

General Guidance for the Key Performance Indicators



This document provides essential general guidance to complement the specific guidance provided for each key performance indicator (KPI). TSC recommends reviewing this document before you begin your assessment(s) and revisiting it as often as necessary.

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The Sustainability Consortium (TSC)

The Sustainability Consortium® (TSC®) is a global organization dedicated to making consumer products better and more sustainable. TSC members and partners include manufacturers, retailers, suppliers, service providers, NGOs, civil society organizations, governmental agencies and academics, each bringing valuable perspectives and expertise. Since its inception in 2009, TSC has convened these diverse stakeholders to collaboratively build science-based assessment and decision tools to address the most pressing sustainability issues in a product's supply chain and lifecycle. TSC also offers a portfolio of services to help drive effective implementation of these tools

THESIS

The Sustainability Insight System (THESIS) is a science-based solution from The Sustainability Consortium designed to drive greater transparency in supply chains and communicate the urgent need for action on sustainability.

The core offering of THESIS are the **Performance Assessments**. Each assessment includes a set of **Key Performance Indicators** (KPIs) that are used to assess transparency and performance and drive continuous improvement on the most pressing sustainability issues for brands, manufacturers, and producers.

Key Performance Indicators

Each individual KPI consists of six components:

A **question** with one or more **response options**. The response options may be a combination of numeric calculation-based response options as well as qualitative text choices.

Calculation and scope explains in detail how the response should be calculated. It specifies what should be included or excluded from the calculations. Occasionally, exemptions and examples are provided.

Certifications, standards, and tools lists resources that are directly useful in completing a KPI.

Background information contains links to additional information that provides context or useful information about addressing the key issues relevant to the KPI.

Definitions provides descriptions for technical terms used in the KPI.



Scope of Assessments and KPIs

Product coverage

It is essential to understand the relationship between a THESIS Performance Assessment and the set of THESIS Key Performance Indicators (KPIs) on which the assessment relies. A KPI Set covers a larger scope of common products than a specific assessment's scope. Multiple assessments can use the same KPI Set. For example, the Stone Fruit KPI set is used to create specific, separate assessments for Peaches, Apricots, Cherries, and Plums. These assessments have identical KPIs but cover different types of products which allows for more accurate peer comparison insights. If you are not able to collect data requested by the Assessment for some of your products, be sure to account for that gap as you complete the KPIs.

When downloading the supporting documents for an assessment, the documents will often indicate the more general KPI Set, such as Stone Fruit.

Global scope

All Assessments cover global production and are not specific to any region or buyer unless otherwise specified. THESIS aims to use the same indicators globally whenever possible, which allows the same assessment results to be shared with multiple buyers. As a result, the KPIs may be more general than those from other non-THESIS assessments used in specific regions or industries.

Manufacturer perspective and upstream data collection

The KPIs are designed to be answered from the perspective of a final manufacturer of a consumer goods product. The manufacturer is the organization that controls production of finished products intended for sale. However, the KPIs address impacts throughout the supply chain, so completing KPIs can require data collection from upstream suppliers.

Activity-based scope

Each KPI addresses a specific impact or issue that occurs during a specific activity or set of activities occurring in the supply chain. This activity-based scope means that completing a KPI can involve collecting data from multiple sites and multiple organizations, some of which may not be under the operational control of the final manufacturer. For example, a KPI that requires a response regarding "water use during corn farming" is addressing farm-level outcomes; it does not matter whether the corn farming is done by the final product manufacturer or by a farmer in the supply chain.

In the case where final manufacturing may be handled by more than one company, or the brand owner may not directly own any manufacturing facilities, the same logic applies. Although distributors may handle finished products on their way to market, their activities would not be included in the scope of a manufacturing KPI.

Versions and release notes

To understand how KPIs may have changed over time, begin by looking at the version number displayed at the beginning of the KPI document. The first two digits are the major version and the second two are the minor version. The major version number increases when there has been a thorough update of the KPIs and/or underlying research. The minor version increases when there are any changes to KPI questions, response options, or guidance that will affect how you might determine your response. Each KPI document contains a release notes section which outlines these types of changes.

