



# Standards & Tools to Evaluate your Suppliers

January 2018



# EcoVadis - Who We Are

200

multinational  
companies

40,000 subscribers

based in 128 different countries and 150 different industry sectors



## Worldwide Offices:



Paris



New York



Tunis



Mauritius



Warsaw



Hong Kong



480+

Employees



42+

Nationalities



Vs



48% vs 52%



21+

Languages



ECOVADIS CONFIDENTIAL – Document Classification: Public

# EcoVadis network – a Global CSR Ratings Network

200 Companies / Brands



12,000 buyers • ~1Tn\$ spend

40,000+ Suppliers



70% SMEs • 150 categories • 128+ countries



## Drive improvements in Sustainability of global supply chains



- **50 new enterprises** joined the initiative, and more than **8 000 new organizations** joined our network as suppliers (40 000 enterprises in total)
- The **network effect** accelerate the number of companies who request CSR Ratings and **measurable improvements** in sustainability practices of their business partners
- Hurricanes Harvey/Irma remind us that **Climate Change** will soon have devastating impacts.
- **Corporate actions** (as illustrated by the « [We Are Still In](#) » initiative) are a big part of the solution
- **Ratings are a critical lever** to strengthen their impact, across the hundreds of thousands of companies participating in global supply chain.

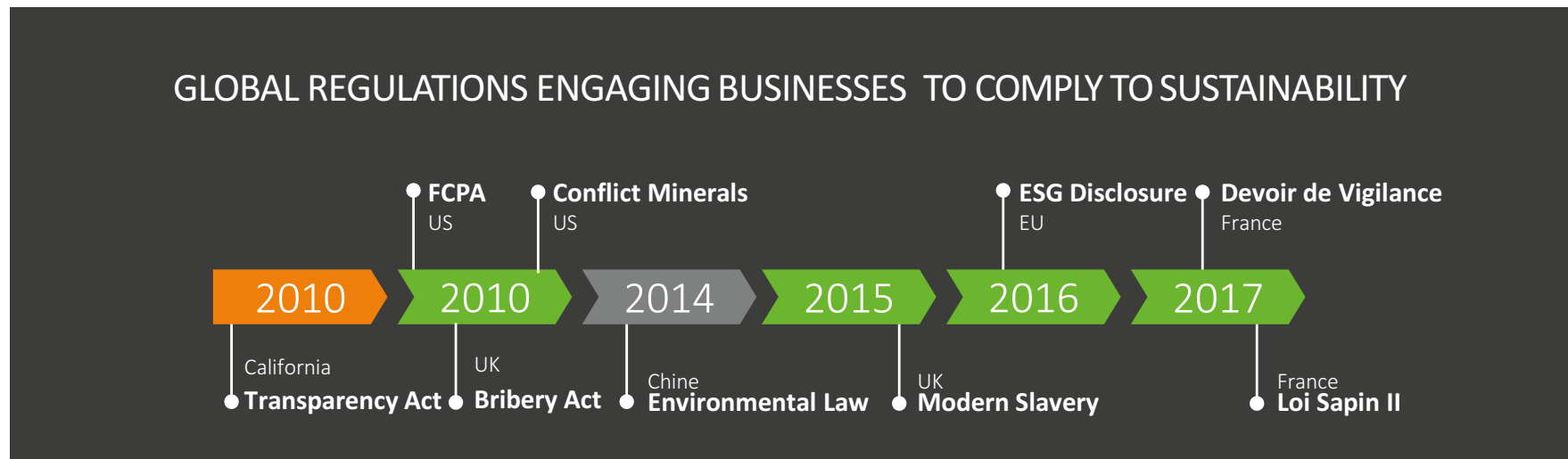


# Sustainable Procurement Context

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## Regulations are proliferating



# European Context

## Due diligence on supply chain:

1. National initiatives
2. European initiatives :
  - Regulation (EU) n°995/2010 on timber operators that sell timber and by-products.
  - « Green card » initiative uniting 8 European parliaments (**Estonia, Lithuania, Slovakia, Portugal, UK, Italy, Greece and France**) asking the European Commission to draft a law on companies duty of care at European level



## What are your current challenges?



Pressure to **DETECT PROBLEMS** earlier,  
and avoid **BRAND DAMAGE**



**SCALING UP** to thousands of suppliers  
while controlling the costs of your program



Getting 100's of Buyers **TO INTEGRATE**  
**CSR RISK** into decisions & process



Audits/compliance alone are unable to  
**DRIVE IMPROVEMENTS**  
and lasting change in supplier practices



## Procurement is evolving



# Highlights from 2017 EcoVadis / HEC Barometer

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## Summary of the study



The survey's population consisted of 120 companies

- 75% based in Europe
- 25% in France
- 18% in U.K.
- 12% in U.S.



