



# Engage Suppliers to Reduce Scope 3 Emissions and Beyond

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Sustainability programs are increasingly a part of everyday operations for businesses around the world. But to form a complete picture of an organization's impact, they need to understand not only what happens within their operations, but also the impacts of every supplier in their value chain. This requires a focused effort to connect with and engage suppliers, which continues to be a challenge for even the most advanced sustainability teams.

While best practices for engaging suppliers on their sustainability performance and carbon accounting abound, the fact that companies still struggle to make progress in this area – and consider Scope 3 emissions reduction to be their biggest headache – indicates that there are hidden or stubborn barriers still lurking and, potentially, golden nuggets of learning waiting to be unearthed.

In this paper, we dive into the barriers to reporting Scope 3, ways to accelerate Scope 3 emissions reductions, tips for engaging suppliers, and how you can go beyond Scope 3 to improve your overall sustainability performance.



**3K**

The average company has 3,000 suppliers per US\$1 billion in spending.<sup>1</sup>

**70%**

Scope 3 emissions usually account for more than 70 percent of a business's carbon footprint.<sup>2</sup>



# Hidden and Stubborn Barriers to *Reporting* on Scope 3

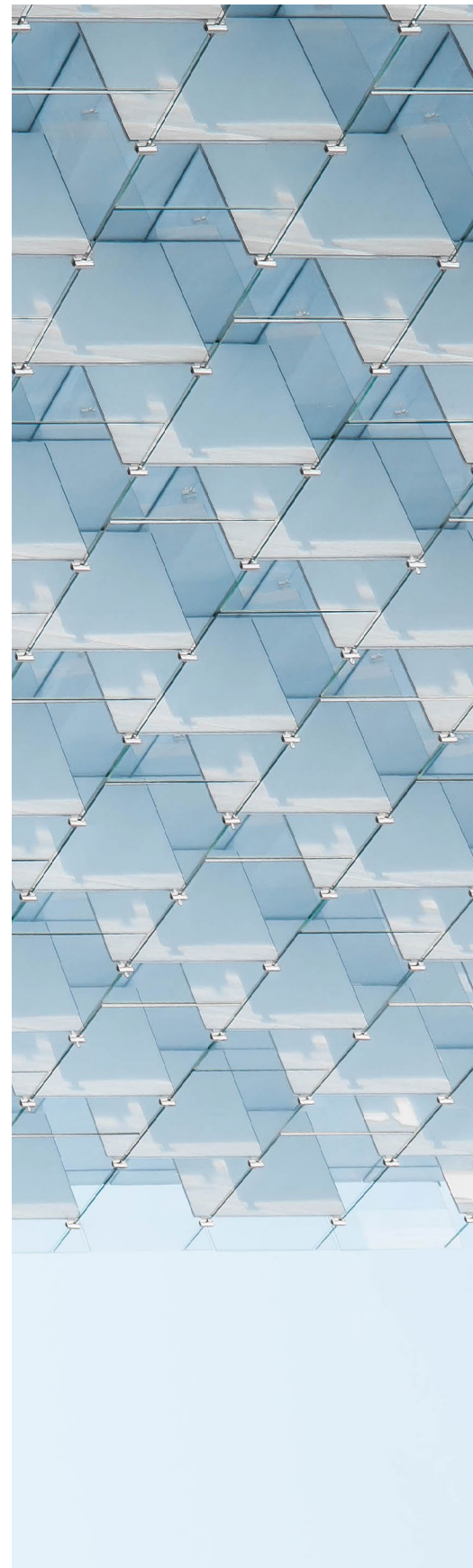
## Conflicting Purchasing Practices

One of the biggest systemic challenges to improving suppliers' sustainability performance, including carbon emission reduction, is the sometimes conflicting demands of companies who make strong sustainability requirements of their suppliers. On one hand these sustainability requirements often result in increased costs for the supplier – while on the other hand, they impose lower prices and tighter lead times for product deliveries.

This is an example of where a company's drive towards ever-greater profit and revenues can fail to internalize the costs of externalities in its supply chain. When a business implements strong sustainability requirements for its suppliers without considering how these requirements might affect the supplier's business it can cause a conflict.

Possible solutions can include identifying this as a material issue and evaluating options with top management to internalize costs.

By demonstrating their commitment to sustainability and shouldering some of the financial burden of requested improvements, buyers can create a more trusted, transparent, and equitable bond with their suppliers. For example, if a retail brand typically maintains a 40% profit margin and suppliers or contract manufacturers have a 2-5% profit margin, the brand could decide to pay a higher price in return for the supplier's commitment to reach more ambitious carbon emission reductions or a living wage for its employees.





