green project
an ACT company

The Guide to Achieving Sustainable Procurement

with Scope 3 Emissions Data

Why Sustainable Procurement is Key

For must businesses on their emissions reduction journey, the most challenging step is decarbonizing their supply chain. While some businesses may still believe that if they don't manufacture, they don't emit, research indicates that the majority of business emissions often lie in the supply chain, accounting for 26 times their direct emissions. That's why sustainable procurement is key.

Evolving regulations and ongoing standards requiring Scope 3 emissions reporting, such as the SBTi and CDP, are helping to level the playing field for sustainable businesses. Regulatory requirements continue to be an important consideration as the global community strives to avoid the worst impacts of climate change.

While there's plenty of work to be done, the supply chain doesn't just present emissions risks; it also offers significant opportunities.

These include:

- Making better-informed procurement decisions
- Building stronger relationships with suppliers
- Cutting costs through improved efficiency
- Identifying new market opportunities
- Meeting current and future compliance requirements
- Improving brand reputation

The Scope 3 Data Problem and Limited Emissions Reductions

So, why can't businesses just engage suppliers, get their emissions numbers, and start reducing them? If only it were that simple. Products often have thousands of components sourced from all over the world, and in some cases, companies don't even know where the first mile of their supply chain begins. This results in a significant lack of data about Scope 3 emissions, their extent, location, and the varying risk levels across different suppliers and products.

Scope 3 encompasses suppliers, intermediaries, and traders, all of whom need support on their own emissions reduction journeys.

However poor data quality, and accessibility remain significant barriers to successful Scope 3 reporting, making it difficult to help these stakeholders assess their emissions and develop reduction policies.

Even with the best intentions, suppliers and stakeholders can't make reliable progress without primary emissions data based on actual measurements.

Results need to reflect real-world impact. Businesses need accurate data on emissions from specific sources such as:

- Purchased goods and services
- Upstream transportation and distribution
- Downstream transportation and distribution
- Use of sold products
- End-of-life treatment of sold products

Traversing the Primary Data Chasm

To address the data gap, businesses often start with a spend- or quantity-based approach, estimating emissions by applying industry average emissions factors to their procurement spend. While these estimates provide a useful starting point for identifying key areas of focus, they have limitations since they aren't based on primary data about actual emissions occurring in the supply chain.

To create an effective Scope 3 emissions reduction strategy and traverse the primary data chasm, businesses need answers to the following questions:

- How do you engage suppliers efficiently to gather data at scale?
- How do you engage suppliers of different sustainability maturity levels, including those that have never calculated emissions before?
- How do you overcome supplier fatigue when companies are facing multiple sustainability requests?
- How do you turn emissions data into usable information for procurement teams to drive strategic supplier collaboration?
- How do you identify carbon hotspots in your supply chain to focus engagement efforts?

First, you must engage suppliers based on their maturity level. While some suppliers may have ready-to-use data, others might just be starting their emissions measurement journey. Be aware that many suppliers are already facing multiple reporting requests, leading to fatigue and resource strain. That's why engage50, Green Project's supplier engagement platform, automates Scope 3 emissions assessments using publicly available data and offers suppliers free access to the platform. This mutual engagement program helps businesses gather the data they need while building supplier capacity and creating competitive advantages.

Initially, any supplier emissions data is valuable, but the ultimate goal is to progress from factory-level to product-level emissions data (PCFs). This granular data empowers procurement teams to implement reduction initiatives and integrate emissions and carbon pricing into their decision-making.

There are multiple approaches to emissions calculation, each with its own trade-offs. Next, we'll explore the types of primary data businesses need to harness, examine emissions factors and calculation methodologies, and help you determine which approach best suits your business.

Understanding Scope 3 Data Types

For businesses with long-tail supply chains and upstream emissions, primary source data on Scope 3 emissions is essential for reduction efforts.