Companies with annual revenues of at least 500 million Euros

- 25 percent above 25 billion €
- 42% between 5 billion and 25 billion €
- 34 percent under 5 billion €

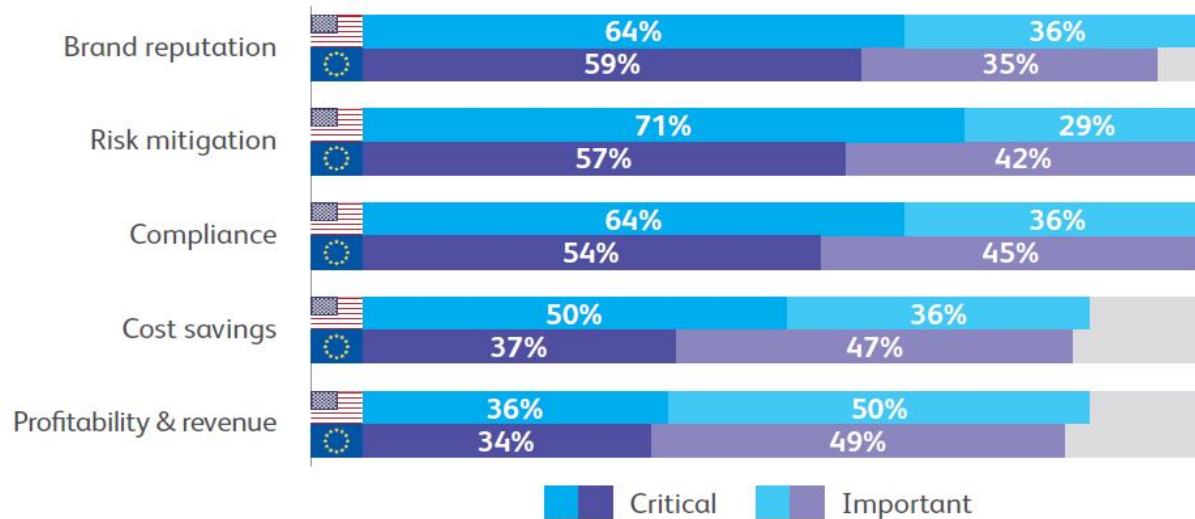


Main activity sectors represented

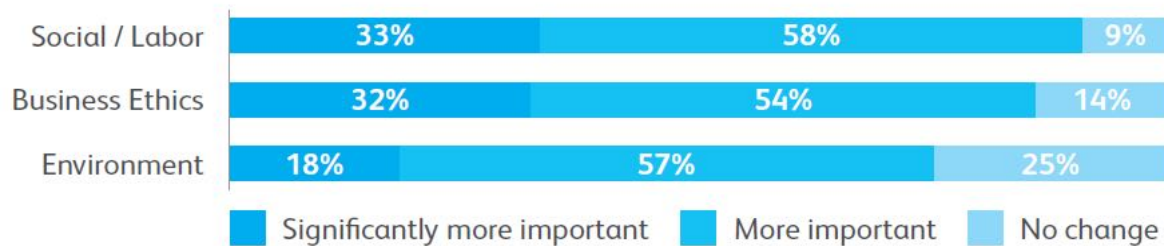
- 14% from the manufacturing sector
- 13% retail & consumer goods
- 12% services
- 9% ICT/Telecommunications

## Sustainable Procurement Drivers

Main factors driving Sustainable Procurement practices - United States / Europe



Importance of CSR criteria in the last 3 years



When comparing to our 2013 study, this year we see a **convergence between the US and Europe** on the same top three drivers and priorities for SP programs: **Brand Reputation, Risk Mitigation, and Compliance.**

