

# How to mandate carbon reporting in your supply chain

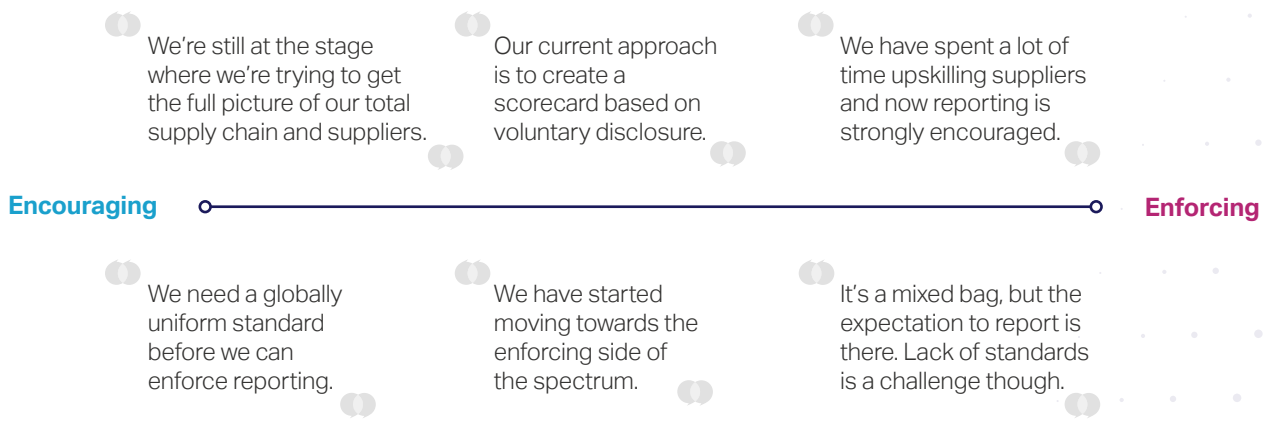
**AREAS TO DISCOVER**

- The current context
- Getting to grips with carbon reporting
- Where to start
- What are the requirements for carbon reporting

As businesses face increasing responsibility to monitor and report on ESG metrics, there is a growing case for mandating carbon reporting from suppliers.

## The current context

We see a range of approaches from encouraging to mandating carbon reporting in the supply chain, with more companies around the 'encouraging' end of the spectrum but increasingly looking to strengthen this or move towards some form of 'enforcing'. See what other businesses in the SOS 1.5 working group said about their approach below.



As pressure grows on business we predict a strong shift from encouraging to mandating carbon emission reporting. It's therefore important to start encouraging and upskilling your suppliers today, to ensure they are treated justly and can meet mandated reporting requests in the future.

**Hannah Loake,**  
Senior Manager, Climate Action, WBCSD

## Getting to grips with carbon reporting

### Why

Emerging requirements and increasing regulations mean that there is an increasing need to mandate carbon reporting from suppliers, while suppliers also face increasing external pressure to be transparent about their emissions. For many businesses this will drive a shift in approach.

### What

Draft legislation from multiple bodies has been released for public consultation. As well as existing TCFD regulations, this proposed legislation could increase the legal requirements for businesses to declare social and environmental impact.

### Who

The scope of who is required to report on ESG indices is increasing. Larger businesses are required to disclose information first under reporting requirements, with increasing disclosure required in future. Be mindful that smaller and less mature suppliers may require support if you plan to mandate reporting before they are legally required to.

## Where to start

Many businesses reported challenges with supplier maturity, where their suppliers either lacked the data, resources, capability or tools to report sufficiently on their emissions. Businesses also highlighted external constraints, for example a lack of industry standardization, cost implications and prioritization of other business strategies.

The three steps below outline how your business can begin to address these challenges. Given the scale of the task, your business may start with imperfect information with a view to improving accuracy in the future. As regulatory pressures grow, data should become more standardized and readily available from the businesses that you engage with.

1

#### Create a sense of urgency

Ensure prioritization of decarbonization through senior stakeholder engagement. As a starting point, highlight the business case for carbon reporting to leadership, including regulatory requirements and reputational benefits with both customers and investors, as well as demonstrating progress against net zero targets.

