

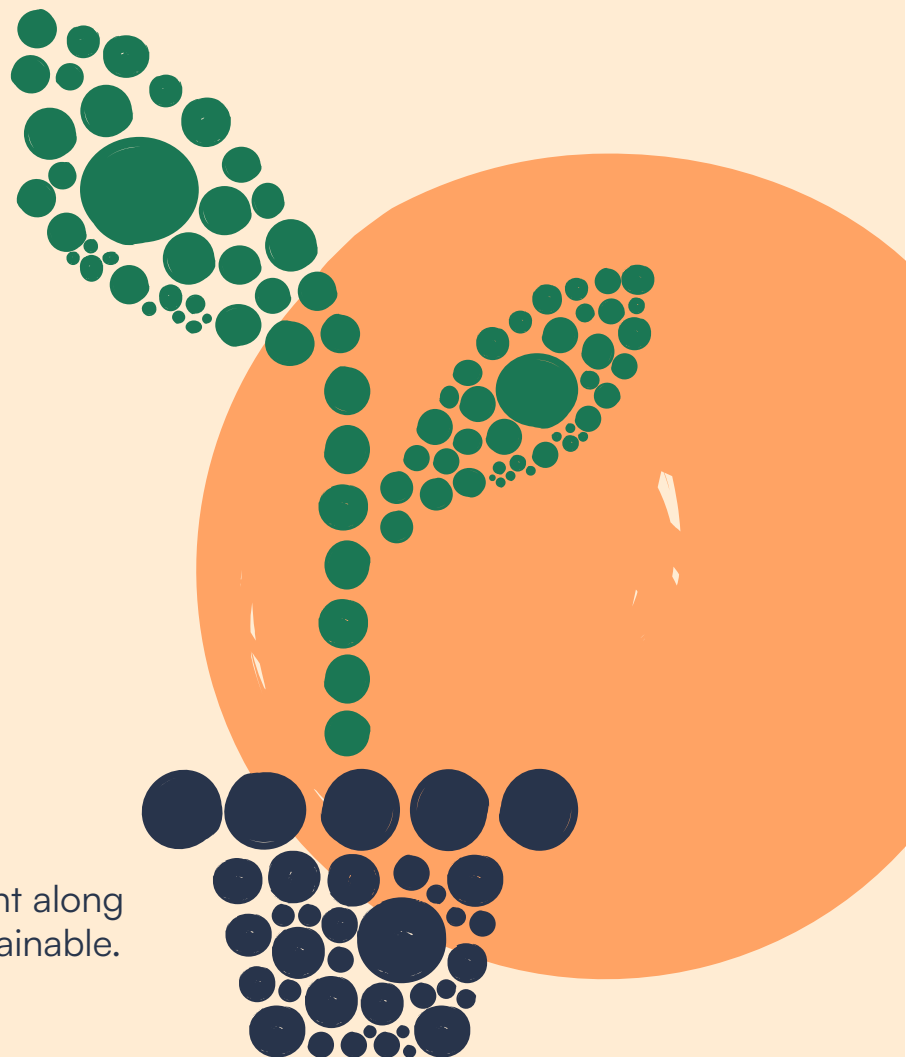
Sustainability Made Easy:

Decoding Scope 3 Emission Reduction

Overcoming Complexity and Confusion While
Stepping into the World of Green Procurement.

An e-book that assists with easing
the transition into green procurement along
with tips to make your business sustainable.

www.igniteprocurement.com



Content

FOREWORD: THE SUSTAINABLE PROCUREMENT URGENCY

IMPOSSIBLE TO IGNORE: THE CARBON CALL

- Introduction
- The Impact of Supply-Chain Greenhouse Gas Emissions on Businesses, Customers, and the Environment

UNDERSTANDING EMISSIONS: THE FIRST STEP TOWARDS DECARBONIZATION

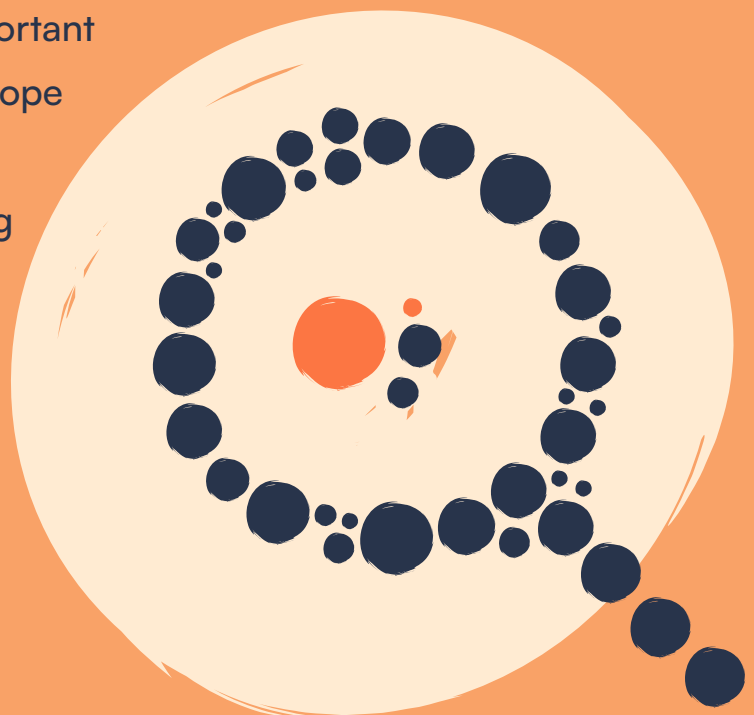
- Introduction
- Getting to Know the Scopes: Scope 1, 2, 3 Emissions
- Knowing Emissions Is Half the Battle. Why Barriers to Corporate Action on Climate Change Are Real
- Challenges Companies Face While Tracking Scope 3 Emissions