In the previous section, we discussed the spend- and quantity-based approach to carbon accounting, which calculates emissions by applying industry-level estimates to procurement data rather than using primary measurements. While this approach provides initial insights for businesses beginning their emissions reduction journey, the most significant improvements come from working with primary data on emissions from specific goods and services.

What Does Primary Data on Scope 3 Emissions Look Like and Why Does it Matter?

Primary data on Scope 3 emissions fall into three levels of specificity:

1. Supplier emissions footprint – Overall emissions data from suppliers.
2. Supplier facility-specific emissions – Data from individual factories, farms, or production sites.
3. Supplier product-level carbon emissions – Emission data for specific products.

Greater specificity in emissions calculations provides more reliable data tied to actual business activities rather than estimates. This precision is crucial for accurate Scope 3 emissions reporting. When product-level emissions are calculated using advanced measurement approaches, including AI and algorithmic tools, companies can verify their claimed emissions reduction and ensure regulatory compliance.

Primary Data Approach vs Spend & Quantity Approach

Spend and Quantity-Based Approaches

Spend-based or quantity-based emission factors are high level, representing the average emissions per dollar spent on products. The data is easy to source and can be pulled directly from accounting software, which almost every company has.

However, the ability to identify, analyze, and monitor emissions reduction efforts related to purchased products is limited if a business uses spend-based accounting methods exclusively.

Spend-based methods encourage businesses to use a “buy less” method to reduce emissions, which often doesn’t harmonize well with wider business goals.

We want to buy smart, not buy less.

Scope 3: Hybrid Calculation Methods

Hybrid calculation methods use top-level emissions information provided by suppliers and allocate it to their products. This approach works best when suppliers have a limited range of similar products, offering more accuracy than spend-based methods.

However, it can mislead when products in the same category have significantly different environmental impacts – for example, plastic products made from recycled versus virgin materials.

Supplier-Specific Methods

The supplier-specific method delivers the most precises and accurate supply chain emissions data, representing the gold standard in carbon accounting. However, it requires extensive supplier engagement and data collection. Since many suppliers lack the capability to provide detailed emissions data, companies often must invest in supporting their suppliers' product footprinting capabilities, a complex and costly process. As a result, hybrid calculation methods frequently serve as a more practical intermediate solution.

