

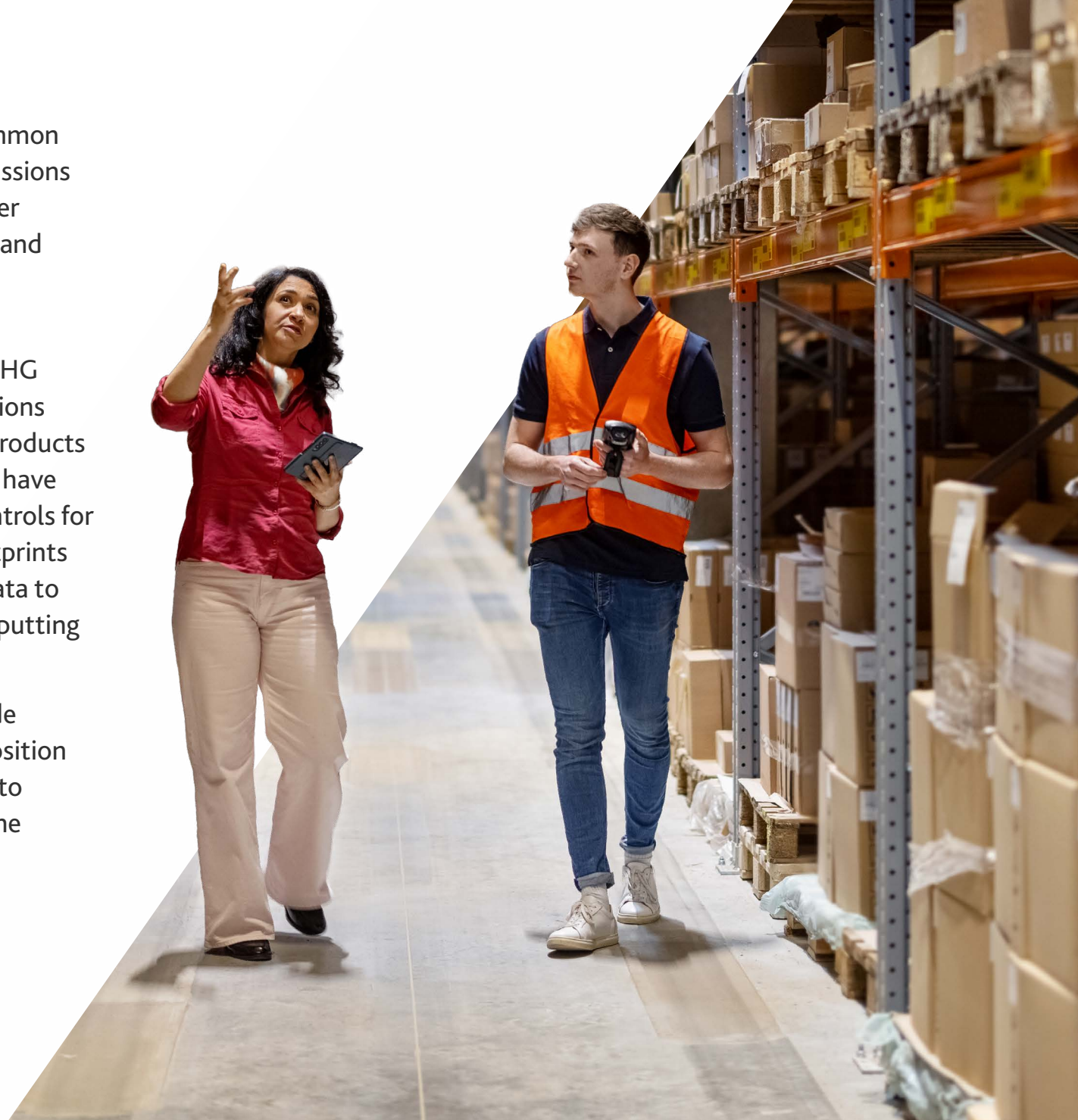
Why Your Next Customer Contract May Require GHG Emissions Data and How to Prepare



Requirements for greenhouse gas (GHG) emissions disclosure are increasingly common in supplier qualification criteria, with emissions reporting obligations included in customer contracts, requests for proposals (RFPs), and supplier codes of conduct.