PROCUREMENT IN THE SPOTLIGHT: OVERCOMING THE EMISSION-TRACKING BARRIER

- Introduction
- Why Sustainable Procurement Is Important
- Tracking, Reporting and Reducing Scope 3 Emission: Step-By-Step
- Procuring for the Environment: Taking Sustainable Procurement Beyond the Rhetoric

ABOUT IGNITE PROCUREMENT

SOURCES



The Sustainable Procurement Urgency

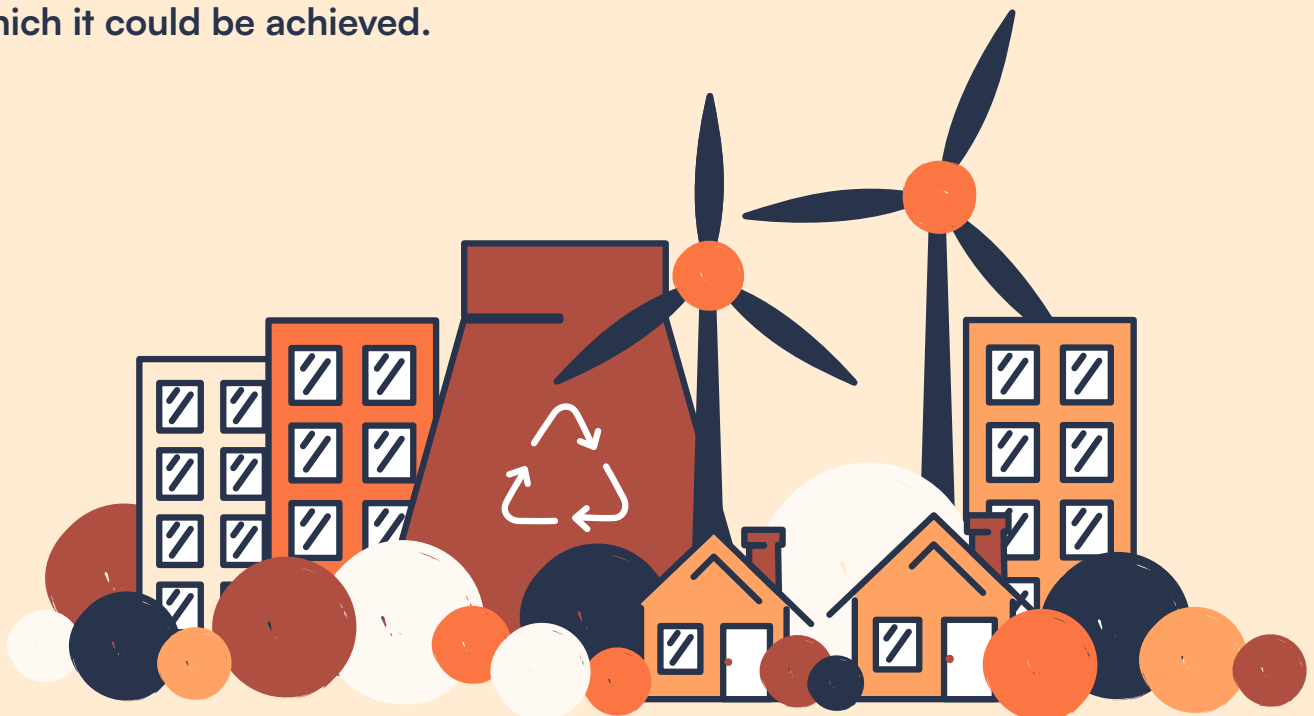
Sustainability is a word that needs no introduction. It certainly is a major topic of conversation across the world and for good reasons.

If we don't address climate change soon, some devastating impacts will become unavoidable.

And it's not just the environment that's on the line with the COP21 Paris target of capping global warming at 1.5C slipping out of reach without immediate and drastic actions. Companies will take a direct blow to their brand image if they fail to make a change.

Greenhouse Gas (GHG) Emissions are a significant contributor to adverse environmental impacts. And they're a by-product of how we've been making, shipping, and/or providing energy-intensive products and services.

In light of these facts, Ignite Procurement aims to support sustainable procurement developments by identifying the barriers and helping companies overcome them with the use of technology and expertise; thus, facilitating and accelerating corporate scope-3 actions in global supply chains and the ways in which it could be achieved.