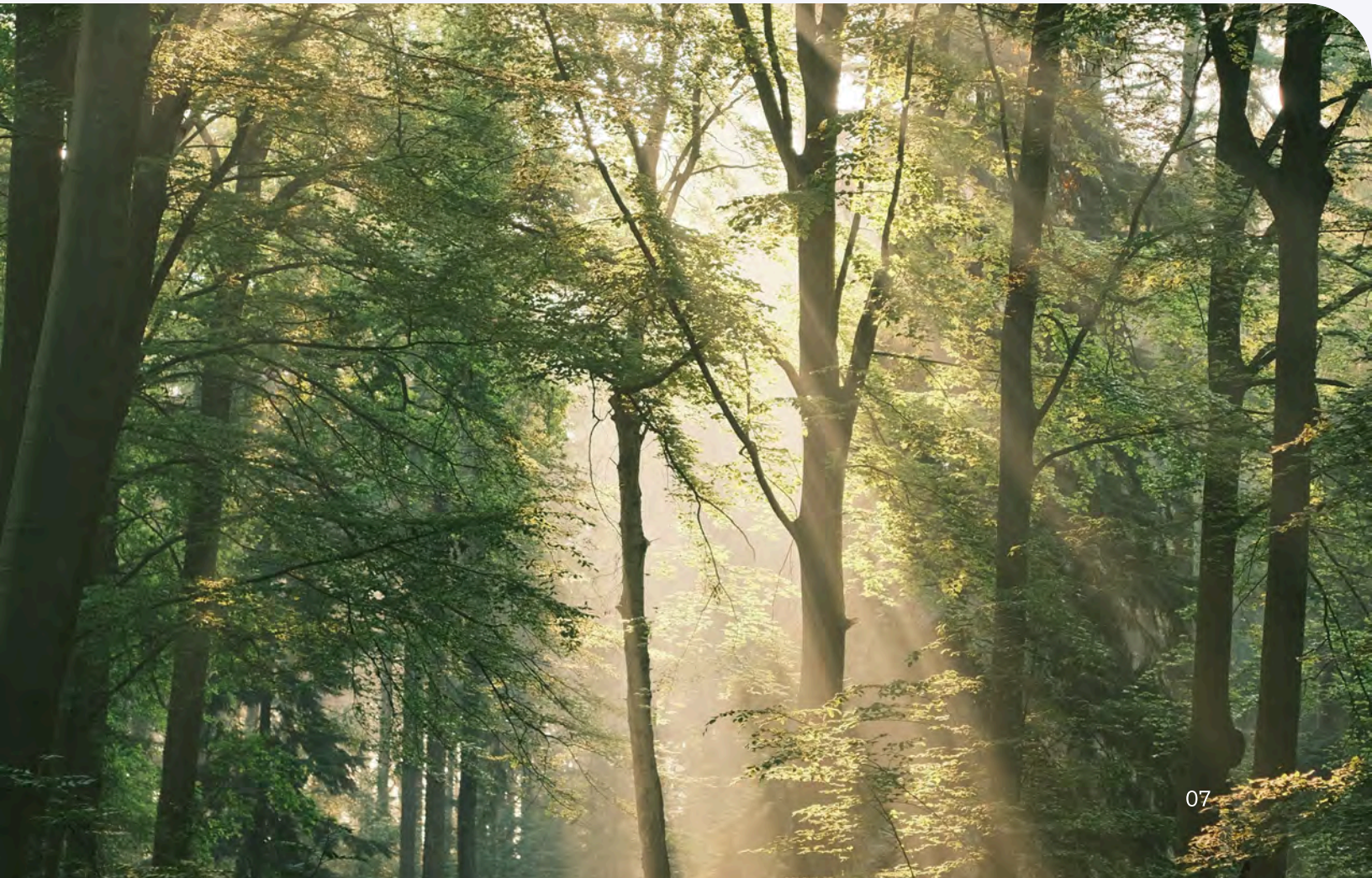
How Can I Build Primary Data Points on Scope 3 into My Business Model?

