

Factsheet

A guide to  
effectively  
engaging  
with your  
supply chain



**ecoact**

# Contents

Introduction	03
What is supplier engagement?	04
Decarbonising your supply chain: Why companies should be engaging with suppliers	05
How does supplier engagement benefit you?	07
EcoAct's 4 step approach to engaging with your suppliers	09
What makes supplier engagement effective?	13
Conclusion	14

# Introduction

With fast approaching target milestones in 2030 and beyond, the focus on Scope 3 reduction is ramping up. Increasingly, companies are turning their attention towards supplier engagement as a key reduction lever to contribute towards their net-zero targets.

Scope 3 emissions, also known as 'value chain' emissions, are indirect greenhouse gas (GHG) emissions both upstream and downstream of an organisation's main operations.

Supply chain emissions typically comprise a company's Category 1 (Purchased Goods and Services) and Category 2

(Capital Goods) Scope 3 emissions. On average, 40-80% of an organisation's revenue is diverted to a supply chain. However, companies have less control over these emissions and report them with less rigor<sup>1</sup>.

Scope 3 supply chain emissions are on average 11.4x larger than direct Scope 1 & 2 operational emissions and as such are identified as a key lever for companies to decarbonise<sup>2</sup>.

It is imperative that we limit global warming to 1.5°C degrees to avoid the detrimental impacts of climate change. Net-zero targets are required to achieve

this, which includes rapidly decarbonising own operations alongside value chain activities. Supplier engagement will be crucial in any company's journey to net-zero.

This factsheet explores the reasons why organisations should be engaging with their suppliers, what supplier engagement actually means, and how to gain effective results.



<sup>1</sup>IFEMA – Delivering Sustainable Outcomes Through Supply Chains Using ISO 20400

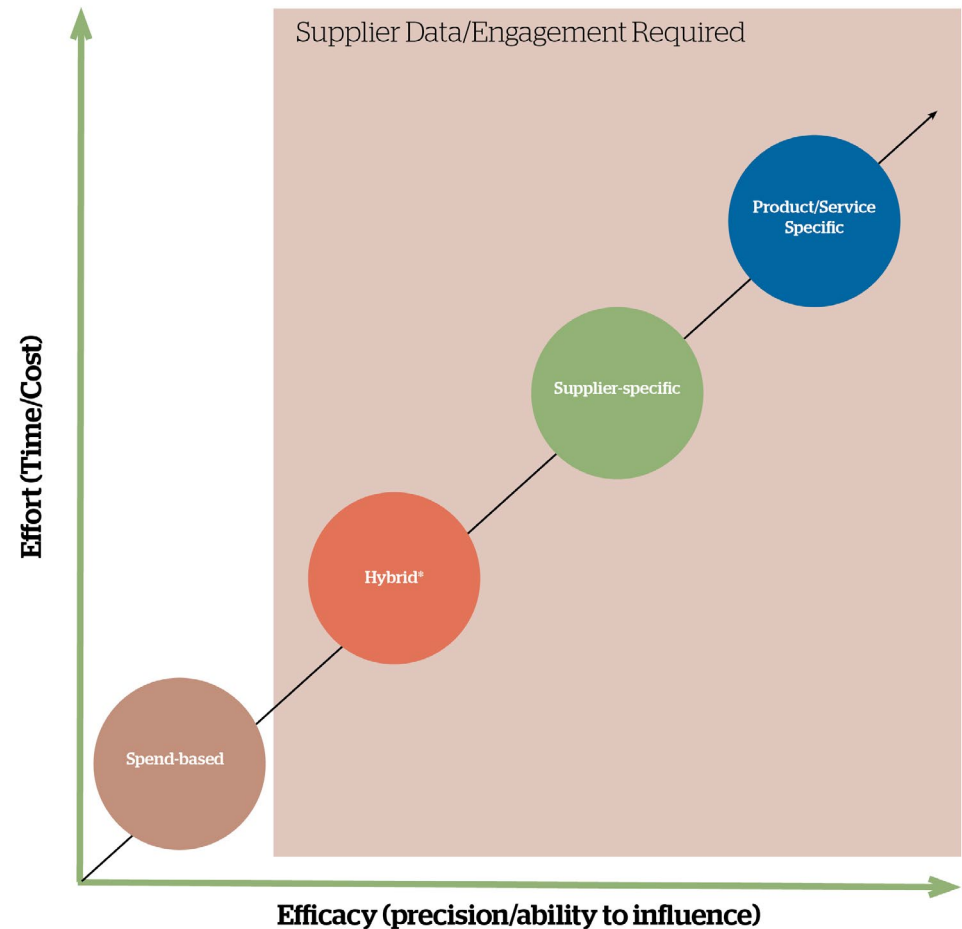
<sup>2</sup>Engaging Supply Chains on the Decarbonization Journey (Science Based Targets, 2023)

