

Supplier Engagement Guidance

This document provides guidance on engaging with suppliers to collect greenhouse gas (GHG) data when developing scope 3 GHG inventories following the *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard* and product GHG inventories following the *GHG Protocol Product Life Cycle Accounting and Reporting Standard*.

This guidance is divided into two sections:

- Internal planning prior to engaging with suppliers
- Working with suppliers to collect GHG data

Internal planning prior to engaging with suppliers

Collecting greenhouse gas (GHG) inventory data from suppliers can be a major undertaking, and often presents the biggest challenges to conducting a scope 3 or product GHG inventory. Companies should develop a strategy for collecting GHG emissions data from its value chain partners that addresses the following key steps:

1. Identify the internal departments responsible for data collection
2. Select suppliers and identify supplier information
3. Engage the procurement staff
4. Develop a method for managing supplier data

Each step is described in more detail below.

1. Identify the internal departments responsible for data collection

Companies should determine if they are currently surveying their supply chain through other environmental or social responsibility initiatives within their business. If an assessment program is already in place, it is helpful to coordinate the GHG inventory collection program with existing activities to ensure a consistent approach throughout the supply chain and to minimize the burden for suppliers.

Companies should also identify the internal organizations that are critical to the success of the data collection process. This may be a centralized procurement organization, or companies may need the support and involvement of individual business units or lines of business. Typically, environmental surveys originate in the Environmental Affairs, Environmental Health & Safety, or Social Responsibility group within a company. While one of these groups may originate the program, the program itself may be best executed with the support of the procurement organization, as they typically have the responsibility of managing the supply chain. In some companies, the procurement organization has assigned an individual or department to manage environmental issues in the supply chain. This individual or group could be valuable to the success of the effort.

Two possible organizational approaches by which companies can execute this program include:

- Place responsibility for coordinating the program with the environmental or social responsibility staff and have them manage and coordinate the program through the procurement staff, or
- Assign a program manager in the procurement organization/department with responsibility to interface with the environmental team and manage the program across the procurement organization.

There may also be other project management approaches that are more suitable for an organization. Regardless of the approach chosen to execute this effort, it is essential to get a strong executive champion within the procurement organization to secure and maintain organizational support for the process to collect GHG inventories from a company's suppliers.

2. Select suppliers and identify supplier information

Utilizing the data management plan and/or data screening exercises detailed in the *Scope 3 Standard* and the *Product Standard*, companies should identify significant activities or processes where supplier data would be beneficial (see the respective standard for more information on data collection). For each data point, a company may only know their tier-1 suppliers (those that supply the company directly) or, in some cases, their tier-2 suppliers (direct suppliers to their tier-1) or beyond. Depending on the complexity of the supply chain related to a product or activity, the number of suppliers may vary significantly. Therefore, once the number of known suppliers is identified, companies should determine whether to engage with all suppliers related to the product or activity (for a small supplier network) or categorize and select only a subset of suppliers to contact (for a large supplier network).

If supplier selection is necessary, the preferred approach is to rank them according to their expected contribution to emissions and select suppliers of the highest emitting goods and services. If a company has trouble screening its value chain or product life cycle by emissions, the simplest selection process is to rank direct suppliers according to spend and select those suppliers that make up a designated percentage of the company's total supplier spend. This procedure is further outlined in chapter 7 of the *Scope 3 Standard* and chapter 8 of the *Product Standard*. The number of suppliers to engage is at the company's discretion; however, the more suppliers that are surveyed the more complete the data is likely to be. As a general rule of thumb, companies should request data from the top 80% of known suppliers based on the preliminary evaluation of emissions contribution or spend. Overtime, it is expected that the number of suppliers a company requests data from will increase in an effort to continue improving data quality.

Once suppliers are identified, companies should collect the following information:

- Supplier name
- Supplier address
- Procurement contact
- Supplier type (e.g., production-related, non-production related)
- Commodity or service type
- Annual spend

While obtaining complete data is preferred, suppliers may only provide a subset of the information listed above. Consulting with the procurement staff responsible for the suppliers may allow for filling in some or all of the missing data.

