



Beginning with Scope 3

Your Handbook for a More Sustainable Supply Chain



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YOUR HANDBOOK FOR A MORE SUSTAINABLE SUPPLY CHAIN

As the world intensifies its journey toward a sustainable and ecologically friendly future, businesses play an increasingly critical role in this transition. Effectively addressing and reducing Scope 3 Greenhouse Gas (GHG) emissions emerges as a key challenge, particularly for sustainability and procurement professionals. Scope 3 emissions, encompassing all indirect emissions from activities both upstream and downstream in the supply chain, often form a substantial part of an organization's carbon footprint. However, they remain significantly under-addressed, largely due to their complexity and the difficulty involved in their measurement and management. This is where our guide steps in.

This Guide provides a practical guide for professionals aiming to understand, measure, and remediate Scope 3 GHG emissions. For those unfamiliar with the terminology, the guide begins by breaking down the concept of Scope 3 emissions, exploring their relevance, sources, and significance in the context of sustainable business practices.

So, let's embark on this journey towards understanding and addressing Scope 3 emissions, ultimately striving for a more sustainable and resilient future for our businesses and our planet.

About this Guide

This guide is based on information from the "Starting on Scope 3 Emissions Reduction" session of [The Shift 23](#), a series of 1-hour virtual sessions by SupplyShift that were held throughout February 2023 and designed to help ease the burden of achieving sustainability in your supply chain.

Our panelists for the session included procurement leaders from across the industry. Throughout the discussion, we also welcomed input from our live audience, ensuring a wide range of perspectives and experiences were considered.

What are Scope 3 Emissions?

Scope 3 emissions are a category of greenhouse gas emissions defined by the [Greenhouse Gas \(GHG\) Protocol](#). This is the most widely used international accounting tool to understand, quantify, and manage greenhouse gas emissions. The Protocol classifies a company's GHG emissions into three scopes:

Scope 1:

Direct emissions from owned or controlled sources, such as emissions from combustion in owned or controlled boilers or vehicles.

Scope 2:

Indirect emissions from the generation of purchased energy, which includes electricity, steam, heating, and cooling consumed by the reporting company.

Scope 3:

Other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company.

In the context of Scope 3, the emissions are typically generated by sources not owned or directly controlled by the company but associated with the company's activities. They can be divided into two primary types: Upstream and Downstream.

Upstream emissions:

These are emissions related to the production of products or services that are purchased and used by the company. For example, emissions associated with the extraction, production, and transportation of raw materials that a company purchases to produce its goods or services.

Downstream emissions:

These are emissions resulting from the use and end-of-life treatment of the goods and services produced by the company. For example, emissions caused by the use and disposal of a product sold by the company, or emissions from the use of services provided by the company.

Scope 3 emissions can make up the largest part of a company's carbon footprint and can offer significant opportunities for emission reduction. However, they are often the most challenging to calculate and control, as they involve activities not directly within the company's purview. Nonetheless, addressing Scope 3 emissions is essential for a comprehensive approach to combating climate change.

Nurture Your Relationships



01

Don't forget you're working with humans.

When tackling Scope 3 emissions, it is essential to remember that you're dealing with humans. Focusing on human relationships can play a significant role in driving success. Regardless of the scale of your company or the complexity of your supply chain, the relationships you cultivate with your partners are foundational. These aren't just business transactions - they are interactions between people with shared goals and mutual concerns.

The ultimate goal isn't merely transactional efficiency, but the creation of a more sustainable, resilient, and equitable supply chain that benefits all parties involved. Remember, behind every data point and every business decision are people. Nurturing these human relationships is as important as any other strategy in managing Scope 3 emissions.

02

Involve all levels of management across all functions

To successfully address and reduce Scope 3 emissions, a company must create a cohesive and comprehensive approach that permeates all levels of the organization, from C-suite executives to middle management to front-line supervisors. Each department, whether procurement, operations, marketing, human resources, or finance, plays a crucial role in this process.

For Example:

- **Procurement** needs to select suppliers based on their sustainability efforts
- **Operations** needs to incorporate cleaner and more efficient processes
- **Marketing** needs to communicate the company's sustainability efforts to customers and stakeholders
- **Human resources** needs to foster a culture of sustainability and train staff accordingly
- **Finance** needs to allocate budget towards sustainability initiatives

03

Obtain buy-in from all stakeholders

In the context of reducing Scope 3 emissions, “buy-in” means that everyone within the organization, regardless of their role, needs to understand and support the sustainability goals.

Each employee plays a role, either directly or indirectly, in the company’s environmental impact. Therefore, individual actions, choices, and behaviors can significantly influence the company’s overall emissions. For example, an engineer could suggest a design change that makes a product more energy-efficient, or an office worker could promote recycling initiatives within their team.

Obtaining buy-in isn’t just about compliance; it’s about fostering a culture of sustainability where each member feels personally invested in the company’s environmental goals. This might involve training and education, creating open lines of communication for suggestions and feedback, or recognizing and rewarding efforts to reduce emissions and promote sustainability. This collaborative effort can lead to meaningful and sustained reductions in the company’s environmental footprint.

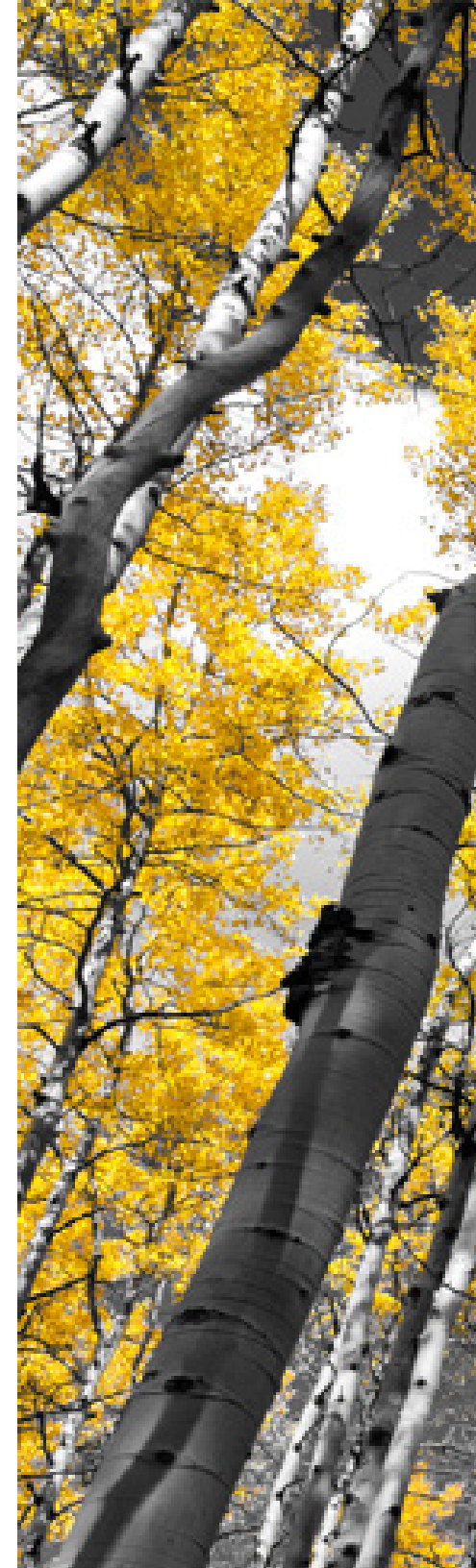
04

Talk to whoever wants to listen, and build from there

Start with those who are receptive and willing to listen, then progressively build from there. Start by introducing the fundamental concepts of climate change, greenhouse gas emissions, and their impacts, and explain the specific relevance of these issues to the business.

