Making the ecological transition work for both buyers and suppliers

When a company sets climate targets, suppliers often bear the risk. A sustainable supply chain requires sharing it.



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The climate commitments undertaken by large companies are becoming increasingly

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ambitious. Many have pledged to achieve net-zero emissions within the next two or three decades.

These milestones create a challenge for suppliers as well as companies, since most emissions occur outside the company's own operations, especially in sectors such as food, fashion, electronics and retail.

In my research, I examine how corporate regenerative agriculture programs and sustainability initiatives are designed and implemented in major food companies.

A recurring pattern emerges: Companies have sophisticated systems for monitoring the environmental performance of their supply chains, but the economic risks associated with changing production systems often fall on suppliers.

How to influence supplier behavior

The question, then, becomes how companies can encourage their suppliers to adopt more sustainable practices.

Most corporate climate initiatives rely on a combination of four mechanisms:

- **Measurement.** Digital platforms, satellite monitoring and carbon accounting tools are used to measure emissions and sustainability indicators throughout the supply chain.
- **Economic incentives.** These reward the adoption of specific practices, such as reducing fertilizer use, implementing soil health improvement techniques, or lowering water and chemical consumption in industrial processes.
- **Technical support.** Companies often provide expert advice, training programs or partnerships with research institutions and NGOs to help suppliers implement new practices.
- **Structural investment.** This involves extending contract durations, jointly investing in new production systems or implementing financing mechanisms that reduce the economic risks associated with the ecological transition.

Although most programs include elements of all four approaches, the first three tend to dominate in practice. Measurement systems, modest incentives and advisory services are common. Structural investment is less frequent, but it is the approach most capable of creating transformative change.

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Governance models for addressing climate change

Depending on the mechanisms they use, companies tend to adopt different governance models for their sustainability initiatives.

Some focus primarily on branding: They announce ambitious public commitments before defining how they will achieve them, which can strain relationships with suppliers.

Others operate through compliance-based models, implementing audits, metrics and short-term payments that help demonstrate progress in ESG reports but do little to change the relationship with farmers, who may end up serving mainly as data providers.

A smaller group embraces experimentation, developing pilot projects that generate learning, although these initiatives often fail to reshape supply chains at scale.

The most ambitious companies move toward collaboration through long-term contracts, co-investment and risk-sharing arrangements.

The economics of the transition

For suppliers, reducing emissions often raises practical concerns about timing and risk. However, some companies are addressing these challenges directly.

In the food sector, Nestlé's Income Accelerator Program links sustainability objectives to direct financial incentives for farmers. The program compensates farmers for actions such as planting shade trees, improving pruning practices and adopting more effective soil management techniques. Its success stems from recognizing that environmental sustainability in cacao production cannot be separated from the economic viability of cacao farms.

Another example is McCain Foods, one of the world's largest potato buyers. The company has committed to implementing regenerative agriculture across the farmland of its potato growers. Rather than treating sustainability as a compliance exercise, McCain works closely with farmers, providing agronomic and financial support while guiding them toward practices that improve soil health.

Similar patterns can be found across many other industries. In fashion, brands often require

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factories to meet environmental and labor standards while competing within global sourcing systems characterized by narrow margins. In electronics, companies encourage suppliers to reduce emissions from manufacturing processes.

In every case, businesses seek to influence how goods are produced through organizations operating outside their own corporate boundaries. As a result, climate strategies depend as much on measurement systems as they do on economic agreements with suppliers.

Five ways to involve suppliers in your ecological transition

The implementation of corporate climate commitments offers several lessons that can be translated into concrete actions:

1. **Invest** in long-term supplier relationships to provide the stability suppliers need to invest in new practices.
2. **Distinguish** between incentives that reward specific practices and financial mechanisms that support the broader ecological transition. Incentive payments may encourage experimentation, but they rarely address the economic uncertainty associated with changing production systems.
3. **Be patient.** Sustainability transitions typically take longer than conventional business planning cycles because ecosystems and industrial infrastructures evolve gradually.
4. **Share risk** throughout the supply chain through transition funds, sustainability-linked contracts and collaborative financing models.
5. **Give suppliers a voice** in the design and evaluation of climate initiatives.

Sustainability and supply chains: two sides of the same coin

Climate strategy is closely linked to supply-chain design. Companies that focus solely on measuring sustainability performance are likely to progress more slowly than expected. Those that also address the economic structures influencing supplier decisions are more likely to generate meaningful change.

The distinction between these approaches is significant. The first treats climate commitments

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primarily as a reporting exercise. The second sees them as an opportunity to redesign how value and risk are shared across the supply chain.

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