Drivers for Supplier Sustainability Reporting: Executive Summary

The Importance of Supplier Sustainability Reporting Is Growing

Many suppliers are receiving increasing requests from customers and stakeholders for detailed environmental sustainability data and may reasonably wonder why these requests continue to grow. This executive summary offers a high-level view of some of the drivers behind this trend in the growing importance of supplier sustainability reporting.

Simply put, access to credible, primary supplier sustainability data is becoming increasingly important for many companies seeking to manage risk, drive efficiency, respond to evolving stakeholder expectations, and identify new opportunities for long-term value creation.

The drivers behind this trend can be grouped into four interconnected categories:

- **Risk Mitigation & Supply Chain Resilience**
  Environmental factors like extreme weather events, biodiversity loss, and water scarcity are already disrupting global supply chains, and impacts are projected to increase into the future. Electrification and other industry transitions are likely to increase upstream pressures on emissions, water use, and nature impacts in the near-term. Upstream supplier sustainability data linked to physical sites can be essential in identifying and managing these risks.

- **Efficiency & Competitiveness**
  For many automotive manufacturers, supply chain emissions tend to far exceed their own direct emissions and are therefore a significant factor in meeting corporate sustainability goals. Projected future energy market volatility and resource scarcity scenarios also present risks related to increasing material costs. Encouraging the adoption of sustainable practices like energy efficiency and waste reduction can help improve resource security, operational efficiency and long-term competitive advantage, while supporting corporate sustainability goals.

- **Regulatory, NGO & Investor Pressures**
  Global regulations — such as the EU Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), EU Battery Regulation, Carbon Border Adjustment Mechanism (CBAM), and California's climate disclosure laws — are driving a need for greater visibility into upstream environmental risks and impacts. NGOs and investors are also increasingly calling for more transparent reporting on environmental dependencies and performance throughout the value chain, increasing the importance of credible supplier data to proactively manage for potential reputational and compliance risks.

- **Value Creation & Reputation**
  Sustainability leaders have demonstrated progress in embedding circular economy and decarbonization strategies into their operations, unlocking new opportunities for value creation. Insights from supplier sustainability data can help both OEMs and Suppliers to identify new opportunities to drive continuous improvement in areas like product design, material choices, and manufacturing process investments. Ultimately, many corporate sustainability commitments and stakeholder expectations depend on meaningful supplier engagement and action to drive measurable progress.

Core Benefits of Carbon Data Management

As stakeholder requests for carbon-related reporting and action continue to rise, many suppliers are faced with responding to increasingly detailed requests for carbon emissions data. While requests once focused mainly on corporate-level carbon data, many organizations now request site- and/or product-level data, along with more detailed disclosures on carbon-related goals and targets.

Suppliers Partnership for the Environment (SP) has developed a voluntary Automotive Climate Action Questionnaire framework to seek to reduce the burden on the supply chain in managing expanded carbon reporting requests.

Organizations like WBCSD's Partnership for Carbon Transparency (PACT) and Catena-X are further addressing this trend by developing voluntary global standards to support the calculation and exchange of consistent, comparable product-level carbon data through the supply chain.

Improving consistency in management of primary carbon data can enable companies to better prepare for regulatory obligations, streamline reporting, and support collaborative efforts toward emissions reduction. Key benefits may include:

- **Compliance with Regulatory Rules**
  Corporate carbon disclosure requirements are evolving rapidly through regulations like CSRD, CBAM, California's SB253, and others. Scope 3 emissions can represent over 90% of an automotive company's footprint. Accurate primary data from suppliers is important to support such reporting obligations.

- **Simplified Reporting Process**
  Voluntary industry-developed tools, such as standardized questionnaires and product carbon footprint reporting guidelines, can help reduce the burden of responding to varying customer-specific requests. Increasing the use of common data reporting formats allows suppliers to calculate once and report multiple times, improving efficiency and consistency in the reporting process.

- **Data Comparability & Process Efficiency**
  The use of voluntary guidelines for carbon data calculation and reporting enables more scalable, comparable results across the supply chain. This reduces the need for company-specific expertise and promotes broader adoption of emissions tracking and reduction practices through the supply chain.

- **Carbon Target Management**
  Reliable primary supplier data can help companies to identify gaps and opportunities in setting and tracking progress against corporate carbon targets. More accurate upstream data can enable better identification of carbon hotspots and analysis of opportunities for reduction. See SP Guidance on Evaluating Carbon Intensity for further examples.

- **Verification of Supply Chain Carbon Data**
  Verified carbon data from suppliers strengthens confidence in internal decision-making compared to generalized spend-based estimates. Access to primary data can support supplier evaluations and inform design and sourcing decisions aligned with carbon goals.

Appendix: Summary Slides