It’s important to communicate that while the process might seem complex, it is certainly manageable with a systematic and collaborative approach. Emphasize that it is not just about the company’s impact; rather, it’s part of a larger global effort to combat climate change. Ensure that stakeholders understand this initiative is not just a fleeting trend or corporate social responsibility tick-box, but a necessity driven by environmental concerns, regulatory pressures, and evolving customer and investor expectations.

In this manner, a sustainability initiative can gain traction, transforming from a few interested individuals to a comprehensive, company-wide commitment to reducing the organization’s environmental impact.



05

Bond With Your Procurement Team

Spend extra time nurturing your relationship with your procurement team. It's important to work closely to ensure they thoroughly understand Scope 3 and its implications on their work.

This should go beyond the simple collection of data. While data on suppliers' emissions is essential, procurement teams should also be equipped with a set of key questions to ask suppliers about their sustainability efforts. These could include asking about their current environmental footprint, any existing sustainability initiatives, and their plans for reducing emissions. These questions can give a more comprehensive view of a supplier's sustainability performance, enabling better decision-making in supplier selection and management.

A useful tool that can further aid your procurement team is The Chancery Lane Project's [Climate Contract Playbook](#). This tool provides ready-to-use contract clauses specifically designed to address climate change, which procurement professionals can easily incorporate into their supplier contracts. By offering these clauses for free, the tool provides a straightforward way to incorporate sustainability requirements into supplier agreements, helping to enforce the commitment to Scope 3 emissions reduction.

06

Communication is important

Effective communication forms the cornerstone of successful supplier engagement, especially when dealing with the intricacies and jargon of Scope 3 emissions. As you begin asking suppliers for specific information related to sustainability, it's natural for them to feel apprehensive, often worrying that their business relationships could be at stake. It's therefore essential to provide a clear and thorough explanation of what you're asking for and why.

Outlining your internal sustainability goals and roadmap can help demystify your intentions, providing context for your requests. By sharing these targets and plans, suppliers can see how their data and actions contribute to a larger, shared vision. It paints a picture of collaborative effort rather than unilateral demands, fostering a sense of partnership and joint responsibility.

A useful resource for refining your communication strategy is the [Supplier Engagement Guide](#) from the Exponential Roadmap. This guide includes engagement letter templates that have been pre-formatted to address common questions and concerns, reducing the risk of misunderstandings.

[Speaking the procurement team's language](#) wherever possible can also significantly enhance the effectiveness of your communication. This means focusing on the approach and objectives that procurement professionals are accustomed to, as well as mirroring the technical jargon and industry-specific terminologies they use.

By speaking in terms your colleagues and suppliers are comfortable with, you can increase their receptiveness and engagement, facilitating smoother and more productive interactions.

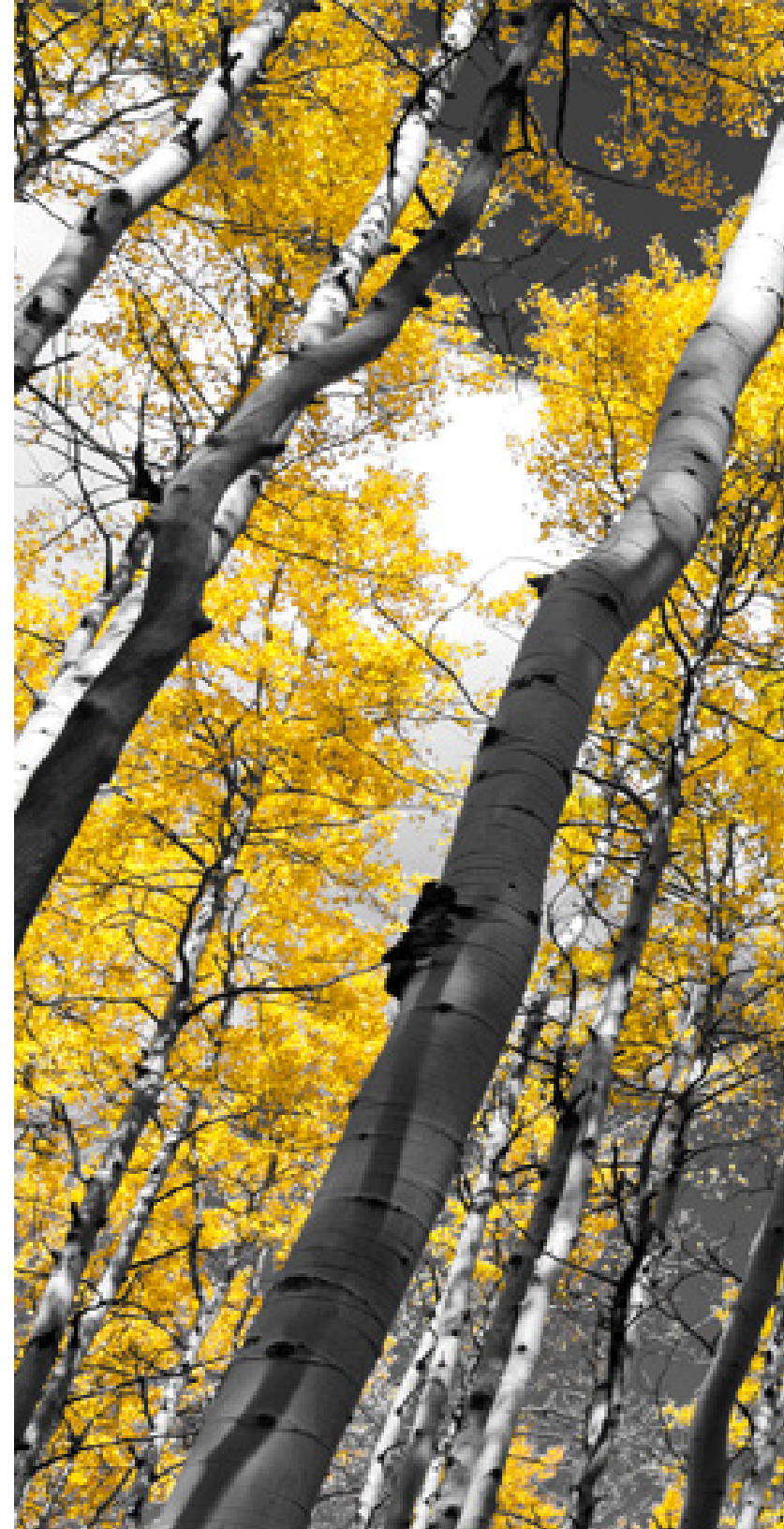
As you navigate the complexities of managing and reducing Scope 3 emissions, collaboration with peers in your industry can be incredibly valuable. By sharing insights and experiences about methodologies, platforms, and tools, you can collectively develop a more efficient and effective approach to sustainability.

This collaborative mindset extends beyond learning from one another; it also involves aligning your efforts to provide a consistent experience for shared suppliers. Asking the same questions and using the same tools across different customers can greatly simplify the process for suppliers, reducing their burden and increasing their willingness to participate in sustainability initiatives.

Presenting a united front with other companies in your industry can also be advantageous, especially if you're a smaller customer of a supplier. If larger customers are asking the same questions about sustainability, the supplier is likely already prepared to answer them. This means that they won't perceive your inquiries as an additional hassle, making it more likely that they'll respond positively to your request.

In essence, collaboration with peer organizations can not only enhance your understanding and implementation of sustainability practices but also streamline the process for suppliers, creating a win-win situation for everyone involved. By working together, companies can drive greater impact in reducing Scope 3 emissions and advance collective progress towards sustainability.

One easy way to collaborate with peers is through participation in the [Scope 3 Peer Group](#). This is a unique collaboration forum that brings together forward-thinking professionals committed to driving climate action in their organizations. The peer group provides a supportive and collaborative environment where members can share experiences, insights, and best practices about managing and reducing Scope 3 emissions.



