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CONSULTING GROUP_

Procurement Playbook

Toward Zero Emissions Logistics Services



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of Sustainable Freight Buyers Alliance (SFBA) for their significant contributions to the development of the Procurement Playbook toward Zero Emissions Logistics Services.

About Smart Freight Centre

Smart Freight Centre is an international non-profit organization focused on reducing greenhouse gas emissions from freight transportation. Smart Freight Centre's vision is an efficient and zero emission global logistics sector. Smart Freight Centre's mission is to collaborate with the organization's global partners to quantify impacts, identify solutions, and propagate logistics decarbonization strategies. Smart Freight Centre's goal is to mobilize the global logistics ecosystem, in particular our members and partners, in tracking and reducing its greenhouse gas emissions. We accelerate the reduction of logistics emissions to achieve a zero-emissions global logistics sector by 2050 or earlier, consistent with 1.5° pathways.

About Implement Consulting Group

Implement Consulting Group is an international top-tier transformation consultancy. Founded in 1996 in Denmark with offices in Copenhagen, Aarhus, Stockholm, Malmö, Gothenburg, Oslo, Zurich, Munich, Hamburg, Düsseldorf and Raleigh, NC. With 1,500 consultants and multi-national clients and projects, we offer local expertise with a global perspective. We believe that great organisational impact leads to great impact for humanity. Implement was created to help turn true expertise into real change. www.implement.dk

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Executive Summary

With 8-10% of global GHG emissions originating from logistics operations, it is vital to take decisive action to decarbonize logistics operations and to stay on course to meet the Paris agreement. Freight buyers in collaboration with their logistics service providers can take such decisive action by transforming their logistics operations and including sustainability across all aspects of their logistics procurement processes.

The Procurement Playbook toward Zero Emissions Logistics Services presents a practical guide for professionals aiming to transform their logistics procurement operations and include sustainability within their logistics procurement practices. It proposes revisions to existing logistics procurement processes by defining a systematic approach to sustainability and relying on established standards and methodologies. It is designed for outsourced logistics services between freight buyers and their logistics service providers and is mode-agnostic.

Through a series of workshops and roundtable discussions with freight buyers and logistics service providers, insights from logistics procurement were gathered, culminating in these concrete guidelines grounded in practical reality. The Playbook is developed by Smart Freight Centre and Implement Consulting Group in collaboration with the members of the Sustainable Freight Buyers Alliance. The Playbook is supported by the Scope 3 Peer Group and the World Economic Forum's First Movers Coalition.

Navigating the dilemmas a procurement professional faces, such as seeking to trade-off cost versus GHG

emissions reductions, and choosing between rapidly evolving fuel technologies, whilst seeking to adapt to emerging and upcoming legislations in multiple jurisdictions, is a significant challenge. This playbook enables any organization to make a choice on how to navigate the various dilemmas through characterizing two procurement strategies: transactional and transformational. Each strategy is tailored for different scenarios.

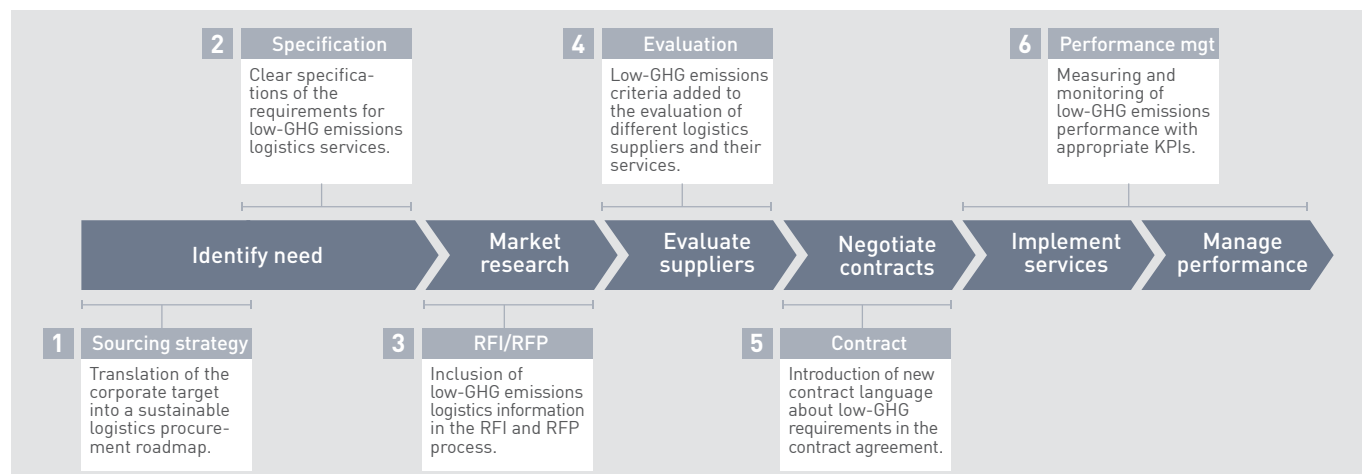
Transactional procurement can be adapted through six interventions to integrate standardized decarbonization solutions readily available within a supply chain. These interventions are - including adjustments to the sourcing strategy, the specification, RFI/RFP, tenders' evaluation, contract and performance management.

Transformational procurement processes can be used to transform the operations and implement innovative, zero emissions logistics, and are required for solutions which are not (yet) readily available. This playbook provides a strategic framework on how to consider taking a transformational approach. Choosing the right approach requires you to assess your willingness to accept risk and uncertainty, understanding the market opportunities and the potential impact that can be generated.

Finally, the playbook provides examples of a logistics maturity matrix, standardized RFI/RFP templates and standardized bidding template in the various appendix.

The next step is for you to choose your approach, taking inspiration and utilizing the provided guidance.

Figure 1: Changes to integrate sustainability within logistics procurement



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1. Introduction



1. Introduction

1.1 Purpose and ambition

While the importance of sustainability and the urgent need for climate action continue to gain increasing support and momentum, achieving the ambitious 1.5°C target requires a rapid and substantial reduction in global greenhouse gas (GHG) emissions. Unfortunately, most companies are yet to integrate sustainability in their procurement practices, whilst nearly all companies are using procurement to service their logistics needs. Therefore, changing and integrating sustainability within logistics procurement will play a pivotal role in driving the necessary actions to reduce GHG emissions by half before 2030 and ultimately achieve net-zero emissions by 2050 or earlier.

The aim of this Procurement Playbook Toward Zero Emissions Logistics Services is to streamline and standardize the procurement of sustainable logistics services. This playbook provides concrete guidelines and concepts that are readily accessible and applicable for procurement professionals looking to procure sustainable logistics services, and are adaptable to industry or geographic needs. The guidelines can be integrated within their strategies and procurement practices.

The playbook is developed by Smart Freight Centre (SFC), in collaboration with Implement Consulting Group, supported by Scope 3 Peer Group and the First Movers Coalition, aimed at leveraging the experiences of our members and partners. We firmly believe that freight buyers are pivotal stakeholders in driving the transformation of current and future logistics services.

It is our hope that this playbook will contribute to standardizing procurement processes and enhancing communication regarding sustainable logistics services. Consequently, it will aid in establishing a common language and a set of metrics that ensure greater visibility of demand for zero emissions logistics services.

1.2 Audience and scope

The primary audience for the Procurement Playbook Toward Zero Emissions Logistics Services are procurement professionals seeking to enhance the sourcing process for sustainable logistics services. Employees interested in gaining a deeper understanding of sustainable logistics procurement processes and concepts can benefit from relevant recommendations and best practices applicable to their organizations.

The playbook caters to cargo owners or shippers and logistics service providers, considering both the perspectives of freight buyers and sellers. This inclusivity aims to highlight potential synergies and provide deeper insights into our recommendations, making the playbook more relevant and user-friendly for both parties. This also enables the identification of common touchpoints across the procurement process.

The playbook focuses on processes and dynamics related to sourcing logistics services from one or more logistics service providers (LSPs) within a transactional relationship, as well as sourcing logistics services from one or more LSPs in a strategic cooperation for specific equipment. It is important to note that we will not address challenges encountered by cargo owners who possess a large in-house fleet of equipment or those arising from the management of a dedicated fleet resulting from joint investments between cargo owners and companies in their value chain.

Furthermore, this playbook's scope is specifically focused on assessing and providing recommendations applicable during the procurement process. Consequently, we will not delve into spot shipments or ad hoc equipment sourcing, as these typically result from gaps in the procurement plan (forecasting) or operational exception management.

1.3 Development process

The Procurement Playbook Toward Zero Emissions Logistics Services has been designed based on real-life procurement use cases spanning all modes of transport. We actively engaged with our participating members through numerous workshops, use case discussions, and roundtable sessions. This collaborative effort allowed us to gather contributions, valuable information, and insightful questions. The outcome is a set of guidelines and best practices firmly rooted in practical reality and applicable to a wide spectrum of logistics services.

We would like to extend our sincere gratitude to all our members who played an instrumental role in the development of the Procurement Playbook Toward Zero Emissions Logistics Services. Their commitment to the procurement of sustainable logistics services has been pivotal in shaping this initiative. Furthermore, their valuable feedback, stemming from real-world challenges encountered in the field, has been invaluable in shaping and refining our recommendations for achieving zero emissions logistics services.

Figure 2: Sustainable Freight Buyers Alliance Members 2023-24



1.4 Playbook structure

This playbook outlines the challenges and impacts associated with sustainable logistics, along with the compelling reasons why sustainable logistics are crucial in achieving climate impact goals by 2050 or earlier.

Subsequently, [chapter 2](#) provides an in-depth assessment of the current state of the procurement process for logistics services. This analysis identifies existing challenges and pinpoints the necessary changes required to strengthen the procurement of zero-emission logistics services.

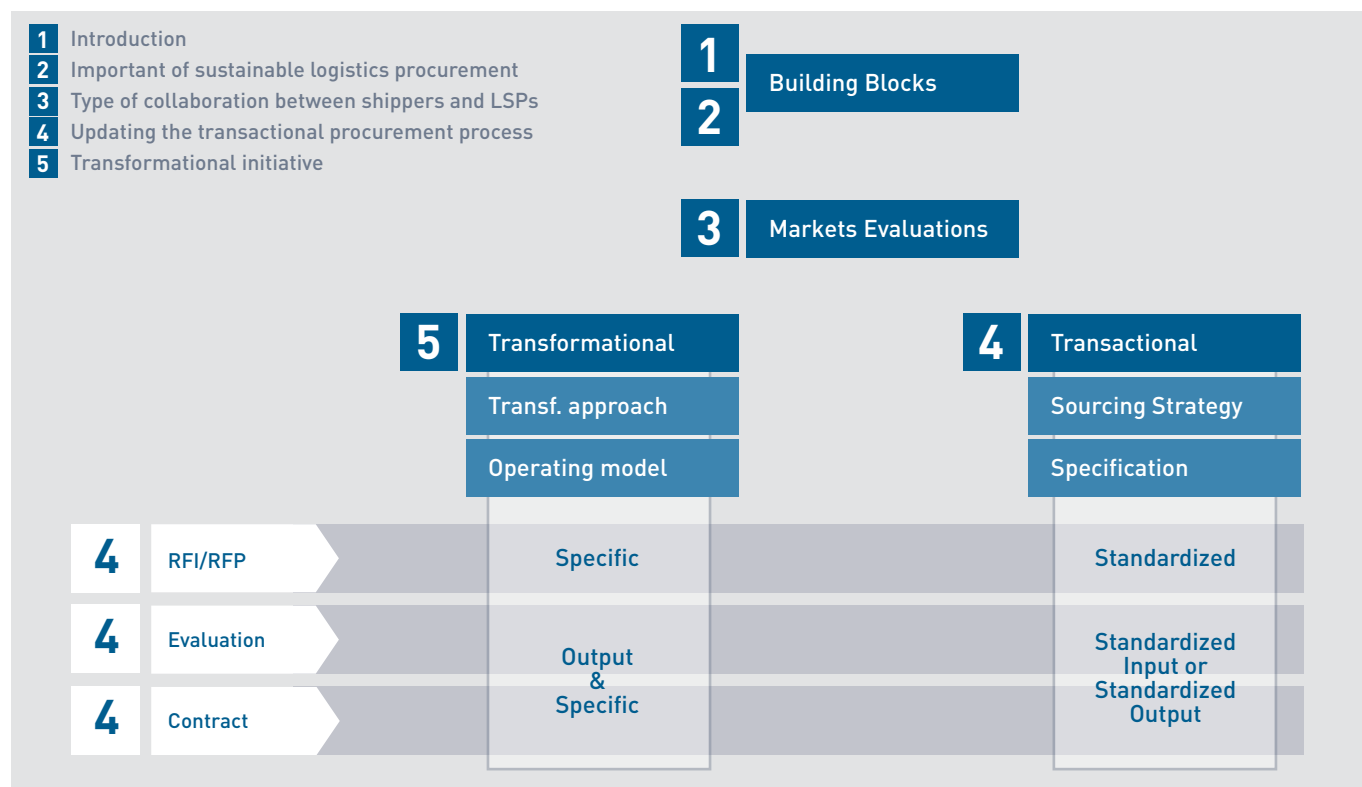
[Chapter 3](#) will introduce two distinct procurement strategies between shippers and logistics service providers (LSPs): transactional and transformational procurement. Transactional procurement outlines where solutions are readily available and procurement can be

standardized, whilst transformational procurement requires long-term collaboration and is suited for non-standard, innovative solutions not yet readily available.

In [chapter 4](#), the various stages of the transactional procurement process will be outlined along with the necessary changes. Additionally, concrete recommendations based on best practices identified among our members will be presented, ensuring that our guidelines are rooted in practical experiences. The playbook structure facilitates easy identification of the guidelines relevant to a specific stage of the procurement process. Consequently, this playbook can be used to redesign the complete life cycle or a specific aspect of the procurement process to integrate sustainability within logistics.

[Chapter 5](#) outlines how a transformational procurement process can be used.

Figure 3: Mapping the procurement process and the playbook's chapters



2. Importance of sustainable logistics procurement



2. Importance of sustainable logistics procurement

2.1 Leveraging logistics for climate action

Rising temperatures and the presence of short-lived climate pollutants pose significant public health challenges, impacting diseases sensitive to warmer climates (such as vector-borne and heat-aggravated diseases) and directly affecting air quality, food, water, and economic security. Implementing effective sustainable actions to limit temperature rise can play a crucial role in preventing millions of premature deaths, ensuring access to food and water, and building economic resilience.

While freight transportation was initially excluded from broader sustainability discussions, possibly due to its essential role in economic development and globalization, the consequences of a warming climate necessitate urgent action by logistics service providers. They must embark on the journey toward zero emissions services, carefully weighing the economic impacts against sustainable development goals.

Currently, freight transportation and logistics account for 8-10% of the total worldwide CO₂ emissions. However, the ongoing rapid growth in freight transportation, driven by economic expansion and the opening of new global markets, particularly in Africa, Asia, and Latin America, is poised to triple transport volumes by 2050.

Alarmingly, based on current efforts, CO₂ emissions related to freight transportation are projected to more than double during the same period, reaching an estimated 6.2 billion tonnes in 2050.

With heightened awareness and concern regarding climate change, corporations face growing risks related to their resilience and overall business operations. Governments and regulatory bodies are introducing more stringent sustainability regulations, directly influencing corporate practices. Therefore, proactive assessment and operational improvements are essential for organizations to align with forthcoming regulations, such as the EU-Fit for 55 initiative and Corporate Sustainability Reporting Directive in Europe.

Furthermore, analyses indicate that capital investment trends now consider sustainability (ESG - Environmental, Social, and Governance) strategies, with sustainable investors increasing their investments in companies aligned with environmental expectations.

Similarly, customers are beginning to evaluate companies and products based on perceived sustainability to make choices aligned with their values. While sustainability may not be the sole determining factor, robust sustainable practices can significantly enhance future sales activities.

2.2 Drivers for companies to act

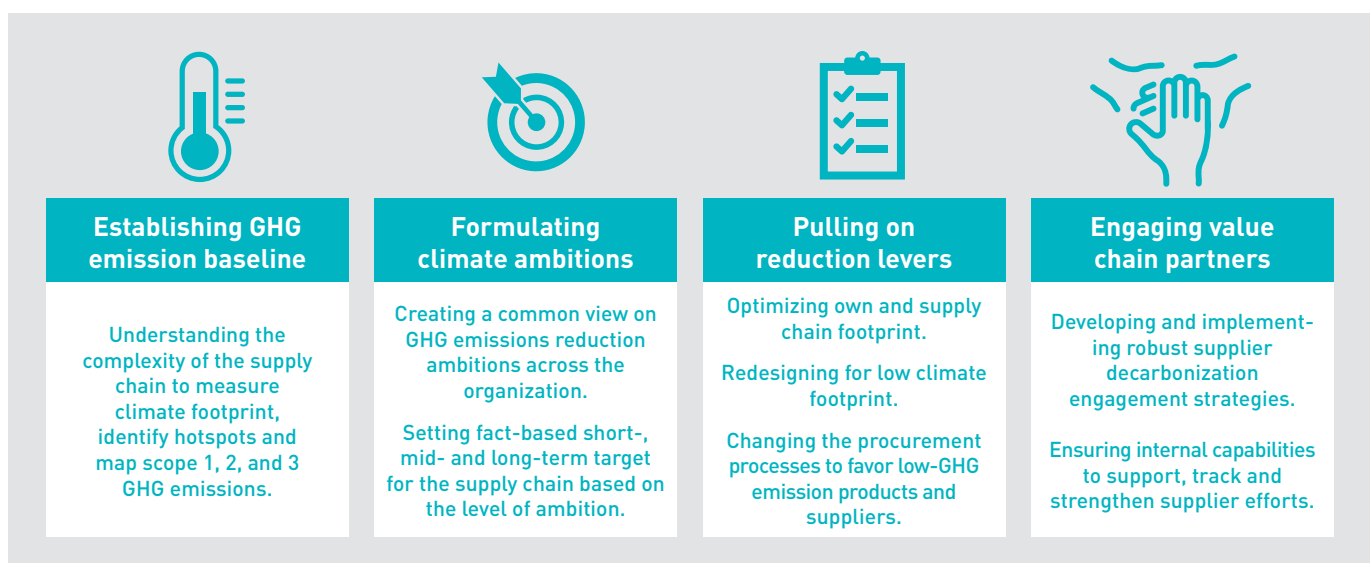
Figure 4: Primary drivers of logistics decarbonization

A	B	C	D	E	F
Serving the world's need for a green transition	Adapting to increasing regulatory requirements	Removing inefficiencies and waste from fossil operations	Demands from customers and investors	Improving the employer value proposition	Identifying new revenue pools and business models
					
There is no better time than now! Climate change is happening at an unprecedented pace, and many companies have seen the impact on their own operations.	National and international regulatory bodies are increasing requirements to accelerate the green transition, such as the EU's Green Deal as well as other national regulations being introduced.	Companies are identifying inefficiencies in their current operations that can be removed while transitioning to low-GHG emissions operations.	Many industries are moving toward a green transition, creating further expectations from customers and investors for companies to engage in decarbonization across the value chain.	Public awareness - particularly driven by the climate crisis - is resulting in current as well as potential employees demanding their employers to act.	A green transition creates new opportunities at the product/service level but potentially even in entire business models.

To successfully meet our climate goals by 2050, or even sooner, it is abundantly clear that the entire transport and logistics industry must come together to drive the necessary changes. Climate initiatives are underway, but significant variations in the commitment and scope of these efforts are still existing. Nevertheless, it is evident that procurement professionals play a crucial role in bolstering their organizations' sustainability endeavors. Procurement holds a strategic advantage

in driving forward the company objectives by actively engaging with suppliers, across all four steps companies take to act: from understanding GHG emissions, to ensuring suppliers have targets in place and pull the correct reduction levers. Procurement professionals translate these into sourcing strategies, supplier selection, forming contracts, and establishing partnerships with suppliers.