# What is the value of evaluating your suppliers?



## Manage Risks

- Brand protection
- Supply chain disruptions
- Fines + litigations



## Reduce Costs

- Improved TCO
- Reduced over-specification
- Reduced consumption



## Increase Revenue/Innovation

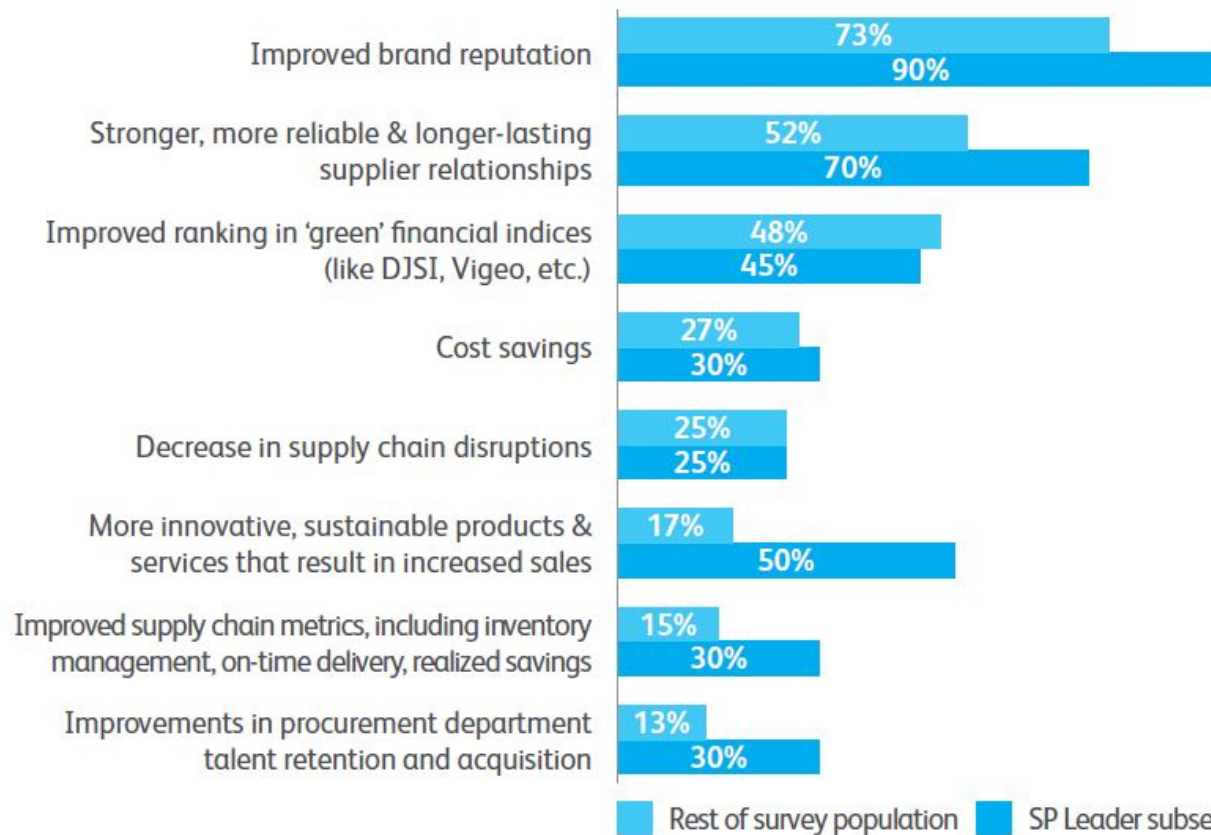
- Product/Service differentiation
- Access new markets
- Income from recycling projects



## Sustainable Procurement Leaders – Enhanced Benefits



Comparison of SP Leaders and Rest of Survey Population



“ I do believe in the **correlation between sustainability and innovation**. When a supplier demonstrates their commitment to CSR, they are demonstrating their ability to look forward - that they have a **long-term vision**. I think this is fundamental to the capacity for innovation.”

**Top 5 Beverages Company**

# Key elements for a successful SP Program

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## A complex challenge ...

