Recommendations to Improve Ecovadis

Sustainability Rating

✓ **Environment, and Sustainable Procurement**

✓ **Labor & Human Rights**

✓ **Ethics**

Context Setting: Sustainability in Global Supply Chains

A sustainable supply chain creates business value by transforming sustainability risks into strategic opportunities. As value chains are often the source of significant environmental and social impacts—ranging from carbon emissions to human rights violations—improving supply chain sustainability enhances visibility, reduces risks, and fosters resilience. This approach allows companies to comply with emerging environmental, social, and governance (ESG) regulations and to unlock long-term value.

How Sustainable Supply Chain Creates Business Value

Risk Reduction & Resilience Building: By gaining better oversight of suppliers' sustainability practices, companies can proactively address risks such as environmental damage, supply disruptions, and reputational damage. Post-pandemic, this risk mitigation has become even more critical as global supply chains have faced unprecedented pressures.

Regulatory Compliance: Companies are increasingly subject to stringent ESG reporting and due diligence regulations, such as the EU's Corporate Sustainability Reporting Directive and the Carbon Border Adjustment Mechanism, India's Business Responsibility and Sustainability Reporting mandate of SEBI and so on. Such regulations around the world are expected to be more and more stringent and demanding. A sustainable supply chain helps companies meet these legal requirements, avoiding fines and penalties while also meeting stakeholder expectations.

Cost Savings & Efficiency: Sustainable supply chain initiatives often result in reduced operational risks, enhanced efficiency, and cost savings. Suppliers, for example, can lower costs by improving resource use, reducing waste, and adopting energy-efficient technologies, all of which contribute to better bottom-line performance.

Stronger Business Relationships: Companies that encourage suppliers to adopt sustainable practices often build stronger, more collaborative relationships, which can lead to better long-term partnerships. Incentivising suppliers to meet sustainability standards also strengthens these ties and ensures mutual benefits.

Access to Capital & Consumer Demand : A sustainable supply chain can enhance a company's appeal to investors, as it demonstrates sound risk management and forward-looking practices. It also aligns with the growing consumer demand for ethical and environmentally friendly products, helping companies secure greater market share.

Emphasis on Supply Chains

Companies are now increasingly focused on strengthening supply chain transparency and resilience. The stakeholders, particularly the investors and customers are giving more and more importance to having a sustainable supply chain. This is considered as a critical risk management requirement and there are several examples where companies have included supply chain sustainability as a key risk in their risk registers. Sustainability has moved to the forefront of procurement strategies. It has become a criterial in supplier selection.

Evolving Role of Procurement in Sustainability

As companies face increased regulatory scrutiny and demands from stakeholders like investors and customers, the procurement function is becoming more integral to corporate sustainability strategies. Procurement is no longer seen solely as a cost-saving and compliance mechanism; it is increasingly viewed as a strategic lever for value creation. To remain competitive in a low-carbon and equitable future, companies are gradually transforming their procurement functions to integrate sustainability as a core principle.

Need For Outsourcing Supplier Sustainability Assessment

The procurement functions traditionally used to select suppliers based on attributes like (a) quality (b) delivery schedule and performance (c) cost (d) innovation (in certain business sectors). Now in addition to all these attributes, they are expected to add Sustainability as an attribute in the supplier selection criteria. The typical challenges being faced by the companies' procurement teams are

(**a**) **bandwidth** – the team does not have the bandwidth to assess suppliers' sustainability performance

(**b**) **competency** – the team does not have the competency to assess suppliers across the relevant criteria on environmental, social and governance attributes

(**c**) **reach** – while for the other attributes like quality, cost, delivery and innovation, there was no need to review the supplier sustainability performance of the suppliers, the attribute of sustainability extends to the supply chains of the suppliers

These challenges faced by the procurement functions of companies have given rise to the need for competent and independent service providers who can do rating of the suppliers based on their performance on sustainability. While several such service providers have emerged to fulfil this demand in the market, EcoVadis has emerged as the most widely used supply chain sustainability rating provider with demonstrated credibility globally.