Prepare Your Organization



01

Identify the squad internally that will champion your cause

Achieving sustainable Scope 3 emissions reduction is a journey that requires a dedicated team, persistence, and a culture centered on focus. It's crucial to identify a group of internal advocates who will champion your sustainability cause. This squad could consist of individuals from various functions such as procurement, operations, and finance, all sharing a common passion for environmental stewardship.

The key to creating this culture of ruthless focus is to clearly communicate your sustainability objectives and the critical role each team member plays in reaching them. This culture should emphasize the need for regular reassessment, data-driven decision-making, and continuous learning. It's about fostering a sense of collective responsibility where every action, no matter how small, contributes to the larger goal.

Remember, the path to Scope 3 emissions reduction can be complex and filled with obstacles. It's a journey that demands patience and tenacity. The teams that often succeed are those that persist the longest, showing resilience in the face of challenges and staying committed to their mission over time. It's about understanding that this effort isn't just a one-time project, but rather a long-term commitment to creating a more sustainable and resilient future.

02

Develop a change management framework

This is a critical step in successfully implementing a sustainability initiative, particularly when aiming to reduce Scope 3 emissions. In the context of sustainability, a change management framework guides how the organization prepares, equips, and supports its individuals to successfully adopt changes in order to drive organizational success and outcomes.

Your change management framework can include:

- Setting clear goals for the reduction of emissions.
- Defining roles and responsibilities related to these goals.
- Designing processes and procedures to facilitate these changes.
- Establishing mechanisms for communication, training, and support to help individuals understand the changes and their contribution.

A good change management plan considers both the technical aspects of the change - such as new systems or procedures - and the people affected by the change. By doing so, it not only aids in reducing resistance and increasing buy-in, but also in ensuring the sustainability initiative is incorporated into the fabric of the organization, driving long-term success and impact.

03

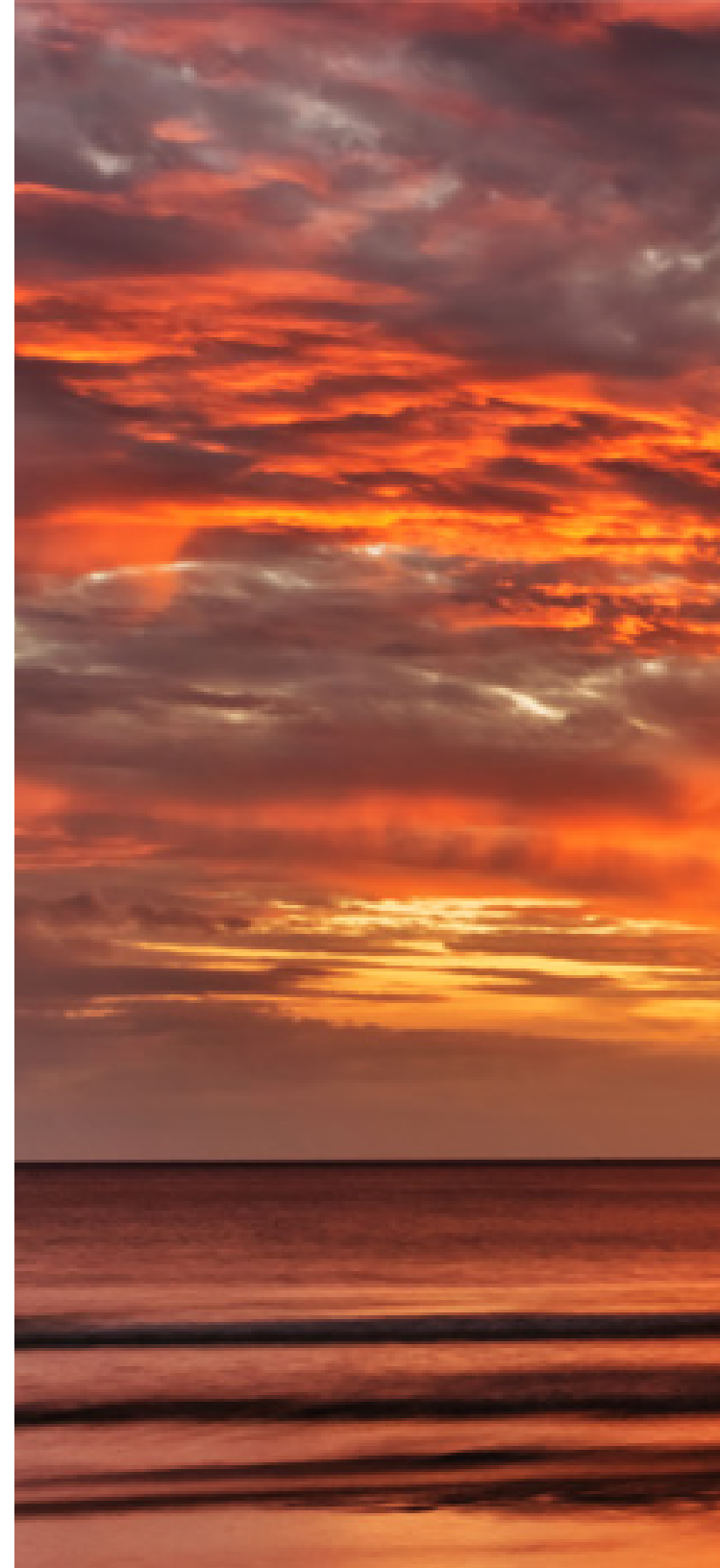
Create awareness of the challenge

This is a crucial step in initiating a successful environmental program within an organization. It involves educating all stakeholders - including employees, suppliers, customers, and investors - about the significance of the issue, the role that the company plays in it, and the potential impact of taking action or failing to do so.

This could mean:

1. Explaining the concepts of greenhouse gas emissions and climate change,
2. Demonstrating how the company's operations contribute to these emissions
3. Outlining the potential consequences for the planet, as well as for the company's reputation and bottom line.

Creating awareness should not just focus on the problems but also on the opportunities that come with addressing the challenge - such as cost savings from energy efficiency, customer loyalty from responsible practices, and competitive advantage in an increasingly eco-conscious marketplace. As part of this process, it's also important to foster an open dialogue where stakeholders can ask questions, share ideas, and feel engaged in the sustainability journey. By creating a shared understanding and sense of urgency around the issue, companies can drive motivation and action towards their sustainability goals.



When it comes to initiating sustainability efforts in an organization, it's fundamental to have a shared understanding of the topic at hand. While perspectives on climate change may vary, the undeniable fact is that it has become a critical business driver. Sustainability and environmental responsibility are no longer merely ethical considerations but are now intertwined with the very essence of successful business operations.

Regulatory bodies worldwide are intensifying their focus on sustainability, introducing stricter reporting and compliance regulations related to emissions and environmental impact. These emerging regulations underscore that fact that sustainability is no longer a matter that any business can afford to ignore. The stakes are high, with potential consequences ranging from financial penalties for non-compliance to reputational damage and loss of customer trust. Therefore, regardless of personal views, it's crucial to understand that addressing sustainability, particularly the reduction of Scope 3 emissions, is not just about protecting the planet – it's a business imperative that requires collective understanding and action.

Starting with a basic understanding of Scope 3 emissions is key to driving a successful sustainability program. This is particularly important when engaging with procurement teams, given their significant influence over a large portion of a company's indirect emissions. Procurement teams need to understand how their decisions regarding suppliers, materials, and products can impact the company's overall emissions.

However, it's crucial to note that Scope 3 emissions will mean different things to managers of different categories. For example, for a procurement manager in charge of office supplies, Scope 3 might involve considering the production and transportation emissions of the items they purchase. For those managing a logistics chain, it might mean looking at the emissions associated with freight and shipping. Resources like procurement-focused ebooks can provide valuable insights to help procurement teams navigate these complexities.