3. Engage the procurement staff

Once the preliminary supplier identification is completed, the procurement staff should assess the chosen list of suppliers for appropriateness and applicability. They will be aware of plans to add or remove specific suppliers or modify supply agreements which will make it inadvisable to survey some suppliers and necessary to include others. In addition, this assessment allows the procurement team to have input into the supplier selection process and ensure their buy-in to the process.

As part of this assessment process, it is important to educate the procurement team on the program, explaining reasons the survey is important, the mechanics of the data collection process, tips for dealing with suppliers (including a list of frequently asked questions), and the importance of clearly explaining the program to the supplier. Companies should also communicate that there is executive support for the program. Having the understanding and support of the procurement team is important to achieving a successful data collection process.

4. Develop a method for managing supplier data

Managing supplier data includes the data collection process, quality assurance, and reporting functions. Selecting a data collection method is a critical piece of implementing a business process to collect supply chain GHG data. There are several options available for collecting and managing data:

1. Create an internal data collection system through an internally designed spreadsheet, an online system, or through the use of a commercially available GHG management software package. Work with an industry consortium to develop or use a data collection methodology and system to collect data for that industry group
2. Work through an existing GHG reporting/disclosure program

Choosing or designing the mechanisms to manage data can be evaluated in terms of:

- Ease of use
- Ability to analyze the collected data
- Accessibility to multiple parties
- How easily the data can be assured
- Application to multiple reporting functions
- Avoiding duplication
- Maximizing efficiencies

Spreadsheets: While a spreadsheet system provides a simple, easily implementable survey tool, it may be an inefficient approach for suppliers that have to fill out multiple surveys for their customers. A spreadsheet system also does not lend itself to analysis unless it is designed to be exported into a database tool for easy data manipulation and reporting.

Automation: Implementing an automated or web-based system for data management will benefit both the reporting company and its suppliers. Partnering with suppliers and customers to use a common system will allow companies to collect the data once and use it for reporting many times, enabling optimization of the data collection and analysis process.

Collecting data using standardized formats

Companies should establish robust data collection formats that document the data sources to ensure the activity data is collected on an approved, consistent basis to allow year-on-year and partner-to-partner comparability. A standardized format reduces the risk of errors and provides transparent documentation to enable consistent recalculations. The data collection survey format should include:

- Description of emission sources and scope
- Boundary details
- Reporting period
- Activity data and GHG missions in CO₂e
- Comparability with previous years GHG calculation methodologies
- Details of emission factors and data sources
- Discussion of uncertainties
- Trends evident in data (*if applicable*)
- Progress towards targets (*if applicable*)
- Description of events affecting data (*if applicable*)
- Ratio indicators needed for allocation (*see chapter in respective standards for more information*)
- And any other relevant information

Managing confidential and proprietary data

When collecting emissions data from suppliers, companies may encounter situations where certain data are considered confidential or proprietary by the data provider. While some companies may provide data without any use restrictions, others may require that the data provided be protected from disclosure and not used for any purpose other than the purpose specified by the data provider.

To allow use of data considered confidential, the parties may enter into “confidentiality” or “non-disclosure” agreements that define terms of data use and disclosure. Such agreements protect data since violating use and disclosure provisions in legally binding documents have legal consequences, particularly if harm to the data provider can be demonstrated as a result of unauthorized disclosure.

Whenever data representing a specific organization are used to calculate a GHG inventory, companies should consult with the data provider to determine if there are any restrictions regarding data use and disclosure. Companies should also inform the data provider regarding how data will be used and ask for written permission to use the data for that purpose.

Companies should also be aware of legal regimes concerning anti-competitiveness. A company may have multiple suppliers for similar components of products and similar services. Each supplier’s data should be given the applicable standard of protection.