# A Focus on Normalized vs. Absolute Emission Reductions

It can be tempting for companies to set emission targets that are normalized to their revenues or product sales so that they can feel good about making reductions without needing to limit their business growth. But clearly, if the goal is to reduce the actual greenhouse gas emissions that contribute to climate change, the focus must shift to absolute emissions targets. This raises the bar in terms of both the effort and investment required by the company to reach the target.

There's no doubt that companies have to go through a learning process to build up their skill and capacity to identify where and how they can reduce their emissions across all scopes, but the sooner meaningful targets are set for reducing absolute emissions, the greater 'carbon fitness' the company will achieve as it boosts its corporate willpower and ability for innovation resulting in greater stamina, strength, and resilience.

A possible solution can be using technology that has built-in target-setting and strategy-building capabilities.



**Normalized targets**, also known as intensity targets, are metrics that set an organization's emissions target relative to an economic or operational variable.

**Absolute targets**  
aim to reduce GHG  
emissions by a set amount.



# Unintelligible, Siloed Data

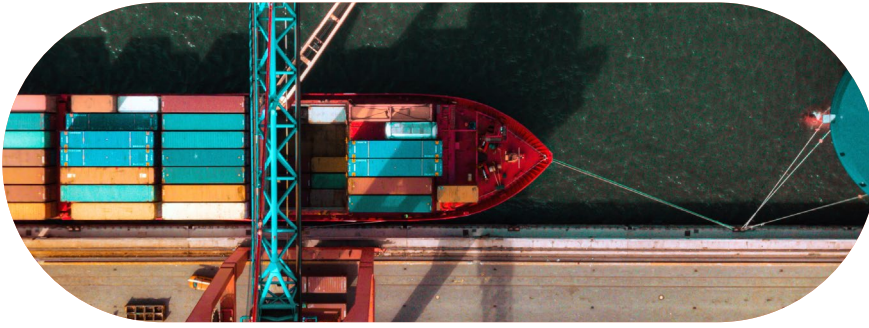
As important as data is to companies, it is often neglected and becomes a complicated mess being stored across different business units, departments, systems, geographies, and suppliers with even different methods used to store and calculate the information. It's no surprise that many companies are still struggling with fragmented data sets for Scopes 1, 2, and 3 that are rarely translated into a coherent big picture that enables decision-makers in relevant functions to understand what is really going on and make informed choices.

Using a technology platform that enables managers to centralize data from their operations and their supply chain, calculate outcomes, and regularly consult updated dashboards showing progress on emission-reduction objectives can provide the clarity that is needed to evaluate suppliers and provide feedback on performance.

For example, if 70% of suppliers in the program have committed to providing their Scope 1 & 2 data and set emission reduction targets within 12 months, but only 10% of them have done so within 8 months, the sooner this is flagged in a dashboard focusing on the most material data, the better. Collecting and sharing this information also helps companies create a feedback loop with their suppliers which allows both parties to monitor their progress on sustainability-related goals in real time. This allows both parties to also make adjustments in their strategies and tactics when performance isn't on track to meet their goals.

*Collecting and sharing this information also helps companies create a feedback loop with their suppliers.*





## Limited Scope of Industry Coalitions

While some industries have made significant progress in developing a common framework and collaborative processes to address sustainability challenges in the supply chain, even the more advanced sector coalitions have trouble moving the needle on emission reductions and other desirable social and environmental outcomes.

One reason for this is certification programs and related audits tend to focus on enhancing management processes that yield only incremental improvements. These coalitions could make much greater progress by agreeing on an industry roadmap laying out clear targets for emissions reductions and other desired outcomes on material issues.

Progress could be further enhanced by establishing a common platform for the collection of key data across the supply chain that would enable suppliers to provide sustainability data and information once in a given reporting period to serve all their customers' needs, eliminating the current situation whereby suppliers have to reply to multiple similar-but-slightly-different buyer questionnaires.

*Progress could be further enhanced by establishing a common platform for the collection of key data across the supply chain.*

# Opportunities to Accelerate Scope 3 GHG Emissions Reductions

## 1

### Materiality Mapping to Identify Hotspots

While it can be tempting to follow the imperative of management and process efficiencies, for example engaging a handful of key suppliers that account for 80% of spend, companies are increasingly realizing that this is not necessarily where the real impact is in terms of emissions. A more diligent and potentially fruitful approach is to evaluate which activities in the supply chain are the biggest hotspots with the highest impact.

This can be achieved by conducting a materiality assessment of these activities to determine where to focus resources for the greatest reduction in emissions. Technology can be used to streamline the materiality assessment process by automating survey sending and response collection, analysis of the results, and more.

For example, engaging a smaller supplier using chemicals in their manufacturing process that emit high quantities of carbon emissions might lead to a bigger overall reduction in emissions than engaging a primary supplier whose operations are relatively energy efficient.