More and more global and domestic customers have started asking their suppliers to go for EcoVadis rating. Good EcoVadis rating is fast becoming the key supplier selection criteria. Even investors have started giving importance to EcoVadis rating, The ESG Rating agencies have started factoring in EcoVadis rating of companies as a key constituent in their rating process. As a result of this requirement from customers (primarily) and investors in addition to the regulatory requirements (as applicable), more and more companies are going for higher EcoVadis ratings.The EcoVadis Sustainability Ratings

Introduction

The growing importance of sustainability performance in business decision-making has created a demand for global, reliable, and actionable sustainability ratings. This trend is driven by the increasing recognition that environmental, social, and governance (ESG) issues are critical to long-term business success and competitiveness. Companies are now expected to assess and manage their sustainability impacts across their entire value chain, making sustainability a strategic priority for executives in procurement, finance, and investment.

The EcoVadis Solution

EcoVadis provides a practical, scalable solution to these challenges with its web-based sustainability ratings platform. The system offers dynamic scorecards that evaluate the sustainability performance of trading partners, suppliers, and investment portfolios. This allows companies to monitor, engage, and collaborate with partners to foster continuous ESG improvement.

The EcoVadis Rating Principles

The EcoVadis rating methodology is designed to assess the quality of a company's sustainability management system by evaluating its policies, actions, and results. It provides a robust framework to ensure transparency, reliability, and continuous improvement. The methodology is built upon seven foundational principles:

1. Evidence-Based
The company being rated must provide concrete proof of its sustainability practices, including policies, certifications, and key performance indicator (KPI) reports. Only the company's claims backed by verifiable evidence are considered for the assessment.

2. Industry, Location, and Size Matter
EcoVadis tailors its assessment to reflect the unique sustainability challenges based on the company's industry, geographic location, and size. Factors like exposure to high-risk countries or industry-specific risks play a significant role in the evaluation.

3. Diversification of Sources
In addition to the company-provided documents, EcoVadis incorporates information from external sources such as non-governmental organizations (NGOs), trade unions, international organizations, and local authorities.

4. Technology is a Must
The EcoVadis rating process leverages technology to ensure data security, confidentiality, and a quick turnaround in scorecard delivery. The use of digital tools enhances the reliability and scalability of the assessments.

5. Assessment by International Sustainability Experts
A global team of sustainability experts reviews the supporting documents and ensures alignment with the latest best practices and trends.

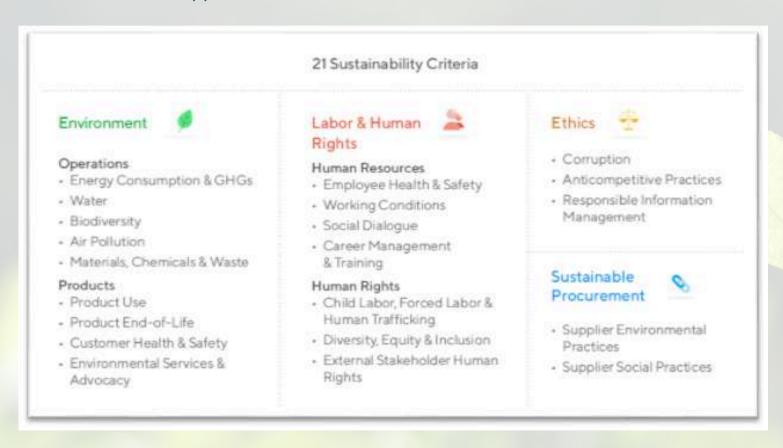6. Traceability and Transparency

All documents used in the rating process are stored securely, ensuring traceability. Rated companies are given access to detailed insights into how each score was derived, promoting transparency in the rating process.

Sustainability Issues Assessed in EcoVadis Rating

The assessment considers a range of sustainability issues that are grouped into four themes. The sustainability issues are based on international sustainability standards such as the Ten Principles of the UN Global Compact, the International Labour Organization (ILO) conventions, the Global Reporting Initiative's (GRI) standards, the ISO 26000 standard, the CERES Roadmap and the UN Guiding Principles on Business and Human Rights. The environmental theme covers impacts throughout the entire life cycle of products: impacts from operations, product use, and end-of life. Sustainability issues in the supply chain are also integrated into the Reference Model to take into account issues caused not only by direct suppliers but also Tier 2 and 3 suppliers.

