

BRIEFING

HOW CAN CORPORATE PROCUREMENT TACKLE THE CLIMATE CRISIS?

This briefing sets out how the role of the modern Chief Procurement Officer (CPO) and procurement leaders can support their businesses to act on climate change. Changing expectations of consumers and investors, as well as the increasing costs associated with managing the risks of climate change mean that the corporate procurement function needs to adapt to influence the creation of a net zero carbon, resilient supply chain.

Introduction

As emissions accounting has become more robust, supply chain emissions have been found to be 11.4 times greater than operational emissions for the average company – more than double previous estimates. In some sectors this is even higher, such as retail (28.3x), apparel (25.2x) and services (21.2x).ⁱ

Little doubt remains that businesses must engage their supply chains to meet their net zero carbon ambitions so it is encouraging to see that over 1,400 companies are setting greenhouse gas (GHG) reduction targets aligned to climate science – known as Science-Based Targets – which incorporate material Scope 3 emissions (all indirect emissions due to the activities of a business).ⁱⁱ However, globally there is a need to rapidly scale up the quality, reach, and impact of Scope 3 emissions disclosures.

To realise the transformational potential for businesses to influence their suppliers, we need to rapidly increase supplier engagement. With data being hard to find due to emissions being ‘buried’ further down supply chains, action can be

challenging. However, as climate risks increase, costs associated with managing them will rise too. The snapshot of 8,000 suppliers submitting to CDP – a non-profit organisation that helps companies and cities disclose their environmental impact – collectively estimate an increase in costs to their buyers of \$120bn over the next five years. At a time when companies are also reviewing how supply chains should be reimaged in the wake of COVID-19, there is an opportunity to use climate action to build greater resilience and deliver a green recovery.

SUPPLY CHAIN DECARBONISATION WILL BE A ‘GAME-CHANGER’ FOR THE IMPACT OF CORPORATE CLIMATE ACTION. ADDRESSING SCOPE 3 EMISSIONS IS FUNDAMENTAL FOR COMPANIES TO REALISE CREDIBLE CLIMATE CHANGE COMMITMENTS ⁱⁱⁱ

Nigel Topping, UNFCCC

What are leaders saying?

In order to understand how CPOs can play a part in the green recovery from COVID-19, Business in the



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Community (BITC) convened a roundtable discussion with CPOs and procurement leads from our responsible business network. This discussion sought to understand the influencing power of procurement, the challenge of moving beyond price and accessing the right data, and supplier engagement. The results of the discussion are summarised below:

Recognising the power of procurement

The move to a net zero economy provides both a challenge and an opportunity for procurement professionals. The challenge is the high level of carbon emissions coming from the supply chain; the opportunity is that CPOs and procurement leads are in a unique and powerful position to use procurement to leverage action on climate change. According to recent benchmarks, the average spend that procurement controls can be up to 82% of total spend which puts an enormous amount of buying power and influence over supply chain behaviour.^{iv}

There was an acknowledgment that this may well involve a fundamental review of the supply chain. One participant, for example, turned over their whole supplier base in the last two and a half years. Increased due diligence and rigour has been introduced to ensure that their suppliers are using biobased or recycled materials which has meant previous suppliers would not meet the criteria now.

Such wholesale review of supply chains and supplier arrangement requires board-level support. In this instance, the CEO gave a clear directive that the business should aim to reduce carbon emissions by 50% by 2030 and to move to all recycled materials by 2025. This kind of internal target will drive and accelerate changes to the supply chain and CPOs have a key role to play in lobbying for and then socialising such targets through the whole buying and supply chain.

Moving beyond price

In traditional models of procurement, the key determinant was, and in many cases still is, getting the lowest price. The need to move to net zero

carbon and the significant contribution the supply chain makes to emissions, means this must change. But there is widespread acknowledgment this is not an easy process, and that price is a major barrier to sustainable procurement.

Moving away from suppliers from countries, such as China, with high levels of carbon emissions to alternative suppliers in 'greener' economies comes with a price tag. Longer term thinking on costs and benefits must be embedded into the procurement process and supported at both senior levels and throughout the business. This involves a significant shift in thinking on what successful procurement looks like.

