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ESG, What it Means

# What Falls Under “ESG”?



## 21 Sustainability Criteria Covered in Four Theme Areas



### Environment

- Energy Consumption & GHGs
- Water
- Biodiversity
- Local & Accidental Pollution
- Materials, Chemicals, & Waste
- Product Use
- Product End-of-Life
- Customer Health & Safety
- Environmental Services & Advocacy



### Social

- Employee Health & Safety
- Working Conditions
- Social Dialogue
- Career Management & Training
- Child Labor, Forced Labor & Human Trafficking
- Diversity, Discrimination & Harassment
- External Stakeholder Human Rights



### Governance

- Corruption
- Anticompetitive Practices
- Responsible Information Management



### Sustainable Procurement

- Supplier Environmental Practices
- Supplier Social Practices

# 3 Key Benefits of ESG



**RISK MITIGATION**



**COST OPTIMIZATION**



**VALUE CREATION**



**“Businesses that are considered leaders in environmental, social and governance criteria have an 11% valuation premium over their competitors”.**

**Boston Consulting Group**

*Your Supply Chain Needs a Sustainability Strategy,  
2020*

## ROI Spotlight: Value Creation

### Increased Earnings

- 70% of consumers willing to pay a sustainability price premium
- Cost Enhancement (up to 25%)

### Internal Improvements

- Greater Innovation
- Brand Strengthening

### Expansion in Reach

- Access to New Markets
- Investment Attractiveness
- Talent Retention and Attraction

# CAPITAL MARKETS

"**83%** of C-suite leaders and investment professionals say they expect that **ESG programs will contribute more shareholder value** in five years than today... [and] they would **pay a 10% premium** to acquire a company with a **positive record for ESG issues.**"

-McKinsey

# IMPACT

"If multinational companies focus on their emissions all the way across their **value chain...reductions can be pulled through economics across the world.**"

-UN Special Envoy on Climate Action and Finance

# INNOVATION

"By **building sustainability into innovation**, companies can create products, services, and processes that are **good for both society and the organization.**"

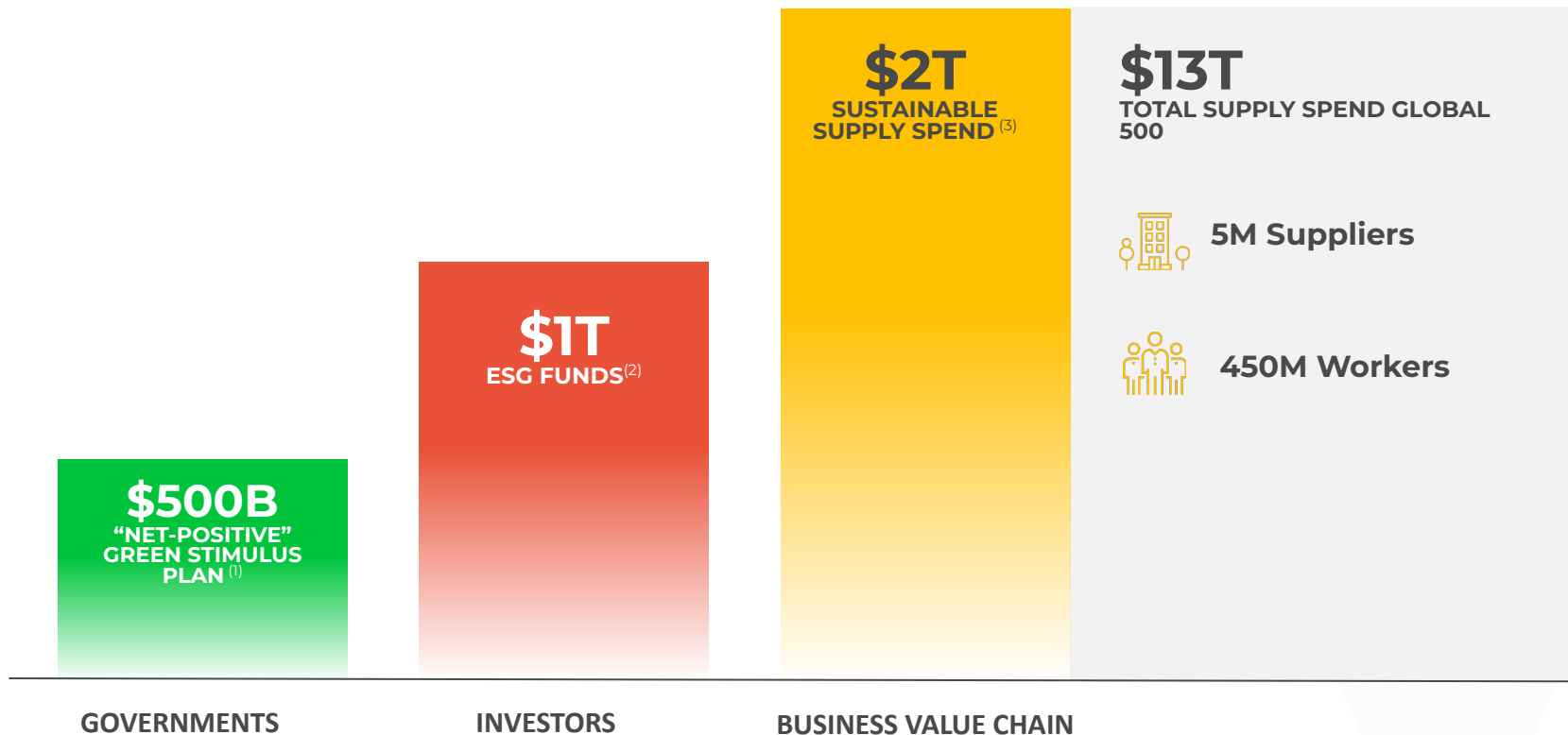
-Network for Business Sustainability

# CONSUMER & EMPLOYEE LOYALTY

"**84%** of global consumers **consider sustainability important** when choosing a brand..and **62%** say they're willing to **change their purchasing behavior** to help reduce negative impact"