These requests from large companies to their suppliers often go beyond a basic GHG inventory, requiring more granular emissions data specific to the services or physical products provided to the customer. Suppliers who have yet to establish strong processes and controls for gathering and calculating their GHG footprints may scramble to deliver the necessary data to their customers or be unable to comply, putting important contracts and revenue at risk.

In contrast, organizations that can provide accurate, credible emissions data help position themselves as preferred suppliers, ready to support customers working to increase the transparency and resiliency of their supply chains.



Why Companies Are Requiring Supplier GHG Data

The growing importance of GHG emissions disclosure in supplier-customer relationships reflects several different drivers.

Increasing numbers of companies are adopting net zero commitments and [science-based targets](#). Achieving these goals depends heavily on reductions outside a company's direct operations, which requires gathering specific, supplier-level emissions data and engaging suppliers in joint emissions-reduction initiatives.

Regulatory pressure is another driver, with customers subject to laws such as the [EU's Carbon Border Adjustment Mechanism \(CBAM\)](#), the EU's Corporate Sustainability Reporting Directive (CSRD), and [California's SB 253](#) turning to their suppliers to gather emissions data needed for compliance.

Beyond regulators, companies face pressure from customers and other stakeholders. For example, investors are using climate data to assess risk, and consumers are looking for environmentally sustainable brands. In addition, customers also face pressure from their own clients that are doing work to track and reduce their supply chain emissions.



The GHG Data Companies Are Asking For

In response to the drivers noted above, companies are now integrating GHG performance and disclosure into sustainability procurement criteria.

Requirements vary by industry, but several common data points are emerging as standard expectations for suppliers:

- ▶ Report and monitor Scope 1, 2, and 3 emissions.
- ▶ Determine emissions specific to customer needs or product lines.
- ▶ Align methodologies used with recognized standards, such as the GHG Protocol, ISO 14064/14067, or Science-Based Targets initiative (SBTi) guidance.
- ▶ Maintain data accuracy and completeness, including activity data and emission factors — often requiring third-party assurance.

These requests reflect a larger shift: companies increasingly want granular, auditable, and comparable data, rather than generic averages or estimates.

Scope 1, 2 & 3 Emissions: What's the Difference?

- ▶ **Scope 1:** Direct GHG emissions from company-owned or controlled sources.
- ▶ **Scope 2:** Indirect emissions from purchased electricity, steam, heating, and cooling.
- ▶ **Scope 3:** All other indirect emissions in a company's value chain, including purchased goods and services, waste, business travel, and employee commuting, among other categories.



Why Suppliers Are Struggling to Fulfill These Requests

Many suppliers — particularly small and medium-sized businesses — are still in the early stages of building foundational sustainability programs and processes for tracking emissions data. As customers require higher quality, more granular GHG data, the gap between customer expectations and supplier capabilities is widening, driven by challenges such as:

- ▶ **Decoding complex and rapidly evolving sustainability requirements** from customers, regulators, and industry programs.
- ▶ **Collecting accurate, auditable GHG data** when internal systems are fragmented or nonexistent.
- ▶ **Producing credible emissions reports** that satisfy the quality and detail that customers now demand.
- ▶ **Responding quickly and confidently** to procurement questionnaires and follow-up inquiries — often with limited staff or expertise.

The issue isn't a lack of willingness. Many suppliers recognize the strategic importance of providing quality emissions data and want to participate. However, they're held back by a lack of tools, clear guidance, capacity, and specialized knowledge.

As a result, suppliers are increasingly at risk of losing contract bids, delaying deals, or falling out of alignment with their customers' climate commitments — simply because they can't produce high-quality emissions data at the pace the market now expects.