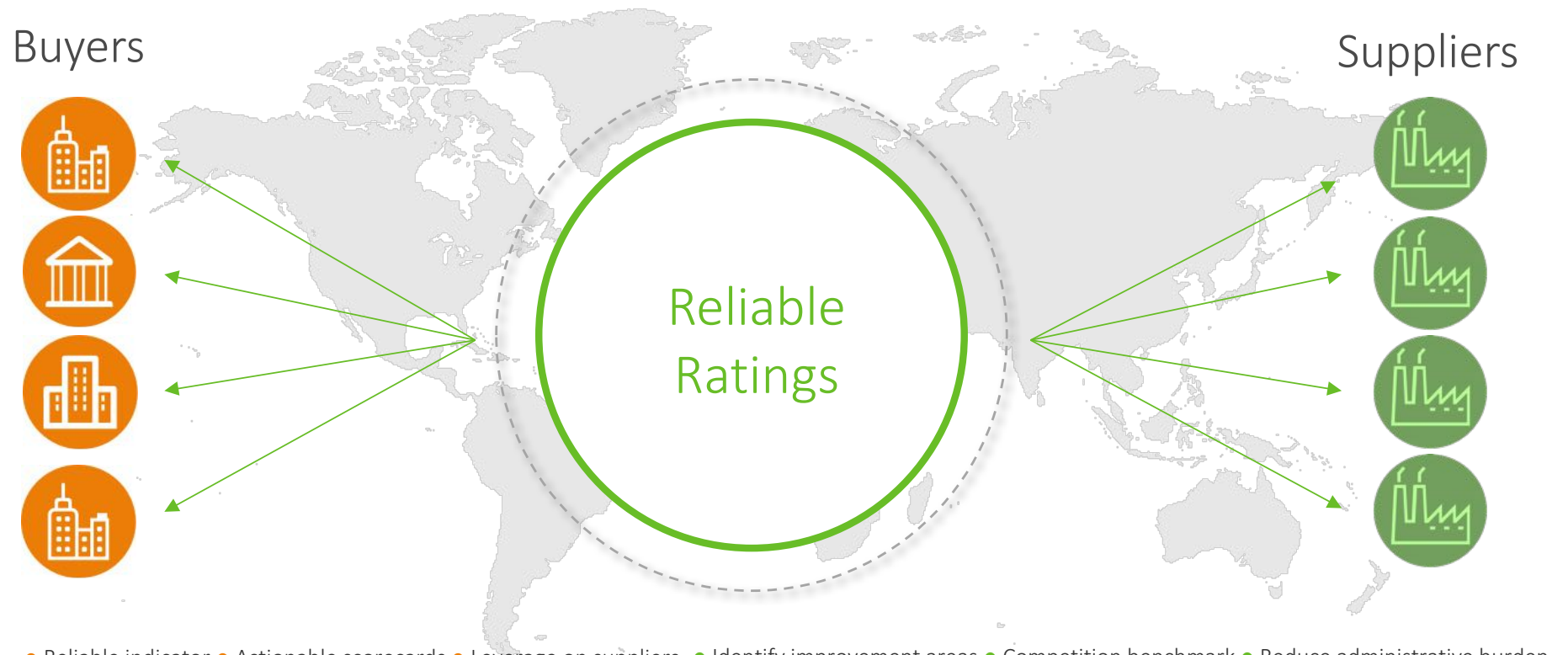


- Time-consuming
- No reliable indicators
- Not scalable

- Duplicate efforts
- No standards
- Little feedback

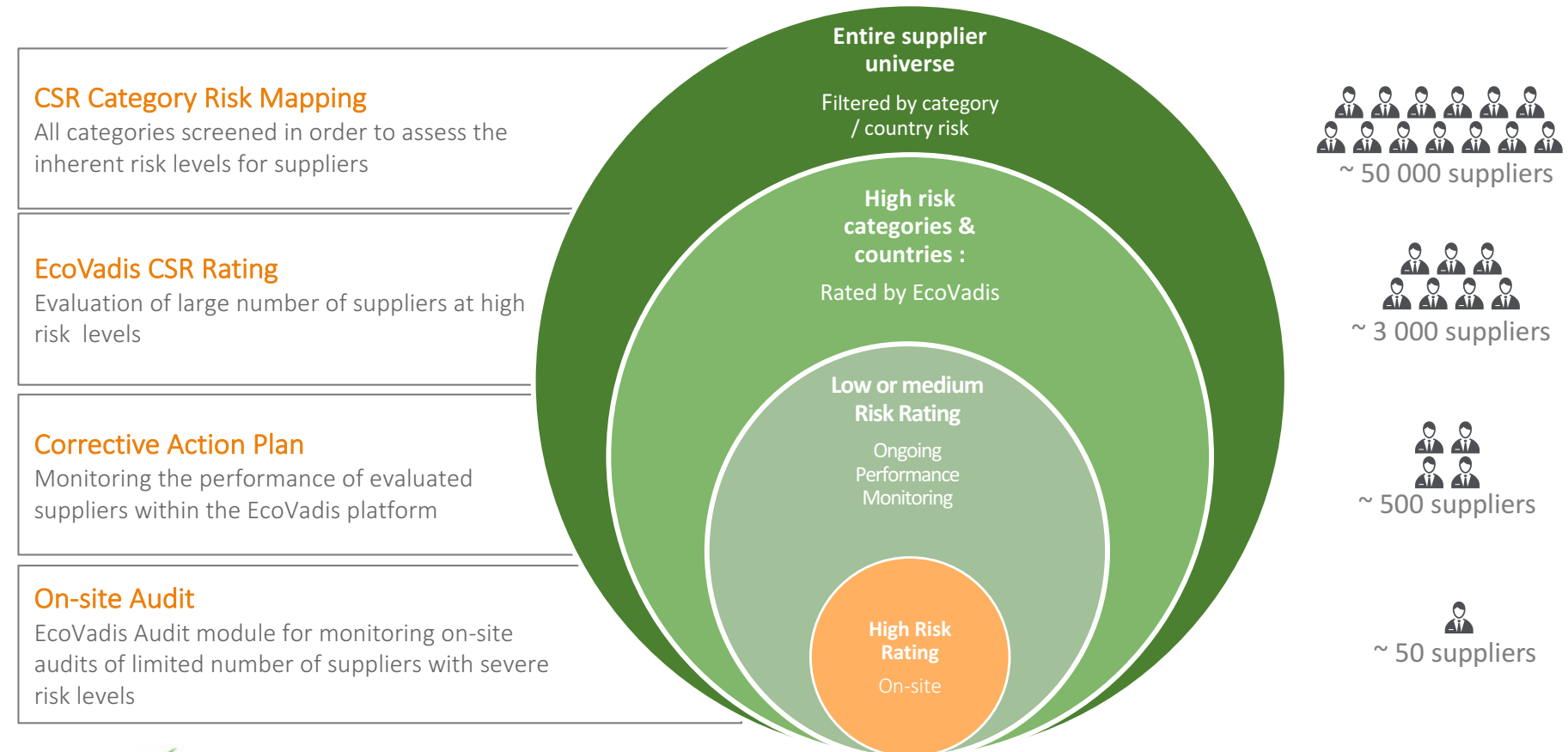


## Simple & Standardized Solutions



● Reliable indicator ● Actionable scorecards ● Leverage on suppliers ● Identify improvement areas ● Competition benchmark ● Reduce administrative burden