Impossible to Ignore: The Carbon Call of the Environment

The Paris Agreement in 2015 was a turning point for climate action. Moreover, the dramatic predictions within the United Nations Intergovernmental Panel on Climate Change Special Climate Report published earlier this year called attention to the consequences of continued carbon emissions, and corporations around the globe have taken notice.

Many countries have made great strides to reduce their greenhouse gas emissions and are now working on how to increase their ambition over time. At the same time, businesses are stepping up their efforts to become more sustainable and address climate change risks and opportunities.

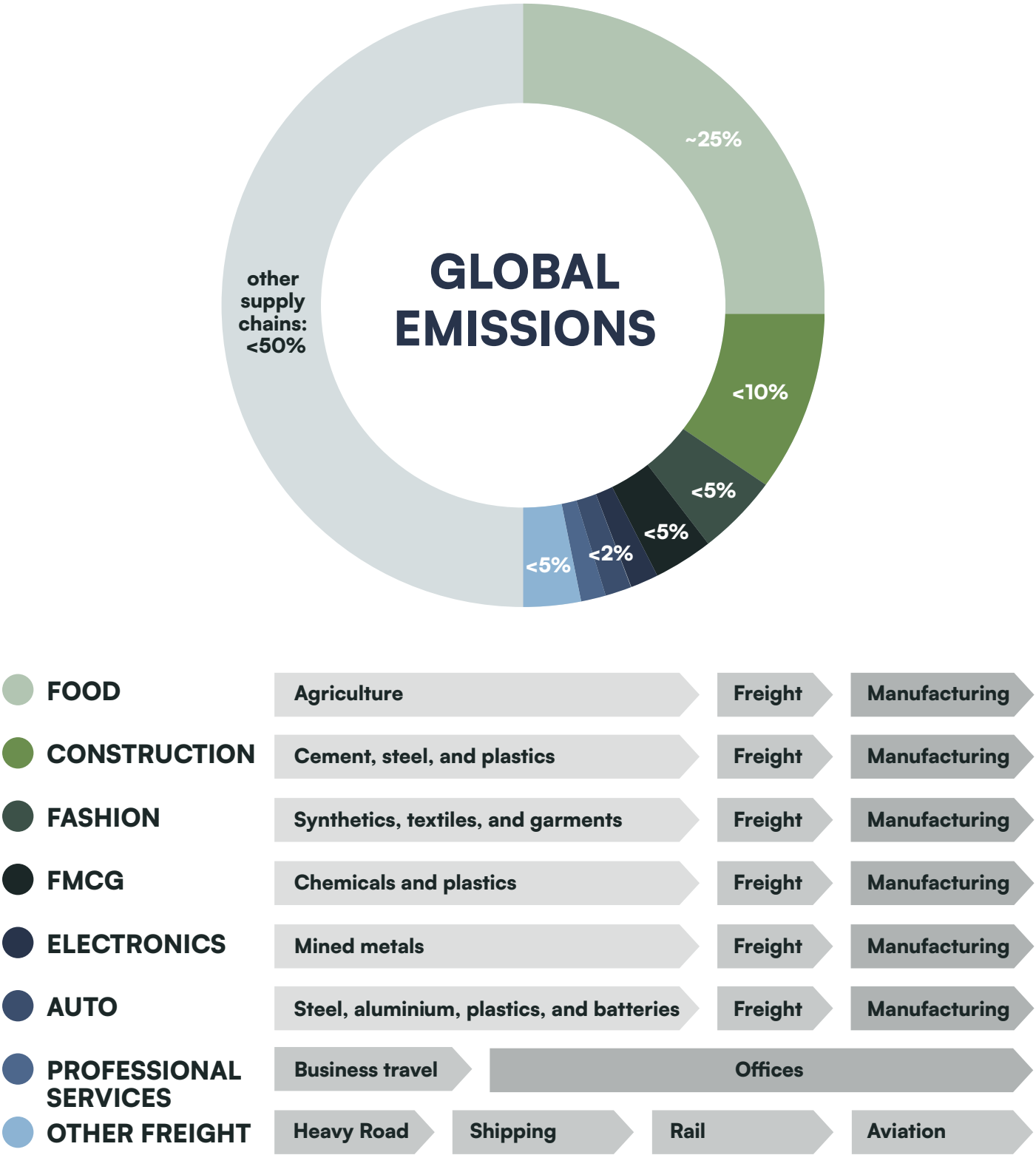
As business leaders, this is an important moment to assess how the goods you are procuring affect your company, supply chain, and the planet. **And, in particular, focus on your global upstream and downstream greenhouse gas emissions.**

The Impact of Supply-Chain Greenhouse Gas Emissions on Businesses, Customers, and the Environment

Upstream and downstream GHG emissions from fuel combustion and industrial processes are important, no doubt, but if you want to be truly effective in the fight against climate change, greenhouse gases produced from the goods and services you buy (and sell) are where you should fix your focus. That's because upstream and downstream GHG emissions (scope 3) are almost always higher than direct emissions (scope 1), especially for companies in consumer-facing sectors — which means they're worth addressing first.

In our increasingly globalized world, it's become necessary to ship goods across international borders. This can be a complicated process that often leads to significant emissions of greenhouse gases.