Participating in workshops such as those offered by the [*UN Global Compact*](#) can provide teams with the necessary training, guidance, and tools to understand and effectively manage their Scope 3 emissions. By building this foundational knowledge across the organization, companies can ensure that each department is equipped to play its part in the broader sustainability initiative.

Work with Your Suppliers



01

Talk to your suppliers

Engaging with your suppliers is a fundamental step in any sustainability initiative. These dialogues should begin before you launch any new actions and should be maintained consistently throughout the entire process. This constant engagement is crucial as it facilitates better understanding, cooperation, and successful implementation of sustainability practices. The conversation with suppliers is not merely a stage or a box to check off in your sustainability journey. Rather, it's an ongoing activity that ensures everyone involved is aligned with the sustainability goals, understands their roles in achieving these goals, and feels part of the journey towards a more sustainable future. Continual engagement fosters a sense of shared responsibility and allows for real-time feedback, adjustments, and improvements, ultimately enhancing the effectiveness of your sustainability initiatives. Remember, sustainability is a shared endeavor, and constant engagement with all stakeholders is key to driving meaningful and lasting change.

When engaging suppliers in sustainability discussions, it's particularly effective to target the individual in charge of sustainability within the supplier organization. When your supplier has staff assigned to sustainability, this is more effective than only targeting the individual responsible for the business relationship, since, as the subject matter expert, they possess the necessary knowledge and skills to navigate the complexities of Scope 3 emissions, making them a valuable partner in your sustainability journey.

Conversations with these specialists are typically welcomed, as customer requests for Scope 3 information validate the need for their role and the work they do. It underscores the growing market demand for sustainable practices and emissions transparency, reinforcing the importance of their sustainability efforts.

Moreover, this targeted engagement can significantly streamline the process of collecting and interpreting emissions data. Given their expertise, sustainability professionals are better equipped to provide the required data and insights accurately and promptly. They can also provide valuable suggestions on potential collaborative initiatives to reduce emissions along the supply chain.

By targeting sustainability professionals in your supplier companies, you not only secure the necessary data and cooperation but also build powerful alliances in your quest for sustainability. These relationships can be instrumental in driving significant and sustained reductions in Scope 3 emissions across your supply chain.

02

Understand Supplier Communication vs. Engagement vs. Collaboration

When tackling Scope 3 emissions, it's crucial to differentiate between supplier communication, supplier engagement, and supplier collaboration, as each plays a unique role in driving sustainable practices across the supply chain.

To address Scope 3 emissions effectively, a company requires a top-down and bottom-up approach, engaging everyone from senior management to the most junior employees. This collaborative effort can lead to meaningful and sustained reductions in the company's environmental footprint.

Supplier communication

involves informing suppliers about your expectations and requirements. It's the process of clearly articulating your sustainability goals, the type of data needed from them, and the standards or regulations they must comply with. This is a necessary first step, but it's unidirectional and doesn't invite feedback or interaction from the suppliers.

Supplier engagement

goes a step further. It involves opening a two-way dialogue with suppliers, discussing your goals, and listening to their perspectives. It's about building a relationship, understanding their challenges, and exploring possible solutions together. Engagement transforms suppliers from passive receivers of instructions into active participants in the sustainability process.

Supplier collaboration

is the highest level of supplier interaction. It goes beyond discussion and involves working alongside suppliers to implement sustainable practices. This may include providing resources, sharing best practices, jointly developing new processes, or even helping them set and achieve their own sustainability goals. Collaboration recognizes that suppliers are critical partners in your sustainability journey, and it works to empower them to make tangible reductions in emissions.

While supplier communication and supplier engagement may occur early in your process, true progress can begin to be made when you start collaborating with suppliers. You probably won't have the resources to collaborate, or even engage, with all of your suppliers, so choose carefully where to use your resources.

03

Invite supplier collaboration early

Inviting supplier collaboration at an early stage of your sustainability process can significantly enhance the effectiveness of your approach towards managing and reducing Scope 3 emissions. Including suppliers in the formative stages promotes a shared responsibility and commitment, helps tailor the process to the realities of the entire supply chain, and helps you learn which of your suppliers are most ready for the journey.

When initially seeking supplier collaboration, ask yourself these two primary questions to ensure you are on the right path:

Is the sustainability process relevant to suppliers?

Do the sustainability goals and measures align with their business practices, capabilities, and strategic vision? It's essential to ensure the process doesn't neglect their unique circumstances and that it brings value to their operations as well.

How easy is it for them to understand the process?

The process needs to be easy to comprehend and straightforward for suppliers to implement effectively. If suppliers find the process confusing or complicated, it could lead to misunderstandings, errors, or even resistance.

This feedback mechanism encourages mutual understanding, adjustment, and improvement of the process from both sides. It fosters a sense of ownership among suppliers and helps to create a more inclusive, effective, and robust sustainability process.

04

Be physically present with the supplier when possible

Establishing a tangible presence with your suppliers can make a significant difference. Whether it means visiting their facilities, having local representatives, or even just regularly scheduling virtual meetings, these interactions can build stronger relationships, foster mutual understanding, and enhance collaboration.

Being physically present provides opportunities to gain first-hand knowledge of the supplier's operations, witness their practices, and understand their unique challenges and opportunities. It also shows a level of commitment and respect that can help build a strong, long-lasting partnership.

Additionally, working in the suppliers' native language whenever possible can greatly improve communication and foster a deeper understanding. This not only aids in the practical aspect of communication but also shows a level of cultural respect and awareness that can strengthen the relationship.

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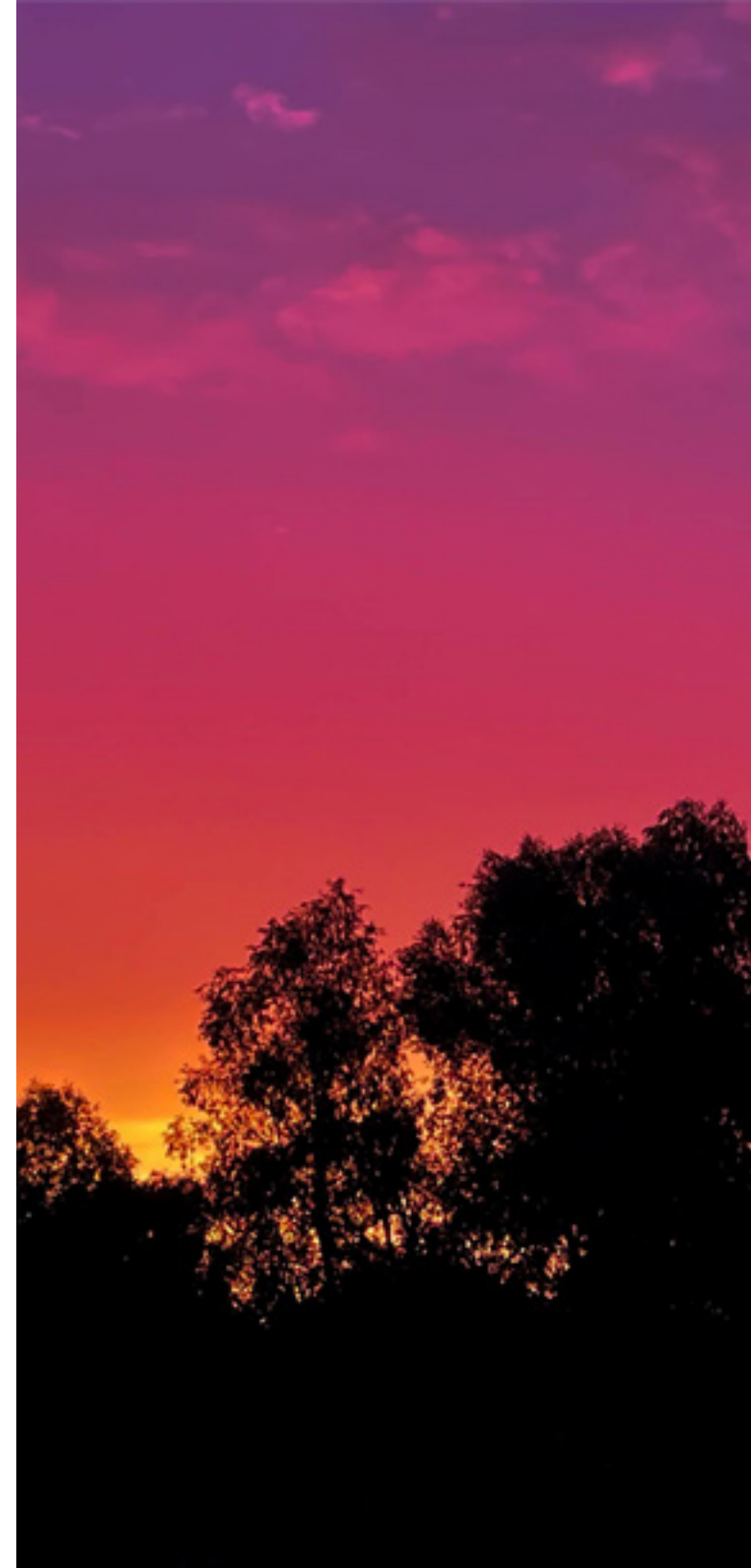
Set engagement-based targets for engaging with suppliers on Scope 3