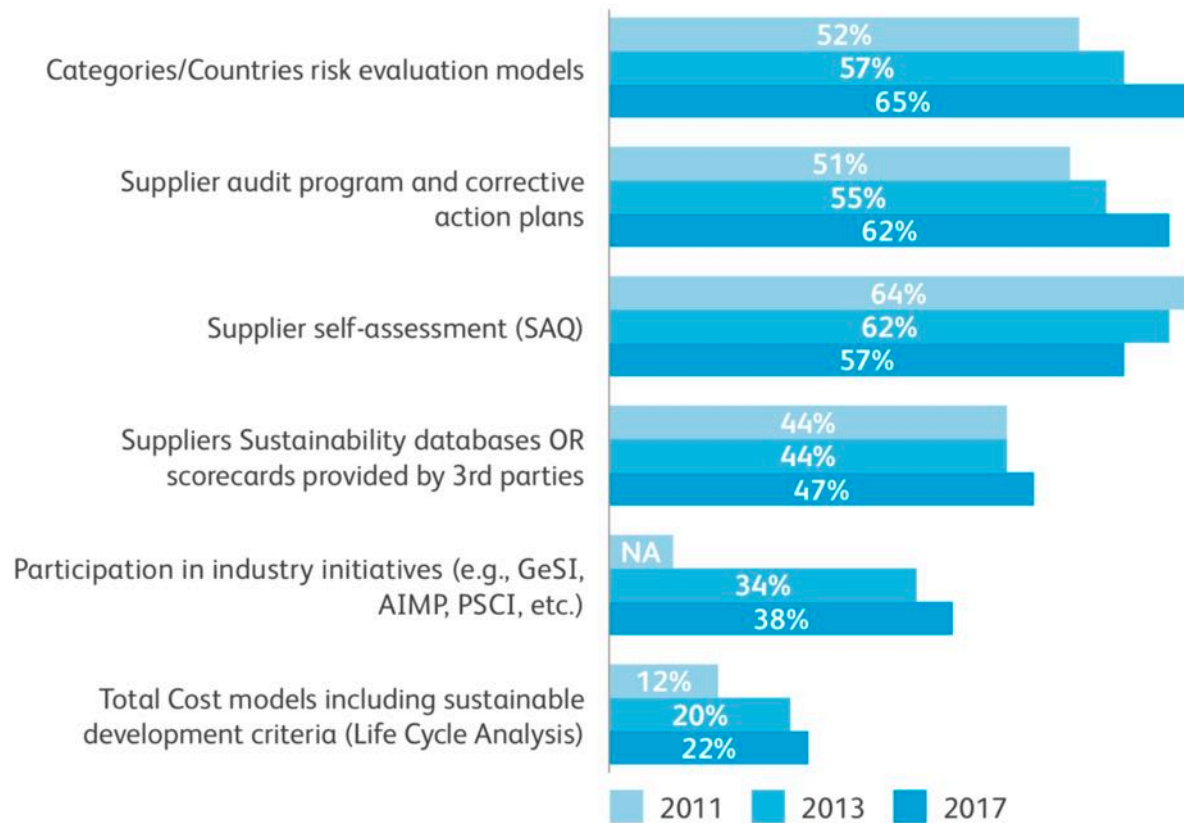
# A smarter way to deploy





## Main tools to boost Sustainable Procurement

Tools implemented to support Sustainable Procurement



"The audit and the self-assessment questionnaires were getting heavy. In addition, this approach did not give us the desired results. With a robust evaluation solution, we have reduced the volume and optimized the quality of our audit program. "

**Company ranked among the top 20 industrial conglomerate companies**

# EcoVadis & Sector Initiatives

## Sector Initiatives













Collaboration among companies within an industry sector has proven to be a powerful lever to drive sustainable supply chain efforts forward. A Sector Initiative represents a group of companies in a common business sector, sharing tools to assess and improve sustainability sourcing practices within their global supply chains to meet their CSR objectives. Following that objective, these companies have joined forces to share their suppliers' audit and/or assessment results in one platform.

## Vision

- Streamline message into the market
- Create and facilitate standardized approaches
- Achieve awareness and application of CSR standards in the market