# What is supplier engagement?

Supplier engagement is a set of mechanisms or interventions implemented both internally and with suppliers to empower them to create more decarbonised and resilient supply chains.

Through engagement with suppliers, companies can achieve a more in-depth understanding of the maturity of their supply chain. This can enable insights into areas such as environmental policy and KPIs, data reliability, transition risk and decarbonisation trajectory. Monitoring supplier maturity and progress over time can help with making procurement decisions that are informed by sustainability performance and understanding which suppliers are leading in their field and which might need additional support or incentivisation to decarbonise.

For many companies, a key focus of supplier engagement is improving Scope 3 data quality and moving away from spend-based industry average emission factors in favor of supplier-specific data (see adjacent graph). Applying industry average emission factors does not allow comparison of supplier emissions or their decarbonisation initiatives. It becomes difficult to compare supplier performance using the same data set year on year. Moving towards supplier-specific emission factors will enable decarbonisation initiatives to be modelled and accounted for within your Scope 3 calculations.



\* Hybrid methodology uses supplier-specific data or average data, or a combination of both<sup>3</sup>.

<sup>3</sup> [Greenhouse Gas Protocol](#)



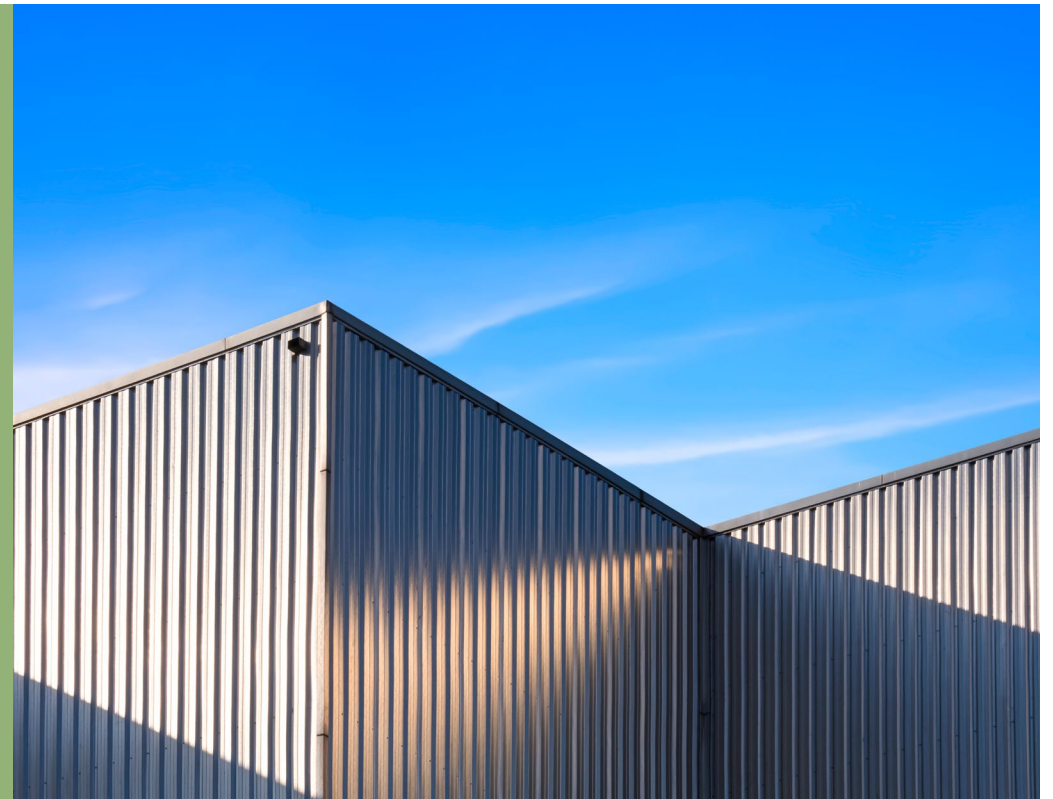
# Decarbonising your supply chain: Why companies should be engaging with suppliers