It's estimated that eight global supply chains account for more than 50 percent of annual greenhouse gas emissions. These chains include food, beverages, consumer goods, electronics, and apparel. The good news is that only about 8 percent of the total emissions from these supply chains come from production facilities themselves. The rest are found in products from upstream partners in the supply chain—for example, agricultural products used in food and beverages or metal used to manufacture electronics.



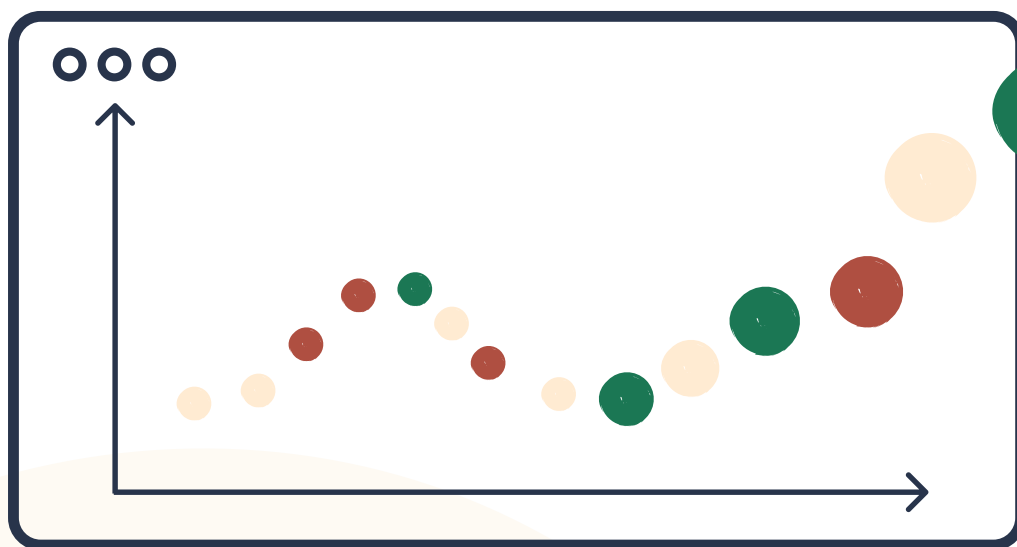
Source: BCG analysis.

Consumers want to live more sustainably. They expect businesses to play a positive role in society and believe that brands bear as much responsibility as governments for driving positive change.

In a recent Mckinsey survey, **66%** of all respondents said they consider sustainability when making a purchase. Among millennial respondents, the number was even higher - **75%**.

Not just this, nature-positive transitions are good for business, and they matter to the global economy too. The World Economic Forum's analysis puts nature's value to the economy at \$44 trillion —a figure more than half of the global GDP.

The message is loud and clear: people do want to live more sustainably. In fact, many expect businesses to play a positive role in society and feel that brands bear as much responsibility as governments when it comes to driving a positive change.



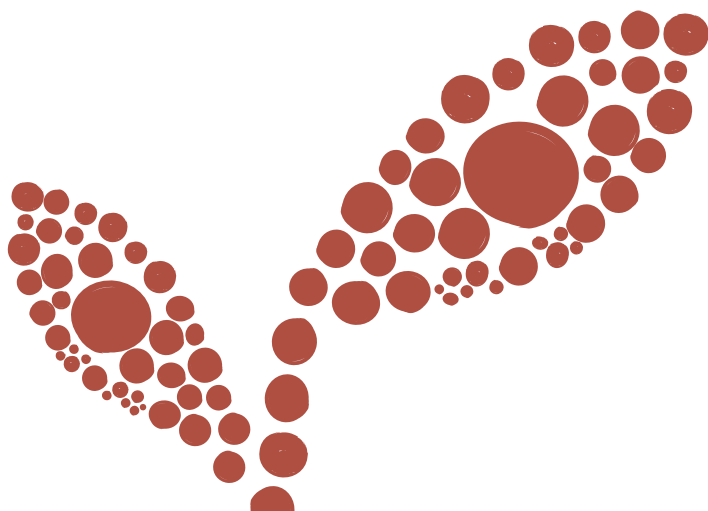
Understanding Emissions: The First Step Towards Decarbonization

As companies look to adopt corporate climate change strategies, they often grapple with a series of questions.

An effective strategy requires a detailed understanding of a company's greenhouse gas (GHG) emissions. Until recently, companies have focused on emissions from their own operations under scope 1 and scope 2 of the GHG Protocol. Increasingly, companies understand the need to also account for GHG emissions along their value chains and product portfolios to comprehensively manage GHG-related risks and opportunities.

You've probably heard about Scope 1, 2, and 3 greenhouse gas (GHG) emissions before. But, do you know what they are? The chances are that if you haven't already been asked to account for them in your company, you soon will be. That's because they form the basis of mandatory reporting in corporate GHG emissions. If you want to understand what your company is really doing to help tackle climate change — and why customers care — it pays to brush up on Scopes 1, 2, and 3.

These terms first appeared in the Green House Gas Protocol of 2001, and today, scopes are the basis for mandatory GHG reporting worldwide.