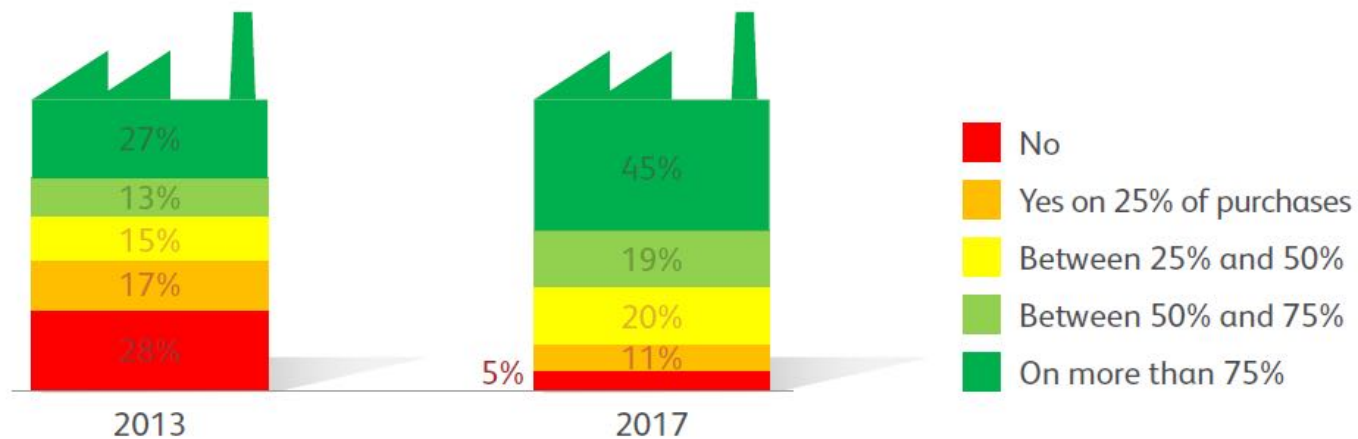
## Mission

- Harmonize CSR practices
- Provide common tools
- Monitor performance and improvement
- Align on assessment (and audit) standards

2012	2015	2017
		
 Together For Sustainability (TfS) is a collaborative initiative within the chemical sector 19 members (6 founding member companies)	 RailSensible is a collaborative initiative for the railway sector 6 founding member companies	 RBI is a collaborative initiative in the Beauty/Cosmetic sector 4 members companies using EcoVadis to evaluate their suppliers
 4700+ supplier assessments; - sharing - audits of suppliers	 Evaluation and monitoring of CSR performance of suppliers within the railway industry with common processes and tools	 Sharing of CSR best practices among its members
 <a href="https://tfs-initiative.com/">https://tfs-initiative.com/</a>	 <a href="http://railsensible.org/">http://railsensible.org/</a>	 <a href="http://responsiblebeautyinitiative.com/">http://responsiblebeautyinitiative.com/</a>

## Global Supply Chain Coverage is Expanding

Spend volume covered by SP policy: strategic suppliers 2013 vs 2017



“ Multi-tier visibility and traceability to the origins of our supply chains and transparent reporting on this to our stakeholders is rapidly becoming a requirement for us”.

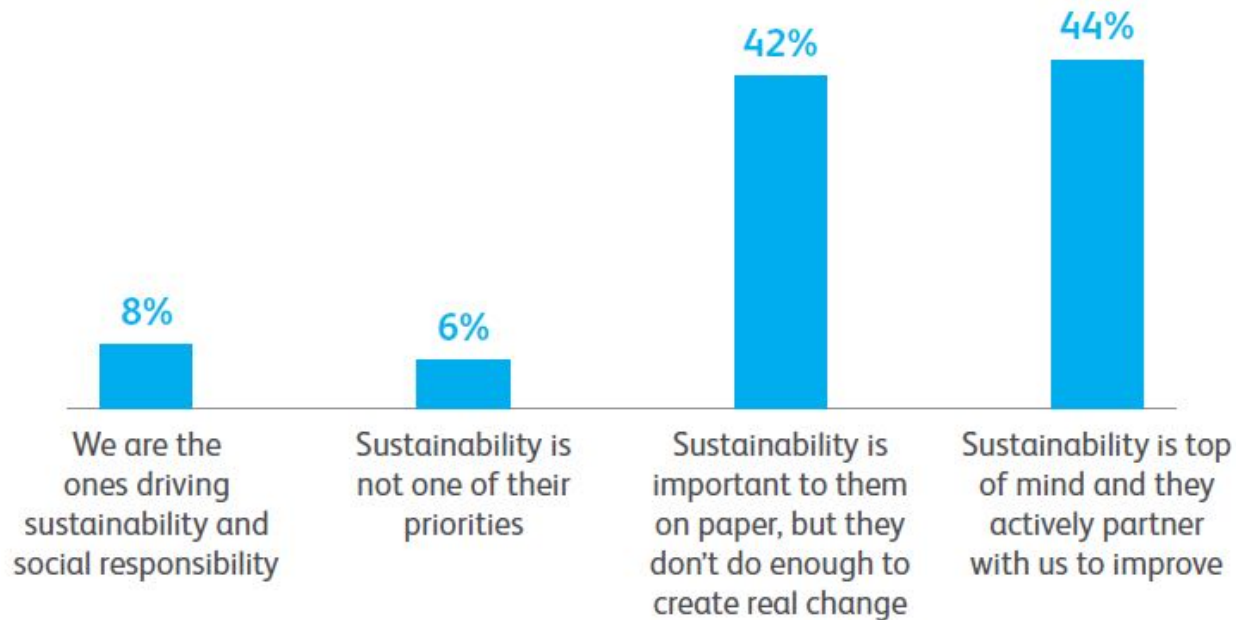
### Top 5 Pharmaceutical Company

Depth of supply chain visibility regarding CSR/sustainability



## Supplier perceptions and engagement

Commitment to sustainable supply chain among organizations you supply (at least \$1BN in revenue)