Having a Scope 3 target is increasingly becoming standard practice. In 2022, 96% of all companies with science-based targets had a Scope 3 element to their target (excluding SMEs and financial institutions)<sup>4</sup>. However, implementing supply chain decarbonisation measures is not as common. Over half of companies disclosing Purchased Goods and Services emissions to CDP are not currently reporting any quantified abatement rates to reduce supplier related emissions<sup>5</sup>.

As per the new SBTi guidance, CDP Global Supply Chain Report and ISO 20400 Standard for Sustainable Procurement, engagement with suppliers and embedded processes to manage supplier performance within procurement are vital to reach net-zero.

ISO 20400 provides guidance for companies aiming to integrate sustainability into procurement.

This guidance assists organisations in meeting their sustainability responsibilities by providing an understanding of what sustainable procurement is, what the sustainability impacts and considerations are across the different aspects of procurement activity and how to implement sustainable procurement<sup>6</sup>.



<sup>4</sup>[SBTi Monitoring Report 2022](#)

<sup>5</sup>[CDP & Capgemini Invent report | July 2023](#)

<sup>6</sup>[ISO 20400](#)

EcoAct has developed a supplier engagement offering to help initiate the business transformation your organisation needs to achieve net-zero. This is underpinned by the following objectives of a supplier engagement programme:

**1**

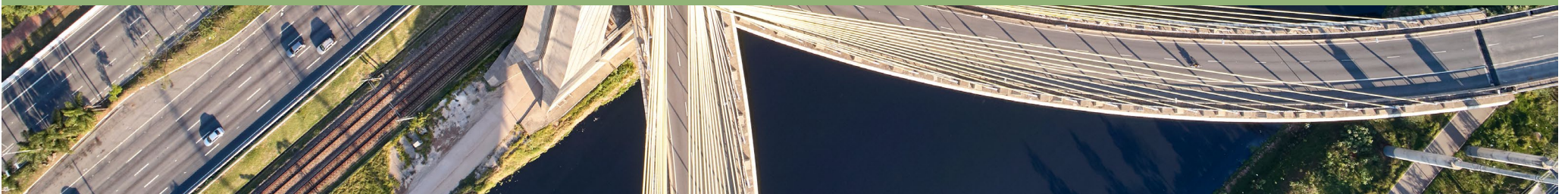
Improve supplier data quality in Scope 3 footprints. This will ensure supplier decarbonisation efforts are realised within your reporting.

**Data Quality**

**2**

Encourage and facilitate supplier decarbonisation ambitions, creating a space for collaboration and two-way education within the supply chain.

**Decarbonisation**



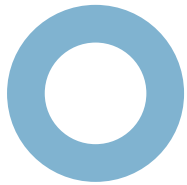


# How does supplier engagement benefit you?

An aerial photograph showing a winding asphalt road that curves along the edge of a dark blue lake. The road is flanked by a thick, lush green forest. Several cars are visible on the road, and a small structure is on the left side. The overall scene is serene and natural.