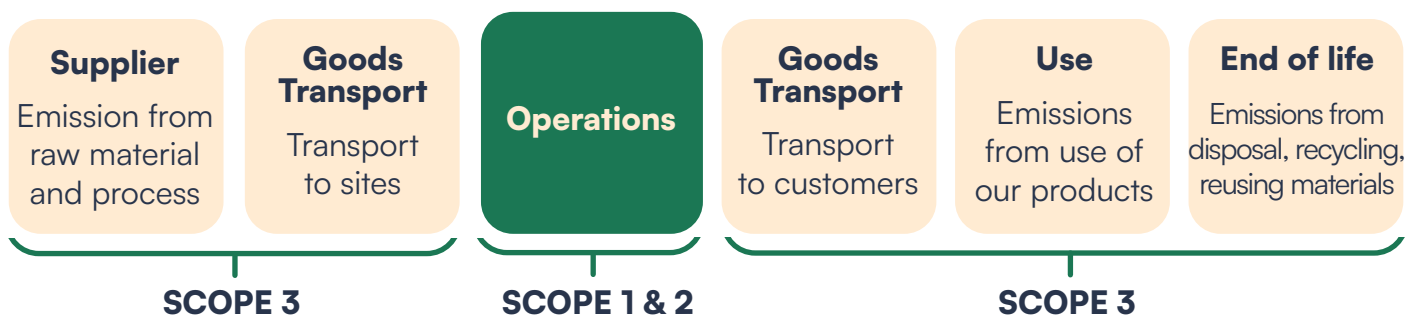


Getting to Know the Scopes: Scope 1, 2, 3 Emissions

Scopes are a pretty simple idea.
They're just a way of categorizing the emissions
that a business produces as:

- Scope 1** - This one covers the Green House Gas (GHG) emissions that a company makes directly, for example, fuel used for heating and vehicles owned by the company.
- Scope 2** - These are the emissions it makes indirectly. An example would be the emissions generated by a power plant when your company buys electricity from them.
- Scope 3** - This category is broader than Scopes 1 and 2 because it covers all other indirect emissions that are not covered under Scope 2. Scope 3 covers all the emissions associated, not with the organization itself directly but indirectly for the products and supplies it buys up and down its value chain, including the products or services it sells or the raw materials and services it uses to manufacture them.

Emissions Across the Value Chain



Scope 3 emissions are almost always the biggest one and have the most impact on a business. That's why it's important to understand how they can be measured and what policies to put in place to reduce them.

Scope 3 consists of 15 categories of emissions which fall into either 'upstream' or 'downstream' emissions types as shown in the table below.

UPSTREAM SCOPE 3 EMISSIONS

1. Purchased goods and services
2. Capital goods
3. Fuel and energy related activities
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets

DOWNSTREAM SCOPE 3 EMISSIONS

9. Downstream transportation and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments

Source: GHG Protocol Scope 3 Standard

Knowing Emissions Is Half the Battle. Why Barriers to Corporate Action on Climate Change Are Real

The scale of corporate climate impact is enormous.

But so are the opportunities to address them.

Businesses face a growing number of challenges in managing GHG emissions in their upstream supply chains - from resource availability to employee training and from regulatory compliance to market forces. These challenges can sometimes seem insurmountable, especially for companies with limited resources like start-ups and small businesses.

Challenges Companies Face While Tracking Scope 3 Emissions

Companies have been working to reduce their greenhouse gas emissions for decades now.

As a result, many companies have already implemented emissions reduction measures in direct operations and are now actively working on expanding those efforts to the rest of their supply chains.

But it's not easy—and it's not getting any easier as supply chains become more global and as companies face tighter timelines and higher expectations around emissions reductions. **There are significant barriers that exist to report and reduce scope 3 emissions. The following challenges are most commonly cited:**

Addressing emissions is hard and fraught with challenges:



- **LACK OF TRANSPARENCY:**

One of the core challenges in tackling emissions is getting a handle on where GHGs are emitted throughout the entire value chain. As companies look upstream to suppliers, they often find that quality data on emissions is hard to come by. And even if adequate data does exist, the task of collecting and analyzing it can be daunting.