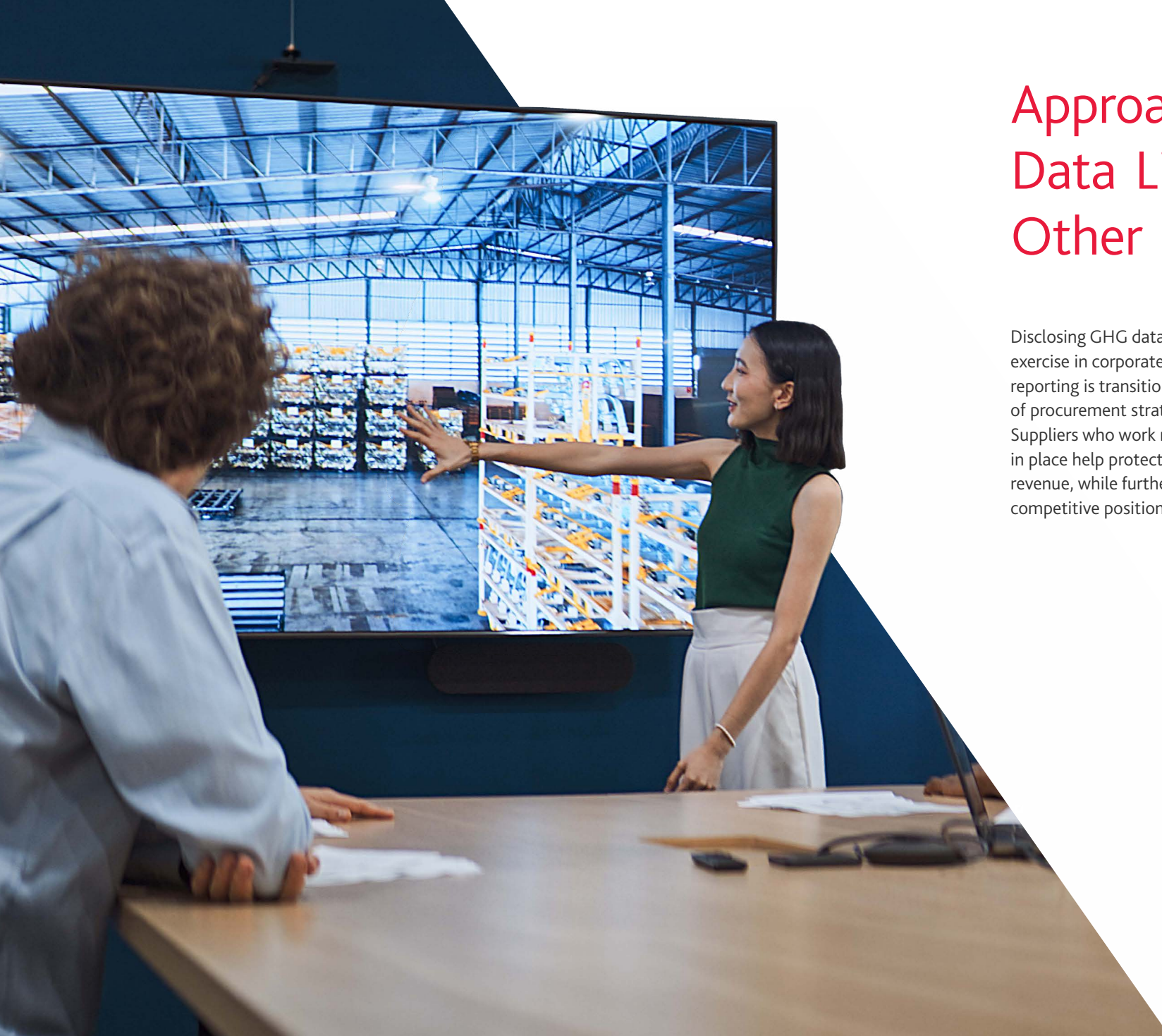
Help Bridge the Gap to Preferred Supplier Status

To keep up with rising expectations for GHG disclosure, suppliers may need to implement new processes and controls for gathering and calculating their emissions data. Working with a third-party experienced in building emissions inventories that align with the GHG Protocol or other relevant reporting standards can be helpful, especially during the first few years of reporting or when preparing for assurance.

Establishing a GHG inventory is a complex task that includes defining organizational and operational boundaries, identifying emission sources, gathering available data, and determining how to address any gaps — both in the short term with estimates and in the long term by enhancing data collection. While establishing these processes, organizations will need to put proper controls in place. When ready for assurance, there will be an expectation to provide source data along with processes, controls, and supporting calculations.

Building a GHG inventory is a complicated endeavor, but the work can be viewed as a strategic investment. Suppliers that establish credible data collection and reporting processes help position themselves as preferred partners in a market where many competitors are still struggling to build this capability. Mature GHG reporting processes can also help suppliers prepare for regulatory compliance and gain insights into their operations.





Approach GHG Data Like Any Other Core Metric

Disclosing GHG data may have once felt like a voluntary exercise in corporate responsibility, but in many cases, reporting is transitioning to a non-negotiable component of procurement strategy and long-term competitiveness. Suppliers who work now to put processes and controls in place help protect key customer relationships and revenue, while further strengthening their competitive position.



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