

A COMPREHENSIVE GUIDE TO SUSTAINABILITY ASSESSMENTS FOR YOUR BUSINESS



Environment

Social

Governance

INTRODUCTION

Sustainability measures are the topic du jour regarding supply chain risk reduction and cost-savings. However, the working parts of what exactly constitutes 'sustainability measures' can be quite specific and overwhelming. From understanding how to calculate GHG emissions to ensuring proper labor policies, sustainability covers aspects of your business ranging from environmental impact to human rights.

Research repeatedly shows that the biggest positive impact any company can make regarding sustainability happens through its supply chains. According to Boston Consulting Group, just eight global supply chains account for more than 50% of the world's greenhouse gas emissions. Most of these emissions are embedded in raw materials, agriculture, and the transport required to move these goods globally.

Many states and countries where your company probably does business already have laws that attempt to mitigate GHG emissions and human rights violations. A lack of sustainability practices within your supply chain also negatively affects your bottom line. Climate change is a huge cost, and continuing to do nothing about it only increases that cost. According to Unilever, adverse weather events and natural disasters caused by climate change creates annual profit loss of €300m.

Sustainability is normally discussed in terms of greenhouse gas mitigation; however, DEI programs, overall ESG commitments, and labor practices also contribute to a company's sustainability. With so many working parts, measuring, tracking, and reporting on these areas can become overwhelming.

That's why we've partnered with SupplyShift to take the guesswork out of sustainability reporting. With our Sustainability Assessments, we ask the right questions and uncover just how sustainable and responsible your supply chain is.



WHICH TYPES OF SUSTAINABILITY ASSESSMENTS ARE IMPORTANT FOR YOUR COMPANY?

There are a variety of sustainability assessments that your company can undertake in order to measure its environmental and social performance. The most important ones will vary depending on your company's industry, operations, and goals.

A few key types of sustainability assessments include:

- ▶ **Environmental Impact Assessments (EIAs):** An EIA is a key tool for measuring a company's greenhouse gas emissions and environmental impact.
- ▶ **Corporate Social Responsibility Reporting (CSR):** CSR reports detail a company's social performance, including labor practices, community engagement, and environmental initiatives.
- ▶ **Supply Chain Sustainability Assessments:** A supply chain sustainability assessment looks at how a company's suppliers measure up to its environmental and social standards

Our Sustainability Assessments are specifically supply chain-oriented and give you a clearer picture into just how sustainable your suppliers and supply chain actually are.



WHAT ARE SUSTAINABILITY ASSESSMENTS?

Our Sustainability Assessments are questionnaires that fall into four separate areas of sustainability. We ask the right questions and collect important supplier information in the following areas:

- ▶ Supplier ESG
- ▶ Greenhouse Gas (GHG) Leadership and Reporting
- ▶ Supplier DEI
- ▶ Human Rights Compliance

Once your suppliers have completed our questionnaires, we analyze the data and return a Sustainability Score to you. These scores also come along with an easy-to-understand color code that indicates your company's level of risk associated with a particular supplier in regard to whichever Sustainability Assessment you've chosen:

- ▶ Red indicates high risk
- ▶ Yellow indicates medium risk
- ▶ Green indicates low-risk

TYPES OF SUSTAINABILITY ASSESSMENTS

We currently offer four types of Assessments— Supplier ESG, Greenhouse Gas Leadership and Reporting, Supplier DEI, and Human Rights Compliance. Let's discuss each more in-depth.



Supplier ESG

Our Supplier ESG Assessment is a basic assessment of a company's environmental, social, and governance policies and practices. It helps your organization better understand risk and improve the social and environmental conditions within your supply chain. The Supplier ESG Assessment covers all relevant risk and sustainability topics.



GHG Leadership and Reporting

The GHG Leadership and Reporting Assessment helps your organization understand which suppliers are actively reducing GHG emissions and climate risk. This assessment looks at a supplier's overall carbon emissions, how accurately a supplier measures, tracks, and reports their carbon footprint, what the supplier is doing to reduce GHG emissions, and whether the supplier has programs that can support ongoing GHG mitigation programs and emissions management.



Supplier DEI

Champion a diverse, equitable, and inclusive (DEI) supply chain by better understanding your supplier's DEI initiatives. Armed with insights into existing DEI commitment statements or policies, which suppliers have a diverse supplier status, and a supplier DEI program that promotes diversity in their supply chain, your organization can then decide how to engage with suppliers regarding DEI strategically.



Human Rights Compliance

Tailored to the reporting requirements of human rights legislation in Germany and other countries with similar legislation, the Human Rights Compliance Assessment improves your visibility into your suppliers' labor practices. This tool allows you to meaningfully address human rights, modern slavery and human trafficking concerns while also enabling compliance with global laws.

WHY ARE SUSTAINABILITY ASSESSMENTS IMPORTANT?

Sustainability Assessments are important for your business because they can help identify opportunities to improve specific areas of your supply chain. These assessments can also get your company into compliance with different types of laws and reduce your overall financial and liability risk for non-compliance.



When you understand your suppliers' strengths and weaknesses in these areas, you can make better decisions about engaging them. For example, if a supplier does not have a scientifically sound GHG reduction plan, you can discuss implementing one and create contractual obligations for engagement based on specific improvement metrics.

Assessing the sustainability of your supply chain also positively impacts your company's overall reputation. As consumers become more environmentally and socially conscious, they increasingly seek businesses that share their values. By demonstrating your commitment to sustainability with a public statement that outlines the measures your company is taking to ensure a sustainable supply chain, you can set yourself apart from the competition and attract more customers.

WHAT IS THE OUTCOME OF SUSTAINABILITY ASSESSMENTS?

The end goal of sustainability assessments is to give you an at-a-glance picture of how sustainable your supply chain is. With a Sustainability Index Score for your suppliers, you'll be able to quickly measure the sustainability of individual suppliers and your supply chain.

Sustainability assessments can provide various outcomes depending on the data you collect. For example, if you're looking for information about a specific supplier, you may receive reports about labor practices and environmental standards. If you're looking for data about your entire supply chain, you may receive information on emissions and waste management practices.

Regardless of what Assessments you choose, Sustainability Assessments provide insights

that can inform decisions about how to improve operations, engage suppliers, and meet internal ESG goals. You'll be able to ensure that your supply chain is performing up to its full potential—and that's something to be proud of!



WHAT IS SUPPLIERGATEWAY AND HOW CAN IT HELP WITH SUSTAINABILITY ASSESSMENTS?

SupplierGateway is a supplier engagement and data management platform that makes it easier for buyers and suppliers to do business. Your company can use the Sustainability Assessments to understand supplier performance and compliance with sustainability goals, which helps reduce risk in your supply chain.

Not only can SupplierGateway help automate your assessments, but it also allows you to track progress over time so you can measure the effectiveness of your efforts toward sustainability. You'll get an at-a-glance Sustainability Index Score for each supplier, giving you a clear overview of their performance on key metrics related to your chosen assessments.

CONCLUSION

Sustainability Assessments can help you identify ways to reduce greenhouse gas emissions in your supply chain and improve supply chain ESG, DEI, and more. When you partner with SupplierGateway, you get access to our team of experts who can help you create a sustainability plan that meets your unique needs.

