



Integrating Sustainability into Salesforce's Supply Chain Contracts

Introduction

In this climate emergency, every company has a responsibility to drive decarbonization throughout its value chain. In FY21, 66% of Salesforce's value chain (Scope 1, 2, and 3) greenhouse gas emissions (the measure of our negative contribution to climate change) resulted from suppliers, making our upstream emissions especially relevant to our climate action activities. As the world's leader in technology for the customer relationship, we aim to use our customer voice with our suppliers, promoting sustainability throughout our supply chain as part of our efforts to combat the climate crisis.

Salesforce has recently launched our [Sustainability Exhibit](#), a document that places binding commitments upon suppliers to combat the climate emergency in a way that is both rigorous and appropriate for a supplier's size, which we are beginning to incorporate into our procurement contracts. Not only will rolling out our Sustainability Exhibit help achieve our science-based targets, it will help us to further integrate sustainability into every aspect of our supply chain.

The only successful path through the climate crisis is one with newfound levels of collaboration. We are sharing our Sustainability Exhibit publicly in hopes that it will help others to use their own customer voice for climate action from their suppliers. Everyone should feel free to adapt our Sustainability Exhibit to incorporate into their own supply chain procurement contracts.

Beginning of a New Normal

Our founder and CEO, Marc Benioff, says "the business of business is improving the state of the world." Here at Salesforce we believe that, and we want to be at the forefront of advancing sustainable business practices. This gives us all an opportunity to collaborate to become more sustainable, but it also presents risk to some unprepared businesses. The risk is that organizations can lose the tremendous value in further integrating sustainable business practices into their organizations and also will be caught off guard and unprepared when they find that they are late sustainability adopters.



Our Sustainability Exhibit

Every business's supply chain is as unique as the business itself. We drafted our Sustainability Exhibit both to address our specific needs and to be flexible enough to adapt to the industries of our suppliers. We understand that all organizations are at a different point on their own sustainability journey, and we are committed to collaborating with our suppliers to share the lessons we have learned and working with our suppliers to do what we need at their stage of their journey.

Below we describe the purpose, the applicability, and the necessity of each section of our Sustainability Exhibit.

Recital

The Recital is intended to have Salesforce and our suppliers memorialize our mutual commitment to always treat the environment as a key stakeholder. The recital places no obligations on the supplier, but Salesforce considers it an essential requirement to confirm that each supplier is aligned to combat the climate crisis. It is the foundation of the Sustainability Exhibit and makes it clear that the environment is a key stakeholder in Salesforce's procurement and a guiding principle during negotiations.

Science-Based Targets

Science-based targets are customized commitments to action that are aligned with what climate science research has found is necessary to limit global warming to 1.5 degrees Celsius. Salesforce has committed to ensure that suppliers representing 60% of our scope 3 emissions will set science-based targets of their own by 2024. To meet this commitment, we are now working with our suppliers to ensure they are developing science-based targets of their own. Any stakeholder, regardless of size or industry, can set science-based targets to limit global warming to 1.5 degrees Celsius for the preservation of our planet. The size of the undertaking of setting a science-based target will vary depending on an organization's size and industry. The Science Based Targets initiative can assist stakeholders that are businesses and assess their climate targets.

Continuous Improvement

Our suppliers know their own businesses best and know how to make the critical incremental progress to combat climate change. This provision requires suppliers to develop and implement a plan of continuous improvement to reduce the carbon footprint and environmental impact of the provision of their goods or services. Sustainability journeys



start at different stages for different organizations, but we all share in common the ability and need to do better. By not imposing any particular obligations with respect to such a plan, the continuous improvement provision defers to our suppliers and their knowledge of their own businesses to make positive progress.

Reasonable Efforts and Cooperation

Cooperation and disclosure are both foundational in our collective journey in making business sustainable because combating the climate crisis requires cooperation from all stakeholders. This provision requires our suppliers to work with us in good faith to minimize the environmental impact of our engagement. Working reasonably with us in our collective sustainability journey is what we need from all of our supplier partners. In particular, cooperation is essential to quantify impact because cooperation is necessary to accurately measure and reduce downstream impacts.

Environmental Representations and Warranties

Compliance with environmental laws is often consolidated into a general compliance with laws provision. However, environmental laws are only beneficial to the extent to which suppliers comply with them. The environment is implicitly a key stakeholder in the operations of any business.

Carbon Neutrality

The carbon neutrality provision requires suppliers to deliver their products or services on a carbon neutral basis by offsetting the emissions resulting from their provision of goods or services. Delivering carbon neutral products and services is necessary to achieve a carbon neutral future.