Building strong and meaningful relationships with your suppliers is the foundation for effective engagement on Scope 3 emissions. It's important to establish engagement-based targets that aim to foster open, consistent, and collaborative dialogues with suppliers before asking them to provide data on their carbon emissions.

These targets could be in terms of frequency of interaction, mutual projects undertaken, or the sharing of best practices and resources. For example, setting up regular sustainability-focused meetings with suppliers or hosting shared workshops on carbon reduction strategies could be part of these goals. By focusing on these relationship-building measures first, you convey the message that you value your suppliers as partners in your sustainability journey, rather than merely data providers.

Ultimately, your aim should be to create a collaborative environment where both you and your suppliers are working together to achieve shared sustainability goals. This is not just about data collection but fostering an ongoing, two-way engagement that leads to tangible actions and continuous improvement in managing Scope 3 emissions. This nurturing approach can yield more accurate data, greater willingness to implement changes, and stronger, more resilient supplier relationships.

Once you've established a solid rapport and demonstrated your commitment to a mutually beneficial relationship, suppliers are likely to feel more comfortable and motivated to provide the data you need. Understanding their operational constraints, appreciating their efforts, and offering support where needed are key factors that make this relationship work.



Develop Your Process



01

Find one area you're really good at and start there

When initiating a sustainability program, it can be beneficial to start with an area where your organization excels and can make a discernible impact. This approach allows you to leverage existing strengths and resources to kickstart your sustainability efforts. This initial focus area should also be one that other members of the organization can easily understand.

For example, if your company excels in energy efficiency, you might start by highlighting your energy-saving practices to your suppliers, as a way to demonstrate how progress can be made. By demonstrating tangible results in a familiar context, you can create a clear, relatable example of how sustainability efforts can lead to positive outcomes. This approach not only helps to foster a better understanding of sustainability in your supply base but also serves to build momentum, encourage buy-in, and inspire further action in other areas. Essentially, using a strength-based starting point can set the stage for broader, more comprehensive sustainability initiatives in the future.

02

Measure what you can

Starting to measure Scope 3 greenhouse gas emissions with readily available data is a crucial early step in any organization's journey towards sustainability. For many companies, a practical starting point lies in quantifying travel-related emissions, which typically forms a significant part of their Scope 3 emissions. This data is often easily accessible as travel booking companies or corporate travel agencies can usually provide detailed records. These records, covering aspects like distance traveled, mode of transportation, and type of vehicle, enable companies to calculate associated emissions.

By beginning with travel data, companies can start to act immediately, reducing emissions where possible by encouraging lower emission travel options or virtual meetings. This visible commitment to sustainability can also help foster buy-in from employees and improve a company's public image regarding environmental responsibility.

03

Start with existing resources

Leveraging existing resources like the [SME Climate Hub](#) is an excellent way for small and medium-sized enterprises to embark on their sustainability journey.

The SME Climate Hub is a global initiative providing Small-to-Medium Enterprises (SMEs) with the tools, resources, and recognition they need to take impactful climate action. It offers access to practical tools and resources, tailored roadmaps for emission reduction, and opportunities for recognition as a climate leader. Utilizing these resources, SMEs can effectively start their journey towards becoming more sustainable and playing their part in the global fight against climate change.

04

Understand where your hotspots are and focus on the essentials

It is essential to accurately identify where your emissions hotspots are. These hotspots represent areas of your operations where greenhouse gas emissions are particularly high. Addressing them can have a significant impact on your overall carbon footprint. This process involves conducting a [Scope 3 emissions assessment](#) to understand the full extent of your emissions and identify where the greatest opportunities for reduction lie.

It's equally important to present this information in a way that is relatable and understandable to those you are working with, especially if they aren't experts in carbon emissions. For instance, if a substantial portion of your Scope 3 emissions comes from purchased goods and services, you might frame this in terms of the number of households' annual energy consumption it equates to. By making the data more relatable, you can foster a better understanding of the challenge at hand and the role each individual can play in addressing it. This, in turn, can lead to more effective and engaged efforts to reduce emissions across the organization.

Don't boil the ocean. Instead of trying to tackle everything at once, focus on the essentials and prioritize actions that will have the most significant impact. This approach is particularly vital for manufacturing companies, given their typically extensive supply chains and the substantial emissions associated with their operations. To start, supply chain members and suppliers worldwide need to identify the key areas where emissions occur and where they can exert influence. This involves pinpointing carbon-intensive procedures regarding Scope 3 emissions and formulating a strategic plan to mitigate these risks.

05

Get outside help when needed

Tackling Scope 3 emissions is a complex process that requires deep knowledge about emissions measurement, supply chain management, and sustainability best practices. It is often not a task that companies can handle effectively on their own, particularly if they are new to these areas. Getting outside help can make this process more manageable and efficient.

This help could come in the form of consultants specializing in sustainability, carbon accounting software tools, or partnerships with non-profit organizations that offer resources and guidance on sustainability initiatives. These external experts can provide insights that are not readily available within your organization, helping you understand what you don't know and guiding you through the process of measuring and reducing your Scope 3 emissions.

Remember, seeking outside help isn't a sign of weakness, but rather a strategic decision that can greatly enhance your company's sustainability efforts. Sustainability is a global challenge that requires collective action, and leveraging the expertise and resources of others can be a powerful way to contribute to this collective effort while also benefiting your own organization.

06

Keep your eye on the goal of Scope 3 reduction

When tackling Scope 3 emissions, it's crucial to keep the ultimate goal—emission reduction—at the forefront of your efforts. While data gathering and reporting play an integral part in understanding and monitoring progress, it's essential not to lose sight of the bigger picture, which is the reduction of your overall carbon footprint. As you navigate the complexities of data collection, accounting standards, and changing regulatory landscapes, these challenges should serve as means to an end and not distract from the primary goal of reducing emissions. With this [free tool from Proxima Group](#), you can assess how mature your Scope 3 progress is and see how companies are succeeding with Scope 3.

Accounting standards and reporting regulations may change over time, often becoming more stringent and complex as the international community heightens its response to climate change. While these changes can complicate the process, they also promote more accuracy, transparency, and accountability in Scope 3 reporting. It is crucial to adapt to these changes and integrate them into your emissions strategy, but not let them overshadow the broader mission of sustainable transformation.