Figure 5: Four steps to logistics decarbonization strategies



2.3 Dilemmas faced when integrating sustainability within the procurement processes

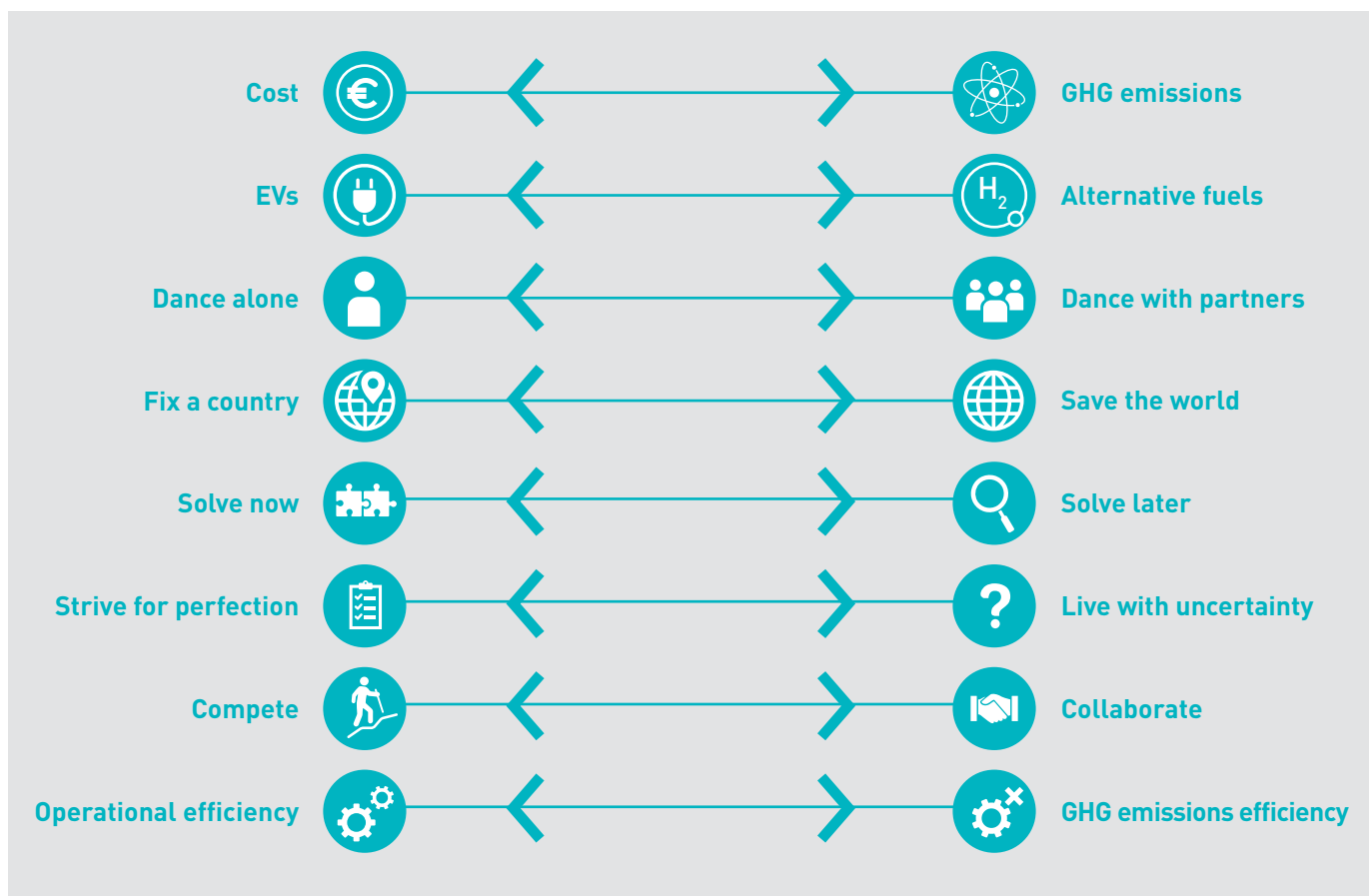
Logistics Procurement professionals are required to consider a range of dilemmas when sourcing sustainable logistics. The choice made depends on the individual company strategy, the level of risk appetite and the capacity to change.

- Cost vs GHG emissions:** Balancing the financial investment required for decarbonization efforts with the long-term environmental benefits can be a significant dilemma. Implementing sustainable practices often involves higher upfront costs, which may conflict with budget constraints. Securing logistics suppliers with decarbonization solutions aligned with our goals may require a stronger value proposition.
- EVs vs. alternative fuels:** Choosing the right technology to decarbonize logistics operations can be challenging. Evaluating different options such as electric vehicles, alternative fuels or renewable energy sources requires careful consideration of factors such as cost, infrastructure requirements and compatibility with existing systems.
- Dance alone or dance with partners:** Logistics operations often involve complex supply chains with multiple partners and stakeholders. Decarbonizing these operations may require collaboration and alignment with suppliers, customers and other logistics providers, which can be challenging due to different interests and priorities.
- Fix a country or fix the world:** Keeping up with evolving regulations and policies related to GHG emissions can be a dilemma. Logistics professionals

need to ensure local compliance with existing and upcoming regulations while navigating potential conflicts with operational efficiency and cost effectiveness, which may require scale.

- **Solve now vs solve later:** The transition from conventional logistics operations to decarbonized practices may involve a period of adjustment and uncertainty. Managing this transitional phase while maintaining service levels, minimizing disruptions and optimizing costs can be a dilemma.
- **Strive for perfection vs live with uncertainty:** Collecting accurate data on GHG emissions and energy consumption across logistics operations is crucial for effective decarbonization planning and monitoring. However, data availability, reliability and standardization can be a dilemma that logistics professionals need to address.
- **Compete vs. collaborate:** Decarbonization initiatives can provide a competitive advantage by enhancing brand reputation and attracting environmentally conscious customers. The question is whether we can decarbonize faster on our own and make it a competitive advantage — or whether we need to collaborate to create the necessary scale and business case.
- **Operational efficiency vs GHG emissions efficiency:** Decarbonization efforts may impact certain performance metrics such as delivery speed, payload capacity or range. Logistics professionals must carefully assess and balance these trade-offs to ensure that decarbonization initiatives do not compromise the overall efficiency and effectiveness of operations.

Figure 6: Navigating the procurement dilemma: Sustainable logistics services decision-making



2.4 Challenges to logistics decarbonization from a freight buyer and seller perspective

Building upon the overall dilemma of integrating sustainability within logistics, 12 common and recurring challenges encountered by procurement professionals were identified. These are impacting the speed and scope of their sustainability efforts:

Figure 7: Procurement challenges: an overview of the obstacles

A	Lack of logistics GHG emissions data Poor logistics GHG emissions data for both buyers and sellers.	G	Different regulations and policies Buyers face difficulties in staying informed of the differences in regulations and policies as they vary across modality and geography.
B	Limited influence on logistics emissions Buyers find limited success in leveraging their influence to reduce supply chain emissions.	H	Investing without guaranteed demand Sellers face difficulties in investing and planning for low-GHG operations due to fluctuating demand patterns.
C	Differing decarbonization ambitions Buyers' and sellers' ambitions often differ in terms of speed and scope.	I	Setting GHG emissions value Buyers struggle to define the internal value of emission: How much is GHG emissions valued compared to cost, reliability, availability etc.?
D	Lack of recognized KPIs There are no commonly agreed standards for measuring and monitoring GHG emissions performance between buyers and sellers.	J	Sellers' maturity and decarbonization solution vary Sustainability maturity varies significantly, and the availability of low-GHG emissions solutions varies accordingly.
E	Lack of resources for delivering on sustainable targets The current budget and resources dedicated to delivering on logistics' decarbonization targets are lacking in the face of the necessary ambition.	K	Difficult to communicate decarbonization requirements Buyers experience difficulties in specifying and contracting low-GHG emissions solutions due to lack of experience.
F	Fragmented logistics supplier base Buyers face difficulties in scaling their decarbonization plans due to a large and fragmented logistics service provider base.	L	Allocating ownership of new risks The lack of technological maturity makes it difficult for buyers and sellers to contractually allocate risks.

The issues identified are widespread and relevant across industries, modes of transportation, and geographical locations. Despite conducting interviews, no identifiable patterns emerged to effectively prioritize these issues. These issues predominantly arise in the early stages of the procurement process but persist and manifest themselves in the later phases as well. Addressing even a subset of these challenges demands substantial commitment in terms of time and financial resources from buyers. While many companies have initiated efforts to tackle these issues, none have fully resolved all of them.

These issues, stemming from either the buyer or seller perspective, manifest themselves at various interaction points between the procurement and sales processes. To identify common challenges and empower procure-

ment to incorporate sustainability aspects into the sourcing and procurement strategy, the procurement process is mapped.

The structure of a transactional procurement process mirrors that of a sales process for logistics service providers. Therefore, achieving alignment between buyers and sellers in their respective processes is crucial, ensuring a shared understanding of buyer needs and available seller services.

The milestones in both processes demonstrate similar characteristics reflecting their interdependencies. Mapping this process against the challenges encountered by freight buyers and their service providers allows to see in which stage challenges emerge and where to address them:

Figure 8: Mapping of the existing procurement process

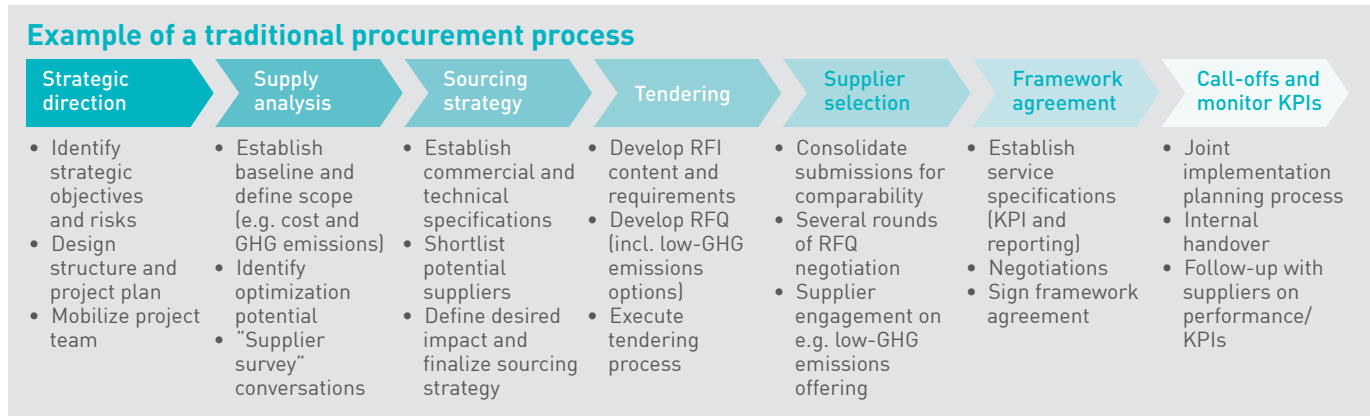


Figure 9: Mapping of the existing sales process

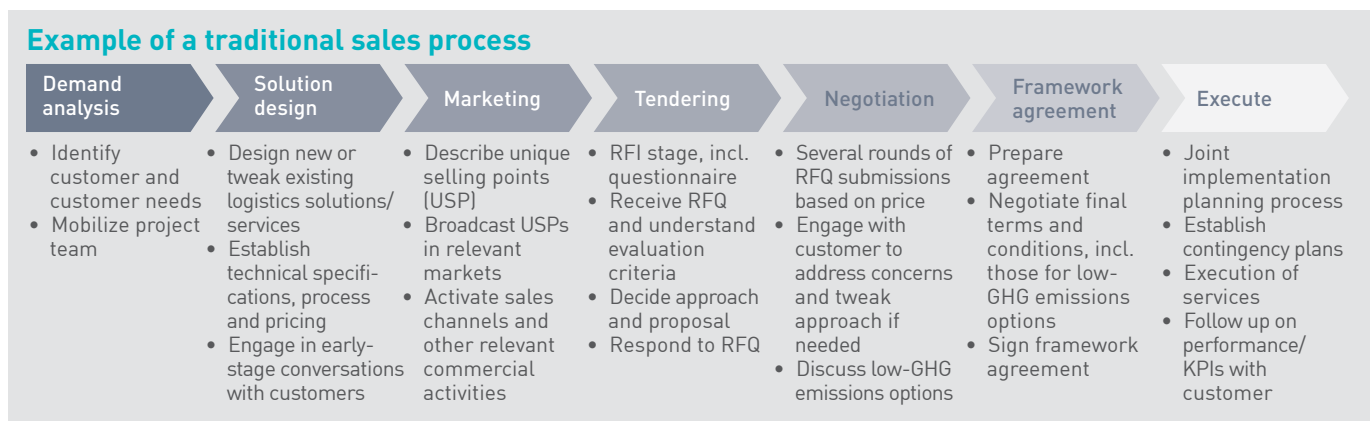


Figure 10: Consolidating the challenges and their impact on the procurement process stages

Analysis	- The traditional procurement process - The traditional sales process	Strategic direction	Supply analysis	Sourcing strategy	Tendering	Supplier selection	Framework agreement	Call-offs and monitor KPIs
		Demand analysis	Solution design	Marketing	Tendering	Negotiation	Framework agreement	Execute
A	Lack of logistic emission data		x		x	x		x
B	Limited influence on logistics emissions	x	x	x			x	
C	Difference in decarbonization ambitions	x	x	x		x	x	
D	Lack of recognized KPIs	x			x	x	x	x
E	Lack of resources	x	x	x	x	x		
F	Fragmented logistics supplier base		x	x	x	x		
G	Different regulations & policies	x	x	x			x	x
H	Investing without guaranteed demand	x	x		x		x	x
I	Setting a GHG emissions value	x	x	x		x		x
J	Sellers' maturity and decarbonization solution vary	x	x	x			x	
K	Difficult to express decarbonization requirements	x	x	x	x		x	
L	New risk allocation						x	x

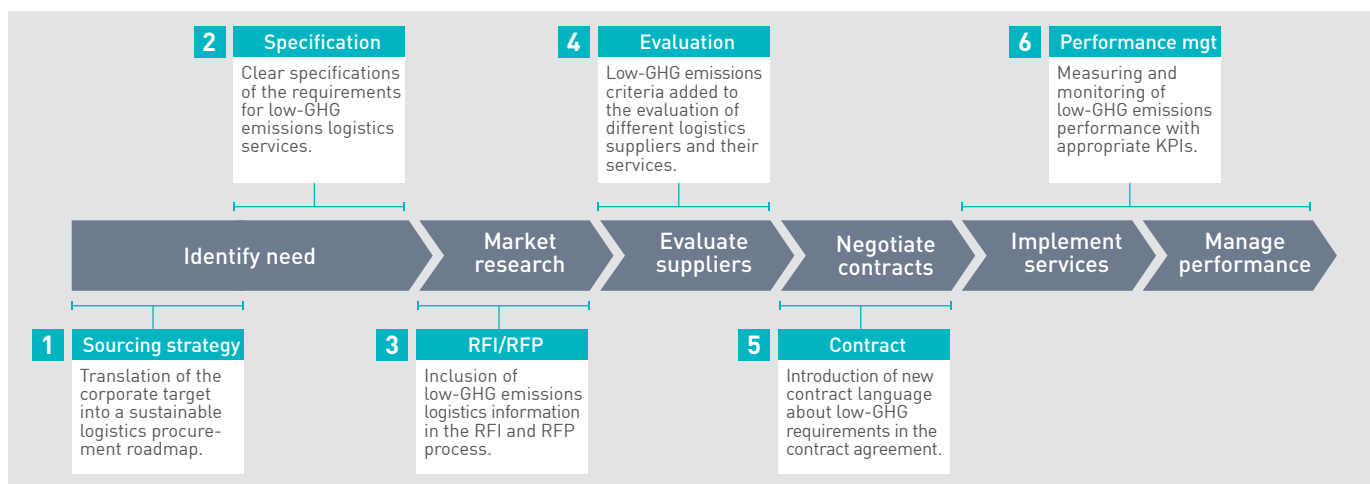
2.5 The necessary changes to logistics procurement

As previously emphasized, procurement is ideally positioned to tackle the current challenges associated with decarbonizing logistics services. These challenges primarily stem from a lack of maturity and experience in the adoption of new, sustainable technologies, their applications, and related processes. Consequently,

addressing these challenges, and as such integrating sustainability into the procurement lifecycle, requires overcoming various hurdles to successfully contract sustainable logistics services.

Based on above challenges and common touch points, six interventions are identified to the transactional procurement process to integrate sustainability within logistics procurement:

Figure 11: Required changes consolidated into six interventions within the procurement process



1. Sourcing Strategy: it was discovered that procurement teams that failed to maximize the impact of sustainable initiatives often operated in isolation, separating sustainable procurement efforts from their organization's broader sustainability strategy. To ensure the full leverage of carbon reduction initiatives, it is imperative to facilitate a seamless alignment of corporate goals with the sourcing strategy. This topic will be addressed in section 4.1.

2. Specification: At this stage, sustainable requirements are defined to meet or surpass the objectives outlined in the sourcing strategy. Therefore, to prevent potential confusion, Procurement should review the specification step to enhance the clarity and accuracy of the sustainable needs communicated,

while ensuring standardization to align with RFI requirements. Additionally, an effective method will aid in managing maturity gaps in supplier capabilities and the adoption of new equipment. This topic will be addressed in chapter 4.2.

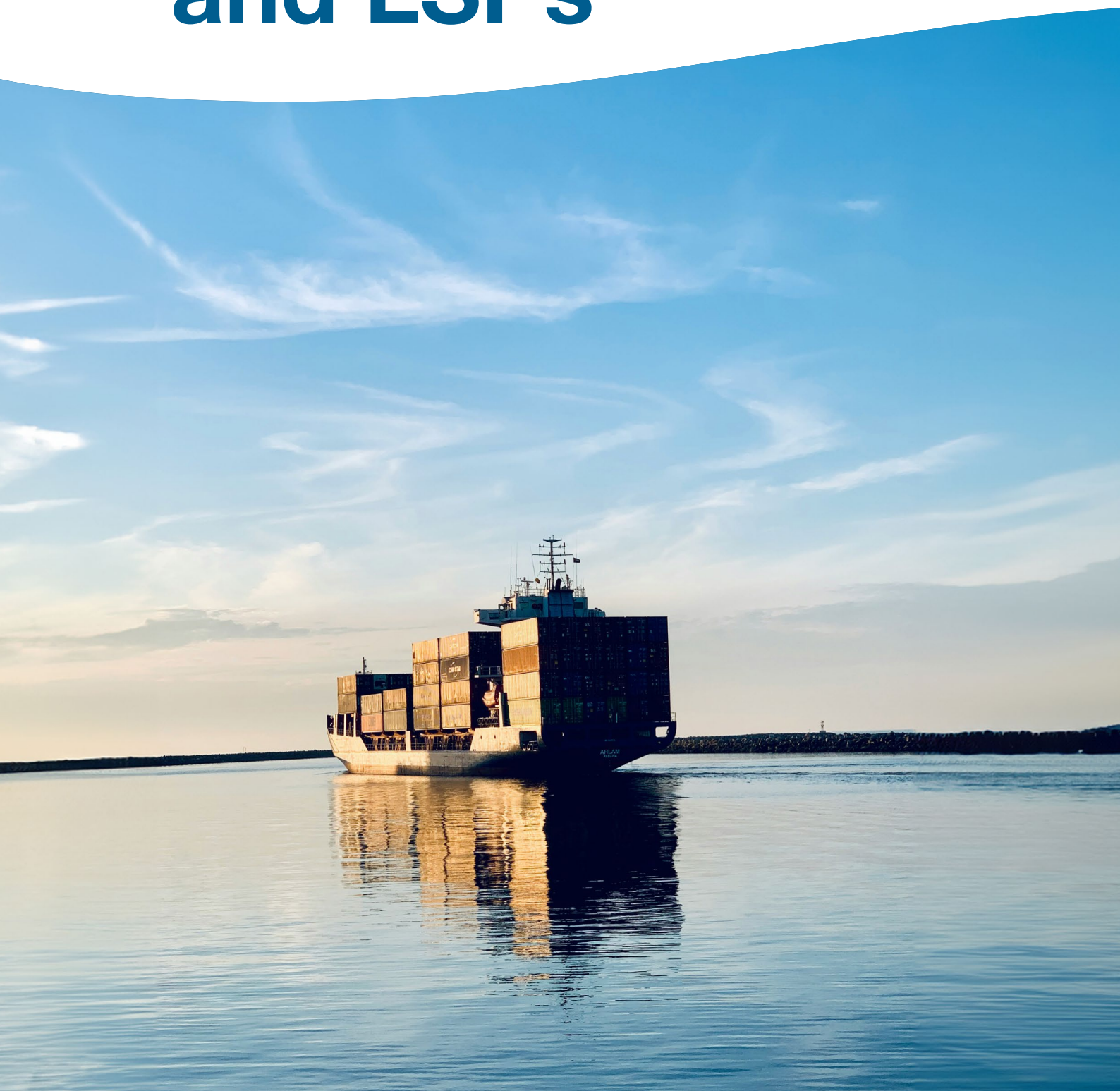
3. RFI/RFP: During the RFI/RFP process, it is imperative to incorporate sustainability requirements. At this stage, procurement stands to gain from implementing a systematic approach to sustainability, which ensures alignment and helps prevent potential oversights. Efficiency in the process is crucial, and it's important to link and frame insights into supplier carbon performance according to the specific sustainability requirements. This topic will be addressed in chapter 4.3.