21 Sustainability Criteria

Environment 🌿

Operations
- Energy Consumption & GHGs
- Water
- Biodiversity
- Air Pollution
- Materials, Chemicals & Waste

Products
- Product Use
- Product End-of-Life
- Customer Health & Safety
- Environmental Services & Advocacy

Labor & Human Rights 👤

Human Resources
- Employee Health & Safety
- Working Conditions
- Social Dialogue
- Career Management & Training

Human Rights
- Child Labor, Forced Labor & Human Trafficking
- Diversity, Equity & Inclusion
- External Stakeholder Human Rights

Ethics ⚖️
- Corruption
- Anticompetitive Practices
- Responsible Information Management

Sustainable Procurement 🔗
- Supplier Environmental Practices
- Supplier Social Practices

The issues (criteria) covered in each assessment are based on the materiality analysis of the 21 sustainability topics, carried out internally by EcoVadis based on a company's context, such as industry, size, and operational locations. These parameters are identified when a company registers on the EcoVadis ratings platform, and they shape the questionnaire it subsequently receives. Several criteria can be deactivated to properly reflect the parameters of the sustainability management system.

The Assessment Process

EcoVadis follows a structured approach to assess companies' sustainability management systems, ensuring the use of credible, verified data. The process is highlighted below:

A. Data Collection

During the questionnaire process, companies are required to submit formal, recent, and reliable documentation that already exists within their sustainability management systems. This includes:

- Sustainability reports: Formal reports detailing a company's sustainability initiatives, performance, and outcomes.
- Codes of conduct: Guidelines and ethical standards for employee and business behavior.

- **Employee handbooks:** Documents outlining company policies, including those related to sustainability.
- **Certificates:** Official certifications that demonstrate compliance with sustainability standards or best practices.
- **External sustainability audits:** Independent assessments of a company's sustainability performance.
- **Supplier sustainability charters:** Documents outlining sustainability expectations for suppliers.
- **Policies, procedures, and training materials:** Internal documentation showing a company's efforts to embed sustainability into operations and culture.

EcoVadis also partners with specialized data providers, such as external compliance databases, to identify potential regulatory, commercial, or reputational risks.

B. Document Analysis

Once data is collected, the sustainability analysts at EcoVadis conduct a thorough document analysis. They cross-check the information provided in the questionnaire against the supporting documentation. The key aspects of this phase include:

- Verification of Questionnaire Responses: Analysts verify the selected answers based on the available evidence. Each answer option in the questionnaire must be supported by a relevant document; otherwise, the response may be rejected.
- Methodology Adherence: Responses are only credited if they meet EcoVadis' methodology requirements, ensuring consistency and fairness in the assessment process.
- Evidence Matching: Evidence from documents is only considered valid if it directly correlates with a specific answer option in the questionnaire. This ensures that each declaration is substantiated with concrete proof.

C. Stakeholder Opinion – 360° Watch Findings

The EcoVadis 360° Watch integrates information from external sources, providing a broader view of a company's sustainability performance.

C1. 360° Watch Findings

EcoVadis incorporates thousands of external data sources, such as:

- NGOs, trade unions, international organizations, local authorities, auditors, and third-party organizations.
- Data from external compliance databases helps identify regulatory, reputational, or commercial risks, including sanctions or ties to politically exposed persons

This analysis is powered by a combination of Artificial Intelligence and analyst verification to provide a more robust assessment.

C2. Live News Monitoring

EcoVadis employs a Live News Monitoring system that enables a continuous flow of information from external sources.

C3. External Sustainability Audits

Positive or negative findings from external sustainability audits are considered in the assessment. EcoVadis may also conduct on-site audits to verify documentation and processes. These audits, based on standards like SA8000, ensure internal quality assurance.

D. Scoring Process

The scoring process evaluates the sustainability management system based on the quality and quantity of supporting documents, providing a score between 0 and 100. The scoring is done in increments of 25 (0,25,50,75,100).

The scores are calculated based on the company's performance across seven management indicators (e.g., policies, actions, results) in each sustainability theme (e.g., environmental, social, ethical).