Both the reporting company and the value chain partner should have in place and enforce:

- Applicable standards of data protection for their information assets
- Sound privacy practices that protect the data of its employees, customers, suppliers, and others
- Applicable standards that enable compliance with anti-competitiveness laws in the relevant countries

Working with suppliers to collect GHG data

There are several key steps to working with suppliers to collect GHG data:

1. Announce the program to the supply chain before sending any survey forms
2. Provide a training or information session on the data collection methodology
3. Check-in periodically with suppliers regarding their progress on completing the survey
4. Determine the consequences for suppliers that choose not to respond
5. Assess data quality and follow up with suppliers to resolve data questions and thank them for participating

Each step is described in more detail below.

1. Announce the program

A critical aspect of working with suppliers is communicating the importance and requirements of the program to the supply chain. These communications should take place throughout the data collection process.

Prior to sending the survey or data collection form, the procurement team should send a letter to their supplier counterparts explaining:

- The program
- Its importance
- Any consequences associated with not participating
- How the data will be collected and used
- Assurance that data will be kept confidential
- Available resources to assist in the response to the survey
- The survey schedule

The letter should request the name of the individual(s) responsible for preparing and disclosing the supplier's emissions data. Identification of this individual at the beginning of the process will enable companies to direct the survey to the responsible person at the supplier, avoiding delays in the survey process. The letter should also offer a phone call with the appropriate member(s) of the environmental staff if the supplier wishes to further discuss the program details.

Companies should send a letter from the appropriate procurement executive to their executive counterpart at the supplier. This should provide an explanation of the program, its importance to the company, and a request for the supplier's participation in the survey effort.

When the company holds supplier forums, it is advisable to present a session or training on the GHG inventory program, explaining the reasons for the program and the mechanics of the survey process.

2. Provide a training or information session

A letter and information packet should be sent to the person identified as the GHG inventory contact for each supplier with a copy to the procurement contact. Companies should schedule one or more trainings or information sessions on the reporting survey. This session should be designed to familiarize the supplier's representative with the data collection process and provide them with the information they need to undertake the data reporting. Suppliers vary widely in knowledge of GHG accounting. Some suppliers are unfamiliar with GHG inventories while other suppliers have already been tracking energy and emissions data. Additional guidance may be required for suppliers who are reporting for the first time. It is best to schedule sessions that align with the working hours of the supplier's representative.

Maintain a "Help Desk" or Help Person to whom inquiries about the system can be directed. Having a contact that is responsive and knowledgeable about data collection tools and processes will be critical to the success of the program.

3. Check-in periodically

Have the procurement team periodically query the suppliers regarding their progress on completing the survey and any questions they may have. This part of the process is simplified by using a web-based or online reporting system that allows the tracking of supplier progress. Regular follow-up underlines the importance getting survey responses is to the company, and allows suppliers the opportunity to ask questions and further develop the relationship.

4. Determine the consequences

Companies should have a clear strategy for dealing with suppliers that choose not to respond to the survey, including consequences and follow-up actions for suppliers and requirements that they provide data in the future, so a clear message is communicated across the supply chain. Failure to communicate clear consequences for not participating may dilute the value of the data collection process and make it more difficult to get data collected in subsequent years.

5. Assess data quality and follow up

Following up with the supplier to resolve questions, sending the supplier a note indicating that you have reviewed the data, and thanking them for their efforts are just a few ways companies can cultivate a lasting relationship. In addition, it is advisable to send a follow-up letter from the procurement executive.

Clear, concise, and regular communication with the supplier is integral to the success in gathering meaningful inventory data from the supply chain. If the reporting company does not show committed interest in the program, its supply chain may not take the program seriously. Even with a committed effort to drive the program, it is likely to take several years to get the completeness and quality of the overall inventory to a high level of confidence. Regular

communications with and feedback to the supply chain on the process and its results will help accelerate the relevance and quality of the inventory.

As a company gathers data over time, it will gain an understanding of the GHG inventories of different commodity and service types and the ability of different parts of the supply chain to provide GHG inventory data. This information allows companies to determine what parts of the supply chain need assistance in compiling their GHG inventories and direct them to appropriate resources to assist them in their efforts.