- 4. Evaluation:** The challenge related to the evaluation involves including sustainability in the assessment of the supplier's offer to generate maximum value for the organization. Recommendations will be reviewed and provided on how to incorporate new sustainability requirements into the assessment of the commercial offer in a simplified and efficient manner. This topic will be addressed in chapter 4.4.
- 5. Contract:** The inclusion of sustainability criteria within the selection process, in addition to the adoption of new technology and processes necessitates an update of the current legal scope. This update must address the upcoming legal challenges in terms of sustainable performance expectations, related commitment, and risk ownership. This topic will be addressed in chapter 4.5.
- 6. Performance Management:** Incorporating sustainability criteria and new processes into contracted logistics services necessitate monitoring the delivery of committed services within the agreed time frame by the supplier. Addressing the need for visibility into supplier carbon performance and other sustainability requirements in logistics services needs to be emphasized. This topic will be addressed in chapter 4.6.

Although the steps of the standardized process requiring intervention have been evaluated, this procedure does not encompass the entire spectrum of potential collaboration between a shipper and its suppliers.

However, it was also discovered that transactional procurement processes have limitations. The market for zero-emissions logistics remains immature in many geographic areas, and the availability and cost of "standard" low-emissions solutions vary widely. This requires a different transformational approach, which is addressed in chapter 5.

3. Types of collaboration between shippers and LSPs



3. Types of collaboration between shippers and LSPs

The relationship between a customer and its suppliers can vary significantly based on the level and nature of collaboration between both parties. Although each relationship embodies a unique mix of commitment toward shared objectives, two collaboration archetypes can be defined based on the type of shared goals and methods of achieving them. These archetypes, transactional and transformational, represent two distinct paradigms in business relationships, especially in the context of supply chain management and procurement. The transactional approach is suitable for situations where the goods or services being procured are standardized, readily available, and easily interchangeable between suppliers while the transformational approach is more appropriate for procuring complex, innovative, or critical goods or services, where long-term relationships, collaboration, and value creation are paramount.

In the very first stage of the process, a procurement professional needs to determine whether the transactional procurement process can be used or whether a more transformative approach should be applied instead.

3.1 The Transactional approach

The transactional approach relies on the transactional and standardized procurement process and provides efficiency in managing information and the ability to assess numerous commercial offers at the same time. A standard procurement process for logistics services usually includes RFI, RFQ or RFP and through a systematic framework that helps streamline the entire procurement lifecycle, from identifying needs to contract closure. By defining clear steps and responsibilities, organizations can reduce duplication of efforts, minimize delays, and optimize resource allocation to ensure best value for money.

A well-designed procurement process enables organizations to identify cost-saving opportunities and negotiate favorable terms with vendors. By leveraging economies of scale, standardizing specifications, and conducting competitive bidding processes, organizations can achieve cost efficiencies and optimize their procurement spent.

This process has been refined with the aim to improve standardization and automatization, maximizing

efficiency and as such when considering the current maturity and context of the sustainable logistics, it is probably more realistic to consider generating incremental improvement in terms of Sustainability. Indeed, the transactional process will face limitation in terms of the agility and resources to adapt to the changes driven by more substantial sustainability improvements.

Throughout the transactional procurement process, organizations may follow established policies, procedures, and guidelines to ensure transparency, accountability, and compliance with legal and regulatory requirements. Additionally, organizations may use procurement software or systems to streamline and automate various aspects of the procurement process, enhancing efficiency and effectiveness.

The current process for procuring commodity goods and services is well-established, yet adjustments are needed to address the challenges outlined earlier. Subsequently, necessary changes will be outlined to ensure alignment of this process with its new purpose.

3.2 The Transformational approach

Transformational initiatives, in contrast to transactional ones, typically occur outside the established procurement processes. These initiatives are driven by the objective of achieving significant progress in reducing carbon emissions within a single project, often leading to profound and far-reaching changes in existing operational processes. Transformational initiatives are those that aim to bring about substantial and groundbreaking changes, while transactional initiatives focus on routine or day-to-day processes and activities. In the context of GHG emissions reduction, transformational initiatives seek to make a significant impact.

Transformational initiatives may not follow the usual procurement procedures but should be approached with a collaborative project management mindset. They might involve alternative approaches to sourcing and acquiring the necessary resources and technologies. Transformational initiatives are expected to cause profound changes in how an organization operates. These changes could affect everything from supply chains and production processes to energy usage and waste management. Transformational initiatives in the context of GHG emissions reduction are strategic

efforts to make significant changes to operational processes and practices outside the typical procurement process. These initiatives aim to have a deep and lasting impact on an organization's carbon footprint and environmental sustainability. Traditionally,

Transformational initiatives leverage unique solutions or latest technologies available to yield high-GHG emissions reductions. However, these solutions are not yet fully developed, and it can be a competitive endeavor to secure best in class solutions.

3.3 Profiles Characterization

Figure 12: Characteristics of a transactional and transformational approach

	The transactional approach	The Transformational approach
Objective	• Specific KPI improvements	• Business model innovation
Impact	• Incremental improvements	• Potential for significant improvements
Risk appetite	• Risks are known - clear who carries the risk	• Risks unknown and to be shared
Time horizon	• Short/Medium	• Long
Cost	• Focus on unit cost improvements	• Focus on end-to-end cost efficiency
# of partners	• Several suppliers	• Fewer partners
Investments	• Usually left with logistics provider	• Potential for joint investments in low-GHG emissions assets
Focus on incremental improvements		Focus on innovation and business model innovation

Freight buyers should combine both approaches based on their ambitions and resources available. While successful transformational initiatives would result in higher GHG emissions reductions than a transactional approach, the requirement in terms of times and resources are much higher as well. As such, it may not be realistic for an organization to plan transformational initiatives for all their shipments. A balance between high sustainability targets and business continuity should be struck, based on the available resources, it is likely that only part of the transports will be concerned by

the reduction generated by the transformational initiative and a more standardized approach would be required to ensure the remaining freight is still serviced. Consequently, it is key to assess transformational initiatives to select projects which are ambitious, realistic and for which there are sufficient resources available. The transactional approach, thanks to the recommendations highlighted in this playbook, will help procure sustainable logistics services through a standardized process.

There can be several reasons why a company may choose to apply a conventional procurement process instead of an innovative and collaborative process to choose its suppliers of low GHG emissions logistics services, such as:

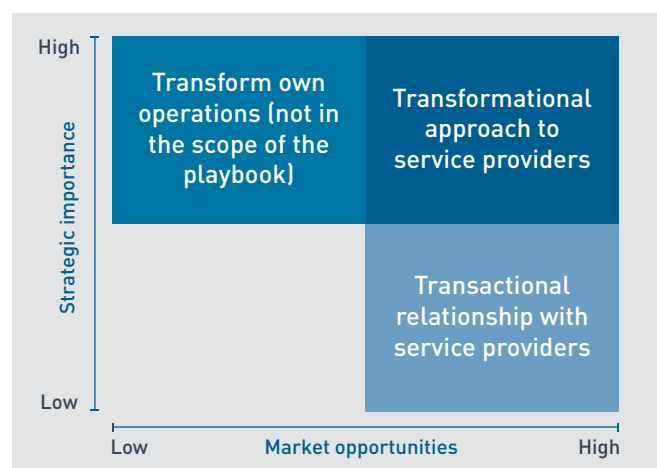
- **Familiarity and risk mitigation:** Conventional procurement processes are often well-established and familiar to companies. They follow a structured and predictable approach, which can help mitigate risks associated with supplier selection. Companies may prefer to stick to what they know works rather than experimenting with new and untested methods.
- **Time and resource constraints:** Implementing an innovative and collaborative procurement process requires time, effort, and resources. This may involve conducting extensive market research, engaging in collaborative discussions with potential suppliers, and evaluating unconventional criteria. In some cases, companies may not have the bandwidth or resources available to invest in such an elaborate process.
- **Supplier stability and reliability:** Conventional procurement processes often prioritize stability and reliability in supplier selection. By following established guidelines and standards, companies can choose suppliers with a proven track record and established reputation. This can be particularly important in industries where logistics services are critical to the company's operations.
- **Cost considerations:** Conventional procurement processes can be designed to focus on cost optimization. By using standardized evaluation criteria and competitive bidding, companies can compare suppliers more easily based on price. This approach may be suitable when cost efficiency is the primary concern.

3.4 How to decide the right mix between the approaches

To evaluate which approach is more relevant for a given market and context, procurement should assess the strategic importance of the logistics solutions against the availability of said solutions in each market. This can be evaluated along two axes:

- **Strategic importance:** Assessing which sourcing approach to take requires understanding of the importance of the emissions and logistics to your business. Examples of strategic importance:
 - Significant share of emissions are from this specific mode or supplier
 - The consequences for not changing are prohibitive or costly.
 - The wider business implications of the desired logistics change for the company
- **Market opportunities:** The market opportunities reflect the ability of the market to supply low carbon logistics. The company must understand the market opportunities, or more specifically, the availability of reliable carbon emissions reduction solutions in each market.
 - If market opportunity is low to non-existent, a freight buyer needs to consider how to transform their own operations or take a transformational approach in collaboration with their service providers.
 - If market opportunity is significant, a freight buyer needs to consider how to include sustainability within their transactional procurement process.

Figure 13: Evaluation matrix for strategic analysis



There are three key themes to evaluate when assessing the market opportunities:

1. Potential capabilities of suppliers and scalability of the solutions available

- GHG emissions reduction potential: What is the % of emissions that can be reduced?
- Key reduction potential availability (>x%): Where and how many solutions are available?
- Consolidation potential: How many suppliers are able to provide these solutions?
- Reporting capacity: What is the capacity of the suppliers to report on the impact?

2. Financial and carbon impact of the solutions available

- Insight into the relationship between cost and sustainable performance: What is the cost structure and premium structure behind the sustainability?
- Investment capabilities: What are the CAPEX cost considerations?
- Scope attractiveness: How attractive is the solution to your customers?

3. Business risks & operational impact of the solutions available

- Operational alignment: What is the impact on business infrastructure and processes?
- Emissions scope control: Is the emissions reductions within control of your suppliers?
- Overall sustainability strategy: Is your supplier in line with your sustainability strategy?

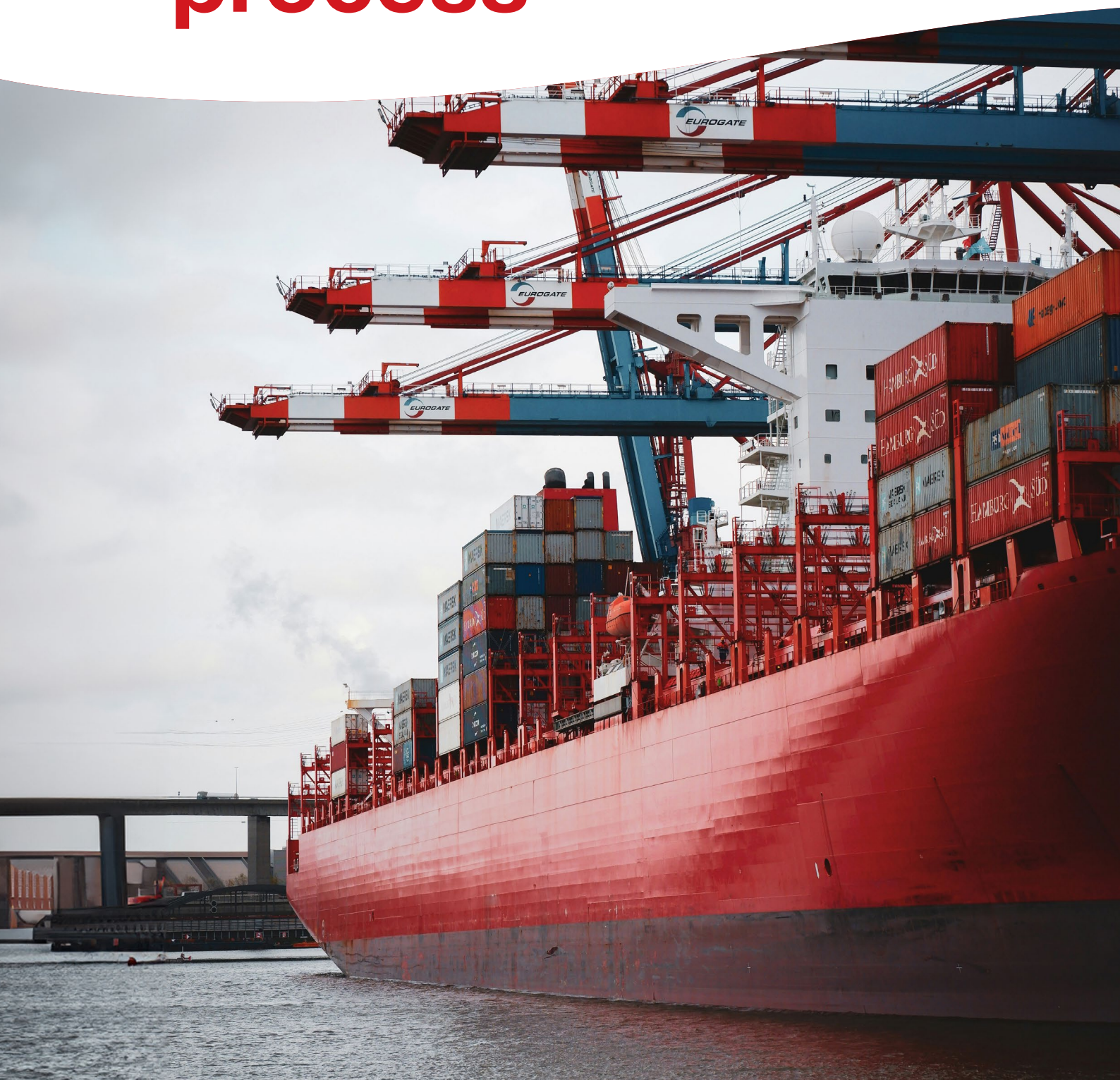
And of course, the existence of a market that can deliver GHG emissions services needs to be in place.

To help navigate and provide a systematic approach to the evaluation of the market opportunities, an example of a Logistics Industry Sustainable Maturity Matrix has been created. This example is available in Annex 1.

Figure 14: Illustration of a Logistics Industry Maturity Matrix

		1	2	3	4	5
Potential capabilities of suppliers and scalability of the solutions available	GHG emissions reduction potential	Up to 10% GHG emissions reduction from baseline	Between 11-20% GHG emissions reduction from baseline	Between 21-40% GHG emissions reduction from baseline	Between 41-60% GHG emissions reduction from baseline	Above 60% GHG emissions reduction from baseline
	Key reduction potential availability (>x%)	Punctual/ad hoc availability of monitored solutions	Limited scale of monitored solutions	Monitored solutions are available on some of our corridors/markets	Monitored solutions are available on our key corridors/markets	Monitored solutions are widely available on our key corridors/markets
	Consolidation potential	Spend split across 20 or more suppliers and no possibility to leverage other buyers	Spend split across 15 suppliers and very limited possibility to leverage other buyers	Spend split across ten suppliers and limited possibility to leverage other buyers	Spend split across seven suppliers and/or possibility to leverage other buyers	Spend can be consolidated to three or less suppliers and partnership with other buyers is a real option
	Reporting capacity	LSPs are not able to report the GHG emissions generated by your business	LSPs measure the GHG emissions generated by your business and can report quarterly based mostly on modelled data	LSPs measure the GHG emissions generated by your business and can report monthly based on limited primary data and at a granular level	LSPs measure the GHG emissions generated by your business and can report monthly based mostly on primary data and at a granular level	The GHG emissions generated by your business are audited and the report, which is based mostly on primary data at a granular level, is shared every month
Financial and GHG emissions impact	Insight into the relationship between cost and sustainable performance	Most LSPs are not able to link cost to sustainable performance	Most LSPs can only provide premium scheme with very limited insights into the relationship between cost and sustainable performance	Most LSPs can only provide premium scheme with some insights into the relationship between cost and sustainable performance	Most LSPs can provide a partial link between cost and the delivered sustainable performance	Most LSPs can provide a clear and direct link between cost and delivered sustainable performance
	Investment capabilities	Industry has very limited CAPEX spend on innovation and low technological adaptability	Industry has low CAPEX investment capability with slow adoption	Industry has medium CAPEX investment capability with average adoption	Industry has high CAPEX investment capability, frontloading on technology as an early adopter	Industry has very high CAPEX investment capability, being "first mover"
	Scope attractiveness	No customer attractiveness	Low customer attractiveness	Medium customer attractiveness	High customer attractiveness	Very high customer attractiveness
Business risks and operational impact of the solutions available	Operational alignment	The solution requires a substantial investment to adopt. Infrastructure, training and processes require an update to be rolled out to both us and our customers	The solution requires a substantial investment to adapt our infrastructure, training and processes	The solution requires some investment to adapt our infrastructure, training and processes	The solution requires training and updating of processes to be rolled out at our end	The solution is operationally aligned with our capabilities, knowledge and existing processes and would only require limited adjustments
	Emissions scope control	Most LSPs do not have access to their subcontractor's emissions performance	Most LSPs enforce - with limited success - the decarbonization requirements on subcontractors	Most LSPs enforce decarbonization requirements on their subcontractors, and it covers on average 30% of shipments	Most LSPs enforce decarbonization requirements on their subcontractors, and it covers on average 50% of shipments	Most LSPs enforce decarbonization requirements on their subcontractors, and it covers on average 70% of shipments.
	Sustainability strategy	LSPs have no formulated approach, focus or strategy toward climate action	Most LSPs are starting their sustainable journey, committing to have a roadmap within 12 months	Most LSPs have a decarbonization target and are thinking of joining a supporting initiative	Most LSPs have an established target validated by SBTi	Most LSPs have an established target validated by SBTi with the commitment aligned or more ambitious than our own roadmap

4. Updating the transactional procurement process

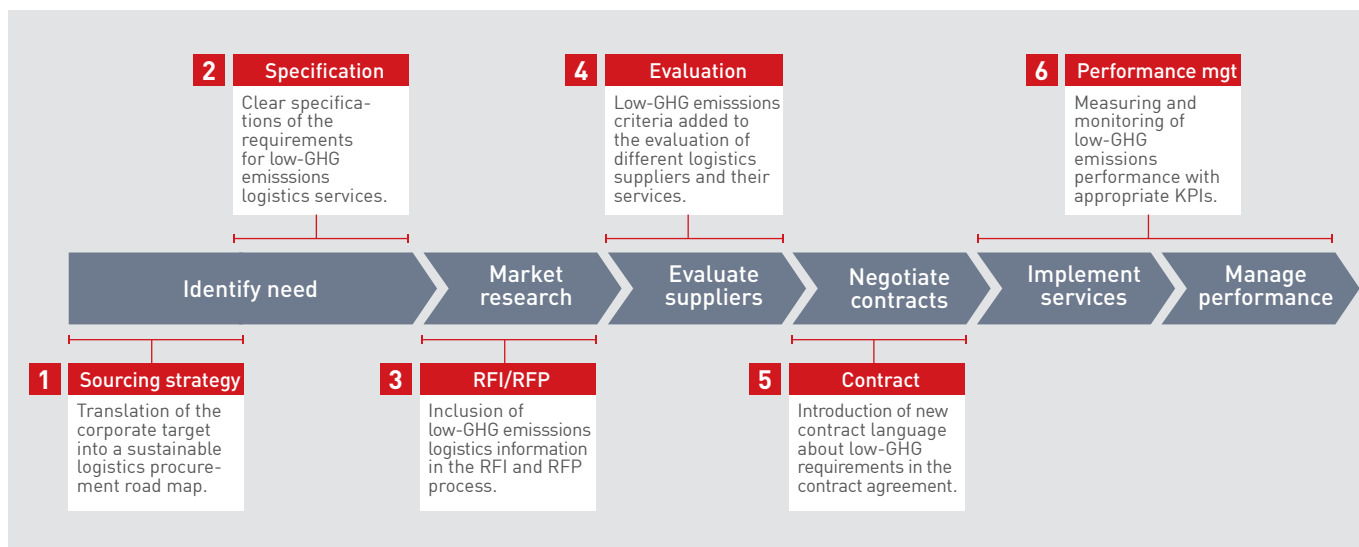


4. Updating the transactional procurement process

Implementing a standardized procurement approach, once the accompanying framework is revised to effectively evaluate and incorporate sustainability, could offer the essential tools needed to achieve our decarbonization objectives.