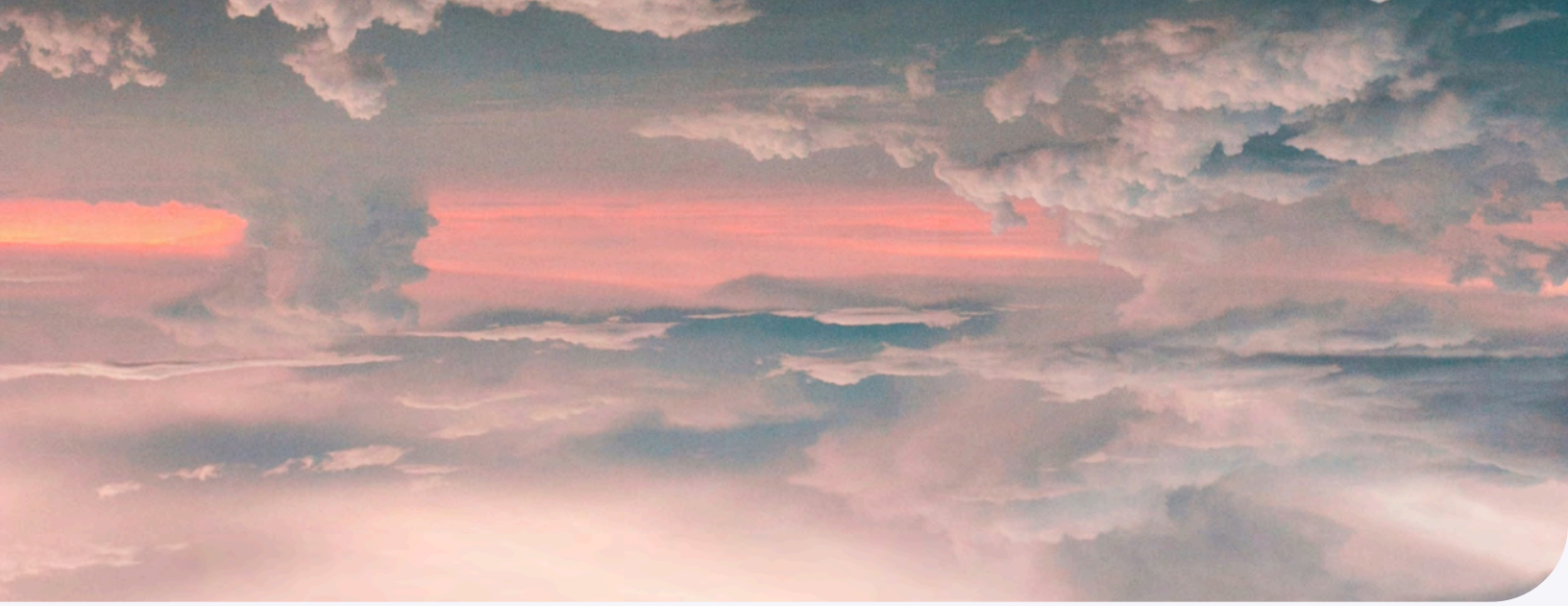
A good example of a company that has excelled in this space is Ikea. Ikea's sustainability team was one of the first to approach the Scope 3 problem. They collect data from both their tier 1 suppliers and tier 2 to gain a more multi-dimensional picture of their Scope 3 emissions.

They've laid the supplier engagement and sustainable procurement foundations to enable their suppliers' suppliers to provide accurate calculations of the emissions associated with producing and transporting their products.

The true key to their success is the thoroughness of their supplier engagement strategy.

Reducing Scope 3 is a team effort. Next, we'll talk about how you can support your suppliers to join you on the emissions reduction journey by outlining various tools, incentives and other approaches that we call the supplier engagement win-win.





Supplier Engagement is a Win-Win

Gathering supplier emissions data is one of the biggest challenges in calculating a business's total emissions. Many companies find themselves staring into a vast data chasm when trying to measure their Scope 3 emissions.

The solution lies within your supply chain. Suppliers, intermediaries and traders can help bridge this gap by measuring their own emissions. It's important to remember that these businesses are at different stages of their sustainability journey. Many may even be staring into the same Scope 3 data chasm you are.

While suppliers may need support gathering emissions data, developing a collaborative engagement strategy benefits everyone. On one hand, businesses gain the data needed for impact measurement and compliance, while suppliers can reduce both their own emissions and those of their customers.

Help Them to Help You: Effective Supplier Support

Support flows both ways in the supply chain, where shared data benefits everyone.

Supplier engagement and supplier support are one and the same, and it's worth thinking strategically about how you approach them: **how can we enable suppliers to provide scope 3 data while achieving their own emissions targets?**

This breaks down into four key areas:

1. How do we identify levels of sustainability maturity among suppliers, including those new to emissions calculations?
2. Where are the easy wins that will allow us to begin engaging suppliers at scale?
3. How do we address supplier fatigue and encourage participation despite the overwhelming number of requests they might receive?
4. What methods are available to pinpoint carbon hotspots and climate risks in the supply chain for better prioritization and meaningful impact through supplier collaboration?

The Product Carbon Footprint and Priorities: Where to Start?