Delivering products or services on a carbon neutral basis requires a supplier to accurately quantify the emissions resulting from such products or services. Accordingly, providing carbon neutral products or services may be a later stage step in a supplier's sustainability journey. However, it is crucial to meet suppliers where they are in their journeys and to prompt suppliers that are capable of delivering carbon neutral products or services to do so, allowing those suppliers to serve as examples to organizations that are not yet capable of doing so.



Sustainability Commitment Summary & Implemented Sustainability Practices

Measuring sustainability starts with making commitments and then requires taking action to meet those commitments. To increase accountability, businesses should share sustainability commitments, ideally publicly. Likewise, after stakeholders make commitments, it is important to share sustainability accomplishments. Sharing enables further collaboration and learning.

We include two provisions related to sustainability commitments and accomplishments. First, we include a provision that allows us to review sustainability commitments upon request. We want to be able to acknowledge progress and provide guidance, if possible. Second, we include a provision that enables us to request a report detailing our supplier's implemented sustainability practices, after the delivery of goods or provision of services. This provision allows us to confirm the progress of a supplier and to remain current on the sustainability activities of our supply chain.

Sharing of Best Practices

Salesforce has developed and implemented numerous critical sustainability best practices in its own operations and has aided some of our suppliers in this regard as well. This provision requires sharing and using reasonable efforts to comply with such best practices so that we all can learn from each other. As a collaborative effort, we all need to share our knowledge to maximize our impact.

Sustainability Scorecard & Public Emissions Disclosure

Environmental disclosure is foundational to combating climate change. Without having accurate baseline information, it is difficult to document and quantify progress. That is why we include two disclosure-related provisions.

First, we include a provision that requires suppliers to maintain a sustainability scorecard with a reputable corporate social responsibility assessment provider. Sustainability is a valuable and marketable asset. Regardless of size or industry, today's consumers of goods and services are demanding sustainability information about the companies with whom they work. Accordingly, utilizing a sustainability scorecard to amplify sustainability progress should be pursued by all organizations.

Second, we include a provision that requires public disclosure of scope 1, scope 2 and scope 3 emissions. Publicly disclosing emissions requires a supplier to have quantified the



emissions resulting from the delivery of its goods or services. Accordingly, publicly disclosing emissions may be a later stage step in a supplier's sustainability journey. However, it is crucial to meet suppliers where they are in their journeys, including acknowledging suppliers that are capable of public disclosure.

Exclusive Remedies

The exclusive remedy provision ensures that, aside from the very limited termination right discussed below, the remedy for breach of the Sustainability Exhibit is purchasing carbon offsets or funding tree planting to partially mitigate the environmental harm caused by a supplier's breach. This makes the exhibit more palatable because it does not threaten termination, and it provides for a direct environmental solution to breaches.

As a Pledge 1% founder, member, and champion, we believe strongly that we can all commit at least 1% of our profit to improve the world. That's why the annual cap on the cost of carbon credits or tree planting funding resulting from a breach of the sustainability exhibit is 1% of the amounts a supplier receives from Salesforce.

Limited Termination

Salesforce commits to its suppliers that the Sustainability Exhibit is not grounds for termination of an agreement, but there is one essential exception. Our Sustainability Exhibit includes a narrow termination right. To the extent that a supplier's environmental impacts are so egregious that they materially negatively impact our reputation, Salesforce should be entitled to end its relationship with that supplier. To the extent the environment, as a key stakeholder, is so egregiously harmed in a way that causes downstream and upstream reputational harm to Salesforce, other stakeholders should understand that such conduct is not acceptable.

Suggestions for Your Rollout

To assist with the efforts of other organizations to incorporate sustainability into supply chain contracts, we have a few helpful lessons to share that we learned along the way.

First, sustainability is a stakeholder-driven process that requires engagement and ultimately buy-in. Therefore, meeting and collaborating with your internal stakeholders to convey the value and necessity of sustainability is critical to adoption.

Second, we know meeting a supplier where they are at in their journey means acknowledging that not all industries are made the same, which very well may require



taking different negotiation approaches that are tailored to suppliers. We acknowledge that different approaches will need to be taken with different industries. For this reason, Salesforce is willing to remove or postpone obligations for less mature suppliers.

Finally, communication is key in sustainability. Developing communications aimed at initial engagement with suppliers and providing helpful tips for supplier contract negotiators, should organizations decide to roll out their own sustainability exhibits, helps create a more sustainable supply chain generally.

Conclusion

Our hope is that providing our Sustainability Exhibit and the background on how we came to implement it will help other organizations and our suppliers to further integrate sustainability into supply chains. Climate change is one of the most pressing issues humanity has ever faced, and working to mitigate its worst effects will require widespread collaboration. While we are happy to share our experiences with you, please feel free to contact us so that we can learn from you and build a better future together.

John Perkins

john.perkins@salesforce.com

Ryan Hart

ryan.hart@salesforce.com