

SUSTAINABLE SUPPLY CHAIN CHECKLIST

H2 2022



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INTRO

There is an increasing legislative trend towards holding organisations accountable for their own ESG practices as well as those of business partners within their supply chain.

Many businesses have been conducting due diligence relevant to ESG issues in respect of their relationships and supply chains in accordance with international principles and standards.

With this checklist we aim to provide you with an essential ESG action plan to put your organisation's supply chain on the path to sustainability.

We have created three sets of questions to guide you through your organisation's Supply Chain Audit:

- Questions you should ask yourself before engaging with your supply chain
- A sample Product Provider Questionnaire
- A sample Service Provider Questionnaire

Our goal is to maximise the value of your supplier relationships, providing communication channels to effectively manage, monitor and track the supplier at every stage.

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Engaging with your Supply Chain

SUPPLY CHAIN RESILIENCE

Mitigate against disruption impacts

- Begin to source from geographically diverse suppliers
- Source key commodities from multiple vendors
- Reduce the number of unique parts required

Implement redundancy systems

- Revisit your safety stock parameters
- Build redundancies into transport routes
- Establish secondary supplier relationships

Increase your capacity to anticipate risks

- Plan for global scenarios (e.g., pandemics)
- Increase visibility into your supply chain
- Identify suppliers with higher and lower material ESG risk

PLAN + COMMUNICATE YOUR SUPPLY CHAIN ESG STRATEGY

Engage leadership and set supply chain ESG goals

- Set ESG goals that align with your corporate targets
- Leadership team to share strategic values of a sustainable supply chain
- Regularly communicate your ESG commitment to suppliers

Integrate environmental considerations into procurement decisions

- Set environmental benchmarks for potential suppliers
- Integrate ESG ratings into your procurement decisions

Communicate social performance expectations with suppliers

- Work with leaders to communicate and implement social performance requirements in procurement contracts

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Engaging with your Supply Chain

ANALYSE + EVALUATE SUPPLIERS BASED ON ESG RISKS

Improve collection and management of suppliers' ESG performance data

- Source quality data on end-to-end operations to ensure compliance with current and future disclosure regulations

Analyse your existing suppliers' environmental performance

- Create template to quickly identify suppliers with higher / lower material ESG risks across your entire supply chain
- Identify high- and low-risk performers in terms of their environmental management systems and stewardship

Identify climate risk exposure across suppliers

- Conduct a climate vulnerability risk assessment

REPORT + RESPOND TO SUPPLIERS BASED ON ESG PERFORMANCE

Report on ESG performance using voluntary reporting standards

- Disclose ESG issues using internationally recognised reporting standards to increase transparency and create internal incentives for continuous improvement

Increase transparency with external stakeholders

- Publish suppliers' ESG ratings on your company website and in annual reports

Investigate alternatives for high-risk materials

- Source substitute materials or secondary suppliers for material or products at high risk

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Engaging with your Supply Chain

COLLABORATE TO TRANSFORM + MEET ESG GOALS

Build collaborative relationships with suppliers

- Run formal + informal info exchanges to increase visibility on upstream issues
- Develop a more collaborative mindset to support each other in case of disruptive events

Support suppliers in addressing climate-related risks to their operations

- Build strategic partnerships with suppliers to jointly work on implementing climate change mitigation and adaption measures (e.g.: the physical protection of key assets or moving high-risk facilities)

Provide training resources for suppliers

- Provide online tools or in-person training to equip suppliers with the skills, knowledge, and systems to manage ESG issues

Investigate supply chain financing programs

- Provide loans to suppliers, with loan terms conditional on the suppliers' ESG performance, in partnership with financial institutions or alternative lenders

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Product Provider Sample Checklist

PRODUCT PROVIDER

THE PRODUCT

- What planet problem does your product help solving?

PRODUCT ORIGIN

- Where are your products designed & manufactured?
- Do the manufacturing facilities belong to your company?
 - If not, how often do you pay such facilities a visit?

GEOPOLITICAL EXPOSURE

- Does your procurement process consider location as a factor when choosing suppliers?
- Are critical suppliers located in high-risk global locations?
- Are supplier locations evaluated annually for geopolitical risk?

MATERIALS

- What raw materials are used on the manufacturing of your product?
- Are any of the raw materials imported? If so, from where? Are such raw materials certified by an international organ?
- Are there any circular materials (e.g.: recycled) being used on the manufacturing of your products?

IMPACT

- How do you offset the carbon footprint of your production process?

WASTE MANAGEMENT

- Are you tracking, reporting and managing your use of energy, water and chemicals?
- Do you have targets for reducing your use of energy, water and chemicals?
- How do you manage your water-based and solid waste?
- Do you use any hazardous chemicals or materials in your production? How do you manage them to ensure they don't enter waste streams or water?

ENERGY

- Do you use renewable energy at your facilities?

PACKAGING

- What type of sustainable packaging / shipping materials do you use?
- How is the product packaged? Do you use any recycled / recyclable materials?

OTHERS

- Are you certified under an environmental certification scheme? If yes, which one?
- What social programs do you support, if any?
- What improvements are ahead of your product(s)?

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Service Provider Sample Checklist

SERVICE PROVIDER

THE SERVICE

- What planet problem does your service help solving?

IMPACT

- How do you offset the carbon footprint of your operations?

WASTE MANAGEMENT

- Are you tracking, reporting and managing your use of energy and water?
- Do you have targets for reducing your use of energy and water?
- How do you manage your water-based and solid waste?
- How do you manage your e-Waste?

ENERGY

- Do you use renewable energy at your facilities?

QUALITY

- Are quality checks performed on goods and materials received from suppliers?
- How are quality standards communicated and enforced?
- Do employees have a process for reporting quality issues?

OTHERS

- Are you certified under an environmental certification scheme? If yes, which one?
- What social programs do you support, if any?
- What improvements are ahead of your service(s)?

