

Carbon Pricing in Procurement Tenders

HALEON

KPIs

- >£600M of business tendered using carbon pricing since Jan 2024
- Over 300 PCFs received from suppliers



Chris Low

Head of Procurement Sustainability

Which SPP thematic track does your case study align with? *Planet*

Where does your case study sit within the procurement lifecycle? *Carbon Pricing sits within Assess Suppliers and Tender (RFx)*

What was the core challenge you were facing, and what was the context? Haleon, a global consumer health company, faced the challenge of cutting Scope 3 emissions across a complex supply chain. With a 2030 goal to cut Scope 3 (source to sale) emissions by 42%, Haleon needed a scalable way to influence supplier behaviours. Traditional procurement lacked tools to prioritize low-carbon suppliers, and many suppliers had limited carbon data. Haleon required a solution to drive decarbonization, accelerate baselining, build supplier capability and align procurement with its net zero ambition.

What approach did you take to tackle the challenge?

To tackle supply chain emissions, we integrated carbon pricing into procurement tenders through a phased strategy:

- **Initial Pilot:** Starting with the higher-emitting categories, we calculated a carbon price by multiplying each supplier's footprint by the EU ETS rate. This helped build team confidence.
- **Handling Data Gaps:** When carbon data was missing, we applied an industry average plus a 50% uplift, to incentivize accurate reporting and discourage data avoidance.
- **Building Readiness:** We invested heavily in preparation. Transparent communication, capacity building programs and expert partnerships helped support our suppliers.

Who was involved and how did you build buy-in (or not)? Internally, Haleon built buy-in by training procurement category managers, informing budget owners, and maintaining strong lines of communication. Externally, Haleon also gave early warning to their suppliers and partnered with Schneider Electric and Johnson Controls to help suppliers decarbonize. Communicating early-on how carbon pricing could incentivise up to 50% of the decarbonisation strategy was crucial to fostering engagement.

What was the outcome, and how did you measure the impact? Since launching in January 2024, Haleon has tendered over £600M of business using carbon pricing. The process has accelerated the adoption of renewable electricity and the preparation of PCFs. It has also required both category managers and suppliers to improve their knowledge on decarbonisation to be prepared for the process. The process is starting to drive change, and the outcome has been influenced in several tenders.

The Carbon Cascade Effect: The initiative sparked a supplier transformation, incentivising baseline establishment and emissions reductions, with over 130 suppliers sourcing Renewable electricity for Haleon. Mature suppliers responded with tangible PCF reductions, switched to 100% renewable energy and are starting to tackle industrial heat. We measured the impact through three critical metrics: Supplier Product Carbon Footprint submissions, tender coverage and alignment to our Climate Pledge.

Carbon Pricing in Procurement Tenders



What was the cost or investment required, and what have been the expected (or unexpected) business trade-offs or benefits? Investment was focused on procurement training, supplier engagement, and methodology development. While awarding business to lower-carbon suppliers may incur small incremental costs, these are minimised during a competitive tender and offset by the long-term business benefits: Lower exposure to carbon taxes, more resilient and future-proof supply chains, enhanced product appeal, like the Amazon “Climate Pledge Friendly” badges, more PCFs and alignment to climate goals. The bottom line: minimal budget impact, strong sustainability and reporting gains.

What were the key success factors? Strategic alignment with Haleon’s net zero goal, supported by executive buy-in, was essential to driving the initiative forward. Early and transparent engagement with suppliers helped prepare and drive action. Internally, procurement training enhanced capability and readiness, requiring upskilling to be compliant with process. Partnerships with Schneider Electric and Johnson Controls provided valuable support to suppliers, enabling them to take meaningful steps toward decarbonisation. Finally, pilot tenders allowed for a phased rollout and iterative learning, ensuring the approach could be effectively scaled across the organisation.

What was the “ugly truth” you encountered & what would you do differently next time? The key challenge was that many suppliers lacked mature carbon footprint data and viewed carbon pricing as complex or punitive. Whilst using industry averages plus 50% provided a strong incentive to provide data, we needed to help some suppliers, through education and one to one advice.

Lessons learned:

- Start supplier engagement earlier.
- Provide clear guidance on footprint methodologies.
- Co-develop tools to simplify data collection.
- Use phased rollouts and transparent communications to ease adoption.

How would you recommend those with fewer resources approach this? For organizations with limited resources, a practical starting point is to pilot the initiative in one higher-emitting category to build capability and show impact. Where supplier data is lacking, industry averages can be used, and a simplified carbon pricing model can ease implementation. Early supplier engagement and basic training help foster collaboration, while tools like the PACT Pathfinder support footprint calculations. Partnering with experts or peer networks enables resource sharing and keeping the methodology transparent ensures it can scale as capacity grows.

For whom would you recommend this initiative?

This approach is best suited for companies operating in sectors such as manufacturing, packaging, consumer goods, electronics, automotive or pharmaceuticals. It is ideal for businesses that already have mature sustainability strategies and established net zero targets. Key internal functions - including procurement, sustainability, and supply chain teams - play a central role in driving success. Overall, this strategy is especially valuable for organizations seeking to align procurement with climate goals and stimulate proactive decarbonisation among their suppliers.