2

#### Build good supplier relationships

Supporting suppliers is a key part of incentivizing and enabling them to report on carbon. Have open discussions with suppliers to understand their challenges and don't hesitate to have a conversation with them. Make sure you provide clear messaging on why you require reporting and any incentives available or tools you can share to support them on this journey.

3

#### Implement a standardized framework

Use industry frameworks or ask suppliers to provide carbon data centrally through widely used third parties to reduce the reporting burden on suppliers. Providing suppliers with a standardized reporting template will ensure data is comparable across your supply chain. If you're aware you share common suppliers with a peer company, understand if it's feasible to use the same reporting template.

# What are the requirements for carbon reporting?

Previously there was a proliferation of stand-alone standard setting bodies. Today, in an attempt to consolidate, some of the leading sustainability standard setters use the framework set out by the Task Force on Climate-Related Financial Disclosures (TCFD).

## US Securities And Exchange Commission (SEC)

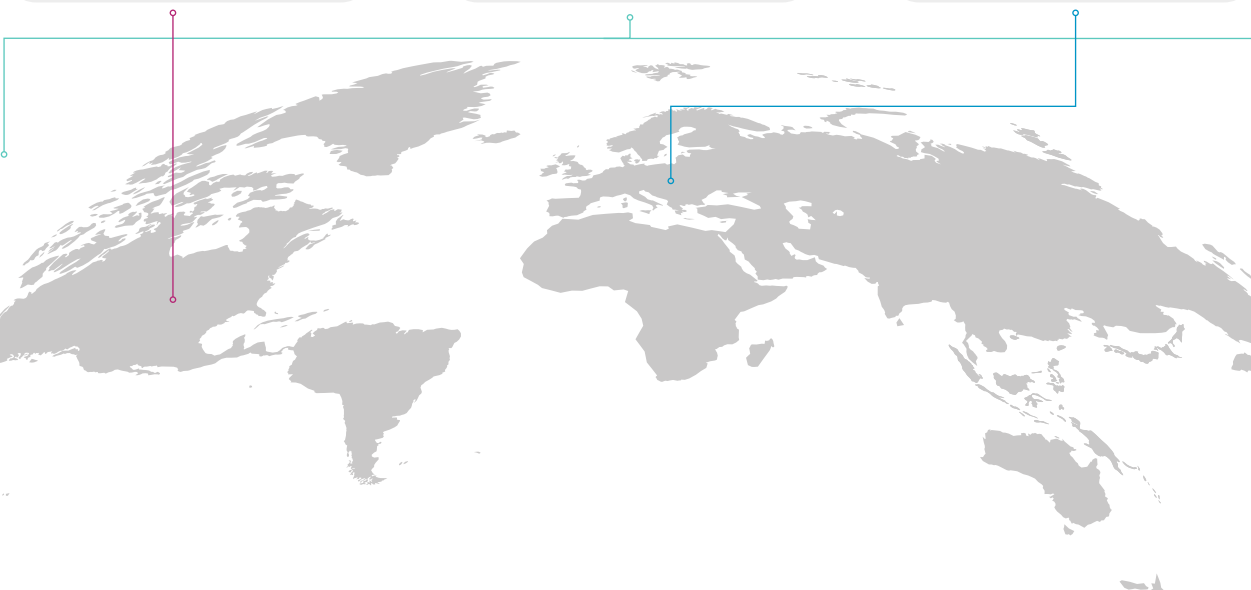
- Latest developments and draft standard

## International Sustainability Standards Board (ISSB)

- IFRS S1
- IFRS S2

## European Financial Reporting Advisory Group (EFRAG)

- Latest developments
- Draft standards



Mandatory reporting of carbon emissions – scope 1 and 2 - is being adopted at a fast pace globally. Scope 3 emissions reporting is not far behind. The quality of what is reported will need to be the same as that expected of financial performance information and be independently assured.

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## GET IN TOUCH

For more information on the Supply Chain Decarbonization series, contact: [Hannah Loake](#), WBCSD or [Kassidy Rousset](#), PwC

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