Management Indicators: Companies are scored based on specific indicators, and the score for each theme is weighted according to the industry, size, and location of the company.

| Policies Endorsements Measures | Certifications Coverage Reporting | 360° Watch Findings |

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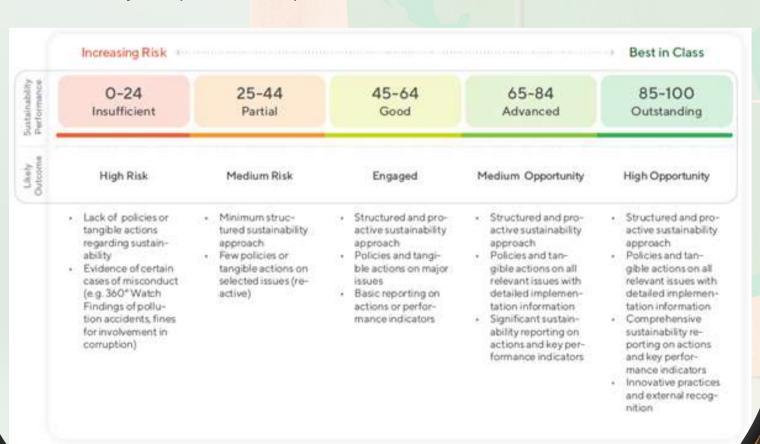| 0 Insufficient	25 Partial	50 Good	75 Advanced	100 Outstanding
No tangible elements identified.	Not all main criteria activated covered or sufficiently addressed.	Main activated criteria covered by acceptable practices.	Particularly advanced practices on all activated criteria.	Comprehensive and innovative practices. External recognition.

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Management Indicators: Companies are scored based on specific indicators, and the score for each theme is weighted according to the industry, size, and location of the company.

	Environment	Labor & Human Rights	Ethics	Sustainable Procurement	Weight Of Management Indicators and Layers	
Policies	50	50	50	25	20%	25% Policies
Endorsements	0	0	0	0	5%	
Measures	50	50	25	25	24%	Actions
Certifications	100	100	50	50	16%	40%
Coverage	50	50	50	25	x^9	
Reporting	50	50	0	25	14%	35% Results
360° Watch Findings	75	75	75	75	21%	
Theme Weight	● ● ● ○	● ● ● ●	● ● ○ ○	● ● ○ ○		
Depends on industry, country and size	60/100	50/100	50/100	40/100	51/100	

E. Scoring Scale

The scoring scale helps companies understand their performance in absolute terms and how they compare to their peers. .

Increasing Risk ····················▶ **Best in Class**

0-24 Insufficient	25-44 Partial	45-64 Good	65-84 Advanced	85-100 Outstanding
High Risk	Medium Risk	Engaged	Medium Opportunity	High Opportunity
• Lack of policies or tangible actions regarding sustainability • Evidence of certain cases of misconduct (e.g. 360° Watch Findings of pollution accidents, fines for involvement in corruption)	• Minimum structured sustainability approach • Few policies or tangible actions on selected issues (reactive)	• Structured and proactive sustainability approach • Policies and tangible actions on major issues • Basic reporting on actions or performance indicators	• Structured and proactive sustainability approach • Policies and tangible actions on all relevant issues with detailed implementation information • Significant sustainability reporting on actions and key performance indicators	• Structured and proactive sustainability approach • Policies and tangible actions on all relevant issues with detailed implementation information • Comprehensive sustainability reporting on actions and key performance indicators • Innovative practices and external recognition

Sustainability Performance

Likely Outcome

F. Strengths and Improvement Areas

After scoring, EcoVadis highlights strengths and improvement areas for each theme in the company's Scorecard. These insights provide guidance on areas of excellence and suggest corrective actions in areas that need improvement. The number of strengths and improvement areas does not affect the overall score but serves as a tool for continuous improvement.

- Strengths: Recognize valuable sustainability practices already in place.
- **Improvement Areas:** Suggest areas that need further development, ranked by priority for potential corrective action.

G. Publication

Once the assessment is complete, the Scorecard is published online for both the requesting organization and the rated company.

How Organizations can improve EcoVadis Rating

EcoVadis provides a comprehensive sustainability rating system based on four key areas: Environment, Labor & Human Rights, Ethics, and Sustainable Procurement. Improving a corporate EcoVadis score requires focused efforts on enhancing practices in these areas.

1. Environment

1A. Core Assessment Topics

Operations	Product
Energy consumption & GHGs	Product use
Water	Product end-of-life
Biodiversity	Customer health & safety
Local & accidental pollution	Environmental services & advocacy
Materials, chemicals & waste	

1B. Recommendations
1. **Develop and Update Environmental Policies**
   - Establish clear environmental policies that align with international standards
   - Include commitments to climate change mitigation, resource conservation, waste management, and biodiversity protection.
   - Regularly review and update the policies to reflect changes in regulation and best practices.