The interventions of the procurement process concerned by the changes, as highlighted previously are:

Figure 15: Updating the transactional procurement process – six Interventions



4.1 Intervention 1. Sourcing and procurement strategy

A clear sourcing strategy empowers logistics professionals to optimize costs, improve service levels, mitigate risks, enhance visibility and control, as well as foster collaboration and innovation with logistics service providers.

4.1.1 Set boundaries and goals (Step 1)

A sourcing strategy is essential when buying logistics services for a range of reasons.

- **Optimization:** A sourcing strategy enables businesses to identify cost-effective logistics service providers.
- **Risk mitigation:** Logistics services play a critical role in the supply chain, and disruptions or failures can have a significant impact on a company's operations. A sourcing strategy helps in diversifying the provider base, establishing backup options,

and implementing risk management measures to mitigate potential risks and ensure business continuity.

- **Scalability and flexibility:** As businesses change and their logistics requirements evolve, a sourcing strategy allows for scalability and flexibility. Key to a successful procurement is to understand the market landscape and engage a network of logistics providers.
- **Innovation and continuous improvement:** A sourcing strategy encourages businesses to actively engage with logistics service providers, fostering collaboration and innovation. By seeking out new technologies, processes, and best practices, companies can enhance their supply chain efficiency, reduce lead times, and stay competitive in a dynamic market.

4.1.2 What needs to change?

If you wish to include decarbonization in your sourcing strategy, there are several factors to consider:

- **Assessing carbon footprint:** Assess your current carbon footprint and identify the major sources of emissions within your logistics operations.
- **Setting clear goals and targets:** Establish specific goals and targets for reducing carbon emissions in your sourcing strategy.
- **Identifying low carbon alternatives:** Evaluate and identify low carbon alternatives for various aspects of your logistics operations. This could involve exploring options such as electric vehicles, hybrid vehicles, biofuels, rail transport, or other sustainable modes of transportation. Consider the availability, feasibility, and cost-effectiveness of these alternatives.
- **Engaging with your suppliers:** Encourage your suppliers to adopt sustainable practices; collaborate to identify ways to reduce emissions throughout the supply chain.
- **Investing in infrastructure and technology:** Depending on your specific logistics requirements, you may need to invest in new infrastructure and technologies to support decarbonization efforts.
- **Monitoring and reporting:** Implement robust monitoring and reporting mechanisms to track progress toward your decarbonization goals.
- **Training and awareness:** Provide training and awareness programs for your employees and suppliers to educate them about the importance of decarbonization and the changes being implemented in the sourcing strategy.
- **Obtaining buy-in from senior management:** Present the business case to justify the actions undertaken, including the possibility to not prioritize cost as the most important decision criteria.
- **Establishing an award scheme:** Establish individual staff KPIs toward sustainability and introduce incentives, bonuses and clear recognition for logistics and sustainability professionals. Consider an award mechanism for your suppliers.

4.1.3 How to change your sourcing strategy?

Adapting your sourcing strategy is likely the most challenging yet crucial task out of the six interventions, as developing a roadmap to procure zero emissions logistics requires to involve various field of expertise and the evaluation of multiple factors. Figure 16 presents an example of sourcing strategy revision.

Figure 16: Sourcing strategy steps



4.1.4 Details of what needs to change

Step 1. Outline Current Strategy

What is our target, roadmap, and how to achieve this? Which areas will we prioritize and which suppliers? Through defining the overall strategy, we can choose:

Outline Current Strategy	
What is our winning aspiration?	- What is the winning aspiration of the logistics sourcing? - What major issues do we need to resolve to deliver on the ambition? - What decisions have we made about “where to play”?
Where will we Play?	- Which suppliers, geographies, technologies and modalities are you prioritizing? - What decisions have we made about “where NOT to Play”? - What GHG emissions reporting standards will we enforce? - What low-GHG emissions solution will we support? - What segments do we prioritize?
How will we win?	- What investments will we make? - What approach will we take with our logistics service providers? - What capabilities do we need in the team — and what capabilities do we have?
What capabilities must be in place?	- Who do we partner with? - What do we need to train and teach?
What management systems are required?	- How do we measure and monitor GHG emissions reduction gains? - How do we govern the collaboration with our service providers? - How do we incentivize our staff and suppliers? - How are we segmenting and prioritizing our service providers?

Step 2. Frame Strategic Issue

How might we ensure access to sufficient low-GHG emissions logistics services to support our growth and decarbonization at the same time? Issues emerging are:

Frame Strategic Issue	
Deliver on current projects (short term): How might we deliver on our current low-GHG emissions targets?	- We see capacity and capability issues with the current LSPs within the current timeframe. - How might we attract a higher share of the low-GHG emissions offers currently available?
Track the agreed emissions reduction: How might we monitor that the agreed emissions reductions are taking place?	- How do we confirm that our suppliers are delivering the agreed emissions reductions? - Is our current emissions performance aligned with our interim goals?
Ensure long-term capacity: How might we ensure long-term supplier capacity?	- From a buyer's market to more of a supplier's market. How do we create value for our suppliers? - Are we satisfied with the main suppliers that currently service our business?
Ensure supplier capabilities: How might we align supplier capabilities with the current and future requirements?	- Suppliers need our support to upgrade their processes or temporarily adjust our requirements. - New suppliers with the required capabilities may need to be included in our pool of carriers. - How do we reward suppliers?
Support sustainable investment: How might we reduce the cost of current and future operations?	- Have we identified candidates for a long-term partnership to support low-GHG emissions solution development? - What cost levers are relevant? How can we leverage our scale? How do LSPs define value?
Develop learnings: How might we improve our knowledge of low-GHG emissions solutions?	- Develop knowledge and maturity of new low-GHG emissions solutions. - Ensure that new knowledge is leveraged in future procurement activities.
Early tech adoption rendered obsolete: How might we mitigate the suppliers' risk of being technologically stranded?	- With the strong development of sustainable transport solutions, there is a risk of stranded assets. - How can we foster carrier confidence in investing in low-GHG emissions solutions?
Reach end goal: How might we ensure a smooth path toward our 2050 target?	There is a strong difference in terms of decarbonizing ambitions and sustainable roadmaps between our suppliers.

Step 3. Generate options (per issue):

During this phase, we will pinpoint potential solutions that could address the strategic issues identified earlier. This process should be carried out for each of the issues raised in step 2.

Step 4. Identify barriers to choices (per options):

What limits each solution and approach we can take, recognizing the above considerations.

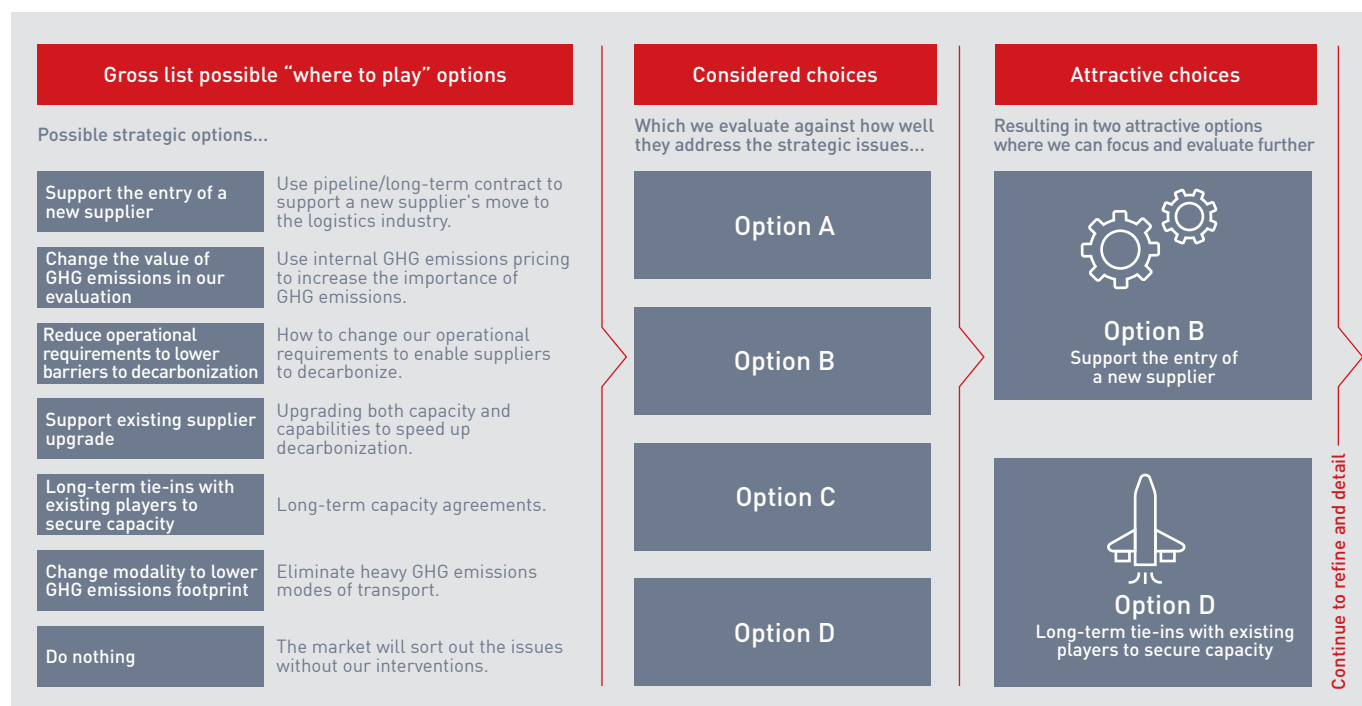
Step 5. Test and choose:

Select the solution and choose our approach.

Step 6. Adjust to new strategy:

Refresh strategy and reiterate.

Figure 17: Sourcing strategy milestones



4.2 Intervention 2. Specification

4.2.1 What do we want to achieve?

An accurate, cost efficient, quality assured, standardized specification that helps ensure suppliers understand the exact requirements of the logistics procurement process. The specification will provide a basis in evaluating suppliers and mitigating risks, enabling quality and clarity for procurement professionals.

4.2.2 What needs to change?

A logistics service provider needs a clear specification from buyers to understand the requirements and expectations for the services they are being contracted to provide.

Clear specifications help to ensure that the service provider understands the scope of the project, the desired outcomes, and the performance metrics that will be used to measure success. It can help to prevent misunderstandings or miscommunications that could lead to delays, increased costs, or other issues.

Additionally, clear specifications can help to ensure that the service provider is able to deliver solutions that meet the specific needs of the buyer, which can help to improve customer satisfaction and build long-term relationships.

4.2.3 What needs to change?

To change your specification, there are four recommendations to make:

- **Identify key areas for decarbonization:** Assess the logistics operations and identify areas where decarbonization measures can be implemented. This may include transportation modes, packaging materials, energy usage, waste management, and supplier selection.
- **Establish decarbonization objectives:** Set clear objectives and targets for decarbonization within the logistics procurement process. These objectives should align with the organization's decarbonization goals.
- **Develop decarbonization guidelines:** Consider referring to the Smart Freight Procurement Questionnaire to create standard guidelines that outline the specific decarbonization measures required from suppliers. These guidelines should cover key areas such as emissions reduction, sustainable packaging, transportation efficiency, and waste management practices.
- **Include decarbonization requirements in RFQs and RFPs:** Modify the request for quotations (RFQs) and request for proposals (RFPs) templates used in the procurement process to include specific decarbonization requirements using the Smart Freight Procurement Questionnaire. This may involve adding sections or questions related to decarbonization practices, emissions reduction plans, or environmental certifications. In order to clearly define requirements, a common language and standards are necessary. As previously mentioned, shippers and LSPs have encountered difficulties in communicating sustainable expectations due to varying approaches and reporting requirements.

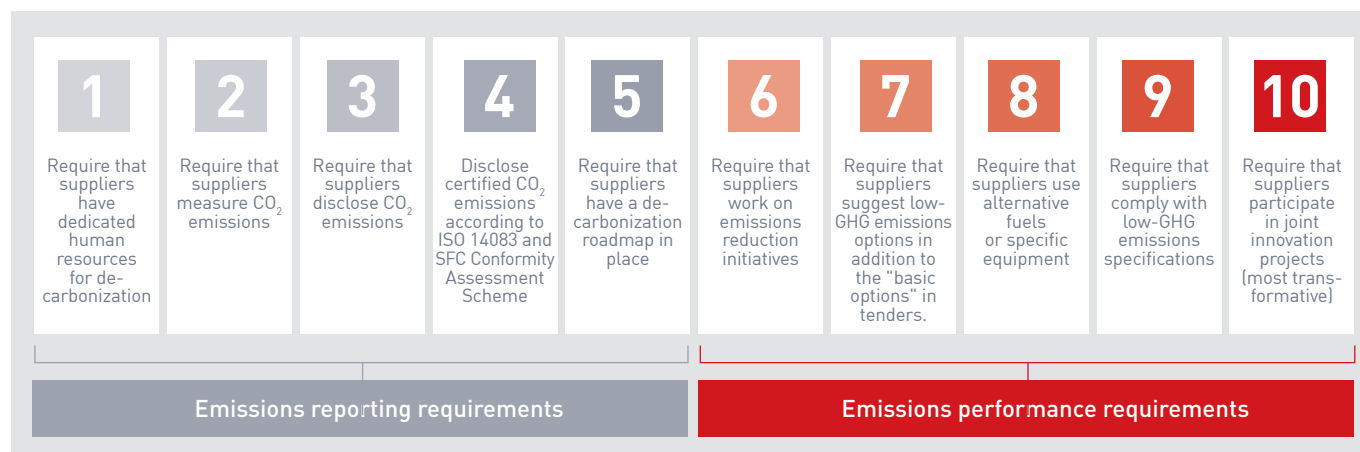
4.2.4 Changing the specifications

There are a series of specifications to be made, which need to be included in any tender specification. In order of increasing complexity are the following:

1. Require that suppliers have dedicated human resources for decarbonization
2. Require that suppliers measure CO₂ emissions
3. Require that suppliers disclose CO₂ emissions
4. Require that suppliers disclose certified CO₂ emissions according to ISO 14083 and SFC Conformity Assessment Scheme
5. Require that suppliers have decarbonization roadmap in place
6. Require that suppliers work on emissions reduction initiatives
7. Require that suppliers suggest low-GHG emissions options in addition to the "basic options" in tenders
8. Require that suppliers use alternative fuels or specific equipment
9. Require that suppliers comply with low-GHG emissions specifications
10. Require that suppliers participate in joint innovation projects (most transformative)

A detailed list of requirements is within appendix 7.3 Smart Freight Procurement Questionnaire.

Figure 18: The introduction of GHG related requirements in tenders calls for both emissions reporting and performance related requirements

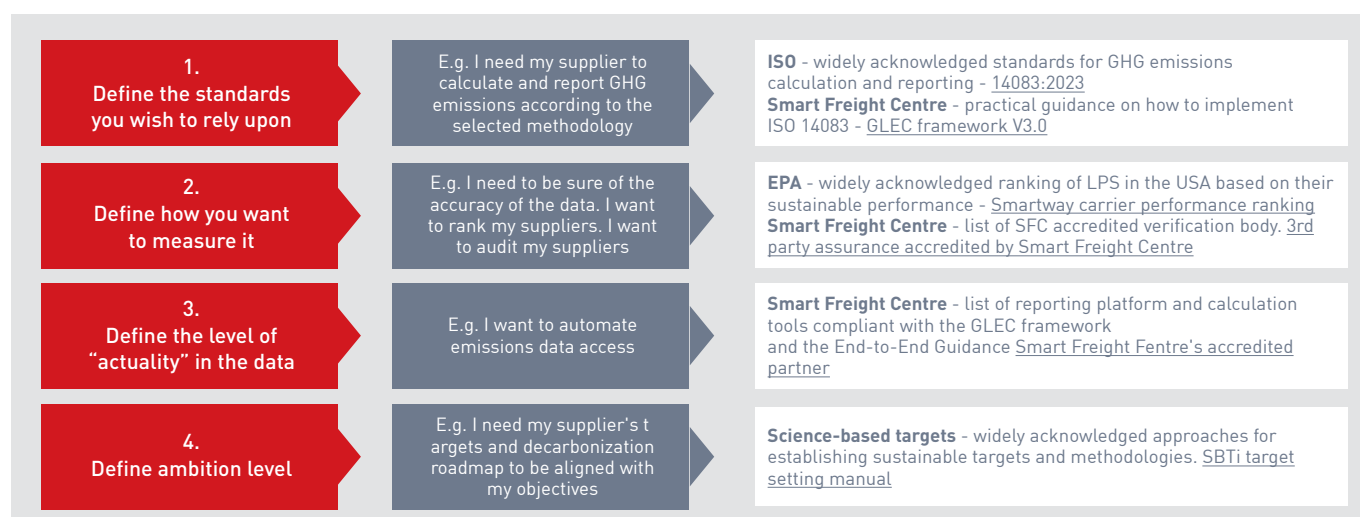


Emissions reporting requirements: While procurement and use of logistics services has always involved a certain amount of data exchange, the inclusion of sustainability as a performance indicator of logistics services has substantially raised the need for visibility and information exchange. The emergence of a set of standards or methodologies, building upon ISO 14083, suggests that shippers could become more prescriptive regarding their requirements and expectations for reporting and calculation. This could involve considering the overall market maturity and the progress of each

supplier in their sustainable journey. There's a possibility of having tiered expectations based on maturity and a roadmap for rapid enhancement of capabilities.

With a common language and standards established to define the sustainable requirements, it becomes essential to grasp the scope of these requirements and the approach to specify sustainable logistics services. This includes the standards, the data requirements, the frequency and the targets set for suppliers.

Figure 19: Set of established sustainable standards and methodologies



Emissions performance related requirements: To address the complexity of specifying sustainable performance for logistics services, shippers have the option to characterize their requirements in terms of

input or outcome. Therefore, the focus should be on clearly defining expectations regarding assets or energy to be used, or the anticipated results and outcomes.

- **Outcome-based** contracting is a type of contractual arrangement where the potential incentives and penalties are based on the successful completion of the delivery of the operational requirements and meeting certain performance metrics, rather than the inputs or resources used to complete the project. Under this type of contract, the contractor is rewarded based on the achievement of specific outcomes, such as meeting decarbonization targets.

This approach is designed for high performance and increased transparency. While it involves a high level of supplier expertise and an engagement in a long-term relationship, it translates to a more streamlined performance evaluation.

Suppliers have a large span of control and larger allocation of risk and responsibility. This approach requires adjustment of payment mechanisms as well.

Example

Performance requirements for a logistics service company delivering low-GHG emissions services include metrics related to reducing GHG emissions and baseline performance. LSPs could either use low-emission vehicles, optimize delivery routes to minimize fuel consumption and/or implement sustainable practices in their operations to meet the required target.

Specific performance metrics therefore focus on reducing GHG emissions regardless of the type of logistics services. The contract may also include penalties for failing to meet these performance requirements and incentives for exceeding them. Realizing that not all logistics service providers will be able to deliver this from year 1, there might be a need to specify an improvement path and agree on incentive and penalty schemes for these improvements.

- **Input-based** contracting is a type of contractual arrangement where the method of execution is prescribed specifically. Under this type of contract, potential incentives or penalties are based on the quantity of the resources used, aligning with the required specification, such as labor, materials, and equipment, rather than fully relying on meeting certain performance metrics.

This is used when a buyer has a high level of expertise, strong fact-based data foundation and advanced monitoring and control can be observed.

The level of performance may vary as a result of the inputs specified.

Freight buyers have a large span of control and take the risk and responsibility of the specified requirements. While performance assessment might be difficult in some context, this approach allows for a more transactional relation. It is to be noted that by dictating the required equipment to the LSP, a shipper may miss out on the suppliers' full capabilities.

Example

Specify what the suppliers must do to deliver performance according to the standards, such as:

- Specifying the assets and engines the service provider must operate
- Specifying the type of fuel
- Specifying the way you want the operator to operate when servicing your operations
- Specifying how suppliers should use renewable energy in their operations

4.3 Intervention 3. RFI & RFP

4.3.1 What do we want to achieve?

The objective is to identify qualified service providers, obtain information and receive detailed proposals through clear and understandable RFI, RFQ and RFP documents, ensuring both buyer and service provider have a clear understanding of the scope, requirements, and expectations of the project.