Some suppliers may already have robust, ready-to-use data, while others may still be in the early stages of their journey. It's important to recognize that many suppliers face significant challenges, including being overwhelmed with numerous data requests, experiencing reporting fatigue, and grappling with limited resources. Considering a supplier's individual levels of maturity in sustainability practices must be the foundation of any sound supplier engagement and sustainable procurement strategy.

From there, businesses can identify which suppliers are ready to provide primary data, whether that be their own spend-based assessment of their footprint, facility-specific emission, or (the holy grail) their own product-level carbon emissions.

Prioritize engaging mature suppliers first for quick wins. Either way, the job just got a little bit smaller because you've understood the task at hand for your suppliers and recognized the mutual benefits.

engage50: Support the Supporters

Thankfully, tools exist to help businesses engage suppliers who are behind on their reduction journey or even yet to start.

Green Project's supplier engagement platform, engage50, automates the assessment of Scope 3 emissions with publicly available data that you can use prior to engagement. And, trust us, you'll find overburdened suppliers who are asked to gather and provide publicly available data will suffer from fatigue very quickly.

For suppliers unsure about what their first steps toward emissions reduction might be, engage50 offers a free, lightweight version of the platform that includes:

1. Carbon footprint calculation tools for inputting product information and calculating their carbon footprint.
2. Scorecards with suggested steps to reduce emissions.
3. A free Product Carbon Footprint (PCF) calculator for those ready to go deeper into product-level data.

engage50 allows suppliers to start participating in emissions reduction with no concern about financial burden. They can start reaping the benefits of reduction and pass the benefits up the supply chain in the form of accurate data.

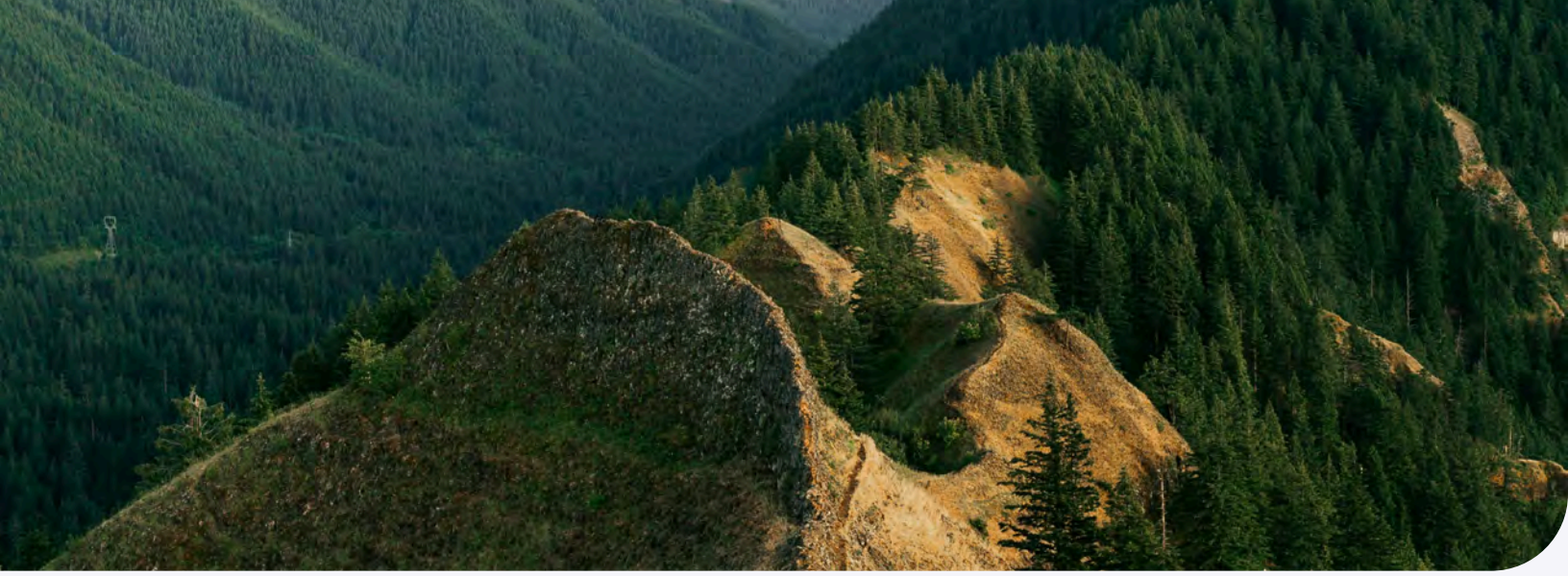
We're All Playing on the Same Field & the Rules Are Evolving