Completing KPIs

Percentages

Many of the KPIs ask for responses in the form of a percentage. These percentages can be thought of as a ratio with a distinct numerator and denominator. The denominator is typically a physical quantity (e.g., mass, volume) of a material, ingredient, or component at some point in the supply chain. The numerator is the amount of that material that has a certain attribute, such as being certified to a certain standard. For example, in this KPI for copy paper:

What percentage of the pulp used in your final product, by mass, was produced by suppliers that reported their annual Scope 1 and 2 greenhouse gas emissions??

The calculation can be thought of as the following ratio, which is multiplied by 100 to reach the final percentage:

$$\% = \frac{\text{mass of pulp from suppliers that reported their greenhouse gas emissions}}{\text{total mass of pulp from all suppliers}} \times 100$$

Note that the denominator is the total mass of pulp, not just the mass for which you were able to determine the reporting status. If you do not know the status of some portion of the material, it should still be included in the total in the denominator.

Rounding

When entering a percentage, for a value greater than 10%, you may round the response to the nearest 10%. For a value less than 10%, provide the response to the nearest 1%.

“Not applicable” and “unable to determine”

The first or second response option in most KPIs will contain a statement similar to “We are unable to determine at this time.” Selecting this response option indicates that you could not provide an answer to the question. This is considered the lowest level of performance on the KPI.

Some KPIs will have a statement that begins with “Not applicable” as the first response option, followed by some additional conditions, such as:

Not applicable. We do not use palm oil in our products.

You should only select this response if the stated conditions are true for your organization (e.g., you do not use any cocoa butter in any of your products). It is not meant to be used to indicate that you have successfully addressed the issue the KPI concerns (e.g., you have addressed sustainability issues for cocoa butter).

Data collection timeframe

Unless otherwise stated, all KPI responses should be calculated using data from a 12 month period that must have ended less than 12 months from the date of completion of an assessment. The end date of the period does not need to be the same as the date you complete a particular KPI. However, the period that you do choose must have ended less than 12 months before the date you complete the KPI. To this end, the following statement often appears in the guidance of the relevant KPIs:

Perform this calculation using data from a 12-month period that ended within 12 months of the date you respond to this question.

This language may vary depending on the original publication date of a KPI but always has the same meaning. A few examples:

- For your organization’s annual sustainability report, you calculated your water use for the period from July 1, 2017 to June 30, 2018. You could use this same figure to complete a KPI in January of 2019, but not August of 2019.
- If you are completing a question on April 3rd, 2019. You may only use data for products produced after April 2nd, 2017.

The production of the *final product* should be the primary point of reference for defining the 12-month assessment period. There may be cases where a certain material, ingredient, or component was produced outside the allowed period but was used in the production of final products within the allowed period. It is acceptable to include data for these materials in the calculation.

Weighted averages

KPIs that ask for quantitative responses in physical units often require the use of a weighted average, for example:

Calculate B1 as the average of the most recent nitrogen (N) use intensities from the growing operations that produced your crop supply, weighted by the mass of crop supplied by each growing operation.

In this example, using a simple average of the nitrogen use intensities from each growing operation would not be correct. Instead, the nitrogen use intensity from each growing operation should be multiplied by the mass of crops supplied from it. These values are added together, then divided by the total mass of crop supplied from the growing operations.

With three growing operations, the calculation would be constructed as shown below:

Supplier	Mass of crop supplied	Nitrogen use intensity
1	49	11
2	47	20
3	150	5

$$\text{Weighted average} = \frac{(49 * 11) + (47 * 20) + (150 * 5)}{49 + 47 + 150} = 9$$

Note that a simple average of the nitrogen use intensities would be 12. But, when calculated correctly using the instructions above, the average weighted by total mass of crop supplied by each grower equals 9.