“ I believe that **supplier engagement and awareness** campaigns can only be successful if **all parts of the business** that interact with suppliers **are aligned**, otherwise you are destined to send mixed messages that will put your level of commitment in question.”

- **10 Medical Equipment Company**

## CSR is built into a day to day job



**Strategy** is globally crafted but locally developed through a diverse

**CEO & CPO** commitment and full support

**Integrate assessment** into RFP's and contracts

**Trainings and support** for buyers and suppliers

**CSR is built in** supplier management process





## Case Study Atos: How to engage with suppliers



**EcoVadis score included** in on each supplier overall assessment

**CSR contract clause:** Supplier charter

**Direct CSR discussion** with Suppliers (It's crafted depending on their CSR maturity)

**Minimum EcoVadis score** definition for key suppliers



## Case Study Atos: How to work with the results



- Increase in numbers of suppliers launched in campaigns in 2016. Achieving an average score of 48
- During supplier selection, EcoVadis score accounts for at least 5 to 10% of the Sourcing Decision Grid. A higher EcoVadis Score contributes to increased contract allocation

<b>&gt;60</b>	Encourage the development of innovative partnerships
<b>&gt;40</b>	Keep the relationship going
<b>&lt;40</b>	40 minimum score required by Atos. Below that CAP is needed + reassessment
<b>&lt;30</b>	Less than 30 need to perform CAP + reassessment, and if not Atos will source away



## Case Study J&J: Supplier Recognition



	J&J key elements	EcoVadis Score	Sustainability Goals (Ecovadis Dashboard)	What's in it for the supplier
<b>Gold</b> 	High lean level CI institutionalized Supplier diversity <b>+ all elements from Silver</b>		<ul style="list-style-type: none"> <li>• ISO 14001 AND OHSAS 18000</li> <li>• Publicly reporting of 2 out of 6 sustainability goals</li> <li>• 1 innovation idea</li> <li>• LCA and plan to reduce footprint</li> </ul>	Business integration
<b>Silver</b> 	Utilizes Lean tools Procurement's process Shares cost structure <b>+ all elements from Bronze</b>		<ul style="list-style-type: none"> <li>• ISO 14001 OR OHSAS 18000</li> <li>• Publicly reporting of 2 out of 6 sustainability goals</li> </ul>	Partnership for new products
<b>Bronze</b> 	Supplier Improvement process Supplier lean self assessment Self reporting quality and service level Multi year plan ... <b>+ all elements from commitment</b>			Business volume linked to performance
<b>Commitment</b> 	Business Continuity Planning, REACH, Verified sources, Capacity, Financial stability, No recalls during launch, cGMP marginal, Root cause investigation guidelines...			Long-term agreements and contracts



# Taking a Closer Look at the Ratings

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# A Robust Methodology: 21 Criteria

## Policies - Actions - Results

### 1. ENVIRONMENT

Energy & GHG  
Water  
Biodiversity  
Local Pollutions  
Materials, Chemicals, Waste

Product Use  
Product End-of-Life  
Customer Health & Safety  
Sustainable Consumption

### 2. SOCIAL

Employees Health & Safety  
Working Conditions  
Social Dialogue  
Career Management &  
Training

Child & Forced Labor  
Discrimination  
Fundamental Human Rights

### 3. ETHICS

Corruption & Bribery  
Anticompetitive practices  
Responsible Information Mgt

### 4. SUPPLY CHAIN

Environmental performance  
Social practice





# Assessment should be supplier specific



## Key Elements for a Reliable Rating



CSR experts need to be involved in the assessment process in order to ensure that results are relevant



## CSR Ratings: EcoVadis Example



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