Your sustainability journey is bound to be fraught with challenges and complexities. However, maintaining a clear focus on your objective—reducing Scope 3 emissions—will guide your efforts and decisions. This unwavering commitment to sustainability can help streamline your actions, keep your team motivated, and signal to your suppliers, customers, and other stakeholders that you are serious about your contribution to a sustainable future.

07

Work with a supply chain visibility tool

Navigating the complex landscape of supply chain sustainability can be a daunting task, and having the right tools at your disposal can significantly streamline this process. [Tools like SupplyShift](#) provide a powerful platform to enhance supply chain visibility, an essential factor in managing and reducing Scope 3 emissions.

These tools are designed to simplify the process of data collection, analysis, reporting, and engagement, helping organizations to identify, understand, and address the Scope 3 emissions within their supply chains. By using a supply chain visibility tool, companies can gain a comprehensive view of their suppliers' practices, thereby identifying areas of high emissions and potential for improvement.

In the context of Scope 3 emissions, visibility tools allow you to gain insight into your suppliers' operations and emissions. This transparency can then facilitate meaningful discussions with your suppliers, encouraging collaborative efforts towards emissions reduction. Moreover, the data obtained can be used to inform strategic decisions, shape sustainability policies, and benchmark progress against set targets. Tools that combine mapping and discovery of upstream suppliers add value by helping understand Scope 3 emissions further up the supply chain.

In essence, incorporating a [supply chain visibility tool](#) into your sustainability strategy can be an effective way to manage Scope 3 emissions. It not only simplifies the process but also enhances the effectiveness of your efforts, thus propelling your organization towards a more sustainable future.



Understand What You should Measure and How

01

What data should you measure?

Your Scope 3 journey requires a thorough understanding of the relevant data and a well-thought-out starting point. Companies need to first [identify and collect data](#) on all activities that contribute to their indirect emissions. This can range from business travel and employee commuting to the production and transport of purchased goods and services. While this process may seem daunting, the key is to start with what is readily available and most significant in terms of emissions.

However, it's important to avoid common pitfalls during this process and seek a feasible middle ground that balances effort with outcomes. One potential mistake is attempting to collect and analyze all possible data at once, which can be overwhelming and may result in neglecting key areas. Another common error is focusing solely on the easiest-to-measure emissions while ignoring those that are more difficult to quantify but may have a larger impact.

Remember, this is a journey that involves continuous learning and improvement. Don't expect to have all the answers immediately. Be open to adapting your plan based on what you learn along the way, and stay committed to the ultimate goal of reducing your emissions and improving sustainability.

02

Don't ask for too much data

It's important to avoid the pitfall of asking all of your suppliers for very granular data. Requesting too much data can lead to analysis paralysis, where you spend so much time collecting and analyzing data that it hinders your ability to act. Remember, the objective is to make tangible improvements in sustainability, and sometimes that means starting with the data that's readily available, even if it's not perfect.

It's more productive to begin with the best available data, start making improvements, and refine your understanding over time. As you progress, you'll likely gain access to better data and improve your methodologies. Meanwhile, the actions you take based on the initial data can start to make a real impact on your sustainability goals. In this way, the pursuit of sustainability becomes an iterative process of continuous learning and improvement, rather than a stalled effort in search of an elusive perfection.

03

Consider what you want to use the data for

It's important to consider what you intend to use the data you gather for. This clarity of purpose aids in identifying the specific types of data you'll need and can help avoid getting overwhelmed by irrelevant information.

- ▶ Are you trying to identify your largest sources of emissions? If so, you can use spend-based analysis to quickly identify emissions hotspots.
- ▶ Are you aiming to understand progress towards your Scope 3 targets? In that case, you'll need to gather baseline data reported by suppliers to measure progress against, then assess allocated emissions data annually to track change over time.
- ▶ Are you trying to identify opportunities for reductions? This would require asking suppliers to share their existing actions plans, their existing fuel sources, and their willingness to collaborate in finding low carbon upgrades or alternatives.

By having a clear understanding of your data's intended use, you can ensure you're collecting the right information and using it effectively to drive your sustainability goals. This targeted approach to data collection and analysis can lead to more efficient and impactful sustainability efforts.

04

Avoid asking for data you know suppliers won't have

When engaging with your suppliers or partners on sustainability initiatives, it's crucial to take their individual contexts into account. Requesting data they won't have or pushing for initiatives that are beyond their current capacity can lead to frustration and may hamper progress. Instead, consider their maturity level in terms of sustainability practices. Understand there may be regional and governmental issues that pose challenges to data collection or the implementation of certain sustainability measures. Being sensitive to these factors can help ensure your requests are feasible and well-received.

However, this doesn't mean avoiding difficult areas entirely. You may want to consider asking some questions or initiating discussions in challenging areas as a means to get them started on their sustainability journey. Even if they can't provide the answers or make changes immediately, these conversations can help raise awareness, prompt them to start thinking about these issues, and potentially lay the groundwork for future initiatives. Essentially, while it's important to respect their current capabilities and constraints, it's also valuable to gently push the boundaries and inspire progress towards more advanced sustainability practices.

05

Start by reaching out to top spend suppliers

Starting your sustainability journey by reaching out to your top spend suppliers can be a highly effective approach. Given the substantial business you represent to these suppliers, your relationship with them is likely to be strong, which can facilitate cooperation on sustainability initiatives. Additionally, these major suppliers are often larger and more established companies that already have extensive data on their emissions and sustainability practices, making it easier for them to provide the information you need.

Additionally, involving your category managers and internal stakeholders in these discussions can serve as an effective training method. As they join these calls and hear repeated conversations about sustainability, they gain a deeper understanding of its importance and how to discuss it effectively with other suppliers. This can broaden the impact of your sustainability efforts by enabling these individuals to carry the message forward and engage more suppliers in sustainability initiatives.

06

Spend-based estimates vs. supplier-reported data

Spend-based estimates and supplier-reported data are two distinct types of information that businesses may use for different purposes in the context of Scope 3 initiatives.

Spend-based estimates

Refers to using financial information to create an initial accounting of Scope 3 emissions. This is based on how much a company spends over time on its various needs, typically broken down by supplier, product, or service. Using this record of historical transactions, an emission factor is applied to each category of spend to estimate Scope 3 emissions for each spend category. Spend data is usually readily accessible as it's tracked and maintained by the company's finance or procurement department for accounting and budgeting purposes. However, while spend-based Scope 3 estimates can give initial insight into where a company might focus its sustainability efforts, it doesn't provide a direct measure of any supplier's impact, so it can be highly inaccurate, and won't account for any change in supplier emissions over time.

Supplier-reported data

This is primary data and refers to information that a company actively gathers from suppliers to more accurately measure Scope 3 emissions. This data might include information about a supplier's overall carbon emissions, facility-level emissions, product LCA data, allocation factors, and questions about whether the supplier has set targets and publicly disclosed. This data gives a direct measure of a supplier's climate impact but might be harder to obtain. It often involves reaching out to suppliers to request information, and suppliers may vary in their ability or willingness to provide it. Relying on established [software platforms](#) and survey questions is the key to success.

In essence, while spend-based estimates provide a general overview of a company's Scope 3 emissions, supplier-reported data provides more accurate and credible information that will help companies track progress towards targets and identify reductions.. Both types of data can play valuable roles in a company's sustainability initiatives, but it is important that companies use spend-based estimates for learning where to focus efforts, rather than for ongoing reporting and tracking to targets, since supplier-reported data is far better suited for that purpose.