Primary and regional data

KPIs that ask for quantitative responses in physical units usually require the use of primary data—data that are directly related to the activities in question and specific to your supply chain, as opposed to data based on industry or regional averages. An example of a calculation that requires primary data is:

Calculate B1 as the average of the most recent irrigation water use intensity estimates from the growing operations that produced your crop supply, weighted by the mass supplied by each growing operation.

Primary data should always be used unless the Calculation & Scope guidance states otherwise. In some agricultural supply chains, where the collection of primary data has been estimated to be too difficult or costly, the KPI guidance allows the use of regional estimates. However, your calculation should not combine regional and primary data. Rather, calculate your response using the primary data you have and only use regional data if you have no primary data available. Because regional data is not equivalent to primary data, the percentage associated with a specific metric is always entered as 0%. A statement like the one below will be included in the Calculation & Scope if regional data may be used:

If primary farm data are unavailable for any of your crop supply, you may use a regional estimate to answer B1. Do not combine primary data and regional estimates...If you have reported a regional estimate for B1, then report 0% for B2.

Extended guidance on completing your assessment

These instructions are written for the lead person who is responsible for coordinating the gathering of data and ensuring the assessment is completed on time.

Learning about the Category

Review the description of what the Assessment covers. This is usually more specific than what you will find in the supporting documents associated with the Assessment.

The category's *Sustainability Snapshot* is a one-page summary of the critical environmental and social issues relevant (or "material") to the category, across the whole life cycle of a product. These documents can be very useful to share with various parts of your organization, including your sales and marketing team and upper management, to let them know the critical issues that customers are expecting your company to attend to. Here's an excerpt from the *Cotton Textiles Sustainability Snapshot*.



Workers and Communities

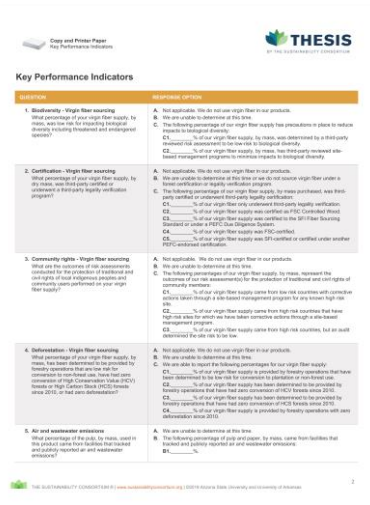
Forced or Child Labor

Forced and child labor are global issues being addressed by businesses and organizations worldwide. Manufacturers should implement codes of conduct for their suppliers, audit facilities across their supply chain, and publicly report their performance, to help ensure that there is no use of forced or child labor.

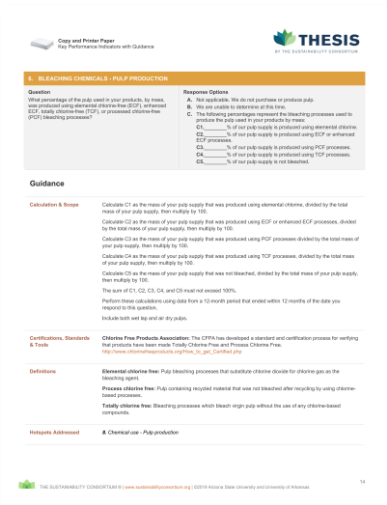
The KPI document has the following components:



A cover page provides the scope of the category, general information about The Sustainability Consortium that developed the KPIs, and a table of contents. Always refer to any scope descriptions provided by a requesting retailer.



The KPI Quick Reference List provides all the KPI questions and response options within the category. These are the same as seen on the platform.



Each KPI in the category has a dedicated section that provides the question and response options, and then guidance concerning how to make any calculations; certifications, standards, and tools that can be used to comply to scope of KPI; additional background material; definitions; and the particular hotspots addressed by the KPI.

