

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 (CO₂) emissions from their businesses as far as possible.

Automotive manufacturers working through the Suppliers Partnership for the Environment (SP) have established “[Key KPIs to Track and Reduce CO₂ Among Automotive Suppliers](#)” providing general industry-supported guidance to help companies in the automotive value chain in establishing a framework for CO₂ reporting and reduction.

The purpose of this document is to provide additional guidance to automotive suppliers on terms and definitions related to the topic of carbon neutrality to further support the supply chain in implementing carbon reduction and reporting programs aligned with common industry expectations.

This guidance document and its contents were generated by a collaborative process between automotive manufacturers – including Ford Motor Company, General Motors, Honda Development and Manufacturing of America LLC, Stellantis, and Toyota Motor North America – working through the Suppliers Partnership for the Environment (SP) Carbon Neutrality Work Group.

Carbon Neutrality Terms & Definitions

- Carbon Neutrality is the equivalent of a net result of zero carbon dioxide (CO₂) emissions.
- Carbon Neutrality means that any carbon dioxide (CO₂) 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 \(SBTi\)](#)