2. Implement Energy and Resource Efficiency Programs

- Conduct energy audits to identify inefficiencies in operations and take action to reduce energy consumption (e.g., adopting renewable energy sources).
- Implement water-saving measures such as water recycling, rainwater harvesting, and process optimization.
- Minimize waste by improving waste segregation, recycling, and engaging in circular economy initiatives.

3. Set and Track Emissions Reduction Targets

- Establish measurable carbon reduction targets that align with global standards, such as Science-Based Targets (SBTi).
- Regularly measure and report on your Scope 1, 2, and 3 greenhouse gas (GHG) emissions and implement initiatives to reduce them.
- Adopt low-carbon technologies, optimize logistics for fuel efficiency, and engage suppliers to reduce their emissions.

4. Obtain Environmental Certifications

- Aim for industry-specific certifications such as ISO 50001 (Energy Management) or LEED certification for building sustainability.
- Partner with external auditors to ensure continuous environmental performance improvement.

5. Protect Biodiversity and Manage Land Use

- Conduct biodiversity impact assessments for business operations located in sensitive areas.
- Develop conservation initiatives, and partner with NGOs on biodiversity projects.
- Minimize habitat disruption, adopt sustainable land use practices, and create green spaces to support biodiversity.

2. Labor & Human Rights

2A. Core Assessment Topics

Human Resources	Human Rights
Employee health & safety	Child labor, forced labor & human trafficking
Working conditions	Diversity, discrimination & harassment
Social dialogue	Customer health & safety
Career management & training	

2B. Recommendations

1. **Strengthen Labor Policies and Procedures**
   - Align labor policies with international labor standards such as the International Labour Organization (ILO) conventions.
   - Develop formal policies against forced labor, child labor, and workplace discrimination.
   - Ensure all workers have access to fair wages, reasonable working hours, and the right to collective bargaining.

2. **Ensure Workplace Health & Safety Compliance**
   - Implement occupational health and safety (OHS) management systems (e.g., ISO 45001) to reduce workplace accidents and ensure safe working conditions.
   - Conduct regular OHS audits and training programs to raise employee awareness.
   - Provide personal protective equipment (PPE) and ensure safety measures are regularly reviewed and updated.

3. **Promote Diversity and Inclusion**
   - Develop an inclusive work environment by fostering policies that promote gender equality, non-discrimination, and diversity in hiring practices.
   - Create employee resource groups, mentorship programs, and diversity awareness training.
   - Collect and analyze data on workforce diversity to continuously improve.

4. Conduct Human Rights Due Diligence

- Perform regular human rights impact assessments to identify and address risks in business operations and supply chains.
- Engage with stakeholders and local communities to understand human rights issues and develop mitigation strategies.
- Join international initiatives such as the UN Global Compact to enhance human rights practices.

5. Engage and Empower Workers

- Establish grievance mechanisms that allow employees to report labor rights violations anonymously.
- Promote open dialogue between management and employees to improve work conditions and foster engagement.

3. Ethics

3A. Core Assessment Topics

Corruption
Anticompetitive practices
Responsible information management

3B. Recommendations

1. Strengthen Anti-corruption Policies

- Develop and implement a robust anti-bribery and anti-corruption policy aligned with international standards such as ISO 37001.
- Ensure the policy covers gifts, hospitality, political donations, and conflicts of interest.
- Provide regular employee training on anti-corruption measures, and establish internal reporting mechanisms for ethical violations.

2. Enforce Fair Competition Practices

- Promote a fair and transparent business environment by adopting policies that prevent anti-competitive practices.
- Ensure compliance with local and international competition laws, and avoid price-fixing, monopolistic behaviours, or collusive bidding.

3. Implement Data Protection and Cybersecurity Standards

- Comply with data protection regulations (e.g., GDPR) by implementing a comprehensive data privacy policy.
- Conduct cybersecurity risk assessments to identify vulnerabilities and safeguard personal and business data.
- Train employees on data privacy protocols and practices to reduce risk of data breaches.

4. Ensure Transparency in Marketing and Product Information

- Adopt ethical marketing practices by providing clear, accurate, and honest information about products and services.
- Ensure compliance with local advertising standards and regulations to avoid misleading or deceptive marketing.
- Label products transparently, particularly in industries where environmental or social claims are made (e.g., food, fashion).