4.3.2 Why do we need RFI/RFP?

A logistics service provider needs a clear RFI and RFP or RFQ from buyers to understand the buyer's needs and requirements, and to provide an accurate and competitive proposal for the services they are being contracted to provide.

An RFI may be used to gather information about the buyer's needs and preferences, while an RFP is typically used to request a formal proposal and pricing for specific services.

Clear RFI and RFP documents ensure that the service provider understands the scope of the project, the desired outcomes, and the performance metrics that will be used to measure success, which can help to prevent misunderstandings or miscommunications that could lead to delays, increased costs, or other issue.

4.3.3 What needs to change?

Any RFI and RFP seeking to include sustainability needs to include the following:

1. **Introduction and background to include your targets and commitment:** Include a section in the documents that clearly communicates your organization's commitment to decarbonization. Explain the importance of reducing GHG emissions in your supply chain and the goals you aim to achieve through the procurement processes.
2. **Sustainability criteria:** Introduce specific decarbonization criteria that suppliers must address in their responses. For example, you could ask suppliers to provide information on their GHG emissions reduction initiatives, commitment to using low-GHG emissions transport options or use of renewable energy sources in their operations. These criteria will help you assess suppliers' alignment with your decarbonization goals.

- **Emissions reporting requirements:** Request suppliers to provide data on their GHG emissions and their plans for emissions reduction according to the previously selected standards and an harmonized methodology. This information will help you assess the environmental performance of potential suppliers and compare their sustainability efforts. Consider asking for emissions intensities, fuel sources, and overall transport activity data related to your operations and any other relevant aspects of their operations.

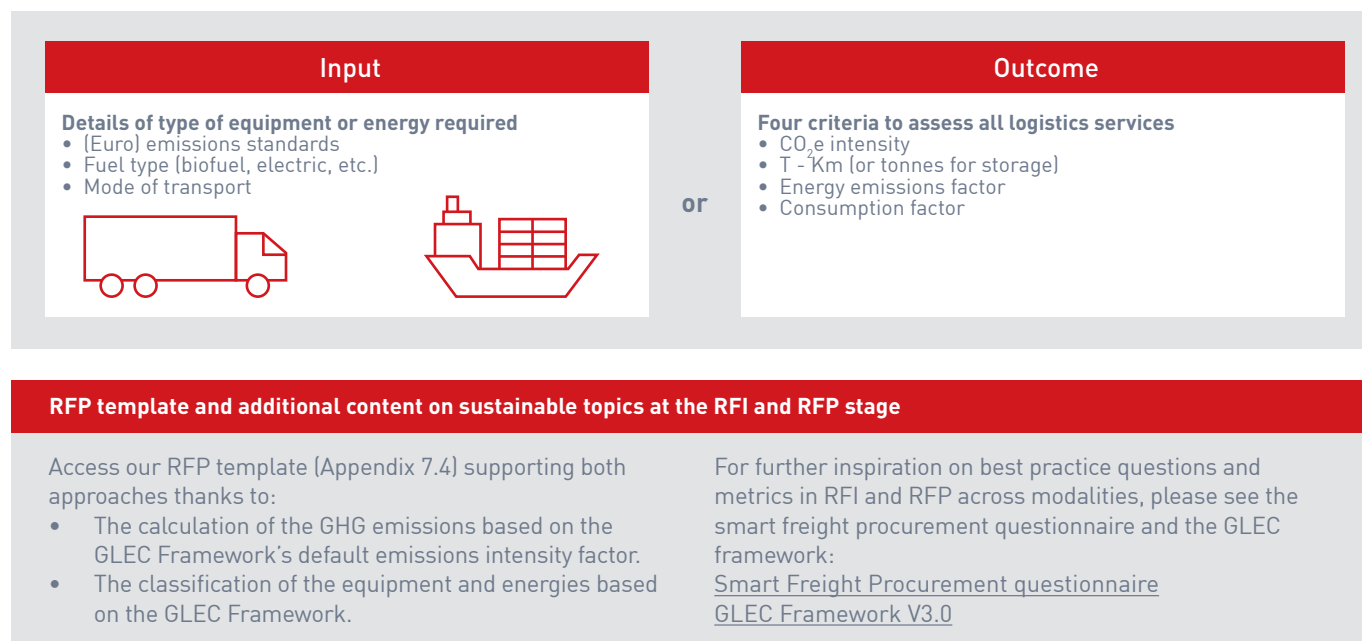
- **Emissions performance requirements:** Encourage or mandate suppliers to propose innovative low-GHG solutions in their responses. Ask them to outline their strategies for reducing emissions.

3. **Supplier collaboration:** Emphasize the importance of supplier collaboration in achieving decarbonization goals. Ask for information on how suppliers plan to work with your organization to reduce emissions throughout the supply chain.

4. **Evaluation criteria:** Modify the evaluation criteria in your documents to give appropriate weight to sustainability and decarbonization factors. This will ensure that suppliers' efforts to reduce GHG emissions are considered alongside other transactional procurement criteria, such as cost, quality, and reliability.

5. **Performance monitoring:** Include sustainability provisions for ongoing performance monitoring and reporting in the contract or agreement with suppliers. Specify the information you expect suppliers to provide on a regular basis, such as emissions data, progress on decarbonization targets or updates on new initiatives. This will enable you to track suppliers' performance over time and ensure ongoing adherence to the decarbonization goals (see also intervention 6).

To effectively assess the sustainability performance of the service providers' offers in the RFP process, Procurement should focus on sharing expectations and requirements aligned with the chosen specification approach. This could be either input-based requirements or outcome-based requirements.

Figure 20: Key criteria to assess based on the specification choice.

4.4 Intervention 4. Evaluation

4.4.1 What do we want to achieve?

The buyers of logistics services wish to achieve several objectives when evaluating an RFI, RFQ, or RFP. These objectives may include identifying potential suppliers who can meet their specific needs and requirements, comparing pricing and service offerings across multiple suppliers, assessing the quality and reliability of the suppliers services, and ensuring compliance with regulatory and environmental standards.

4.4.2 Why do we need an Evaluation?

The buyer of logistics services needs to do an evaluation of the RFI, RFP, and RFQ to ensure that they select the most suitable supplier who can meet their specific needs and requirements.

This evaluation allows the buyer to compare the offerings of multiple suppliers, assess the quality and reliability of their services, and determine which supplier offers the best value for their money.

Additionally, the evaluation ensures that the selected supplier is compliant with regulatory and environmental standards and can provide innovative solutions to improve the buyer's logistics operations. Ultimately,

the evaluation process is essential for the buyer to make an informed decision and select the most suitable supplier for their logistics needs.

4.4.3 What needs to change in the evaluation?

If the buyer starts to evaluate GHG emissions in addition to cost, reliability, and performance when evaluating logistics service suppliers, then the selection criteria and evaluation process would need to be updated.

The buyer would need to set specific performance metrics related to reducing GHG emissions and incorporate them into the evaluation criteria. This could include requiring suppliers to provide data on their GHG emissions, assessing the use of low-emissions fuels and vehicles and sustainable practices, and considering the supplier's commitment to reducing their GHG footprint.

The evaluation process would need to prioritize suppliers who demonstrate a strong commitment to decarbonization and provide innovative solutions for reducing emissions in the logistics industry.

Figure 21: Standard criteria for assessing logistics service providers, not yet considering sustainability

While the specific criteria may vary depending on the industry and the organization's needs, here are ten major criteria commonly used for evaluating logistics service providers:	
1 Reliability	Procurement professionals assess the reliability of logistics service providers by examining their track record of on-time deliveries and their ability to meet agreed-upon service level agreements (SLAs).
2 Cost effectiveness	The cost effectiveness of a logistics service provider is evaluated by considering the overall pricing structure, including transport costs, warehousing fees and any additional charges. Procurement professionals aim to strike a balance between cost and quality of service.
3 Service quality	The quality of service provided by a logistics service provider is assessed by metrics such as order accuracy, inventory management, responsiveness to inquiries and customer satisfaction levels.
4 Global capabilities	For organizations with international operations or supply chains, the logistics service provider's global capabilities are crucial. This criterion evaluates the provider's network, infrastructure and expertise in managing cross-border logistics.
5 Technology and innovation	Procurement professionals assess the reliability of logistics service providers by examining their track record of on-time deliveries and their ability to meet agreed-upon service level agreements (SLAs).
6 Scalability and flexibility	As businesses grow or face fluctuations in demand, logistics service providers must demonstrate the ability to scale their operations accordingly. Procurement professionals evaluate providers based on their flexibility to adapt to changing business needs.
7 Compliance and risk management	Logistics service providers must adhere to regulatory requirements and manage risks effectively. Procurement professionals assess the provider's compliance track record, certifications, safety procedures and risk mitigation strategies.
8 Sustainability and environmental impact	With increasing focus on sustainability, procurement professionals may evaluate logistics service providers based on their commitment to environmentally friendly practices, such as GHG emissions footprint reduction, use of alternative fuels and waste management. Most organizations have some of these criteria already included in the evaluation - but would need to increase the extent of the evaluation and the importance of the criteria.
9 Financial stability	The financial stability of a logistics service provider is assessed to ensure its long-term viability. Procurement professionals may review the provider's financial statements, credit ratings and overall financial health.
10 References and reputation	Procurement professionals seek references and evaluate a logistics service provider's reputation in the industry. They may consider customer testimonials, case studies and industry awards to gauge the provider's credibility and track record.

An evaluation model for low-GHG emissions logistics would include specific performance metrics related to reducing GHG emissions, such as using alternative fuels and low-emissions vehicles, optimizing delivery routes to minimize fuel consumption, and implementing sustainable practices in operations.

The evaluation model would prioritize suppliers that demonstrate a strong commitment to decarbonization and provide innovative solutions for reducing emissions.

The evaluation model would also consider the supplier's track record in improving GHG emissions efficiency and its ability to meet regulatory and environmental standards.

In addition, the evaluation model may include penalties for failing to meet decarbonization performance requirements and incentives for exceeding them. Overall, the goal of the evaluation model is to select a supplier that can provide high-quality, cost-effective logistics services while reducing GHG emissions and promoting sustainability.

It is difficult to compare suppliers based on decarbonization evaluation criteria only as such additional insights are needed on how to weigh GHG emissions in an evaluation matrix. There are two overarching strategies that can be considered in this context:

- 1. Multicriteria:** Utilizing a % allocation of emissions vis-à-vis other criteria such as costs, speed and reliability. This can take the form of a % allocation to each criteria and proposals receive a scoring for each criteria and ranked in accordance to this.
- 2. Quantifying the cost of carbon:** Carbon pricing mechanism is a well-known strategy which includes a price (actual or shadow) to the absolute emissions incurred. This should be in the range of 100 USD+ to become significant.

Which solution or mechanism to choose depends on several local and company-specific factors. The study "Putting a Price on Carbon" by CDP offers concrete example of CO₂e valuation, providing the 2020 average per industry in its annex.

Hence, it is suggested to incorporate the following evaluation and maturity model into the existing evaluation models in use:

- 1. Commitment:** To what extent do suppliers have existing commitments, pledges and targets in place?
- 2. Transparency:** To what extent are suppliers able to report and demonstrate progress toward an emissions reduction plan?
- 3. Operational targets:** To what extent are suppliers able to meet our specific operational performance targets (e.g. input-based or outcome-based contracting)?
- 4. Data sharing:** To what extent are suppliers able to exchange data with us and demonstrate improvements in data quality?
- 5. Innovation and leadership:** To what extent do suppliers have a continuous improvement mindset and a desire to innovate?

Box. Evaluating the ROI of a fuel switch with a carbon pricing mechanism

While an approach has been devised to assess sustainability in logistics services procurement, the capability to analyze the relationship between cost and sustainability is currently restricted in the absence of clear cost structures. Recently, commodity platforms have emerged providing financial insights for standard fuels and now including daily rates for alternative fuels as well. It is anticipated that as this trend gains traction, a consensus on alternative fuel rates will be established. This will enable procurement professionals to access cost and rate references for each fuel type and forecast future trends akin to diesel rates.

Once shippers and logistics service providers reach consensus on specific rates or an established database for fuel adjustments, visibility into the costs associated with sustainable transport offers against emissions reduction can be leveraged for any type of logistics services where switching to alternative fuel is considered.

$$\text{New shipping rate} = \text{Service rate traditional fuel} + \text{Service rate traditional fuel} * \text{Energy share traditional} * \left(\frac{\text{New energy cost}}{\text{Historical fuel cost}} \right)$$

Applying the formula provided above allows to project the anticipated service rate based on the utilization of the new fuel and its associated costs. It is crucial to note that this formula doesn't account for potential effects of operational impacts, such as extended transit times or waiting times. Thus, it's intended specifically for comparing energy or fuel switches in scenarios where there are no operational impacts.

With the new energy profile utilized, the forecasted GHG emissions reduction resulting from the switch can be determined.

$$\text{Emissions reduction potential} = \left(\text{Transport Activity}_{\text{new fuel}} * \text{Emissions Intensity}_{\text{new fuel}} \right) - \left(\text{Transport Activity}_{\text{traditional fuel}} * \text{Emissions Intensity}_{\text{traditional fuel}} \right)$$

Evaluating through an internal carbon price (or other reference such as EU ETS, EPA's SCC) vs.

$$\text{If Carbon Price value} > \frac{\text{Service rate}_{\text{new fuel}} \text{ or Green Premium}}{\text{Emission reductions potential}}$$

then the cost/performance is aligned with expectations, otherwise it is not aligned to the internal costs and could be reconsidered.

4.5 Intervention 5. Contracting

4.5.1 What do we want to achieve?

Establish a legally binding relationship between buyers and sellers that protects both entities throughout the procurement process and contract duration.

4.5.2 Why do we need contracting?

1. **Legal protection:** Contracts provide a legal framework that outlines the rights, obligations, and responsibilities of both the procurement professional and the logistics service provider.
2. **Service level agreement (SLA):** Contracts often include a Service Level Agreement that defines the expected level of service and performance metrics that the logistics service provider must meet. This ensures that the procurement professional receives the agreed-upon quality of service and can hold the provider accountable if there are any deviations.
3. **Cost and pricing:** Contracts specify the pricing structure, payment terms, and any additional charges or penalties. This helps the procurement professional understand the costs associated with the logistics services and ensures transparency in financial transactions.
4. **Scope of services:** Contracts clearly define the scope of services provided by the logistics service provider. This includes the specific logistics activities, such as transportation, warehousing, inventory management, and any value-added services.
5. **Risk mitigation:** Contracts often include clauses related to risk allocation and liability. This helps mitigate risks associated with loss or damage of goods, delays, disruptions, or any other issues that may arise during the logistics process.
6. **Confidentiality and intellectual property:** Contracts may include provisions to protect confidential information and intellectual property shared between the procurement professional and the logistics service provider.

7. **Termination and exit strategy:** Contracts outline the terms and conditions for termination or renewal of the agreement. This provides a structured process for both parties to exit the contract if needed, including any notice periods, obligations and procedures for transitioning to another service provider.

4.5.3 What needs to change?

1. **Decarbonization objectives:** The contract should clearly state the procurement professional's environmental objectives related to decarbonization, such as reducing GHG emissions, or achieving specific environmental targets.
2. **Performance metrics:** The contract should include specific performance metrics (KPIs) related to decarbonization. For example, the logistics service provider may be required to report on their GHG emissions, energy consumption, or use of alternative fuels. The KPIs should be measurable and time-bound to track progress and hold the provider accountable.
3. **Compliance with environmental regulations:** The contract should specify that the logistics service provider must comply with all relevant environmental regulations and standards related to decarbonization.
4. **Reporting and transparency:** The contract should outline the logistics service provider's reporting obligations regarding their decarbonization efforts. This may include regular reporting on GHG emissions.
5. **Collaboration and innovation:** The contract should encourage collaboration and innovation between the procurement professional and the logistics service provider to achieve decarbonization goals. This can include provisions for sharing best practices, exploring new technologies or processes, and jointly developing sustainability initiatives.

- 6. Continuous improvement:** The contract should emphasize the logistics service provider's commitment to continuous improvement in decarbonization efforts. This may involve regular reviews, performance assessments, and the implementation of corrective actions to achieve ongoing reductions in GHG emissions and environmental impact.
- 7. Transition and scalability:** If the procurement professional plans to transition to low-GHG emissions logistics operations in the future, the contract should address the logistics service provider's ability to support such transitions. This may include provisions for scalability, flexibility, and the provider's readiness to adopt new technologies or processes as the procurement professional's decarbonization strategy evolves.
- 8. Contract duration and renewal:** The contract should consider the duration of the agreement and the potential for renewal. As decarbonization efforts evolve rapidly, it may be beneficial to have shorter contract durations with opportunities for

regular evaluation and adjustment of decarbonization requirements. In contrast, LSPs may require longer contracts to gain certainty in the business case of decarbonization.

4.5.4 Changing the contracts – Examples of contract language

When drafting the contract, it is important that the language aligns closely with the requirements specified, to avoid confusion as well as to clearly define the expectations from both parties and how it will be controlled.

The clauses presented as examples have been graciously provided by the legal firm specializing in green transition.

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Emissions reporting requirements

Defining key metrics	- For the purpose of the agreement, greenhouse gases (GHG) shall be deemed to include the gasses prescribed in annex A to the Kyoto Protocol to the United Nations Framework Convention on Climate Change ("UNFCCC"), as amended from time to time, currently: GHG dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluoro-carbons (PFCs), Sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). GHG shall be expressed as a total in units of GHG dioxide equivalents ("CO₂e"). [Other relevant metrics]
Sustainable roadmap and reporting scope standard	"As part of the contractor's environmental management plan, the contractor shall submit a climate change mitigation plan (the "climate change mitigation plan") to THE CUSTOMER for review and acceptance during the preliminary design phase. The climate change mitigation plan shall describe how the contractor will provide the deliverables under the agreement in accordance with the Science Based Targets initiative ("SBTi") and consist of the following: - Maintaining a GHG emissions reduction pathway which is compatible with limiting the global average temperature increase to 1.5°C above pre-industrial levels. [Other relevant deliverables]"
Sustainable roadmap and reporting scope standard: Reporting Frequency	"To ensure transparency in the contractor's ongoing progress in achieving the targets, the contractor must submit to THE CUSTOMER GHG emissions accounts disclosing the GHG emissions arising out of the performance of the agreements as follows: - Annual GHG emissions accounts with respect to each of the agreements starting from the calendar year when production of the deliverables under the supply agreement is commenced, and - Monthly GHG emissions accounts with respect to the service agreement starting from the calendar year when commencement of service in accordance with the service agreement occurs."

Emissions reporting requirements

Tiered clause based on maturity (sector or mode)

- Tier 2: Greenhouse gas (GHG) reports must be provided at a minimum quarterly in accordance with the standards outlined in the service agreement. During the initial 12 months of service commencement, the contractor undertakes to increase the frequency at which to share the GHG emissions report to a monthly basis.
- Tier 3: GHG emissions accounts are required to be submitted monthly, adhering to the standards defined in the service agreement. This obligation begins at the conclusion of the 12-month grace period, commencing from the date of service initiation as specified in the service agreement.

Input-based performance requirements: Focus on how the activity is carried out

Required solutions to be deployed over time

The contractor shall ensure that, in line with the timeline set out in line 1 of the table below, it shall meet or exceed the targets set out in line 2 of the table below in respect of the percentage of clean vehicles deployed in fulfilling its obligations under the agreement.

Table 1. Timetable for the minimum percentage of clean vehicles mandated for transportation services.

Period	12 months	24 months	36 months	48 months
% of clean vehicles	25%	50%	75%	100%

Phase-out of certain vehicles/assets

As of [date] the contractor shall not utilize [diesel vehicles/other vehicles produced before 2009] in the fleet allocated to fulfilling obligations under the contract.

Penalties to be deployed to achieve climate goals

If the contractor is responsible for the deviation and the adjustment of the targets would jeopardize the achievement of THE CUSTOMER's targets, the adjustment shall not take place and the contractor shall pay penalties in accordance with [schedule] if the targets are not achieved. Penalties paid by the contractor shall be deployed by THE CUSTOMER at its sole discretion to finance activities that are documented GHG neutral or GHG negative, and/or determined as a sustainable economic activity in accordance with the taxonomy regulation, cf. Schedule [...].