With the KPI document at hand, read through the KPI Quick Reference List to see the KPI questions and response options. If you want to understand why you're being asked about certain environmental and social issues, read the Hotspots section of the document. If you want to understand how to act on the hotspots, read the Improvement Opportunities section. These two sections provide much more detail as well as references to additional sources. Read through the KPI Quick Reference List to see the KPI questions and response options that you will need to answer.

Thinking about types of KPIs

There are three general types of KPIs as defined by the types of data you need to collect to answer them.

Category KPIs

Require you to collect data from all your products within the product category. They ask about an organizational practice that pertains to all the SKUs within the category. For Category KPIs requesting numerical data (e.g., "Recycled content"), you will need to calculate a weighted average across the SKUs within the scope of the category. Examples include KPIs addressing:

- Product design
- Product safety
- Recycled content
- Packaging raw material and end of life
- Sustainable packaging design and production
- Transportation to retailers

Facility KPIs

Require you to collect data from each facility responsible for final manufacturing of products within the category. Note that this may include contract manufacturers who provide such operations. Examples include KPIs addressing:

- Air quality – Manufacturing
- GHG emissions intensity – Manufacturing
- Labor rights – Manufacturing
- Water use intensity – Manufacturing
- Worker health and safety – Manufacturing

Supply chain KPIs

Require you to collect data from relevant suppliers (direct or indirect) within the category. Examples include KPIs addressing:

- Certification – Supply chain
- GHG emissions – Supply chain
- Water Use – Supply chain
- Worker health and safety – Supply chain
- Supply chain mapping

These descriptions meant as suggestive rather than normative. For example, you may need to collect data from a supplier for a Category KPI (e.g., a logistics service provider to answer Transportation KPI); or you may be addressing your own operations for what is otherwise termed a Supply Chain KPI because you are highly vertically integrated).

Steps for completing KPIs

The first step in completing the KPIs is to determine which of your products correspond to the category of the assessment. Many companies use their product's SKU number to internally signify which product types are being referenced in the assessment. Be sure to review the scope before preparing your answers.

Most KPIs will require you to collect data from multiple individuals, departments, or sites for you company if you have not already centralized your sustainability data. Below are suggested steps for gathering data and generating your answers for the different types of KPIs discussed above.

For Category KPIs

1. Identify all the product types (e.g., SKUs) that fall within this category.
2. Identify the attribute that the KPI is requesting and the manager or subject matter expert who can access or collect the required data. For these KPIs, the engineering, marketing, or sustainability teams are likely to have the required information.
3. Work with manager or subject matter expert to collect that data for all the relevant SKUs.
4. If the attribute is qualitative, identify the response option that is most common across the relevant SKUs.
5. If the attribute is quantitative, calculate a weighted average of the attribute over SKUs. The KPI response options and guidance will inform you what units to use for the weighted average.

For Facility KPIs

1. Identify all the product types (e.g., SKUs) that fall within this category.
2. Identify all facilities that are responsible for final manufacture of those SKUs.
3. Identify the manager or subject matter expert who can access or collect the required data. For these KPIs, the production and operations, facilities, or sustainability teams are likely to have the required information.
4. Identify the quantitative attribute that the KPI is requesting and work with manager or subject matter expert to collect that data for all the relevant facilities.
5. If the final manufacturing facility is operated by a supplier, then this data will need to be requested from the supplier.
6. Calculate a weighted average of the attribute over facilities. The KPI response options and guidance will inform you what units to use for the weighted average.

For Supply Chain KPIs

1. Identify all the product types (e.g., SKUs) that fall within this category.
2. Identify all supplies, materials, or ingredients that are asked about in the KPIs.
3. For the relevant SKUs, identify the suppliers that provide the relevant supplies, materials, or ingredients.
4. Identify the procurement or supply chain managers who can access or collect the required data.
5. Identify the attribute that the KPI is requesting and collect that data for all the relevant suppliers.
6. Calculate a weighted average of the attribute over suppliers. The KPI response options and guidance will inform you what units to use for the weighted average.