07

Adopt a compliance and accounting mindset

When working with Scope 3 emissions data, it's vital to adopt a mindset that blends both compliance and accounting. This implies adhering to a level of rigor and precision akin to these disciplines when collecting, analyzing, and reporting data. You want to ensure that your data model is robust and reliable, and stands up to scrutiny, similar to how financial data would be managed in accounting. This involves using established methodologies so that your Scope 3 inventory is assurance-ready, just as you would with financial compliance.

However, while maintaining this degree of rigor, it's important not to become excessively technical to the point where the data becomes inaccessible non-specialists. Sustainability is a topic that concerns all parts of a company, from top management to individual employees, and even to external stakeholders like customers and investors. As such, the data and insights drawn from it need to be understandable to a wide audience. This might involve simplifying complex metrics or using visual representations to help communicate the data effectively.

The challenge lies in balancing the need for rigorous, reliable data management processes with the need for accessibility and understandability, ensuring that the data can drive both compliance and meaningful, widespread engagement in sustainability efforts.

08

Involve your internal data experts

As you navigate the complexities of measuring and reducing Scope 3 emissions, it's crucial to involve your internal data experts, particularly those skilled in data governance. These experts can ensure your data collection, storage, and analysis methods are robust, reliable, and in line with best practices. They can also help maintain the integrity of your data, crucial for accurate reporting and strategic decision-making. In addition, integrations with your existing systems can help ensure that collecting supplier data is as seamless as possible, and the results are shared with the right people at the right time within your organization.

The importance of rigorous data governance will grow as governments worldwide impose more stringent environmental regulations. These regulations will necessitate stricter standards for data management and reporting in relation to sustainability initiatives. Having a robust data governance framework in place will help your company comply with these regulations and maintain its reputation as a responsible corporate citizen.

Be prepared for shifts in methodologies and the accounting of Scope 3 emissions. As understanding of environmental impact evolves and as technology advances, the ways in which we measure and account for emissions are likely to change. By involving your data experts in your sustainability initiatives and staying abreast of the latest developments, you'll be better equipped to adapt to these changes, ensuring your efforts to reduce Scope 3 emissions remain effective and compliant with evolving regulations.

09

Start with standard assessments

When starting your Scope 3 journey, it is prudent to begin with [standard assessments](#). These assessments, often provided by established sustainability organizations, software platforms, or consulting firms, provide a fundamental understanding of your supply chain's environmental footprint. They allow you to gather baseline information, such as the geographical locations of your suppliers and whether they have set or are planning to set climate targets. They also provide the necessary tools for your suppliers to calculate their own Scope 1 and 2 emissions if they have not done so already.

Once you have established a foundation and become more sophisticated in your sustainability efforts, you can start to collect more granular data and you may need to transition towards more [custom assessments](#). These tailored evaluations provide a more in-depth and specific analysis of your supply chain, allowing for targeted actions based on your business model, sector, and unique sustainability goals. At this point, you may begin collecting data from suppliers beyond tier 1, request product-level data from suppliers, or ask for information on actions taken to reduce the emission profile of specific materials.

This progression from general standard assessments to more granular data facilitates a more thorough and accurate understanding of your Scope 3 emissions, enabling you to benchmark your current state and track improvements over time. It ensures that your sustainability efforts are grounded in reliable data and facilitates the development of informed, effective strategies to reduce your environmental impact.

10

Be clear about the information you need from suppliers

Effective communication with suppliers is vital. Part of this dialogue involves clearly explaining to suppliers what specific information you need from them and why this data is essential.

The data required typically includes details on their operational processes, energy use, raw material sourcing, waste management, transportation methods, and any existing sustainability initiatives. This information is crucial as it helps establish a comprehensive picture of your supply chain's carbon footprint, allowing you to identify key areas of focus and potential improvement.

However, it's not enough just to ask for this data; you must also articulate why the information is necessary. Suppliers need to understand that this isn't a one-sided demand but a collaborative effort towards shared sustainability goals. Explaining "the why" can help suppliers see the value of their contribution, enhancing their engagement and willingness to provide the required data. This can be accomplished through webinars and letters from your leadership, as well as software-based approaches that show peer benchmarks and improvement recommendations.

Help them see that the data collection is not merely an administrative task, but a pivotal step in a larger, shared journey towards reducing environmental impact and promoting a sustainable future. It not only benefits your company's Scope 3 emissions reduction efforts but also their own sustainability agenda, enhancing their reputation and long-term sustainability. When suppliers understand the importance and implications of the data, they are more likely to be cooperative, transparent, and timely in their responses.

11

Assist suppliers in gathering and understanding their own emissions data

One valuable strategy is to assist suppliers in gathering and understanding their own emissions data, rather than solely requesting them to provide their emissions data and assume they have already calculated it. This approach empowers suppliers to take ownership of their sustainability journey, providing them with insights into their emissions profile and the areas in need of improvement. It will also greatly improve your response rate.

By helping suppliers collect and understand their own emissions data, you enable a more precise, tailored approach to emissions management. Suppliers can pinpoint the specific processes contributing most to their emissions and identify targeted strategies to address these hotspots. By adopting a standardized method of data collection across your supply chain, you facilitate more accurate comparisons between suppliers.

In the long run, this capability-building approach can lead to more meaningful, sustained emissions reductions, as suppliers become better equipped to manage their sustainability performance. Remember, your sustainability journey is intertwined with your suppliers'—their progress is your progress too.

12

Encourage and help your suppliers cascade the Scope 3 request

One critical aspect of reducing Scope 3 emissions is encouraging your suppliers to engage in the process, not only within their operations but also by extending the Scope 3 request to their suppliers, effectively reaching deeper tiers of your supply chain.

To achieve substantial emissions reductions, businesses must extend their influence beyond direct operations and first-tier suppliers. They must foster a culture of environmental responsibility that cascades down the supply chain. This means working closely with your suppliers, helping them understand the significance of Scope 3 emissions, and equipping them with the knowledge and tools needed to engage their suppliers. This approach is far more effective than simply asking your suppliers to report their own Scope 3 emissions. Your suppliers likely haven't done the work to accurately account for their upstream emissions, and so they will likely use spend-based estimates and widely varying methodologies. Simply asking them for their own Scope 3 data without empowering them to engage their own suppliers can result in inaccurate data. You will also lack an understanding of how these results were calculated.

In practical terms, this could mean providing your suppliers with resources and guidance on how to measure, report, and reduce emissions. It might involve setting up training sessions, webinars, or workshops to educate them on the topic. It could also involve using multi-tier functionality in a software platform that enables you to discover upstream suppliers while empowering your tier 1 suppliers to efficiently collect data from those suppliers and share with you.

Through this collaborative approach, you can stimulate a chain reaction that amplifies your sustainability efforts throughout your entire supply chain. As a result, your influence extends far beyond your immediate operational boundaries, driving industry-wide change and contributing significantly to global emission reduction efforts.

Final Recommendations: Advice from the Experts



In the “Starting on Scope 3 Emissions Reduction” session of [The Shift 23](#), we asked our panelists to provide their most important piece of advice for beginning the Scope 3 process. Here are their answers:

01

**“Every purchase has an impact;
Strive to make it a positive one”**

Every transaction we make, every product we purchase, has an impact. It’s an undeniable truth in our increasingly interconnected world that our choices as consumers extend beyond the direct exchange of goods and services; they ripple outwards, influencing communities, economies, and environments far removed from our immediate sphere. As such, it’s not just a question of ‘what’ we buy, but ‘how’ we buy.

The task then is to strive to make every purchase a positive one - a choice that not only fulfills our needs but also contributes to the greater good. This means going beyond traditional considerations of price and quality to factor in aspects like ethical sourcing, fair trade, labor practices, and environmental footprint. It means supporting businesses that align with our values and making conscious decisions to drive sustainable consumption.

