



Press release

Carbon Dated: Multinational companies planning to cut suppliers by 2025 for failing to curb carbon emissions

8 June 2021 A new study by Standard Chartered reveals that 78 per cent of multinationals (MNCs) will remove suppliers that endanger their carbon transition plan by 2025.

According to Carbon Dated, which looks at the risks and opportunities for suppliers in emerging and fast-growing markets as large corporates transition to net zero, MNCs expect to exclude 35 per cent of their current suppliers as they transition away from carbon.

The study also found that:

- Supply chain emissions account for an average of 73 per cent of MNCs' total emissions
- More than two thirds (67 per cent) of MNCs say tackling supply chains emissions is the first step in their net-zero transition, rather than focusing on their own carbon output
- Suppliers in 12 key emerging and fast-growing markets can share in USD1.6tn worth of business if they can remain part of MNC supply chains

The net-zero supply chain revolution

Racing against the clock to hit their net-zero carbon goals, MNCs are increasing the pressure on their suppliers to become more sustainable, with companies based in emerging and fast-moving markets facing the biggest challenge.

Some 64 per cent of MNCs believe emerging market suppliers will struggle more than developed market suppliers to meet their emission reduction targets, with a further 57 per cent prepared to replace emerging market suppliers with developed market suppliers to aid their transition.

MNCs are concerned that emerging market suppliers are failing to keep pace with for two key reasons; insufficient knowledge and inadequate data. Some 56 per cent of MNCs believe that the lack of knowledge among emerging market suppliers (41 per cent for developed market suppliers) is a barrier to decarbonisation.

With MNCs struggling with the quality of data, two-thirds are using secondary sources of data to plug the gap left by supplier emissions surveys. A further 46 per cent say that unreliable data from suppliers is a barrier to reducing emissions.

Risks and rewards

The study also reveals that the current approach taken by MNCs could create a USD1.6tn opportunity for the net-zero club: those businesses reducing emissions in line with MNC net-zero plans.

This represents a major opportunity for net-zero-focused suppliers across the 12 markets in this study, but also quantifies the potential losses to companies not embracing net-zero transition.

Market	Annual export revenue at risk
China	USD512.3bn
India	USD273.7bn
Hong Kong	USD205.5bn
Singapore	USD146.6bn
South Korea	USD142.5bn
The UAE	USD119.6bn
Malaysia	USD65.3bn
Nigeria	USD34.3bn
South Africa	USD33.7bn
Indonesia	USD25.6bn
Bangladesh	USD18.7bn
Kenya	USD3.9bn

MNCs are also willing to spend more on net-zero products and services. Some 45 per cent said they would pay a premium, of 7 per cent on average, for a product or service from a net-zero supplier.

Carbon, collaboration and compromise

MNCs are exploring other ways to help their suppliers' transition to net zero. Some 47 per cent are offering preferred supplier status – a sales advantage – to sustainable suppliers, and 30 per cent are offering preferential pricing.

Some MNCs are going further, offering grants or loans to their suppliers to invest in reducing emissions (18 per cent) or data collection (13 per cent).

How are MNCs supporting their suppliers to reach net-zero?	Percentage
Offering preferred supplier status to sustainable suppliers	47 per cent
Investing in new technologies on behalf of their suppliers	46 per cent
Helping educate them on effective energy efficiency strategies	37 per cent

Helping educate them on reducing waste from their operations	36 per cent
Providing access to industry specialists who will help suppliers reduce emissions	35 per cent
Investing in clean energy infrastructure in key suppliers' local markets	31 per cent
Preferential pricing for measurably sustainable suppliers	30 per cent
Grants or loans to invest in reducing emissions from operations	18 per cent
Grants or loans to invest in data collection	13 per cent

Bill Winters, Group Chief Executive of Standard Chartered said: “It’s no surprise that as multinational companies transition to net zero, they will have to ask to their suppliers to evidence their own transitions. However, suppliers – especially those in emerging and fast-growing markets - cannot go it alone.

“MNCs need to incentivise their suppliers to help them kick start their transition journey, but governments and the financial sector have a role to play too by creating the right infrastructure and offering the necessary funding.

“Decarbonisation is vital for the survival of the planet, but a vibrant trade ecosystem is essential for maintaining an interconnected global economy. We must work together to ensure the supply chain is decarbonised in a way that delivers shared prosperity across the world.”

Carbon Dated surveyed 400 sustainability and supply chain experts at MNCs across the globe.

www.sc.com/carbon-dated

About Standard Chartered

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