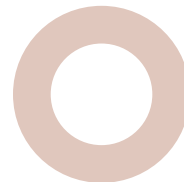


# How does supplier engagement benefit you?



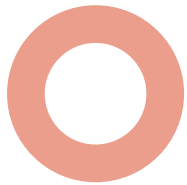
## Collect primary data

Collecting primary data allows you to account for your suppliers' decarbonisation efforts in your own reporting, in-turn allowing you to report your value chain reductions year-on-year.



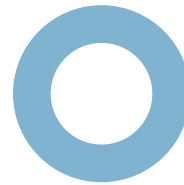
## Support company responsible sourcing commitments

Supplier decarbonisation requirements can be added to existing code of conducts and/or internal procurement policies and KPIs. This formalises your organisation's decarbonisation commitments.



## Track and monitor supplier performance

Monitoring supplier decarbonisation and assessing supplier maturity highlights areas for improvement. This, in turn informs a supportive two-way dialogue between your organisation and its suppliers.



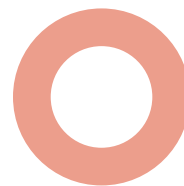
## Enhance efficiency, transparency, and resiliency across the value chain

Opportunities for increased efficiency and transparency will arise through collaboration with suppliers. This results in mutual cost savings and reduced carbon impact across the value chain.



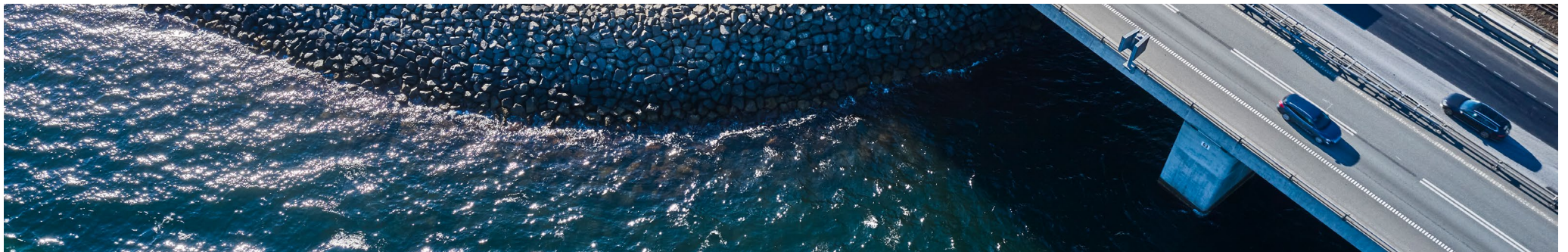
## Reduce climate risk within the supply chain

Assessing physical and transitional risks will ensure suppliers are prepared and compliant. This allows supply chain risks to be managed and mitigated appropriately.



## Deliver company carbon reduction targets from Scope 3

Supply chain emissions are the key hotspot for most companies. Supplier engagement is one of the only ways to reduce emissions and reach net-zero.







# EcoAct's four-step approach to engaging with your suppliers



# EcoAct's four-step approach to engaging with your suppliers

## 1

### Identify your material suppliers

When setting up a supplier engagement programme, it is best practice to target suppliers who make the largest contribution to your Scope 3 emissions. These are usually companies that signify the biggest proportions of your procurement spend and are integral to your business operations.

Targeting the most material suppliers will give companies the opportunity to tackle the majority of procurement-related emissions. It's better to target fewer material suppliers than a larger group whose impact is smaller.

## 2

### Engage the procurement team

Companies should evaluate their internal procurement processes and policies against sustainability best practice to ensure the appropriate governance is in place to drive the decarbonisation required. The ISO 20400 guidance provides the fundamentals for best practice.

As part of this process, it's important to engage and educate procurement staff, explain the importance of supplier relationships to the wider business strategy and the undeniable linkages with procurement decisions and emissions reduction.