- IBM Business Value Institute

# The Supply Chain Opportunity

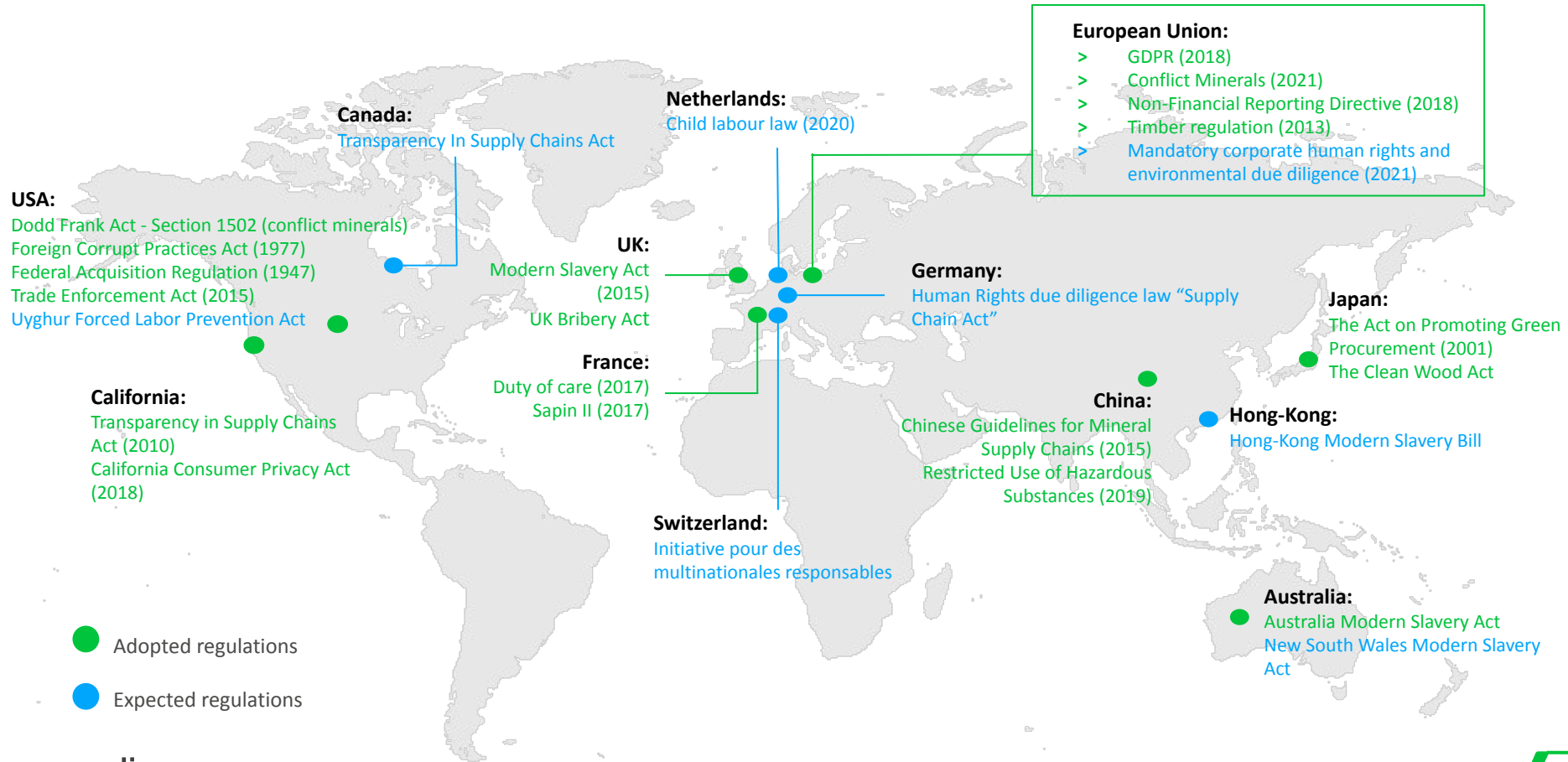


(1) EU GreenDeal

(2) Refinitiv, Bloomberg : ESG Bonds + ETF

(3) Global 500 = \$33T in 2019 = \$13T spend volume = \$2T moving 15% of spend towards sustainable suppliers

# Worldwide Regulations Related to Supply Chain Due Diligence



# How Can I Integrate ESG into my Business Processes?



**identify** risks & opportunities



**assess** business sustainability practices based on evidence



**monitor** actions and track performance



**understand** through learning and analytics to set and improve targets



**report** & communicate effectively



# Building an Effective and Comprehensive Program

## Year One: Adoption

- Integration into policies, processes, and tools
- Stakeholder alignment
- ESG Risk Mapping
- Establish KPIs & reporting mechanisms

## Year Two: Optimization

- Improvement monitoring
- Tailored trainings
- Steering Committee Meetings

## Year Three+: Expansion

- Annual maturity review
- Industry benchmarking

The background of the slide features a series of wind turbines silhouetted against a sunset sky. The sky transitions from a deep purple at the top to a bright orange near the horizon, where some clouds are visible. The turbines are arranged in a line, receding into the distance, with the closest one on the left and others further back on the right. The overall mood is serene and clean, representing renewable energy.

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Thank You!

Questions?

**Gracee Shorter**

Sr. Account Executive

E-mail: [gshorter@ecovadis.com](mailto:gshorter@ecovadis.com)