

***This communication is being provided by Lear Corporation and its affiliates to all production suppliers of goods and services.***

Date: December 21, 2022

To: All Suppliers to Lear Corporation

**Subject: Carbon Reduction Guidance – December 2022**

This communication is being provided by Lear Corporation and its affiliates to all production and non-production suppliers of goods and services.

The purpose of this bulletin is to promote carbon reduction in Lear's supply-chain by providing general industry-supported guidance established by automotive manufacturers and suppliers through Suppliers Partnership for the Environment (SP). This guidance will help your company establish a framework for CO<sub>2</sub> reporting and reduction aligned with common industry expectations.

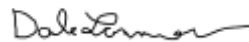
Please find the "Guidance Document: Carbon Reduction KPIs, Terms & Definitions" attached to this communication. It is also posted in Lear's supplier portal (<https://www.lear.com/suppliers>).

Please note there will be more discussions on this topic (including with respect to applicable requirements) in CY 2023.

Thank you for your efforts in supporting Lear's carbon reduction goals and efforts.



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**As companies in the automotive industry proactively work toward long-term goals of achieving carbon neutrality, it is expected that suppliers take an active role in striving to reduce carbon dioxide (CO<sub>2</sub>) emissions from their businesses as far as possible.**

The purpose of this document is to provide general industry-supported guidance to help companies in the automotive value chain in establishing a framework for CO<sub>2</sub> reporting and reduction aligned with common industry expectations.

Building on prior guidance documents on this subject published in [July 2021](#) and [May 2022](#), the contents of this document were generated by a collaborative process among automotive manufacturers and tiered suppliers working through the Suppliers Partnership for the Environment (SP), including:

- Ford Motor Company
- General Motors
- Honda Development and Manufacturing of America LLC
- Stellantis
- Toyota Motor North America
- AGC Automotive Americas
- American Axle & Manufacturing, Inc.
- Autoneum North America Inc.
- DENSO
- Lear Corporation
- Magna International Inc.
- Toyota Tsusho America, Inc.
- UGN, Inc.

Each participant has contributed feedback and pledged support of the following key performance indicators (KPIs) and definitions.

This document is not intended to be a comprehensive list of KPIs or metrics for CO<sub>2</sub> reporting and reduction. Furthermore, the individual requirements set forth by customers, or individual companies working with sub-tier suppliers, may be unique and / or include much more detailed requirements. This document is also not intended to establish a standard by which suppliers should report to all customers.

It is intended to minimize duplication of effort and elevate best practice around key aspects of supply chain engagement on CO<sub>2</sub> reporting and reduction on the path to carbon neutrality.

**Contact:** Please submit any feedback on this guidance or suggestions for future improvements to [info@supplierspartnership.org](mailto:info@supplierspartnership.org).

## I. Key KPIs to Track and Reduce CO<sub>2</sub> Among Automotive Suppliers

- **A long-term absolute CO<sub>2</sub> reduction target should be established by each automotive supplier, including a clearly defined due date to achieve this target.**  
Suppliers may also want to challenge their suppliers with annual absolute reduction targets. Suppliers should track each of their supplier's achievement vs. target on a regular basis.
- **Comprehensive CO<sub>2</sub> reduction plans should be part of an overall environmental sustainability policy within each supplier company.**  
Adherence to this plan, and modifications when necessary, are key to establishing suppliers' commitment to environmental sustainability and supporting long-term industry goals to achieve carbon neutrality. Without a plan that is agreed upon through top executives, it may be difficult to enact changes to achieve CO<sub>2</sub> reduction goals.
- **Suppliers should establish a standard reporting cycle to receive their sub-suppliers' relevant CO<sub>2</sub> information.**  
Actual period and frequency should be established by the customer and shared with the supply base. In addition, suppliers should track compliance to this requirement and the level of completion of the submission.
- **Clear communication and education via a core set of expectations should be established and updated on a regular basis.**  
Each supplier should demonstrate leadership among its respective supply-base. Each supplier should offer guidance and educational opportunities to its suppliers and promote cascading guidance and education throughout the entire supply chain, when possible, on a regular basis. Finally, each supplier should self-audit and communicate achievement to targets publicly and to its supply base.
- **Suppliers should establish a method to recognize their suppliers' progress in CO<sub>2</sub> reporting and reductions.**  
Each supplier is encouraged to recognize the participation and achievements of their own suppliers (sub-tier suppliers) as it relates to CO<sub>2</sub> reporting and reductions, whenever possible. Suppliers' expectations of sub-tier companies should be consistent with their own policies, and those of their customers, and support achievement of their environmental goals.

## II. Carbon Neutrality Terms & Definitions

- Carbon Neutrality means that any carbon dioxide (CO<sub>2</sub>) emissions into the atmosphere associated with a supplier entity, product or activity are balanced with the same amount of renewable energy credits (RECs) and/or carbon dioxide removals from the atmosphere over a specified period.
- It is expected that suppliers strive to reduce absolute carbon dioxide emissions from their business as far as possible consistent with the ambition of the Paris Agreement and then offset any remaining unavoidable emissions with actions that remove carbon dioxide from the atmosphere. Suppliers should be transparent in reporting the type and quantity of any carbon offsets or RECs used in meeting their carbon neutrality goals.
- It is expected that suppliers setting and reporting on long-term corporate carbon neutrality targets include consideration of all relevant Scope 1 and Scope 2 emissions and begin developing a plan to measure and track their Scope 3 emissions. Suppliers should be transparent in clearly stating the boundaries of their carbon neutrality ambitions.
- It is recommended that suppliers reference the definitions and methodologies provided in established climate-related accounting and reporting standards in setting, measuring, and communicating progress toward their carbon neutrality goals.
- It is recommended that suppliers consult the terms and definitions established by the following third-party organizations, listed in order of precedence:
  - [Greenhouse Gas Protocol \(GHG Protocol\) Standards](#)
  - [Recommendations of the Task Force on Climate-Related Financial Disclosures \(TCFD\)](#)
  - [Intergovernmental Panel on Climate Change \(IPCC\), 2018: Annex I: Glossary](#)
  - [Science-Based Targets Initiative \(SBTi\)](#)