The impact of these choices can be profound. They can foster fairer trading conditions, uplift vulnerable communities, and reduce the burden we place on our planet. Every purchase thus becomes an opportunity - a chance to wield our economic power for the betterment of society and the environment. Therefore, let’s be mindful consumers, let’s take ownership of our choices, and let’s strive to make every purchase a positive one.

02

“Set a KPI to give your work a focal point”

Setting Key Performance Indicators (KPIs) provide a tangible metric that guides and informs your sustainability strategy. For example, the KPI “Emissions Under Active Management” represents the amount of greenhouse gas emissions you’ve actively decided to manage and reduce within your organization’s operations and supply chain. The measure of success isn’t about monetary investment but rather the proactive commitment towards emission reduction. It’s about acknowledging that you’ve entered into an active dialogue with your suppliers, set an ambitious target for reduction, and implemented a strategic plan to achieve it.

A KPI gives you and your stakeholders a clear focal point and a measurable means of tracking progress over time. It provides a sense of direction and purpose, anchoring your sustainability efforts in quantifiable realities. Moreover, it reinforces the notion that emission reduction is an ongoing process that requires continuous commitment, collaboration, and active management.

03

“Have big ideas but start with small steps”

Having big ideas is the catalyst for impactful change and innovation, but it's essential to remember that the path toward achieving these grand visions often begins with small, incremental steps. In the realm of sustainability, especially in relation to complex challenges such as Scope 3 emissions, this approach is particularly relevant.

Big ideas set the direction and provide the motivation for action; they inspire us and give us a glimpse of what a more sustainable future could look like. However, it's the small steps we take daily that will gradually guide us toward our destination. These could be as simple as initiating conversations around sustainability, starting to measure your emissions, or implementing a small-scale pilot project.

Starting small allows us to learn, iterate, and improve as we go along. It helps us manage risk, build confidence, and gain critical buy-in from stakeholders. Over time, these small steps accumulate, generating momentum and driving significant progress toward the overarching goal.

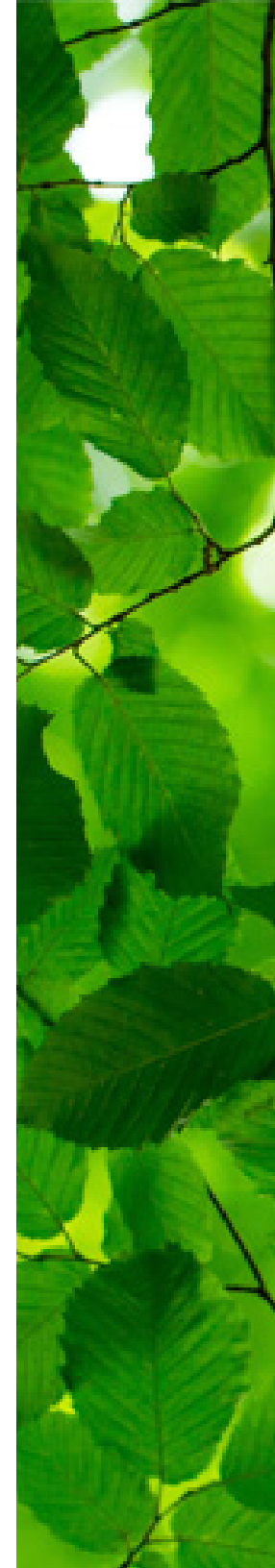
In essence, while it's important to have a big, ambitious vision for sustainability, it's equally crucial to acknowledge and embrace the power of small, deliberate actions in making this vision a reality. The journey towards a more sustainable future is not a sprint but a marathon, and every step, no matter how small, brings us closer to the finish line.

04

“Give yourself a year to do anything, even if it's small”

Embracing sustainability and tackling Scope 3 emissions isn't a task that can be accomplished overnight. Instead, it requires a well-structured plan and a realistic timeline, often of a year or more. This span isn't merely arbitrary; it's rooted in the understanding that meaningful change in operations, especially for suppliers, takes considerable time. The process may be gradual and even met with occasional reluctance from suppliers when it comes to providing information. But it's essential to stay patient, and persistent, and keep your eyes on the bigger picture.

Remember, every step, no matter how small, contributes to the larger goal of mitigating the environmental impact of your operations. Encourage your suppliers, remind them of the shared mission, and celebrate every small success. Keep in mind that the process is not just about complying with standards; it's about fostering a long-term commitment to sustainability that will yield substantial benefits for all stakeholders, our planet, and future generations.



05

“Break it down into small chunks.”

Navigating the complexities of Scope 3 emissions can seem overwhelming. However, it becomes manageable when you break it down into distinct, digestible steps. One effective approach is to concentrate on three key areas that most individuals can readily remember and act upon.

New Suppliers:

Engage with your prospective suppliers early on to ensure that they understand and align with your company's sustainability objectives. Establish clear expectations and standards related to Scope 3 emissions from the outset, laying a foundation for a mutually beneficial and sustainable partnership.

Existing Suppliers:

Work collaboratively with your current suppliers, fostering open communication about sustainability goals. Offer support and resources to help them reduce their Scope 3 emissions. Regular check-ins and workshops can provide venues for knowledge sharing and problem solving, cultivating a sense of shared responsibility for achieving emissions reductions.

Monitoring Data Performance:

Implement a robust system to track and evaluate the emissions data of your suppliers. This enables you to measure progress, identify areas of improvement, and acknowledge those suppliers who are excelling in their sustainability efforts.

Beyond this, consider what actions can be taken to enhance transparency across your supply chain. Transparent practices not only foster trust but also enable more informed decision-making, thereby empowering everyone involved to contribute effectively to the overall goal of reducing Scope 3 emissions.

06

“Collaboration is key”

Collaboration is the vital heartbeat of any successful sustainability endeavor. Navigating the complexities of Scope 3 emissions, reducing carbon footprints, and embedding sustainability into every facet of an organization is not a solitary task, but a collective journey. It's a path that requires the collective efforts of all stakeholders - peers, suppliers, internal procurement, and sustainability teams.

Internal teams, particularly procurement and sustainability, need to harmonize their efforts, breaking down silos to create a coherent, strategic direction. A unified approach ensures that sustainability isn't just an isolated objective, but rather, it is interwoven into the fabric of the organization's operations.

The ultimate goal of these collaborative efforts is to find better ways to do business that benefit both people and the planet. It's about transforming commerce into a force for good, aligning economic prosperity with social equity and environmental stewardship. Collaboration, in this context, is not merely a strategy but an imperative. Together, we can catalyze the change we wish to see in the world.

Summing Up



As we reach the conclusion of this guide, we hope that we've brought you closer to a deeper understanding of Scope 3 emissions, their complexity, and their profound impact on a company's carbon footprint. We believe that addressing these emissions is more than just a corporate responsibility—it is a crucial step towards achieving broader, global environmental goals and setting a strong foundation for a resilient, sustainable future.

Navigating the realms of Scope 3 emissions is not without its challenges, particularly given their dispersed nature and the intricate webs of activities that contribute to them. Yet, these challenges present unique opportunities for innovation, efficiency, and collaboration. Armed with the knowledge from this guide, you have tools to understand, quantify, and manage these emissions, contributing to collective action against climate change.

Remember that progress in sustainability is a journey rather than a destination. As a procurement professional or a sustainability advocate, your role is pivotal in steering your organization towards low-carbon practices and a more sustainable supply chain. By effectively addressing and mitigating Scope 3 emissions, you can not only strengthen your company's sustainability profile but also make a meaningful contribution to the global fight against climate change.

We hope this guide empowers you to seize this opportunity, inspiring both thought and action. Here's to a sustainable future—anchored by transparency, driven by innovation, and strengthened by our shared commitment to our planet. Together, let's redefine what's possible in supply chain sustainability and create lasting change for the better.



Know your supply chain, **know your Scope 3 emissions**

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