# 3

## Engage with suppliers to collect primary data and highlight decarbonisation opportunities

The crux of an effective supplier engagement programme is the data collection, quality assurance and integration into the Scope 3 footprint. Data collection methods should use a combination of publicly available sources and direct communication with suppliers to avoid questionnaire fatigue.

Supplier product level (life-cycle analysis) or carbon (Scope 1, 2 & upstream Scope 3) data, can be collected via a digital tool and/or through a manual process.

Companies should aim to ensure the following through the data collection process:

- Accuracy of the data
- Transparency of calculation methods
- Appropriate allocation to company emissions
- Ability to analyse the data provided

Through the use of this data and identifying supplier carbon hotspots, organisations can highlight opportunities for suppliers to decarbonise. For example: renewable energy opportunities, business travel decarbonisation strategies or supporting the development of a supplier engagement strategy.

# 4

## Modelling supplier targets and tracking decarbonisation over time

Collecting supplier-specific target and emissions data enables companies to model their projected emissions. This could be in the form of reviewing existing supplier targets and modelling projected emissions in various scenarios. To do this, companies will need to understand supplier targets, annual (or quarterly) emissions and decarbonisation levers such as renewable energy strategies and future offsetting plans.

Modelling projected emission reductions can help highlight the scale of supply chain emissions that still need to be tackled in order to achieve net-zero. This enables companies to make informed decisions about where and how to implement optimum decarbonisation initiatives and create a detailed net-zero action plan.

Companies should track supplier progress at a frequency that suits them. Currently this data is obtained on an annual basis for the majority of companies already tracking their data.

If suppliers are not meeting the desired reduction rate requirements, understanding the suppliers' blockers and guiding them to success is an effective and collaborative way to meet your decarbonisation targets.





# What makes supplier engagement effective?



Targeting your audience - aim for top 80% of emissions by materiality to have the greatest impact.



Tracking performance on a frequent basis.



Collaborating with and educating suppliers, understanding their journey and any blockers they're facing.



Digitalising data and improving data quality via a tool which ensures auditability and efficiency across your organisation.



Engaging internally with procurement teams to ensure governance and skills are in place to implement a programme.

“Most companies now have a good measure of their Scope 1 and 2 emissions, targets, and an action plan for reducing them but are yet to address Scope 3. Tackling Scope 3 emissions, particularly supply chain emissions, will be the biggest challenge to achieving net-zero for many companies. Transformative action is needed to achieve decarbonisation throughout the value chain which includes how you engage with your suppliers.

EcoAct is here to support and guide you with making the changes needed both internally and with suppliers to strengthen sustainability knowledge, improve supplier-specific data quality and facilitate reduction initiatives.”

**David Grant**

Managing Consultant



# Conclusion

Supplier engagement is not a new concept but the complexity of Scope 3 data collection, reporting and reduction can make it difficult to know where to start. Any company's first step should be improving the primary data collection method and quality of data received. Without supplier-specific data, no supplier-specific decarbonisation can be measured or realised.

EcoAct's four-step approach considers all recent guidance provided by the SBTi, CDP and ISO 20400 whilst also pulling from our experience with companies who have already begun this journey. Decarbonising your supply chain is not a simple or a quick process. Changes to annual reporting, increased collaboration with suppliers and transformative business practice will be required in order to meet net-zero, and the earlier the process is started, the better.





Factsheet

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# Your climate experts. Your partner for positive change.

EcoAct is an international climate consultancy and project developer partnering with businesses, organisations, institutions and regions to provide them with the most effective and comprehensive range of solutions to address the challenges of climate change efficiently.

Founded in France in 2005, the company now spans three continents with offices in Europe, North America and Africa. With a team of more than 360 international climate experts, EcoAct's core purpose is to lead the way in delivering sustainable business solutions that create true value for both the environment and client.

EcoAct is a CDP Gold Partner, a founding member of ICROA, a strategic partner in the implementation of the Gold Standard for the Global Goals and reports to the UN Global Compact.

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