Allowing for automatic renewal

This contract shall automatically renew on a yearly basis for the agreed period of 5 years, including the automatic application of the renewal mechanism as defined in this contract, unless the contractor fails to meet the targets, as described in this contract.

Outcome-based performance requirements - Focus on what the activity is achieving

Define performance outcome

The contractor shall ensure that, in line with the timeline set out in the targets below, it shall meet or exceed the targets set out below in respect of the percentage of GHG emissions reduction generated in fulfilling its obligations under the agreement.

- Becoming climate neutral in scope 1 and 2 in 2030 and reducing greenhouse gases ("GHG") in scope 3 by 30% in 2030 compared to the customer's GHG emissions in 2019; and
- Becoming net-zero climate neutral in 2050.

Defining new external factors

During the execution of contracted shipments, no operational delays shall be officially documented within the initial X months of implementing new vehicles or processes, providing a grace period for necessary learning and adaptation. This concession is granted at the discretion of the shipper and must be confirmed in advance upon receipt of a detailed description of the proposed changes and their anticipated effects.

Allowing for relevant flexibility

"During the provision of contracted shipment services, operational delays will not be documented on days when the temperature falls below -X degrees for battery electric vehicles (BEV). The supplier is expected to provide the most accurate data at all times. However, it is acknowledged that forecasting performance concerning empty kilometers may pose challenges. Consequently, while this performance will undergo assessment and evaluation, no penalties will be applied in the event of a decline in performance related to empty kilometers."

4.6 Intervention 6. Performance management

4.6.1 What do we want to achieve?

Implementing strong performance and contract management with logistics service providers allows procurement professionals to achieve service level adherence, cost savings, risk mitigation, continuous improvement, and contractual compliance.

4.6.2 Why do we need performance management?

Quality control: Monitoring the performance of logistics service providers allows procurement professionals to ensure that the quality of service meets the required standards. By monitoring key performance indicators (KPIs) such as on-time delivery, accuracy, and customer satisfaction, professionals can identify any issues or deviations from the agreed-upon service levels.

Cost optimization: Monitoring performance helps identify inefficiencies and areas of improvement within the logistics service provider's operations. This information can be used to negotiate better pricing, optimize routes, reduce transportation costs, and eliminate unnecessary expenses, ultimately resulting in cost savings for the company.

Risk management: Logistics operations involve various risks, such as delays, damage, or disruptions. By monitoring performance, procurement professionals can identify any potential risks or issues and take proactive measures to mitigate them. This includes ensuring compliance with safety regulations, monitoring insurance coverage, and addressing any operational vulnerabilities that may impact the supply chain.

Continuous improvement: Monitoring the performance of logistics service providers enables procurement professionals to track trends and identify opportunities for improvement. By analyzing performance data over time, professionals can identify patterns, bottlenecks, or areas where service can be enhanced. This information can be used to implement process improvements, optimize supply chain operations, and enhance overall efficiency.

Contract compliance: Logistics service providers typically operate based on contractual agreements. By monitoring performance, procurement professionals can ensure that the service provider is meeting its contractual obligations and fulfilling the agreed-upon terms and conditions. This includes monitoring service levels, compliance with agreed-upon standards, and adherence to contractual obligations such as reporting requirements or documentation.

4.6.3 What needs to change?

- 1. Decarbonization goals:** Establish specific decarbonization targets. These goals may include reducing greenhouse gas emissions, minimizing GHG footprints, or transitioning to GHG emissions transportation modes. Set specific, measurable, attainable, relevant and time-bound (SMART) goals.
- 2. Key performance indicators:** Introduce new or modify existing KPIs to incorporate decarbonization metrics. This can include tracking and monitoring the GHG emissions associated with transportation activities, energy consumption, or the use of alternative fuels.

Figure 22: The Power of One



- 3. Collaboration and innovation:** Foster collaboration with logistics service providers to jointly explore and implement decarbonization initiatives. This can involve working together to identify innovative solutions, such as optimizing transportation routes to minimize emissions or adopting new technologies that support cleaner and more sustainable logistics operations.
- 4. Performance incentives:** Consider implementing performance incentives or contractual agreements that reward logistics service providers for achieving decarbonization targets. This can include financial incentives or preferential treatment for providers that demonstrate consistent progress in reducing GHG emissions.
- 5. Data transparency and reporting:** Emphasize the importance of data transparency and reporting related to GHG emissions and sustainability metrics. Procurement professionals can require logistics service providers to provide regular reports on their environmental performance, including GHG footprint calculations and progress toward decarbonization goals. This enables better monitoring, evaluation, and improvement of sustainability practices.
- 6. Conduct performance reviews:** Schedule periodic performance reviews with the logistics supplier to discuss their performance, review data, and address any concerns or areas for improvement. These reviews help maintain transparency and foster collaboration.
- 7. Develop service level agreements (SLAs):** Create SLAs that outline the specific services to be provided by the logistics supplier, along with the agreed-upon performance targets and consequences for not meeting them. SLAs help ensure clarity and accountability.
- 8. Implement performance tracking systems:** Use technology and systems to track and monitor the logistics supplier's performance against the defined KPIs and SLAs. This could involve using software, data analysis tools, or automated reporting systems.
- 9. Regularly measure performance:** Continuously measure and evaluate the logistics supplier's performance against the established KPIs and SLAs. Regular monitoring allows for early identification of any deviations or areas needing improvement.
- 10. Performance recognition and incentives:** Recognize and reward the logistics supplier for consistently meeting or exceeding performance targets. Provide incentives, such as performance-based bonuses or long-term contracts, to motivate and maintain high levels of performance.
- 11. Collaborative problem solving:** Work together with the logistics supplier to address any performance issues or challenges that arise. Encourage open communication, problem-solving discussions, and joint decisionmaking to find mutually beneficial solutions.
- 12. Internal alignment:** Harmonize or integrate sustainability principles, objectives, and practices across various aspects of an organization's operations, strategies, and activities.
- 13. Provide feedback:** Offer constructive feedback to the logistics supplier based on the performance data and review discussions. Highlight areas of strength and identify opportunities for improvement. Feedback should be clear, specific, and actionable.
- 14. Continuous improvement initiatives:** Encourage the logistics supplier to implement continuous improvement initiatives to enhance their performance. This could involve process optimization, employee training, technology upgrades, or innovation projects.
- 15. Capture all learnings and upgrade processes and targets accordingly:** Managing sustainable data and processes will lead to learnings and insights on trends, which need to be documented. Sustainable knowledge specific to each organization, created this way, would help updating processes and reassessing the targets and path forward.

5. Using a Transformational Approach



5. Using a Transformational Approach

5.1 Reasons for a transformational approach

There are multiple factors that may lead a company to opt for an innovative and collaborative process rather than a transactional procurement approach when choosing logistics service providers. Here are some potential advantages:

- 1. Customized solutions:** Conventional procurement processes often focus on standardized requirements and specifications. In contrast, a transformational approach enables companies to work closely with suppliers to develop customized logistics solutions that meet their specific needs. This can result in more efficient and tailored supply chain processes, leading to cost savings and improved operational performance.
- 2. Improved supplier relationship:** An innovative and collaborative process allows for closer collaboration and engagement with potential suppliers. This can lead to stronger relationships built on trust, transparency, and shared goals. By involving suppliers early in the process, companies can tap into their expertise and insights to develop more effective logistics solutions.
- 3. Continuous improvement:** Engaging suppliers in an ongoing collaboration fosters an environment of continuous improvement. By encouraging suppliers to propose innovative ideas and solutions, companies can tap into their knowledge and expertise to drive efficiency gains and process improvement. This collaborative approach can lead to a more agile and responsive supply chain that adapts to changing market conditions.
- 4. Risk mitigation:** Collaborative process allows for a deeper understanding of potential risks and vulnerabilities throughout the supply chain. By involving suppliers in risk assessment and mitigations strategies, companies can proactively address potential disruptions and develop contingency plans. This can help minimize the impact of unforeseen events and enhance overall supply chain resilience.
- 5. Competitive advantage:** Embracing innovation and collaboration in supplier selection can provide a competitive advantage in the marketplace. By working closely with suppliers to develop cutting-edge logistics solutions, companies can differentiate themselves from competitors and offer unique value proposition to customers.

This can lead to increased customers satisfaction, market share and long-term business success.

5.2 Best practices

Eight best practices have been identified if a buyer and a seller wish to pursue a more transformative process:

- 1. Clearly identify impact requirements**
 - Identify desired GHG emissions reductions, cost and performance impact measures early.
 - Define the target state and desired impact of the transformation. How quickly to decarbonize and to what level of ambition?
 - Break down the target state solution to understand the GHG emissions reduction requirements in logistics operations.
- 2. Create attractive partner value propositions**
 - Acknowledge that partnerships are a two-way street and the need to have highly attractive value propositions for partners.
- 3. Let strategy and market guide**
 - Establish a clear decarbonization strategy with clear ambitions and priorities for the company.
 - Assess market opportunities and capabilities based on the most relevant evaluation criteria that support the strategy.
 - Adjust the logistics procurement strategy to match these decisions.
- 4. Integrate elements in partner operating model**
 - Link the overall target state in an operating model to the detailed design of the partner operating model — together with the possible partners.
 - Include all relevant operating model dimensions to be as specific as possible.

5. Settle on preferred partnership model

- Explore different partnership models to understand different ways to decarbonize your logistics.
- Identify the most relevant models based on your specific requirements.

6. Take a holistic approach to the business case

- Include end-to-end cost, GHG emissions and value elements.
- Make sure to incorporate scaling/ramping up of differences when assessing the impact.

7. Ensure clear partner selection criteria

- Firmly design and anchor the partner selection criteria that meet the target state, including the ability to meet business and decarbonization requirements.

8. Design governance suited for collaboration

- Ensure that the collaboration and operations are governed by solid mechanisms/agreements.
- Rigorously outline the organizational and governance structure, including centralized and decentralized mandates.

An approach to Transformational sustainable logistics initiative is available in Appendix 7.2.

Figure 23: Transformational approach applied to sustainable logistics

Transformational approach to low-GHG emissions logistics						
	Mobilize and prepare	Kick off and assess archetype partner models	Map capability requirements	Design and test partner models	Evaluate and assess potential and existing partners	Make business case and transition roadmap
Activities	• Define and align project scope, timeline and decarbonization impact goals with selected project stakeholders and team • Mobilize and onboard team • Develop detailed project workplan and timeline • Prepare for project kick off • Initiate desktop research on possible partnership models • Make full list of industry and partnership experts for interviewing to challenge thinking • Initiate expert interviews and documentation	• Kick off project and anchor project scope, timeline and emissions reduction goals with key stakeholders • Build joint team and co-create project and sprint plan • Continue external inspiration on partnering models from relevant cases and industries to challenge and inspire design thinking, incl. rarely seen solutions • Describe archetype partner models incl. pros and cons • Explore and assess archetype partner models including external inspiration from desktop research and expert interview	• Understand and map low-GHG emissions solution requirements to be fulfilled • Assess current and future operational requirements and capabilities • Map new and existing partners • Identify processes that may be automated or digitalized • Partner candidates long list • Assess and evaluate how to engage potential partners to the project	• Detail GHG emissions requirements and role of partners • Detail potential partner models incl. pros and cons • Define standardized (global) vs. locally adapted parts of the partner models (or project) • Establish evaluation criteria to determine short-list of potential partners based on expert-based assessment • Validate and evaluate potential partners and their value propositions	• Identify partner types that match requirements (incl. capacity, decarbonization, scalability and cost) • Assess partner models and determine most promising partner model • Conduct in-depth dives in focus markets to identify potential partners • Outline future partner operating model incl. principles and organization • Pressure test findings with industry and partnership experts	• Establish high-level business case for most promising model(s) • Establish impact tracking model to track success against key performance indicators identified • Make decarbonization and transition roadmap in alignment • Conduct risk assessment based including mitigating actions • Onboard additional stakeholders and ensure full ownership • Challenge and validate business case, risk assessment and transition roadmap • Establish contractual framework for the partnership
Deliverables	• Team onboarded • Detailed project workplan and timeline • First inspiration on partnership models based on desktop research and interview	• Agreed upon project scope, timeline and impact goals • Archetype partner models incl. pros and cons • Assessment of archetype partner models from a buyer perspective	• Capability requirements and gaps • Clear and aligned criteria for partner selection • Partner candidates long list	• Partner capability requirements and roles • Detailed assessment of potential partner models • Agreement on most promising partner model and value propositions	• Longlist of potential partners • Partner evaluation criteria • Short-list of partners in focus markets • Operating model for partners	• Business case • Transition roadmap incl. clear sustainable performance measures (i.e. impact tracking model) • Risk assessment incl. risk mitigation actions • Internal stakeholder ownership • Contractual framework

5.3 Perspectives on the different elements of the operating model

The Transformational approach would most likely lead to substantial changes in the supply chain operations and the related processes. Hence, it is key to review the current logistics operating models against new factors and requirements, and define new responsibilities and information flow.

It might be required that shippers and LSPs consider setting up this operating model in partnership to further improve its implementation and impact (See Figure 22: Power of One in Section 4.6 Performance Management).

Some of the key elements to be considered are mentioned below:

- **Process:** The processes we use to deliver our logistics. Description of the end-to-end processes, including the changes required to deliver low/zero-GHG emission operation. This could include manufacturing and distribution network design and modalities.
- **Culture:** Cultural traits required from both buyer and partners to deliver on decarbonization objectives and enable effective collaboration.

- **People and leadership:** The capabilities of the buyer and partners to deliver reliable logistics services and the platforms needed to maintain and develop those competences. Includes partner development. How are decisions made on a management and daily operational level?
- **Performance management:** Clear definition of the performance management and review structures required to support the desired goals and behaviour. Includes measures of operational effectiveness and GHG emissions reductions.
- **Technology:** The technology needed to deliver GHG emissions reductions and service the operations. What new systems and legacy systems are required to deliver low-GHG emissions solutions?
- **Organization and governance:** The functions and structures required in the buyer and partner organizations, including appetite and intent to collaborate.

For further inspiration on the key elements of an operating model, you may refer to Annex 3.

Figure 24: Transformational operating model



6. Conclusion



6. Conclusion

Logistics can decarbonize through taking decisive actions. Zero emissions logistics services are entering the market and are becoming more readily available. However, it is not straightforward and requires adjustment to existing procurement processes, collaboration with suppliers and the development of new procurement and logistics strategies. Through this playbook, a comprehensive approach is provided to adjust procurement practices across the common challenges faced by a freight buyer and a freight supplier.

There are various reasons why a company takes such action, including new binding legislation which is emerging in many jurisdictions as well as final customers demanding transparency over their emissions. Companies, and therefore procurement, will need to act accordingly.

This playbook provides an tools for companies to act.

New contractual models are emerging, enabling the inclusion of low and zero emissions logistics within transactional logistics. This includes standard approaches for carbon reporting in line with the GLEC Framework and ISO 14083, and new market approaches through a Book and Claim chain of custody which has the potential to reshape logistics procurement. As well as taking new approaches to input-/ouput-based contracting, allowing a service provider to choose low carbon modes, increase asset utilization or maximize efficiency. As presented in this playbook, all can be achieved through including sustainability within the existing transactional logistics procurement processes.

Where solutions are not yet ready, transformational approaches can make significant reductions possible, taking a strategic collaborative approach to test, evaluate and scale new zero emissions energy and adoption of innovations across a supply chain.

Adjusting the procurement processes can fast track these developments and fast track the route to zero emissions logistics. It is imperative to integrate sustainability within all aspects of logistics services, recognizing their inherent value and complexity. Choosing the right mix will require assessing the strategic importance of the supply chain and the opportunities in the market.

While it is possible to integrate sustainability within logistics procurement, the successful implementation of zero emissions logistics remains a challenging exercise and demands a collaborative approach between freight buyers and their suppliers. It requires understanding how to navigate, respond and adjust to each of the dilemmas faced within logistics procurement when integrating sustainability.

Smart Freight Centre will continue to support its members and partners in how to navigate, respond and adjust their decarbonization strategies, and mobilize the logistics ecosystem to track and reduce its GHG emissions to achieve 1.5° pathways.

7. Appendix



7. Appendix

7.1 Illustration of a Logistics Industry Sustainable Maturity Matrix

		1	2	3	4	5
Potential capabilities of suppliers and scalability of the solutions available	 Carbon reduction potential	Up to 10% carbon reduction from baseline	Between 11-20% carbon reduction from baseline	Between 21-40% carbon reduction from baseline	Between 41-80% carbon reduction from baseline	Above 60% carbon reduction from baseline
	 Key reduction potential availability (>x%)	Punctual/ad hoc availability of monitored solutions	Limited scale of monitored solutions	Monitored solutions are available on some of our corridors/markets	Monitored solutions are available on our key corridors/markets	Monitored solutions are widely available on our key corridors/markets
	 Consolidation potential	Spend split across 20 or more suppliers and no possibility to leverage other buyers	Spend split across 15 suppliers and very limited possibility to leverage other buyers	Spend split across 10 suppliers and limited possibility to leverage other buyers	Spend split across 7 suppliers and possibility to leverage other buyers	Spend can be consolidated to 3 or fewer suppliers and partnership with other buyers is a real option
	 Reporting capacity	LSPs are not able to report the carbon emissions generated by your business	LSPs measure the carbon emissions generated by your business and can report quarterly based mostly on modelled data	LSPs measure the carbon emissions generated by your business and can report monthly based on limited primary data and at a granular level	LSPs measure the carbon emissions generated by your business and can report monthly based mostly on primary data and at a granular level	The CO ₂ emissions generated by your business are audited and the report based mostly on primary data at a granular level, is shared monthly
Financial and carbon impact of the solutions available	 Insight on the relation between cost and sustainable performance	Most LSPs are not able to link cost to sustainable performance	Most LSPs can only provide premium scheme with very limited insights to the relation between cost and sustainable performance	Most LSPs can only provide premium scheme with some insights to the relation between cost and sustainable performance	Most LSPs can provide a partial link between cost and the delivered sustainable performance	Most LSPs can provide a clear and direct link between cost and delivered sustainable performance
	 Investment Capabilities	Industry has very limited CAPEX spend on innovation and low technological adaptability	Industry has low CAPEX investment capability with slow adoption	Industry has medium CAPEX investment capability with average adoption	Industry has high CAPEX investment capability, front loading on technology as early adopter	Industry has very high CAPEX investment capability, being 'first mover'
	 Scope attractiveness	No customer attractiveness	Low customer attractiveness	Medium customer attractiveness	High customer attractiveness	Very high customer attractiveness
Business risks & Operational impact of the solutions available	 Operational alignment	The solution requires a substantial investment to adopt, infrastructure training and processes require update to be rolled out both at our and our customers' ends	The solution requires a substantial investment to adapt our infrastructure, training and processes	The solution requires some investment to adapt our infrastructure, training and processes	The solution requires training and update of processes to be rolled out at our end	The solution is operationally aligned with our capabilities, knowledge and existing processes, and would only require limited adjustments
	 Emissions scope control	Most LSPs do not have access to their subcontractor's emissions performance	Most LSPs enforce - with limited success - the decarbonization requirements on subcontractors	Most LSPs enforce decarbonization requirements on their subcontractors, and it covers on average 30% of shipments	Most LSPs enforce decarbonization requirements on their subcontractors and it covers on average 50% of shipments	Most LSPs enforce decarbonization requirements on their subcontractors, and it covers on average 70% of shipments
	 Sustainability Strategy	LSPs have no formulated approach, focus, or strategy toward climate action	Most LSPs are starting their sustainable journey, committing to have a roadmap within 12 months	Most LSPs have a decarbonization target and are thinking of joining a supporting initiative	Most LSPs have an established target, validated by SBTi	Most LSPs have an established target validated by SBTi, with the commitment aligned with or more ambitious than our own roadmap

7.2 Transformational approach stages

Transformational approach to GHG emissions logistics						
	Mobilize and prepare	Kick off and assess archetype partner models	Map capability requirements	Design and test partner models	Evaluate and assess potential and existing partners	Make business case and transition roadmap
Activities	- Define and align project scope, timeline and decarbonization impact goals with selected project stakeholders and team - Mobilize and onboard team - Develop detailed project workplan and timeline - Prepare for project kick off - Initiate desktop research on possible partnership models - Make full list of industry and partnership experts for interviewing to challenge thinking - Initiate expert interviews and documentation	- Kick off project and anchor project scope, timeline and emissions reduction goals with key stakeholders - Build joint team and co-create project and sprint plan - Continue external inspiration on partnering models from relevant cases and industries to challenge and inspire design thinking, incl. rarely seen solutions - Describe archetype partner models incl. pros and cons - Explore and assess archetype partner models including external inspiration from desktop research and expert interview	- Understand and map low carbon solutions requirements to be fulfilled - Assess current and future operational requirements and capabilities. - Map new and existing partners - Identify processes that may be automated or digitalized - Partner candidates long list - Assess and evaluate how to engage potential partners to the project	- Detail carbon emissions requirements and role of partners - Detail potential partner models incl. pros and cons - Define standardized (global) vs. locally adapted parts of the partner models (or project) - Establish evaluation criteria to determine short-list of potential partners based on expert-based assessment - Validate and evaluate potential partners and their value propositions	- Identify partner types that match requirements (incl. capacity, decarbonization, scalability and cost) - Assess partner models and determine most promising partner model - Conduct in-depth dives in focus markets to identify potential partners - Outline future partner operating model incl. principles and organization - Pressure test findings with industry and partnership experts	- Establish high-level business case for most promising model(s) - Establish impact tracking model to track success against key performance indicators identified - Make decarbonization and transition roadmap in alignment - Conduct risk assessment including mitigating actions - Onboard additional stakeholders and ensure full ownership - Challenge and validate business case, risk assessment and transition roadmap - Establish contractual framework for the partnership
Deliverables	- Team onboarded - Detailed project workplan and timeline - First inspiration on partnership models based on desktop research and interview	- Agreed upon project scope, timeline and impact goals - Archetype partner models incl. pros and cons - Assessment of archetype partner models from a buyer perspective	- Capability requirements and gaps - Clear and aligned criteria for partner selection - Partner candidates long list	- Partner capability requirements and roles - Detailed assessment of potential partner models - Agreement on most promising partner model and value propositions	- Longlist of potential partners partner evaluation criteria - Short-list of partners in focus markets - Operating model for partners	- Business case - Transition roadmap incl. clear sustainable performance measures (i.e. impact tracking model) - Risk assessment incl. risk mitigation actions - Internal stakeholder ownership - Contractual framework

7.3 Smart Freight Procurement questionnaire manual

This document includes the Smart Freight Procurement Questionnaire (SFP Questionnaire) and provides guidance for its usage. The aim is to provide additional insights and instructions for companies that want to use the SFP Questionnaire, or components of it, in their logistics procurement process. If your company is planning to incorporate the SFP Questionnaire into your company processes, we highly recommend studying this manual beforehand.