## 2

### Establishing Innovation Partnerships With Suppliers

Some companies are taking the (double) materiality mindset even further and setting emission-reduction targets to be achieved in partnership with suppliers. Identifying and working with suppliers who are equally committed to sustainability makes it easier to achieve sustainability goals because you replace the usual hesitancy to change with a mutually beneficial partnership with a business that shares similar values.

For example, P&G's goal is to reduce supply chain and logistics emissions by 40% by 2030.<sup>3</sup> To accomplish this P&G is actively working with suppliers to reduce their carbon footprint and has established a new Product Supply Innovation Center (PSIC) in Kronberg, Germany as a hub for a network of local suppliers, tech companies, and top universities, developing solutions that are global and scalable to help decarbonize its supply chain. This type of partnership between P&G and its supply chain helps take some of the pressure off the suppliers to achieve these goals on their own.



## Using More Carrot Than Stick

Companies who have been at this for a while are increasingly reporting better results in their supply chain programs from developing deeper partnerships with suppliers that generate high degrees of trust. While this seems like common sense if we think about how human relationships generally work, it can often be overlooked in a business context.

A simple step that can be taken is for companies to sit down with suppliers who are ready for this step (with relevant decision-makers in the room) and discuss what each party values and how collaboration could result in a win-win for everyone and the planet. This approach also holds the most promise for being able to engage suppliers in more distant tiers of the supply chain.

For example, the Suppliers Partnership for the Environment is a group of automotive manufacturers and suppliers working together toward a shared vision of an automotive industry with positive environmental impact by advancing leading practices and projects in key areas. By working together these companies are making achieving their goal of a sustainable auto industry easier to accomplish.

*This approach also holds the most promise for being able to engage suppliers in more distant tiers of the supply chain.*





# Tips to *Engage* Suppliers and *Improve* Sustainability Reporting



Identify and engage a limited number of suppliers that account for the greatest percentage of value chain emissions



Fully integrate sustainability and carbon requirements into procurement processes and business discussions, and ensure formal top management commitment



Engage suppliers with clear expectations not just to provide data on Scope 1 and 2 emissions, but to set timed emission reduction targets



Encourage suppliers to sign up for the Science-Based Targets initiative to ensure their data is verified



Actively support suppliers to build their capacity to produce accurate climate accounting reports and reach set goals



Join relevant industry coalitions and initiatives to leverage collective influence and direct resources in a strategic way across the supply chain



Utilize a software solution to streamline strategy and goal setting, supplier data collection, sending surveys and questionnaires, and other easily automated tasks



To be clear, none of this is a walk in the park. It can take years to successfully obtain top management and supplier support for ambitious targets and programs of this magnitude, not to mention the effort and skill required to build internal consensus and collaboration across relevant functions such as business lines, legal, procurement, and sustainability. Making the business case and obtaining the resources to consistently make progress can also be a major challenge, as company priorities shift in line with volatile market conditions.

Despite the challenges, it is still a worthwhile endeavor for businesses to take their sustainability programs to the next level, complete with reporting on Scope 3 emissions from their suppliers and value chain.

# How To Take Your Sustainability Program to *The Next Level* and Beyond

We've discussed the challenges, opportunities, and tips for working with your suppliers to reduce your Scope 3 emissions, but sustainability goes beyond GHGs, and so should your reporting. Leveling up your sustainability program requires embracing all aspects of sustainability—not just carbon emissions. It also requires working with suppliers who also embrace all aspects of sustainability in their operations.

Identify, prioritize, and reward suppliers who share a vision for a more sustainable way of doing business that considers:



## **Environmental factors**

- GHG emissions
- Waste management
- Water usage
- Energy efficiency
- Climate change impacts
- Biodiversity
- Air quality
- Deforestation



## **Social topics**

- Gender inclusivity
- Diversity
- Human rights
- Labor standards
- Data protection and privacy
- Community engagement



## **Governance factors**

- Leadership and board composition
- Executive compensation
- Operational policies and procedures
- Shareholder rights
- Auditing procedures

By working with suppliers who prioritize sustainability or encouraging your existing suppliers to adopt more sustainable business practices in their operations, you can not only accelerate your Scope 3 reduction goals but also propel your sustainability efforts to the next level.

*Leveling up your sustainability program requires embracing all aspects of sustainability—not just carbon emissions.*



## Ready to *Simplify* Scope 3 Reporting?

Collecting Scope 3 data from suppliers can be a time and resource intensive process. Streamline engaging with your suppliers and gathering Scope 3 data with the FigBytes Sustainability Platform. FigBytes makes it easy to capture Scopes 1, 2, and 3 data and more from across your operations and value chain. [Contact us today to learn more.](#)

[1. The Monthly Metric: Suppliers Accounting for 80% of Total Spend \(ismworld.org\)](#)

[2. Scope 3 Emissions \(unglobalcompact.org.uk\)](#)

[3. P&G Accelerates Action on Climate Change Toward Net Zero GHG Emissions by 2040](#)