



Supply Chain ESG Strategy

How To Get Started Or Advance In Maturity

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UNDERSTAND YOUR ORGANIZATION'S LEVEL OF SUPPLY CHAIN ESG MATURITY

Institutionalizing a supply chain ESG program in your company isn't something that can be achieved overnight. Start by examining the four stages of maturity of an ESG framework, to find your starting point.

Novice

(Maturity Stage 1)

No ESG audits, assessments or other considerations integrated into procurement process and supply chain.

Learner

(Maturity Stage 2)

Informal understanding of ESG supply chain issues and some level of voluntary ESG performance measurement.

Explorer

(Maturity Stage 3)

Formal oversight with mandatory ESG performance measurement and some ESG-related metrics tracked. Participates in industry initiatives.

Trendsetter

(Maturity Stage 4)

Thorough oversight of ESG supply chain issues with proactive risk mapping, advanced ESG assessments and auditing, and robust metrics. Market leader.

STAGE 1: NOVICE

Kickstart your ESG supply chain program

HERE'S WHERE YOU ARE NOW

You're just beginning your supply chain ESG journey, and you may not know where to begin. Incorporating ESG into your supply chain may seem overwhelming, but you can start small and grow in maturity over time.



POINTS TO CONSIDER

- 1** Do you have visibility on the ESG footprint of your entire supply chain?
- 2** Do you have resources and executive buy-in when it comes to mitigating risks and capitalizing on opportunities?
- 3** Do you collaborate with your suppliers to understand their challenges around complying with ESG requirements?

CHECKLIST FOR SUCCESS

- ✓ Start exploring ESG targets and expectations for your suppliers.
- ✓ Consider where you stand relative to your peers regarding supplier ESG assessment and audit.
- ✓ Examine how you can include ESG in your purchasing policies.
- ✓ Establish simple ESG supplier assessments to begin capturing data.
- ✓ Create scorecards to capture supplier ESG performance.
- ✓ Make it easy on suppliers by providing resources to help measure ESG data points like carbon

STAGE 2: LEARNER

Formalize and enforce ESG requirements

HERE'S WHERE YOU ARE NOW

You've taken some steps in implementing a supply chain ESG monitoring program. You likely have supplier assessments established, but your data collection may be voluntary and/or limited. It's time to formalize your program, begin gathering better data, and build partnerships.



POINTS TO CONSIDER

- 1** Expectations around quality and level of reporting disclosure continue to evolve.
- 2** Investors increasingly rely on ESG disclosure data in making decisions.
- 3** Are you proactively monitoring and identifying supply chain ESG issues and their impact?
- 4** Are you mapping each material's supplier network from extraction through to

CHECKLIST FOR SUCCESS

- ✓ Revisit your program, policies and documentation to find areas to expand requirements.
- ✓ If you started with GHG emissions tracking, consider adding other elements such as modern slavery.
- ✓ Go from one-time and/or voluntary assessments to regularly enforced data collection.
- ✓ Ensure ESG reporting or performance requirements are added to your supplier contracts.
- ✓ Support suppliers with regular communications and training to provide transparency and guidance.
- ✓ Explore industry partnerships to expand and mature your supply chain ESG program.

STAGE 3: EXPLORER

Become a market leader in ESG supply chain management

HERE'S WHERE YOU ARE NOW

You have a solid mandatory supplier ESG assessment and auditing program, and you've integrated ESG compliance into supplier contracts and procurement processes. You still have opportunity to improve supplier communication and continue to mature your supply chain ESG program.



POINTS TO CONSIDER

- 1** Is your supply chain ESG strategy tied to everything that you do?
- 2** Have you aligned supply chain ESG risk identification, analysis, mitigation and documentation with company leadership structure and executive compensation?
- 3** Does your ESG performance assessment cover the breadth of material issues for your sector?

CHECKLIST FOR SUCCESS

- ✓ If you aren't already, provide incentives to suppliers who meet or exceed ESG compliance metrics.
- ✓ Get visibility into what your competitors are doing around supply chain ESG risk mapping and auditing.
- ✓ Review your supplier assessment program to ensure it includes health, safety, environmental regulatory and risk requirements, product quality and logistics.
- ✓ Consider transitioning from voluntary ESG disclosures to mandatory if you haven't already.
- ✓ Select a global or regional ESG framework and ensure your goals and assessments map to those key tenets for easier reporting.
- ✓ Continue adding reference materials, documentation and training to suppliers around ESG

STAGE 4: TRENDSETTER

Be proactive to continue being a market leader

HERE'S WHERE YOU ARE NOW

You have comprehensive ESG targets and proactively place ESG at the core of your supply chain strategy. You've integrated ESG requirements into supplier contracts and procurement policies, built strong partnerships, and have robust measurement and reporting. How will you continue to be a market leader?



POINTS TO CONSIDER

- 1** Are you incorporating supply chain ESG risk maps into your supply chain management plans to reduce risks and capture opportunities?
- 2** Are you mapping and measuring the overall value you deliver to supply chain partners and stakeholders?
- 3** Do you anticipate the future developments in ESG and are you prepared for them?

CHECKLIST FOR SUCCESS

- ✓ Continuously monitor your program and overall organization risk planning to ensure you're aligned with the latest supply chain ESG regulations and compliance requirements.
- ✓ Ensure a two-way supplier relationship by incorporating their feedback and knowledge into your program.
- ✓ Evaluate if you are providing suppliers all the documentation and guidance they need to comply with your ESG program.
- ✓ Consider deselecting suppliers based on ESG performance metrics based on your criteria.
- ✓ Ensure your assessment includes qualitative and quantitative reporting mapped to your ESG goals.

BEST PRACTICES FOR ALL ESG SUPPLY CHAIN MANAGEMENT PROGRAMS

At every stage, keep these best practices in mind



Assign clear responsibility for ESG risk in the supply chain



Ensure executive and/or Board oversight of ESG risk program



Create policies, procedures, and training for ESG Risk in the supply chain



Establish appropriate goals and targets, and refine over time



Integrate ESG requirements into purchasing policies and supplier contracts



Make ESG performance part of criteria for initial supplier selection



Establish appropriate supplier incentives to reward compliance



Identify significant impacts across each aspect of ESG along the supply chain



Conduct contingency planning to address ESG and supply chain risk and mitigation



Engage suppliers through reference materials, feedback and sharing wins



Identify industry association or coalition opportunities



Track performance against reporting initiatives, frameworks, and standards



Incorporate supply chain performance into company goals and targets



THE TOOLS YOU NEED TO SUCCEED

As part of the Avetta One multi-risk supply chain management platform, our Sustainability & ESG feature makes it easy to advance your supply chain ESG maturity, regardless of your starting point.

- ✓ Get started easily with a simple ESG questionnaire for your suppliers.
- ✓ Questions are mapped to multiple international frameworks, including SASB, GRI and VRF.
- ✓ Make it simple for suppliers to get started – we only show questions relevant to a supplier’s scope of work, industry, geography and company size.
- ✓ Further support your suppliers with free calculators for calculating greenhouse gas emissions.
- ✓ Benchmark ESG scores and progress against Avetta’s full supplier network or international standards.
- ✓ Monitor critical ESG metrics based on your goals and easily provide reports to key stakeholders.
- ✓ Use Avetta One to monitor and manage more supply chain risks, including health and safety, worker-level qualifications and site access, financial risk, cybersecurity, insurance and more.