- **VARIATIONS IN GHG REPORTING:**

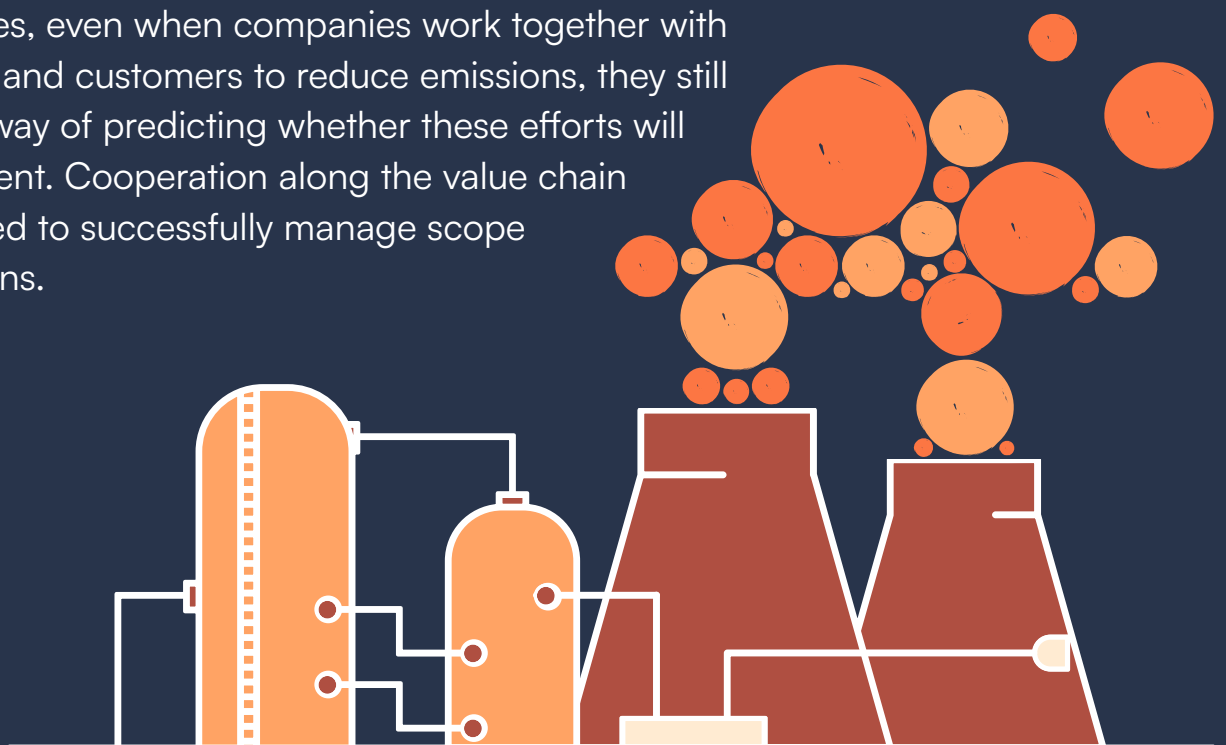
In addition, companies also face variations in the way their suppliers report GHG emissions, including differences in calculation methods, metrics, and reporting standards. These inconsistencies can make it harder for companies and governments to evaluate progress toward climate goals or identify areas where the action is most urgently needed.

- **LACK OF RESOURCES AND KNOW-HOW:**

Most organizations, whether small or large, are not equipped to handle the many different logistical and technical hurdles that are involved in measuring, reporting, and managing scope 3 emissions. The more complex the organizational structure is, the more challenging it's to collect the data and calculate GHG emissions. This problem is particularly crucial for Scope 3 as these emissions arise from a variety of sources and need cooperation from external actors.

- **LACK OF INFLUENCE AND COOPERATION ALONG THE VALUE CHAIN:**

In general, managing scope 3 emissions always requires working with third parties like suppliers, employees, lessors/lessees, and customers. Sometimes, even when companies work together with suppliers and customers to reduce emissions, they still have no way of predicting whether these efforts will be sufficient. Cooperation along the value chain is required to successfully manage scope 3 emissions.



Apart from the generic challenges that companies face with regard to the accounting and management of GHG emissions in the scope 3 category, there are certain specific challenges that also exist:



- **THE EMISSION ACCOUNTING GAP:**

The way most companies are accounting for carbon today is a little bit like how cost-accounting was done 40 years ago — processing data manually, in spreadsheets, and without any reporting mechanism to aid decision-making — and that process is no longer good enough. **What's actually needed is more accurate, granular, and timely emission transparency.** But finding out the best approach for a company can be tricky as it depends on a number of factors, including needs and areas of business.

- **CHALLENGES IN MEASURING THE IMPACT OF SCOPE 3 EMISSIONS:**

Another challenge with scope 3 emissions is that they can fluctuate for reasons such as economic development, making it hard for companies to compare them year-over-year. This, coupled with the fact that there are currently no accepted calculation methods for scope 3 emissions, makes it difficult for companies to continue on a path to reduce emissions.

- **LACK OF SUPPLY CHAIN ACTIONS:**

The goal to mitigate emissions requires companies and suppliers to work together. However, this is not an easy task. Companies find it difficult to find supplier cooperation in finding emission hotspots. Moreover, it's also challenging for companies to source the same goods and services from suppliers with lower emissions per product or engage suppliers to set science-based targets.

Procurement in the Spotlight: Overcoming the Emission-Tracking Barrier

As the world continues to find ways to reduce its carbon footprint, businesses are keenly aware that emissions in the supply chain can be significantly higher than those of a company's own operational footprint, depending on the industry sector and the degree of outsourcing.

Because “procurement” is where the money goes out and supply chain contracts are established, it's where businesses look to define and orchestrate emission tracking as well as to formulate a credible emission-reduction strategy to address the overall climate impact of their supply chain.

Why Sustainable Procurement Is Important

When companies buy goods and services, they make choices about how these goods are produced or rendered and that in turn have broad impacts on the people involved and the environment. **Therefore, procurement decisions present an opportunity to create change by making more ethical choices about what companies buy.**

Sustainable procurement unites three related areas of concern - social, environmental, and economic issues. With sustainable procurement, managing supplier relationships relies on balancing the different and sometimes competing priorities that occur across these three dimensions. And so, during a procurement, companies may emphasize certain sustainability aspects over others, depending on the nature of the good/service and market conditions.