Regulations like the EU's Corporate Sustainability Reporting Directive (CSRD) continue to push transparency higher: detailed Scope 3 emissions reporting is increasingly regarded as a core expectation. While the primary focus is shifting to larger enterprises, that doesn't mean smaller businesses are off the hook; requests for the data required for CSRD compliance will cascade downstream.

From the supplier's perspective, it's important to remember you are your customer's Scope 3 and so will be judged based on your ability to collect and share data.

With regulations on the way, a supplier's ability to deliver will give you a competitive edge as businesses look to reduce their own emissions and hit compliance targets.

By fostering collaboration and providing practical tools, this approach not only streamlines data collection but also strengthens supplier relationships, drives shared sustainability goals, and helps create a more resilient, transparent supply chain. It's a win-win scenario that supports long-term success for you and your suppliers.



The View from Across the Primary Data Chasm

After building your foundation with primary Scope 3 data, you're in a strong position to move from measurement to meaningful action. Understanding what drives your carbon footprint will help when you decide where to focus your next efforts.

What's next? Now it's time to think about how you can strategically use the data you've gathered to unlock new benefits and plot a course to net zero. Don't lose momentum; here's what to do with your primary data:

Use Emissions Data to Identify Hotspots

Start by digging into your Scope 3 data to identify emission hotspots across your supply chain. Just like when you started gathering data from suppliers, finding the best starting point is key. Focus on suppliers who contribute the highest percentage of your emissions footprint and examine specific processes, products, or facilities driving these numbers. Tackling Scope 3 requires strategic prioritization, target the easier wins to optimize resources and improve efficiency.

A data-informed Scope 3 emissions inventory enables both quick wins and long-term planning. You can better predict the impact of new initiatives, respond to emerging climate risks, and make data-driven decisions about where to focus your reduction efforts for maximum impact.

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Plot a Course to Net Zero

Net zero might still be a way off yet, but from here you might at least catch a glimpse of the finish line. Primary Scope 3 data will help you bring the finish line into focus as you set reduction targets, measure your progress against them and see where you sit next to others in the industry.

Having the data is one thing, but what you do with it is another. Your long-term GHG inventory and reduction targets will lead you to net zero, and regulators, the public, your stakeholders, and the boardroom will expect you to monitor your progress.

Your Organization Can Comply with Confidence

Growing expectations around emissions transparency and reduction are accelerating the adoption of sustainability initiatives across industries. With access to primary data, businesses are better equipped to meet evolving reporting requirements and respond confidently to both regulatory and market demands.

Primary Scope 3 data will help with carbon bookkeeping and can reveal opportunities to relieve your carbon tax burden. Fortified by primary data, you can ensure your reporting excels and reduce regulatory risk. If you want to know how to do more with reports, Green Project can help.

Getting on the road to GHG reduction will help futureproof your business and shine among the competition. This goes for suppliers too. Your commitment to Scope 3 reductions will make you stand out from the crowd. Communicating GHG reduction achievements effectively will help spread the message up and down the supply chain.