One CPO and their team is working with the commercial team on preparing customers for what the product offering will look like in the next few years. That is to say, the price point will go up, but the customer will be getting a better product and generating less waste. This business is also looking at carving out a percentage of profits to support and invest in sustainability initiatives within supplier businesses such as energy efficient machinery and solar panels.

1-4%↑

Estimated increase in end-consumer costs caused by a zero-emissions supply chain ^v

It was recognised that buyers have traditionally been rewarded for getting the best product for the best price and that sustainability and action on climate change are not generally in their job descriptions – but they should be. Where CPOs and their teams had talked to procurement staff about why they should ask suppliers about their emissions and the impact this could have, there was a high level of enthusiasm and engagement. One delegate at BITC's CPO roundtable noted that *'procurers are decisive and move quickly and can really create change if we get right information to them in condensed format.'*

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The need for robust data

The availability of robust data presents a major challenge. There was awareness that CPOs and their teams need to get better at asking for data on carbon emissions from their suppliers.

Work is currently underway in many organisations to create effective ways of retrieving data from their supply chain. This includes designing a supplier emissions form, for example, to add another level to the data available. However, there may be more remedial work to do first. One participant talked about how, before getting into detailed quantifying emissions forms with suppliers, they do a pre-assessment on sustainability: *'we don't call it 'sustainability' anymore because some people get the wrong idea, so we call it 'being a responsible business.'*

There were reports of supplier frustration arising from lots of companies asking them different questions about the same thing. This could be mitigated to some extent by the standardisation of reporting methods and requirements.

Using the circular economy to tackle supply chain emissions

Meeting climate targets will require tackling the 45% of current global GHG emissions associated with making products. As well as using clean energy in the supply chain, major progress can be achieved through using circular economy approaches such as switching to more energy efficient materials and processes.

In one example, a supplier discovered that by switching from hydrocarbon to bio-based materials they could cut their carbon impact by 80%.

Collaboration

Collaboration is essential. There are many instances within organisations, for example bringing the design team and supply team together to look at more sustainable materials, as well as a recognised need for joint working and internal training and education as discussed above.

But there is also a clear need for wider collaboration across and within sectors and amongst CPO professionals.

Some sectors, especially those that are heavily regulated, are further along the journey than others and have much expertise to share with those coming after them. Most water companies and their main contractors, for example, are members of The Sustainability Supply Chain School - which aims to enable collaboration across the sector (includes the wider construction sector too). This is a great resource, offering targeted training, CPD learning and sharing new research and products; such an approach could be emulated by other sectors.

A QUARTER OF OUR EMISSIONS BASE IS WITH OUR SUPPLY PARTNERS. SO WE ARE WORKING VERY CLOSELY WITH THOSE PARTNERS TO ACHIEVE SCIENCE-BASED TARGETS OF REDUCTION... WE ACTUALLY WANT TO MAKE THAT A VIRAL MOVEMENT ACROSS ALL OF OUR PROCUREMENT BASE^{vi}

David Ingram, CPO, Unilever

Supporting the supply chain

As well as influencing the supply chain through purchasing choices, it was recognised that larger corporates can do more to support small and medium-sized enterprises (SMEs) in their supply chain as well. This can include supporting with data by offering technical guidance or reducing the length of the forms that need to be filled out. As well as supporting with the process of applying for contracts, businesses can also support existing suppliers with the infrastructure required to reach net zero, such as motion sensing lighting or solar panels of roofing.

There is also a case for better sharing of information across the whole value chain to increase the impact and speed of corporate climate action. This can come in the form of case studies, networking opportunities, or advice and training for suppliers. Sharing of information can

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even be as simple as explaining the terminology. It was recommended that the [SBTi Net Zero page](#) is a good place to start for those smaller suppliers who were unclear on how to get going.

How can I get involved?

This continues to be a live discussion and development area for our members. If you would like more information about how your business can support this agenda, or about upcoming events or content related to this topic, please contact your BITC Relationship Manager. BITC is committed to sharing best practice around this topic, so if your business would like to be featured in a case study, please do get in touch.

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Talk to one of our expert team today to learn how membership of BITC can help you take your responsible business journey further and drive lasting global change.

REFERENCES

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