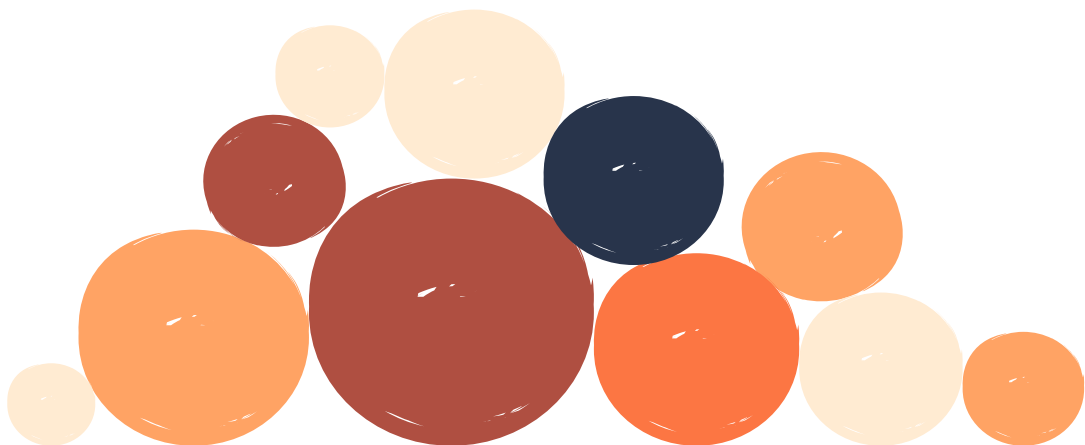
Whatever their environmental, social, and governance (ESG) procurement priorities are, sustainable practices can prove beneficial to any company and society as a whole in many ways:

- Build a better reputation for the business—15-30% increase in brand value
- Profitability—9-16% reduction in cost and revenue uplift of 5-20%
- Significant company risk reduction
- Improved customer health, local welfare and labor standards (wages, working conditions)
- Carbon gas reduction of 13-22% on overall footprint
- Better reputation for the business and increase customer loyalty

Apart from these benefits what demands an immediate action from us is the climate crisis knocking at our doors. We have roughly eight years before the effects of global warming become irreversible.

Manufacturers recognize that they must play a role in global efforts to respond to the climate emergency. A recent survey by Capgemini found that 62 percent of manufacturers cited reducing their carbon footprint as an environmental priority, and 91 percent aimed to eliminate their use of fossil fuels entirely by 2040.

However, without a systemic emission-tracking strategy and tools, these goals will be impossible to reach.

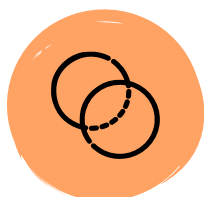


Tracking, Reporting and Reducing Scope 3 Emission: Step-By-Step

Many companies are striving to lower their carbon footprint, but how to achieve so is a big question for many of them.

Setting net-zero targets is one of the most effective ways to reduce GHG emissions. But before you can set goals, you need to know your baseline: **what are your company's current emissions?**

Hence, a comprehensive value chain GHG baseline and footprint assessment is your first step. By assessing your company's current emissions, you can focus on the high-impact areas that will help you achieve net-zero targets. If you want to know what your company's net-zero goals are, though, **you need to assess your scope 3 emissions and understand how they fit into your value chain.**



Set clear and smart goals

1. Establish a comprehensive GHG baseline and footprint assessment
2. Set smart goals with clear interim milestones



Create transparency

3. Gather and improve data along the way
4. Collect information from suppliers through assessments



Follow a spend-based approach

5. Classify spend as per industry classification
6. Apply emission factor to each supplier



Engage suppliers

7. Oblige suppliers to set science-based targets
8. Couple emission data with assessments for deeper insights



Reduce

9. Generate emission reports to highlight the areas of improvement
10. Use the data to negotiate your way to emission reduction

Here are the steps you should take to track your emissions

- **Setting clear and smart goals:**

Setting a bold, ambitious net-zero commitment for your company is essential for achieving deep decarbonization and long-term success. But setting a goal is not enough. The goal must be right with clear interim milestones and details on how to get there to ensure continual progress and deliver commitments.

