance in place to ensure accurate reporting and disclosures of Scope 1, 2 & 3 emissions■ Scope 1 & 2 with 3rd party verification■ Publicly disclose upstream Scope 3 emissions (Scope 3 categories 1 to 8) using spend-based methodology<ul style="list-style-type: none">- <i>Understand material sources of emissions across Scope 3 GHG categories</i>■ Report to 3rd party ESG rating provider■ Board commitment to a decarbonization strategy made public■ Material improvement opportunities identified to reduce Scope 1 & 2 emissions<ul style="list-style-type: none">- <i>managed in line with accreditation in management standards and built into core business processes</i>■ Senior management accountability allocated, coordinated across all business units■ Regular engagement with employees to raise awareness of need for action on emissions reduction■ Purchasing certified renewable electricity from utility suppliers, where markets allow	<ul style="list-style-type: none">■ Scope 3 (all relevant categories) calculated using combination of spend-based methods and primary data from suppliers■ Reporting, disclosures and processes meet external standards■ Scope 1, 2 and 3 carbon footprint provided to PSCI member companies in ratio specific to their business/ spend (site based or corporate level emissions accepted) in a digital tool determined by the requestor■ Detail of targets, actions and reductions made transparent■ Majority of employees have received training to embed emissions reductions activity across business■ Key suppliers engaged at corporate level to set their strategy & targets and report publicly<ul style="list-style-type: none">- <i>Set standards for suppliers which requires transparent GHG reporting and production of emissions reduction plans by the suppliers</i>■ Demonstrating progress (incl. exploring options) towards sourcing renewable heat■ Energy management system in place, energy opportunities have been identified. Energy benchmarks and KPIs developed by site	<ul style="list-style-type: none">■ Reported emissions provided with limited or reasonable assurance by 3rd party auditor■ Reporting carbon footprint for products (e.g. life cycle assessment) using digital tools to provide full transparency throughout value chain■ Decarbonization is embedded in company culture with Governance and Targets at Board level impacting remuneration■ Active participation in external in-sector and cross-sector partnerships, publicised to support transition to Net Zero<ul style="list-style-type: none">- <i>Advocacy on sustainable challenges and change towards Net Zero</i>■ Demonstration of significant investment in innovation and delivery of carbon reduction■ Minimises the use of carbon compensation (offsets) in the short and medium term. Only highest quality carbon compensation schemes (removals) used to achieve Net Zero in line with SBTi guidance■ Energy management system in place, energy opportunities have been identified and actioned. Energy benchmarks and KPIs developed for specific products