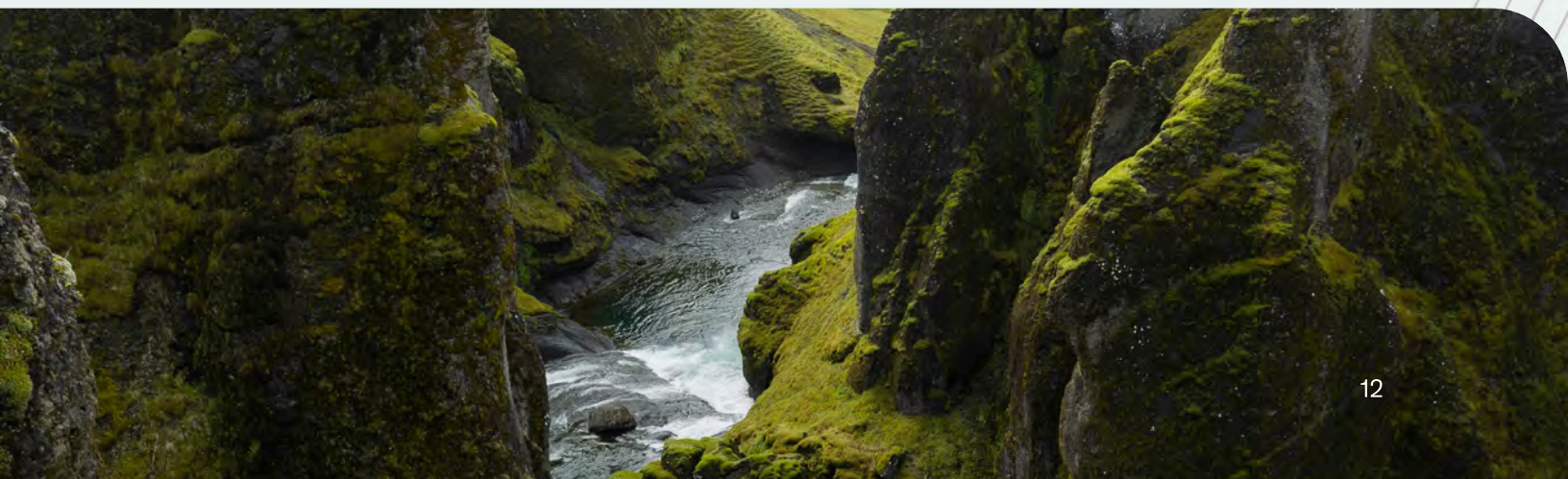
Engage Suppliers for Scope 3 Decarbonization

For procurement heads, you've gained a new set of criteria you can use to determine the value of different suppliers: their emissions calculation maturity and their ability to report it. With the statistics to compare, you'll be able to develop strategic partnerships with your most beneficial suppliers and develop personalized, collaborative emissions reduction strategies, so you're always in step with one another.

Supplier engagement is a win-win, and as suppliers, you've nurtured transparent, cooperative relationships with your customers to cross the data chasm with them and build a framework for sustainable procurement. You can now position your business as a sustainable one to unlock new opportunities and partnerships.

Embed Sustainable Sourcing into Your Business' DNA

Many businesses are already combining the duties of the CPO and CSO. But the commitment to sustainability shouldn't end when you leave the sustainability or procurement departments. With a clear picture of your Scope 3 emissions, you can effectively integrate sustainability beyond your own department and weave sustainability into your entire business' DNA. Over time, you can have everybody measuring, reporting, reducing and repeating. All the way to net zero.



In Summary

How Sustainable Procurement, Scope 3 Emissions Data, and Good Business Go Together

Gathering Scope 3 is a giant milestone, but it's only the beginning of your emissions reduction journey. By taking strategic steps to analyze, implement, and communicate your emissions data, you can unlock the long-term benefits.

Sustainability isn't just a responsibility, it's an opportunity. Embrace it to build a resilient business model that makes a real impact.

Ready to start or progress your sustainable procurement journey? Speak to Green Project, and we can guide you from here.

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Thank you!

Head over to our website to access more insights on supply chain decarbonization

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Get in touch to learn more

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