This document first presents the broader context and scope of the SFP Questionnaire. It then suggests recommendations on the usage and evaluation of the SFP Questionnaire, including advice on providing feedback. The main part of this document is the Questionnaire Manual, which gives crucial information to the buyer about the reasons for including the questions and offers additional detail to help with answering the questions. The questions are listed and the SFP Questionnaire is embedded as a download link in the end.

We will refer to the sender of the questionnaire, the questioner, as buyer and to the receiver of the questionnaire, the respondent, as supplier in the following document as this best represents their function in the supply chain.

Context

Freight-related GHG emissions, with more than 8%, make up a substantial part of the total worldwide GHG emissions. As a buyer, your influence on these emissions can be higher than you might think. Adopting smart procurement practices in your logistics operations, including any you outsource, can significantly reduce your carbon footprint and support the move to a greener future.

However, buyers are often unsure how to assess and collaborate with their LSPs and carriers on this topic. The result is that LSPs and carriers are confronted with an increasing number of non-transparent, non-standardized questionnaires. These are often no more than an administrative burden, especially when there is no feedback or follow up from the requesting buyer.

To reduce this burden SFC has developed a standardized questionnaire for buyers of logistics services to assess

LSPs and carriers during the logistics procurement process. SFC has set out to provide a set of appropriate questions that are designed to be meaningful for the buyer, while being clear and practical for the supplier.

Target audience

We have developed this SFP Questionnaire for any type of company or organization, irrespective of size, that is interested in assessing and evaluating its LSPs and carriers during the logistics procurement process. To support the adoption of smart freight procurement practices, we want to encourage the use of the SFP Questionnaire to aid decision-making during the freight tender process.

Scope

The SFP Questionnaire is designed to assess suppliers of logistics services with respect to their behavior and capabilities to reduce freight related GHG emissions.

The SFP Questionnaire covers all transport modes and logistics sites across any global logistics supply chain.

We have taken a general approach but recognize that in practical application there will be specific challenges for different markets, modes and type of business being tendered.

As a result, we would suggest utilizing additional resources, if required, for either more mode-specific components (e.g. Clean Cargo, Clean Air Transport or industry specific components (e.g. CEFIC SQAS).

The SFP Questionnaire has been carefully developed to consider the most important elements to achieving decarbonization and should be used as a general assessment on the topic during the freight tender process. If the buyer aims to assess other sustainability aspects, either environmental components like waste management or social sustainability aspects, additional resources need to be utilized.

We acknowledge that there are differences between logistics service providers and carriers, due to the size, business model and maturity of their organization. However, we would encourage the use of as many questions as possible and suggest the buyer should assess the applicability of certain components beforehand.

Structure of the SFP Questionnaire

The SFP Questionnaire consists of 25 questions for the RFI phase and 13 supplementary questions for the RFQ phase. Additionally, 8 KPI suggestions are provided for use in the contracting phase. The RFI questions are predominantly in a Yes / No format. The applicability of each question depends on the tendered business, so the actual number of questions used is likely to be smaller. Additional details are provided in the usage and evaluation section.

The SFP Questionnaire recognizes four main freight procurement phases and aims to supply questions and suggestions for each of these phases.

1. **Planning:** the preparatory phase, which includes the identification of needs, budget definition, a project management plan, the identification of responsibilities, and a general supplier assessment – in line with the organization's business and procurement strategy.

This is the phase for the RFI questions. These closed questions are in a simple Yes / No format to enable easy rating and evaluation during the planning process.

2. **Tendering:** tender definition (including procedure, award criteria, technical specifications, bidder-related aspects, environmental and social aspects, financial information, formal aspects), public tendering (where applicable) and the evaluation of the tenders.

This is the phase for the RFQ questions. These open questions are in a free text format, so companies can elaborate on their efforts, to enable a thorough assessment during the tendering process.

- 3/4. **Contracting:** the specification of the contract terms, supplier selection and contract negotiations, agreement on qualitative and quantitative KPIs and monitoring activities; the planning phase should include early stages of this phase.

Contract-based supplier management: monitoring of supplier performance using qualitative and quantitative KPIs. Identifying future improvement areas and best practices.

For these two phases the SFP Questionnaire provides KPI suggestions. These KPI suggestions build on the RFI and RFQ questions to give guidance on possible KPI agreements during the contracting and contract-based supplier management phase. It is important that the KPIs finally agreed are meaningful and precise and provide enough leeway to encourage innovation by suppliers.

The allocation and structure of the questions follow three guiding principles and address the needs of organizations: **transparency, collaboration, and leadership and innovation**. A strong smart freight procurement process should include at least these three guiding principles to reach a complete approach. Whereas each principle is important by itself, focusing on only one or two will not be as effective in reaching maximum impact. Each principle is matched with a number of subtopics that describe the question component.

Transparency



Strategy

General GHG emissions calculations

Emissions targets

Mode-specific GHG emissions calculations

Data source and methodology

Collaboration



Initiatives

Subcontracted carriers

Customers

Leadership & Innovation



Governance

Ratings

Certifications

Transport options

Measures

Energy

Usage and evaluation

All questions are listed in a separate Excel file, sorted by transport modes and the aforementioned procurement process phases.

As stated before, the SFP Questionnaire can be used as a whole, or individual components can be used separately, based on the application to the tendered business and your company's preferences. A few question components (T.4, T.5, T.6, T.7, T.8, T.9, I.5, I.6 and I.7), are transport mode specific and are interchangeable depending on the transport modes that are requested in your freight tender. The Questionnaire Manual below contains crucial information on the usage of the questions. Certain questions need to be adjusted in their phrasing, depending on their applicability. Make sure to adjust and include only the relevant components.

We recommend determining a subset of questions, within your question selection, that are conditional. These questions should be required to be answered positively by the supplier as they reflect the minimum levels of engagement and readiness required to meet your company's standards. Additional assistance on this can be found in the Questionnaire Manual section of this document.

The Yes / No structure of the RFI questions enables a simple assessment of the responders. It also allows you to set a minimum threshold, an amount of positive answers, that can be used as a qualifier for suppliers in order to participate in the subsequent RFQ phase. This threshold needs to be determined by your company but should reflect a realistic expectation of the relevant market maturity on this topic.

Some questions are crucial and necessary to ask but, in your evaluation, you will need to adjust the significance of each component to reflect how it contributes to your company's priorities and strategy. This can be achieved by giving different weighting to the RFI questions, and especially the subsequent RFQ questions. This weighting should be done on question and topic level. An example can be found in the Excel file.

The current questionnaire is designed to demonstrate the status quo of the supplier. It may be beneficial to amend certain questions to allow suppliers who can't currently answer them positively, to demonstrate that they are planning to address the component within 12 months or allow for explanations in case suppliers want to justify why certain questions were answered negatively. A possible solution is the addition of a general comments field. However, you should recognize that the above could make comparison between suppliers more difficult.

The SFP Questionnaire doesn't ask for any document uploads or attachments such as certifications or sustainability reports. While they can be useful in confirming the accuracy of the responses, they primarily add to the administrative burden for the supplier and require additional effort during the evaluation.

During a tender process a level of sincerity and trust should be in place. However, we do suggest pointing out during the RFI process that additional follow up questions will be asked in the RFQ process, to avoid false promises from the suppliers during the first phase.

The internal capabilities and expertise in your company to evaluate the questionnaire need to be considered beforehand. We would suggest that questions are only asked if the following requirements are met:

1. Relevance to the tendered business

Depending on the scope of the business being tendered, the questionnaire can be used as a whole, or single components can be used on their own. Alternatively, the questions could be incorporated into your own existing questionnaire. Either way, it is important that every question that is selected actually matters for your decision-making process.

2. Company evaluation process

A general problem with current supplier questionnaires is the increasing range of elements included, and the specialist knowledge and time required to evaluate them fully. We have tried to address this by keeping the approach simple but recognize that the degree of quality still depends on your internal capabilities.

3. The likelihood of incorporating new solutions/ proposals into your business processes

Certain SFP Questionnaire components ask for specific data formats, measures or proposals. These components should only be included and taken into consideration if your company will respond positively, adhere to the higher standard and adopt the proposed measures.

4. The ability to give feedback to suppliers

It is crucial that you share your feedback and results with all of the participating suppliers to maximize the uptake of low emission freight and motivate logistics service providers and carriers.

We would suggest giving feedback in the most detailed way possible. LSPs and carriers are often unaware of the expectations of their customers and this kind of feedback will help guide them toward the measures and elements they should be focusing on in their own decarbonization strategy. Additionally, if the supplier was unable to meet your company's minimum standards, it is crucial for them to understand what they would need to do before responding to future RFIs.

Certain questions and components require a relatively high level of maturity on the topic and are included to encourage suppliers to make ambitious efforts toward decarbonization. Therefore, we have included an additional educational component to every topic. This "background" information explains the intent of the question and provides examples and explanations. This information should be included in the SFP Questionnaire version you share with the supplier. Moreover, we encourage you to assist LSPs and carriers that are eager to improve on certain components with guidance wherever practicable.

Questionnaire Manual

We strongly recommend reading this manual before using the SFP Questionnaire provided, with the questions in front of you. The manual offers an explanation as to why certain questions are asked (or not asked), the way they are asked, and what additional details might be useful. Our aim is to create questions which are straightforward, clear and reflect a direct impact for your business, rather than just a check for general capabilities. The answers to these questions imply a lot about the supplier, even if a simple Yes / No format is used. With this, we want to make the assessment as meaningful as possible.

For each topic background information is provided for both buyer and supplier, as well as additional advice for the buyer.

Background information is included for each topic in the SFP Questionnaire to explain the context, and examples are provided for clarity. This information should be shared with the supplier that receives the SFP Questionnaire to increase the understanding and acceptance of the question as well as the quality of the answers.

Additional advice is provided to assist the buyer and is not included in the SFP Questionnaire. This information is designed to outline the added value that the component can deliver to the decision-making process and possible interpretations of the answers that are provided, as well as the limitations in the questions.

The table also contains the aforementioned KPI suggestions for the contract-based supplier management phase. These are added at the end of each guiding principle and relate to a specific topic and question. It is important that the KPIs finally agreed are meaningful and precise and provide enough leeway to encourage innovation by suppliers.

Transparency

This category aims to assess the degree to which the supplier has tackled the topic of decarbonization on a strategic level and what ground-work in terms of targets and GHG emission calculation capabilities has already been done.

Topic	Background information	Advice for buyer
Strategy	An existing, published sustainability and/or environmental strategy can indicate to what degree the topic is part of the supplier's overall business strategy and what importance the company places on the topic. It can also help to understand the actions the supplier is taking to address sustainability. Fuel- and energy-focused strategies can be considered as environmental strategies as well.	For small and medium-sized enterprises (SMEs) a published strategy is not the norm and the buyer will need to consider if the lack of such a strategy is due to a lack of interest, or for other reasons.
General GHG emissions calculations	The capability to report own GHG emissions footprint is essential to external stakeholders, especially clients, as they rely on this information for their footprint. It also indicates the degree of internal due diligence on the topic, as reporting is always the first step toward a more sustainable, low emission operation. An external auditing of the footprint provides validation, which can add significance and trust to the results. GHGs refer to the sum of seven gases that have direct effects on climate change: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). The data is expressed in CO₂ equivalents (CO₂e) and refer to gross direct emissions from human activities. • Scope 1 emissions include the direct emissions from assets that are owned or controlled by your company. This includes the combustion of fuel purchased for use in your vehicles, vessels, aircrafts, locomotives, and generators, as well as buildings associated with logistics sites. • Scope 2 emissions are indirect emissions from the production and distribution of electricity purchased by your company for use in your logistics sites and electric vehicles. • Scope 3 emissions are indirect emissions from your supply chain. Transport emissions from your subcontractors and the Well To Tank (WTT) emissions from the fuels covered in Scope 1 are the important examples here. [2]	LSPs and carriers, and SMEs in particular, do not tend to share their detailed GHG emissions footprint publicly. Greater importance should be placed on the fact that the footprint is measured and whether relevant details can be shared with you as a customer. External auditing can add costs for the supplier but gives external validation of the results and demonstrates the sincerity of the supplier. We do not recommend asking for details about the way these calculations are published as this depends on the supplier's communication strategy and does not necessarily reflect on the quality or maturity of the results.
Targets	Published reduction targets reflect the sincerity of the supplier and add a level of accountability. Details on the progress the supplier has made in previous years may indicate the maturity of the progress. The use of carbon offsetting indicates to what degree these targets include reducing actual emissions.	Depending on the supplier and their role in the supply chain, it is important to analyze which emission scope is subject to the targets. If targets are published using the Science Based Target initiative (SBTI) an external validation can be assumed. However, the implementation of SBTi is still limited in the logistics sector, so we refrain from specifically asking for them. Absolute targets indicate the actual emission reduction, while relative targets reflect the emission intensity reduction. In general, absolute targets are desirable. For LSPs, relative targets may be more practical in the short term, as they are uncoupled from the overall, varying tonnage and indicate the effect of reduction measures in place.

Transparency		
Topic	Background information	Advice for buyer
Transport mode-specific emission calculations	The ability to disclose emission data, or at least the raw input data, is crucial as it enables the buyer to calculate their transport-related emissions. It also indicates the degree of internal groundwork in this area as reporting is always the first step toward a more sustainable, low emission operation. Absolute and relative GHG emission reporting can be helpful in order to compare suppliers as well as different transport options and routings. WTW (well-to-wheel) are emissions from the full fuel life cycle and should be equivalent to the sum of WTT and TTW emissions. WTT emissions consist of all processes between the source of the energy (the well) through the energy extraction, processing, storage and delivery phases up until the point of use (the tank). TTW are the emissions from fuels combusted to power Scope 1 activities (the wheel). TTW is considered to be zero for electricity, hydrogen fuel cells and biofuels - all emissions are in the WTT stages at the point of use. [2]	Absolute GHG emissions at a business level are needed to calculate your own GHG emissions footprint. If companies are able to disclose their emissions in WTW CO₂e, they will also be able to provide individual parts of it such as TTW CO₂e or WTW CO₂ if these are currently used in your organization. Tonne-kilometer (tkm) and fuel consumption should only be required when the carrier is not able to provide the emission data directly as fuel consumption especially is a sensitive item for carriers. Absolute and relative GHG emission reporting can be helpful in order to compare suppliers as well as different transport options and routings. SFC recommends using emission intensity as a KPI as it indicates the effectiveness of emission reduction measures independent of any fluctuation in absolute sales. The term transport lane is used as a placeholder. Depending on the way your company segments its different businesses and wants to evaluate its transport routes, the appropriate wording and explanation should be added. Common industry terms are trade lane (sea freight), transport corridor or transport cluster (road freight), origin-destination or door-to-door (generic). Detailed emission breakdowns on the basis of transport service categories (e.g. cargo type, contract type, journey type or condition (ambient/temperature-controlled)) as mentioned in the GLEC Framework can be explored at a later stage as they become more relevant to the reduction efforts.
Sea Freight emissions calculations	Clean Cargo is the leading buyer-supplier forum for sustainability in the cargo shipping industry.	TEU-kilometer (TEU-km) instead of mass or weight can also be used and later adjusted using a standardized conversion factor, which can be found in the GLEC Framework. A membership of Clean Cargo should be checked with carriers only but is beneficial, as a membership requires them to disclose detailed emission calculations.
Airfreight emissions calculations	The Clean Air Transport is a buyer-supplier collaboration between shippers, freight forwarders, and air freight carriers to track and reduce carbon dioxide emissions from air freight and promote responsible freight transport.	Clean Air Transport's membership should be considered as it grants privileged access to data provided by IATA, along with learnings for data usage and compliance with ISO standards for calculation.
Logistics sites emissions calculations	In order to assess GHG emissions for the entire supply chain, it is important to include GHG emissions from logistics sites. GHG emissions for logistics sites need to include all direct and indirect energy-related emissions.	This question is only applicable when logistics sites are an essential part of the tendered business. Facilities classed as logistics sites include terminals, ports, airports, warehouses, cross-docking sites and distribution centers, depending on their role in the transport chain. The emission intensity is expressed relative to tonnes. It is recommended to adjust this metric to the nature of the product. Asking for MWh (megawatt-hour) data is not recommended as operators might be reluctant to share them due to possible price scrutiny. Moreover, it is important to note that currently a GHG emission breakdown at a customer level for mixed warehouses cannot be expected, so GHG emission intensity figures will be most likely based on total amount or averages for a specific warehouse or a number of warehouses operated by the LSP/carrier. Therefore, normalized figures like the GHG emission intensity seem to be more meaningful.

Transparency

Topic	Background information	Advice for buyer
Methodology & data source	Methodology examples are the GLEC Framework (global, all modes and logistics sites). The use of a specific methodology indicates a degree of validation and standardization in the way data are reported. The data source indicates how accurate the reported emission data actually are. Primary data mean that the actual consumption, mileage and tonnage have been considered by using e.g. fuel receipts, annual spend and odometers. Modeled data mean that as much actual data as possible and information such as goods type, consignment size, vehicle type is considered to model the emissions footprint through accredited tools. But the relevance of the result depends on the amount of available information and the model's algorithms. If no other data are available, default data can be used. Default factors can be found, for example in the GLEC Framework or national legislations, and represent an industry average. However, if default data are the main source, the results can only give a general indication of emissions and cannot be used as a KPI as they are too generic.	If the data source is mostly primary data, it indicates that actual data are received from the subcontracted carrier if applicable. Therefore, this question is also a way to assess the engagement of your supplier with their subcontractors and the emission reporting requirements they have in place for them.
Topic	Agreement proposal	KPI
Emission calculations	Specific reduction target in GHG emissions intensity measured in agreed format.	Progress on specific reduction target.
Methodology & data source	Specific data source to be used as a dominant data source.	Percent of certain data source used based on tonnage or amount of consignments shipped.

Collaboration

This category aims to assess how the supplier is engaging and aligning across the supply chain on environmental sustainability strategies and initiatives.