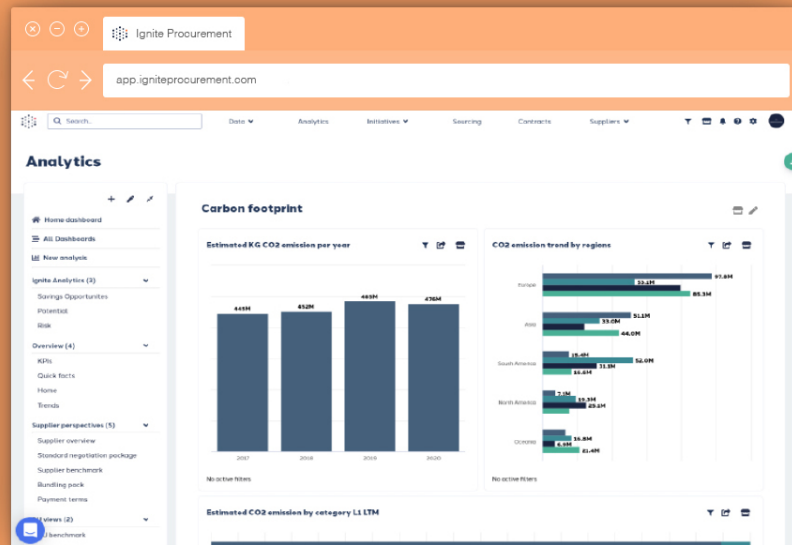
- **Improving data transparency and quality:**

The saying, “we can’t fix what we can’t measure,” holds true for scope 3 emissions. While it’s tempting to wait until the data is perfect before doing anything, we suggest gathering and improving data along the way. Also, companies can improve primary data availability and quality by gathering the required information from their suppliers through assessments and sharing with them the guidelines for data consistency. If primary data from suppliers isn’t available, enrichment from a third-party provider to get high-quality and up-to-date data with category information and conversion factors is a good option.

- **Following a spend-based approach:**

The Greenhouse Gas Protocol recommends that companies looking to assess their carbon emissions for the first time use the spend-based method. This approach aggregates your company’s emissions across suppliers, giving you a broad understanding of your current footprint and which areas may be contributing most heavily to your emissions. For this, spend data needs to be classified as per industry classification standard, and then an emission factor is applied to each supplier.

Unfortunately, companies waste a lot of time gathering and calculating this information manually, but solutions like Ignite can make the process simple and automatic. All that companies need to do is upload their spend data and Ignite automatically finds the corresponding emissions factors for suppliers to display their complete emissions profile, broken down by scope. Ignite's data visualization dashboards further highlight your emissions hotspots to help you see which areas need focus.



- **Enhancing supplier engagement:**

Supplier engagement is a key part of a company's climate action plan. It is not easy to account for emissions in a credible and accurate way, especially when it comes to indirect emissions. By obliging suppliers to set science-based targets, a company can shift some responsibility to actors along its supply chain. However, this only works if the company has strong supply chain management practices in place.

- **Coupling emissions with supplier assessment data to uncover deeper insights:**

When tracking emissions, it's important to collect data from your peers and suppliers. In Ignite, companies can gather that information using customizable assessment forms and combine the information with emission data to glean new, deeper insights.

- **Generating emission reports and heat maps:**

With the rise of sustainability reporting, more and more businesses are looking for ways to reduce their carbon footprint and make their operations more sustainable. Ignite makes this process simpler by giving companies access to industry codes that can be used to enrich the data and generate CO2 reports. These codes are essential to understand where CO2 emissions are coming from and make smarter decisions to reduce them.

Procuring for the Environment: Taking Sustainable Procurement Beyond The Rhetoric

Sustainable procurement is the next frontier.

As companies begin to incorporate sustainable practices into their day-to-day operations, they're quickly realizing that their procurement function is an excellent place to start it. In fact, they may even find that they've already started and just didn't realize it. We've found that most companies are already practicing sustainable procurement in some form—for example, by increasing their visibility of social and environmental impacts in supplier relationships or reducing the cost of products or services. But truly making an impact demands a lot more and to make that happen, companies can't rely on the same old strategies to reduce emissions.

A net-zero future is within our grasp. It just takes the right mindset, the right tools, and a little bit of help from the right partners. Here's how to get started:

1. Focus on the business value of scope 3 emissions measurement when communicating.
2. Create high-level ESG transparency to plan and ascertain what information is already available, and how easily additional data can be obtained.
3. Embrace a collaborative mindset. Engage with suppliers to obtain primary data and scope to build out an understanding of the vital areas to focus on and to bring those plans to fruition.
4. Identify several of your most important products and the categories in which they fall. Then study each category to identify where sustainable improvements can be made.
5. Aspire towards continuous improvement.
6. Help your decision-makers see the big picture by showing them how their decisions can impact the journey to net-zero.
7. Reward early adopters and breakthrough ideas.

To do this effectively, companies must develop a nuanced understanding of how their various departments and units contribute to emissions and how they can reduce them.

And to make this possible, companies need a robust solution that can harness the power of data, analytics, and advanced visualization techniques to track and report supply chain emissions, uncover opportunities and areas of impact, and help companies make decisions that will have a lasting impact on our future.

About Ignite Procurement

We are Ignite Procurement. We provide spend management solutions that help companies make decisions that are beneficial for the business, society, and environment.

At Ignite, we believe that technology can be powerful and easy to use at the same time. That's why, our solutions are designed to create value, with easy adoption, scale, and productivity in mind. We take care of all the tedious grunt work so you can focus on the big picture.

We do so by providing companies a complete set of cloud solutions to streamline spend across the full range of strategic procurement activities and give them the visibility and insights they need for smarter, responsible, and efficient procurement decisions. We know we are doing well when our customers do well.

We'd love to give you a demo of our platform so you can see what we're all about.

[Click here to schedule a demo today !](#)



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