

# THE SUSTAINABLE SUPPLY CHAIN CHECKLIST

## ESSENTIAL ESG ACTION ITEMS

Increased regulatory and consumer pressure for climate action is driving companies to re-examine their management practices and take on new environmental, social and corporate governance (ESG) commitments. Yet even though a company may operate under the highest ESG performance standards, its suppliers may not hold similar practices. This places the corporate supply chain at reputational and financial risk.

As a result, corporations are beginning to examine their supply chains to incorporate ESG considerations. For organizations new to prioritizing ESG in their supply chain, knowing where to start can be a challenge. **Below is a checklist that breaks down essential ESG action items to put your company's supply chain on the path to sustainability.**



### MAKE YOUR SUPPLY CHAIN MORE RESILIENT

ESG Action Item	How to Do It
<b>Mitigate against disruption impacts</b>	<ul style="list-style-type: none"> <li>Begin to source from geographically diverse suppliers</li> <li>Source key commodities from multiple vendors</li> <li>Reduce the number of unique parts required</li> </ul>
<b>Implement redundancy systems</b>	<ul style="list-style-type: none"> <li>Revisit your safety stock parameters</li> <li>Build redundancies into transport routes</li> <li>Establish secondary supplier relationships</li> </ul>
<b>Increase your capacity to anticipate risks</b>	<ul style="list-style-type: none"> <li>Plan for global scenarios (e.g., pandemics)</li> <li>Increase visibility into your supply chain</li> <li>Identify suppliers with higher and lower material ESG risk</li> </ul>



### PLAN AND COMMUNICATE YOUR SUPPLY CHAIN ESG STRATEGY

ESG Action Item	How to Do It
<b>Engage leadership and set supply chain ESG goals</b>	<ul style="list-style-type: none"> <li>Set ESG goals that align with your organizational targets</li> <li>Have your senior leadership team share the strategic value of a sustainable supply chain to stakeholders</li> <li>Regularly communicate your ESG commitment to suppliers</li> </ul>
<b>Integrate environmental considerations into procurement decisions</b>	<ul style="list-style-type: none"> <li>Set environmental benchmarks for potential suppliers</li> <li>Integrate <a href="#">ESG ratings</a> into your procurement decisions</li> </ul>
<b>Communicate social performance expectations with suppliers</b>	<ul style="list-style-type: none"> <li>Work with leaders to communicate and implement social performance requirements in procurement contracts such as the <a href="#">Responsible Business Alliance Code of Conduct</a></li> </ul>



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## ANALYZE AND EVALUATE SUPPLIERS BASED ON ESG RISKS

ESG Action Item	How to Do It
<b>Improve data collection and data management of suppliers' ESG performance</b>	Source quality data on end-to-end operations to ensure compliance with current and future disclosure regulations
<b>Analyze your existing suppliers' environmental performance</b>	Leverage tools that quickly identify suppliers with higher or lower material ESG risks across your entire supply chain, such as Sustainalytics <a href="#">ESG Assessment Platform</a> Identify high and low risk performers in terms of their environmental management systems and stewardship
<b>Identify climate risk exposure across suppliers</b>	Conduct a climate vulnerability risk assessment



## REPORT AND RESPOND TO SUPPLIERS BASED ON ESG PERFORMANCE

ESG Action Item	How to Do It
<b>Report on ESG performance using voluntary reporting standards</b>	Disclose ESG issues using internationally recognized reporting standards to increase transparency and create internal incentives for continuous improvement
<b>Increase transparency with external stakeholders</b>	Publish suppliers' ESG ratings on your company website and in annual reports
<b>Investigate alternatives for high risk materials</b>	Source substitute materials or secondary suppliers for material or products at high risk



## COLLABORATE TO TRANSFORM AND MEET SUPPLY CHAIN ESG GOALS

ESG Action Item	How to Do It
<b>Build collaborative relationships with suppliers</b>	Conduct formal and informal information exchanges to increase visibility on upstream issues Develop a more collaborative mindset to support each other in case of disruptive events
<b>Support suppliers in addressing climate related risks to their operations</b>	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)
<b>Provide training resources for suppliers</b>	Provide online tools or in-person training to equip suppliers with the skills, knowledge, and systems to manage ESG issues
<b>Investigate supply chain financing programs</b>	Provide loans to suppliers, with loan terms conditional on the suppliers' ESG performance, in partnership with financial institutions or alternative lenders

## Learn More About Future-Proofing Your Supply Chain

Learn more about integrating ESG considerations into your company's supply chain management practices in our latest ebook.

### You'll learn about:

- ✓ How to make the business case for sustainable supply chain management
- ✓ Supply chain sustainability trends to look out for
- ✓ Key takeaways to improve your company's processes



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## Put This Checklist Into Action With Your Partner in Supply Chain Sustainability

Sustainalytics, a Morningstar Company, is an award-winning ESG research, ratings and data firm that supports corporations and their financial intermediaries to consider sustainability issues in their policies, practices and capital projects. As the leading second-party opinion provider in the market, Sustainalytics offers issuers credible verification on use of proceeds for sustainable finance products. Corporations can also leverage Sustainalytics' ESG Risk Ratings to understand and promote their ESG performance with their internal and external stakeholders. Over the last five years, Sustainalytics has received more than 20 awards for its industry leading ESG research, ratings and opinion services. With 16 offices globally, Sustainalytics has more than 900 staff members, including more than 350 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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