Topic	Background information	Advice for buyer
Initiatives	In order to drive real change, it is important that companies collaborate with other stakeholders in the industry. Membership in green freight programs and initiatives display a level of commitment to the subject and can also indicate compliance with industry standards.	The buyer can consider checking for specific programs during the RFI phase if a membership in these programs is mandatory due to the buyer's own sustainability strategy.
Subcontracted carriers	Examples of decarbonization requirements can be agreements on mandatory measures like driver training or minimum vehicle requirements that encourage the subcontracted carrier to operate in a more environmentally sustainable way.	Smart freight procurement can only be done effectively if all parties in the transport chain take responsibility and engage with their subcontractors. The expected level of collaboration should depend on the supplier's size and market maturity. We refrain from asking specifically if GHG emission calculations are required from the subcontracted carriers as this can be assumed when a collaboration is in place. Question T.10.1 checks for the data source of the emission calculations, which indicates how emission data are provided to the supplier by its subcontracted carriers.
Customers	The intent of this question is to assess the intention of the supplier to proactively engage with the buyer on a joint project. In order to make sure the supplier is sincere about this engagement, taking the initiative with such a project should be seen as the supplier's responsibility. This question is not asking the supplier how they can help reduce the emissions for its buyer's transport with their current methods, which is examined in the Innovation and Leadership part of the questionnaire.	An assessment of pilot studies and projects that the carrier is doing in general can be beneficial, but if they cannot be used for your business, their implications are limited. This question will only be meaningful if your company is also able to participate in such a joint project.

Collaboration

Topic	Agreement proposal	KPI
Customers	Agreement on joint project	Project milestones

Innovation & Leadership

This category aims to assess to what level of maturity and sincerity the topic of decarbonization is being pursued by the supplier and reflected in his operations. Moreover, the maturity of GHG emission reduction measures and solutions the supplier can offer, in order to support the GHG emission footprint reduction of its operation and subsequently its customers, is examined.

Topic	Background information	Advice for buyer
Governance	This section reflects the importance the supplier assigns to this topic internally and assesses whether they are taking ownership of their behavior.	The allocation of human resource, establishment of internal KPIs and the provision of staff training are a clear investment, but they also depend on the size and maturity of the supplier, which should be taken into account in the evaluation.
Ratings	Ratings reflect the confidence companies have in their environmental performance and display an external validation of it. This question focuses on voluntary reporting that is done in order to receive a rating through an international rating scheme and does not encompass the public reporting through annual reports or by other means. International reporting and rating schemes include CDP, Ecovadis, Dow Jones Sustainability Index & others.	This question should be considered optional for SMEs.
Certifications	Certifications such as ISO 14083 in particular, and associated sustainability standards reflect external validation, a minimum standard and due diligence. If the Environmental management system is not yet certified, but a certification process is pending, please answer with Yes and provide more information in the next phase if requested.	Environmental management system certifications are so common in the industry that they might be meaningless as a differentiator depending on the audience. For SMEs however, this can still be seen as a smart freight leadership differentiator. We do not ask for the pure existence of an environmental management system as only a certification is a meaningful confirmation of such a system.
Transport options (mode-unspecific)	In order to induce meaningful change, companies need to depart from 'business-as-usual' processes. Suppliers that can offer innovative fuel solutions including alternative or low emission fuels and structural solutions, such as emission optimized routing or modal shift, actively support the buyer in this change. While the general availability of these solutions would already be a positive differentiation, the actual impact for the buyer only comes to full effect when these solutions are also available for the tendered business.	Possible solutions should be provided only for major transport lane origin-destination pairs in an extensive tender. If the transport lanes in question are not specified in the RFI phase, we recommend asking for the general capability of offering different solutions. However, this question should only be included if the tender requirements (mode of transport, transit time, deadlines) allow for flexibility in the solutions.
Road freight measures	In general, measures can focus on five areas: reducing the freight transport intensity, increasing vehicle utilization, increasing energy efficiency, reducing the carbon content of the used energy and promoting modal shift. Specific measures like routing optimization software, eco-driving training and low resistance tires are needed to effectively reduce emissions. The success of these measures is reflected in the actual emission data, but their existence is already a signal of the provider's motivation and commitment.	We refrain from providing a list or asking for specific measures, such as low resistance tires or eco-driving training, as we think these will be standard for carriers that are advancing on this topic and that their effect will be reflected in the emission intensity and target process. For smaller carriers, however, this could still be used as a differentiator and you should determine which measures are most meaningful to you. Depending on the market, you should declare certain measures, such as telematic software, as mandatory. This question is therefore subject to market standards and maturity levels.

Innovation & Leadership		
Topic	Background information	Advice for buyer
Road freight fleet	The average age and Euro emissions standard distribution of the providers own fleet are a straightforward way for a buyer to assess the general emission performance of a fleet and to benchmark fleets against one another.	This question should be asked to carriers primarily. LSPs have access to numerous subcontracted fleets and a buyer should determine minimum requirements when dealing with LSPs. However, for road carriers it is the most accessible information you can get and provides additional insights into the maintenance and fleet renewable programs. Depending on the market, we suggest also setting a maximum average fleet age and a minimum Euro emission standard that carriers must meet in order to be part of the tender process. This question can be asked as part of the the RFI process to assess the general market average in order to set realistic limits if market knowledge is not yet available. Please note that the Euro emission standards are a European system. Please adjust them to the country specific standards when used outside of the European market.
Logistics site measures	In markets in which renewable energy is available, the switch to these energy sources for logistics sites is considered an easy and impactful measure. As a first step this can signal that a holistic approach is taken in the supplier's freight-related emission reduction strategy.	This question is only applicable when logistics sites are an essential part of the tendered business. Facilities classed as logistics sites include terminals, ports, airports, warehouses, cross- docking sites and distribution centers, depending on their role in the transport chain. This question should be asked for logistics sites included in the tendered business, not for all of the supplier's premises.
Energy	This question signals whether a holistic approach is taken in the supplier's overall emission reduction strategy.	
Topic	Agreement proposal	KPI
Governance	Agreement on mandatory staff training	Percent of trained staff
Transport options	Agreement on utilizing low emission fuel solutions	Percent of tonnage or shipments transported using low emission fuel solutions
	Agreement on providing alternative routing or modal shift solutions	Amount of provided alternative routing or modal shift solutions
Road freight measures	Agreement on mandatory GHG emission reduction measures	List of measures and the percent of their implementation in the applicable vehicle fleet
Logistics sites	Agreement on the usage of renewable energy sources	Percent of warehouses using renewable energy sources and its share of the overall used energy

Question overview table

The overview table below contains all the questions from the SFP Questionnaire. The questions are arranged by their procurement process phase, their guiding principle and topic. The numbering helps to allocate corresponding RFI and RFQ questions. The answer type describes the way the supplier answers the question.

The industry advice is a suggestion whether the related question should be considered mandatory (M) or optional (O) for a buyer to include and has been derived from feedback from industry participants, including shippers, LSPs and carriers.

The current road freight carrier markets around the globe consist mostly of a vast number of small and

medium-sized enterprises that form a scattered market, this is very different from the other transport modes. These small and medium-sized carriers might not have the resources and capabilities in order to be benchmarked in the same way as global LSPs or air freight and ocean freight carriers. Therefore, '*' has been added to the mandatory (M) questions, to indicate they should only be used for road freight carriers after additional consideration of their applicability and significance. For your convenience, the excel file also contains a short list of the mandatory questions for road carriers. Additional advice can be found in the Questionnaire Manual above.

The latest Excel version of the SFP Questionnaire can be found [here](#)

Phase	Principle	Topic	No.	Question	Answer type	Industry advice
RFI	Transparency	Strategy	T.1.1	Does your company have a published sustainability or environmental strategy?	Yes/No	M
RFI	Transparency	General GHG emissions calculations	T.2.1	Does your company measure its own organizational greenhouse gas (GHG) footprint? Please state, which scopes (Scope 1-3) are covered.	Yes/No	M
			T.2.2	Are your company's GHG footprint results audited by an external party?	Yes/No	O
RFI	Transparency	Emission targets	T.3.1	Does your company have published absolute and/or relative emission-related targets or reduction goals in place?	Yes/No	M*
RFI	Transparency	Mode-specific GHG emissions calculations	T.4.1-T.8.1	Is your company able to disclose the following transport mode-specific data to our company upon request? • Absolute CO₂e emissions (WTW) for our entire business • Absolute CO₂e emissions (WTW) at transport lane level • Average emission intensity (gCO₂e/tkm) for our entire business • Average emission intensity (gCO₂e/tkm) at transport lane level • [Total tonne-km (tkm) for our entire business] • [Fuel consumption for our entire business]	Yes/No	M
RFI	Transparency	Sea freight specific emission calculations	T.5.2	Does your company disclose GHG emissions data to Clean Cargo?	Yes/No	M
RFI	Transparency	Air freight specific emission calculations	T.6.2	Does your company disclose fuel consumption and load factor to IATA?	Yes/No	M
RFI	Transparency	Logistics sites emissions calculations	T.9.1	Is your company able to disclose the following data at logistics sites level to our company upon request for all the logistics sites at which you handle our business? • Absolute CO₂e emissions (direct & indirect) • Average emission intensity (gCO₂e/t)	Yes/No	M

Phase	Principle	Topic	No.	Question	Answer type	Industry advice
RFI	Transparency	Data source & methodology	T.10.1	What is the dominant source of the data used for the mode-specific emission calculations mentioned above?	Primary Program Model Default	M
RFI	Collaboration	Initiatives	C.1.1	Is your company a member or participant of green freight programs/initiatives?	Yes/No	M*
RFI	Collaboration	Subcontracted carriers	C.2.1	Does your company engage in active collaboration through joint projects with your subcontracted carriers on environmental and decarbonization practices?	Yes/No	M*
RFI	Collaboration	Subcontracted carriers	C.2.2	Does your company set decarbonization requirements for your subcontracted carriers?	Yes/No	M*
RFI	Collaboration	Customers	C.3.1	Is your company willing to initiate a joint project on decarbonization measures and/or innovative technologies with our company?	Yes/No	M*
RFI	Innovation & Leadership	Governance	I.1.1	Does your company have a dedicated department or employees for sustainability?	Yes/No	M*
			I.1.2	Does your company have internal KPIs linked to GHG emissions?	Yes/No	M*
			I.1.3	Is your logistics procurement department actively managed on the basis of the above KPIs or in another way on decarbonization efforts?	Yes/No	M*
			I.1.4	Does your company have a training program in place to continuously improve your staff's environmental sustainability awareness?	Yes/No	M*
RFI	Innovation & Leadership	Ratings	I.2.1	Does your company do any voluntary external reporting, and has it received any international rating for its environmental performance?	Yes/No	M*
RFI	Innovation & Leadership	Certification	I.3.1	Does your company hold any certifications for its environmental management system?	Yes/No	0
RFI	Innovation & Leadership	Transport options (mode-unspecific)	I.4.1	Is your company able to provide the following for the requested business? • Transport solutions that make use of alternative or low emission fuels • Alternative operational solutions, using the same transport mode, reflecting a balance of costs, transit time and emission intensity • Modal shift solutions	Yes/No	M
RFI	Innovation & Leadership	Road freight measures	I.5.1	Is your company using specific measures and technologies to reduce its road freight related GHG emissions?	Yes/No	M
		Road freight fleet	I.6.1	Please state the average age of your company's own fleet.	Free text	0
			I.6.2	Please state the Euro norm distribution of your company's own fleet.	Free text	0
		Logistics sites measures	I.7.1	Does your company's sustainability strategy include general energy reduction plans and a shift toward renewable energy sources for your logistics sites?	Yes/No	0
RFI	Innovation & Leadership	Energy	I.8.1	Does your company's sustainability strategy include general energy reduction plans and a shift toward renewable energy sources for your office buildings?	Yes/No	0

Phase	Principle	Topic	No.	Question	Answer type	Industry advice
RFQ	Transparency	Strategy	T.1.1a	Please share your company's published sustainability or environmental strategy.	Free text	M
RFQ	Transparency	Initiatives	T.3.1a	Please list your company's absolute and/or relative emission-related targets or reduction goals incl. base year, target year & status, and indicate if and how carbon offsetting is used to reach these targets.	Free text	M*
RFQ	Transparency	GHG emissions targets	T.10.2	Please specify guidance/standard/methodology used for the calculation of your company's logistics related GHG emissions.	Free text	M
RFQ	Collaboration	Initiatives	C.1.1a	Please list any green freight program and initiative your company is a member of or participant in.	Free text	M*
RFQ	Collaboration	Subcontracted carriers	C.2.1a	Please briefly describe your company's subcontracted carrier engagement on environmental and decarbonization practices as well as the requirements your company has put in place.	Free text	M*
RFQ	Collaboration	Customers	C.3.1a	Please provide a concise summary of your company's joint project proposal.	Free text	M*
RFQ	Innovation & Leadership	Governance	I.1.4a	Please provide examples and details of your company's staff training.	Free text	0
RFQ	Innovation & Leadership	Ratings	I.2.1a	Please list the international ratings and the scores your company has received for its environmental performance.	Free text	M*
RFQ	Innovation & Leadership	Certifications	I.3.1a	Please list all certifications your company holds for its environmental management system.	Free text	0
RFQ	Innovation & Leadership	Transport options (mode-unspecific)	I.5.1a	Please specify the alternative transport solutions your company can offer for the requested business, including a preshipment GHG emissions analysis.	Free text	M
RFQ	Innovation & Leadership	Road freight measures	I.6.1a	Please list the measures in place to reduce your company's road freight GHG emission that are applicable for our business.	Free text	M
RFQ	Innovation & Leadership	Logistics sites measures	I.7.1a	Please indicate the % of renewable energy that is used in the logistics sites which will be included in the tendered business.	Free text	0
RFQ	Innovation & Leadership	Logistics sites measures	I.8.1a	Please share your company's plans for a general energy reduction and shift toward renewable energy sources for your office buildings.	Free text	0

7.4 RFP Template

Introduction

This document was designed by Sustainable Freight Buyer Alliance to support the procurement of sustainable logistics services during the RFP phase. This RFP template serves as a meaningful tool to companies seeking to evaluate the GHG performance of the transportation services offered by their suppliers. This document includes a link to the RFP template and provides guidance on its usage.

The aim is to provide clear instruction for companies interested in using this document to capture GHG emissions performance alongside the traditional commercial information for all types of logistics services, while providing the required flexibility required to support the input or outcome approach.

This document will provide specifics on the context, the structure and offers guidance on how to use the RFP template.

Context

The RFP template has been designed to support the collection of GHG emissions performance of the different supplier's offers during the tendering phase. Hence, this document should be used when launching an RFP or RFQ to gather potential solution offers from the selected suppliers.

Structure

The RFP template is composed of 3 sheets:

- **The Bidding sheet:** This sheet consolidates all the offer on the various lanes from the LSP, allowing for a consolidated view of the proposals.
- **Procurement:** This sheet is the dedicated space for procurement to record their transportation needs lane by lane
- **LSP:** It is the sheet where LSPs will be able to select the concerned lane and enter the details of their commercial offers.

Instruction

Bidding sheet:

The bidding sheet is a consolidation of the different information entered by the procurement professional and LSP. This sheet will present the details of the shipment and its related commercial offers. While the bidding sheet provides the total emission generated by the shipment, the details of the emissions generated can be accessed by unhiding the columns between AA and DZ.

Procurement:

The procurement sheet is the space where the procurement professionals will be able to record all the transportation needs being tendered. By simply filling up the column from B to M with the details of the transport needs, it will allow the lanes details to be extracted and quoted by the LSP.

LSP:

This sheet is where the LSP will be providing their commercial offer based on the shipment's lanes.

The LSP should start first by populating the Lane ID of the Lane he wishes to quote for and click the import button.

Once the details have been extracted the lane details will be populated for review and confirmation. The LSP can then start populating the details of its commercial offer.

It is critical that the LSP as many fields as possible to provide the most accurate vision to the shipper, but 2 fields should always be populated:

- "Number of legs" (column K) is a mandatory field as it will adapt the table to support up to 6 different legs in the shipments. Each of these legs (steps) will have its GHG emission calculated accordingly.
- "Are your GHG emission calculation audited or certified?" (column P) is mandatory field since the LSP's answer will dictate if he can directly populate its GHG performance by filling up the columns:

- Energy 's emission factor (column y) should always be populated either with the audited value from the LSP or GLEC's framework's default values.
- factor (column Z) should always be populated either with the audited value from the LSP or GLEC's framework's default values.
- CO₂ intensity factors (column AA) should always be populated either with the audited value from the LSP or GLEC's framework's default values.

Should the GHG emission not be audited or should the LSP not able to provide these data, default data will be provided for the calculation to take place, based on the GLEC's framework's default values.

LSPs should ensure to fill up the following fields to ensure the calculation of the GHG emission on the shipment level:

- Planned distance (column G): The total distance in Kms realized to service this shipment, it consolidates the distance of each leg.
- Payload (column H): The maximum total weight of the goods which can be transported by the equipment.

- Mode of Transport (column U): Provide the different modes of transport to select from.
- Type of equipment (column V): Provide the possible type of equipment to select from according to the modes of transport selected.
- Type of energy/fuel (column W): Provide the different fuel or energy used by the equipment to select from.
- Distance realized with the equipment (column AC): provide the total distance realized with the said equipment as a shipment might include multiple legs (different steps and equipment) and it is key to calculate the GHG emission to identify the distance realized for each equipment.

Once the different fields of the table have been completed, the LSP can add its offer by clicking the button "click here to add the offer into procurement v".

Additionally, should the LSP add a second offer for the same lane ID, it is possible to do so by clicking the button "click here to reset this sheet and insert new offers. It is important to understand that this button will reset the previously populated table and so offers should be added into the bidding sheet first.

[Access the RFP template HERE](#)

8. Glossary



8. Glossary

Abbreviation and Description

BEV	Battery Electric Vehicle
CO₂e	Carbon dioxide equivalent is a unit that describes the collective impact of different greenhouse gases as a single measure related to the overall global radiative forcing caused by carbon dioxide
Consumption factor	Amount of energy or fuel consumed per unit distance or unit handled
Emissions	Refers to the release of greenhouse gases into the atmosphere
Energy emission factor	The volume of GHG emissions expressed in CO ₂ e released per unit of energy
EPA	The United States Environmental Protection Agency
European Union Emissions Trading System (EU ETS)	EU ETS is a carbon emissions trading system implemented by the European Union to regulate greenhouse gas emissions from industries
EV	Electric Vehicle
GHG	Greenhouse gases defined as those indicated by the latest IPCC Assessment Report
GHG emission footprint	The total amount of greenhouse gases emitted directly or indirectly by an individual, organization, or product
GHG emission offsetting	The process of compensating for greenhouse gas emissions by investing in projects that reduce or remove emissions elsewhere
GLEC	Global Logistics Emissions Council
Intermodal transport	The use of multiple modes of transport (e.g. road, rail, sea) for a single shipment
ISO	International Organization for Standardization
ISO 14083:2023	This standard establishes a common methodology for the quantification and reporting of GHG emissions arising from the operation of transport chains of passengers or freight.
Last-mile delivery	The final stage of delivery typically from a transport hub to the end consumer
LCA	Life Cycle Assessment
LSP	Logistics Service Provider
Modal shift	The transition from one mode of transport to another, such as from road to rail or sea transport
Primary data	Otherwise known as actual or measured data, it is the “quantified value of a process or an activity from a direct measurement or a calculation based on direct measurements.” [Source: ISO 14083:2023]

Renewable energy	Energy generated from sources that are naturally replenished, such as solar, wind or hydro power
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
SBT	Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals
SBTi	Science Based Targets initiative; defines and promotes best practice in emissions reductions and net-zero targets in line with climate science
SFBA	Sustainable Freight Buyers Alliance
SFC	Smart Freight Centre
Shipper	Individual or entity that sends goods for transport
SLA	Service Level Agreement
Subcontractor	Company or individual that carries out the transport service for the contractor
Tank-to-Wheel (TTW)	Tank-to-Wheel (or Tank-to-Wake for air and sea transport) refers to the section of the energy carrier's life cycle where the energy carrier is converted to propulsion energy.
Tonne-kilometer	The unit of measure for freight transport, representing the transport of one tonne of goods over the distance of one kilometer.
Well-to-Tank (WTT)	The section of the energy carrier's life cycle from the start of the initial process to generate the input feedstocks to the moment where it is supplied to the vehicle (at the recharging or refuelling station).
Well-to-Wheel (WTW)	Well-to-Wheel (or Well-to-Wake for air and sea transport) refers to the full energy carrier life cycle, i.e. the summation of the WTT and TTW phases.
ZEV	Zero Emission Vehicle