5. Whistleblower Protection and Ethics Hotline

- Establish whistleblower policies and mechanisms that allow employees to report unethical practices confidentially.
- Conduct investigations transparently and take corrective action where necessary.

4. Sustainable Procurement
4A. Core Assessment Topics

Supplier environmental practices
Supplier social practices

4B. Recommendations

1. **Develop a Sustainable Procurement Policy**
   - Create and implement a procurement policy that requires suppliers to meet certain sustainability criteria (e.g., ISO 20400 Sustainable Procurement guidelines).
   - Align the policy with corporate sustainability goals and ensure it covers environmental, labor, ethics, and human rights standards.

2. Conduct Supplier Assessments and Audits

- Use supplier scorecards and conduct regular assessments to evaluate suppliers on sustainability criteria, such as environmental performance, human rights compliance, and ethical practices.
- Prioritize high-risk suppliers for third-party audits and use platforms like EcoVadis to monitor their sustainability practices.

3. Collaborate with Suppliers for Continuous Improvement

- Engage suppliers in collaborative sustainability projects, such as resource efficiency programs, GHG emissions reduction, and fair labor initiatives.
- Provide training and capacity-building opportunities to suppliers, particularly in developing regions, to help them meet sustainability standards.

4. Integrate Social and Environmental Criteria into Supplier Contracts

- Include mandatory environmental, social, and ethical clauses in contracts with suppliers.
- Ensure suppliers understand that non-compliance with sustainability standards may result in penalties or termination of contracts.

5. Monitor Supply Chain Risks Proactively

- Implement supply chain risk management tools to identify and mitigate risks related to environmental, human rights, and ethical practices.
- Leverage technologies like blockchain for supply chain traceability and transparency to verify supplier compliance with sustainable practices.

6. Support Local and Ethical Sourcing

- Encourage sourcing from local suppliers to reduce carbon footprints and support community development.
- Promote fair trade and ethical sourcing practices, particularly for raw materials and zzzzhigh-impact industries (e.g., agriculture, mining).

ICC Profile

Founded in 1925, Indian Chamber of Commerce (ICC) is the leading and only National Chamber of Commerce operating from Kolkata, and one of the most pro-active and forward-looking Chambers in the country today. Its membership spans some of the most prominent and major industrial groups in India.

ICC had made its humble contribution in the pre-independence era during 1925 – 1947 towards promotion of Indian businesses and Swadeshi movement. Post Independence, ICC had the honour of engaging closely on Economic development and Reforms with Govt. of India. ICC had the privilege of hosting Session with Indian Prime Ministers like Shri Lal Bahadur Shashtri, Smt. Indira Gandhi, Shri Chandra Shekhar, Shri Atal Bihari Vajpayee and several other leaders.

ICC was fortunate to host a Session with Shri Narendra Modi, Hon'ble Prime Minister of India on 11th June 2020.

Set up by a group of pioneering industrialists led by Mr G D Birla, the Indian Chamber of Commerce was closely associated with the Indian Freedom Movement, as the first organised voice of indigenous Indian Industry. Several of the distinguished industry leaders in India, such as Mr. B M Birla, Sir Ardeshir Dalal, Sir Badridas Goenka, Mr. S P Jain, Lala Karam Chand Thapar, Mr. Russi Mody, Mr. Ashok Jain, Mr. Sanjiv Goenka, have led the ICC as its President.

ICC works closely with various Ministries and State Governments on policy and Industry issues. ICC has hosted Sessions with national and global leaders like Mr. David Cameron, Former PM of United Kingdom, Smt. Sheikh Hasina, Prime Minister of Bangladesh, Prime Minister of Bhutan, Deputy Prime Minister of Mauritius, Shri Pranab Mukherji, President of India, Industry and Commerce Ministers of Thailand, Industry Minister of Singapore, Chief Ministers of various States and prominent Indian Ministers including Shri Amit Shah, Shri Piyush Goyal, Smt. Nirmala Sitharaman, Shri Nitin Gadkari, Shri Rajnath Singh, Smt. Smriti Irani and several others.

ICC is the only Chamber from India to win the first prize in World Chambers Competition in Quebec, Canada.

The Indian Chamber of Commerce headquartered in Kolkata, over the last few years has truly emerged as a national Chamber of repute, with full-fledged offices in New Delhi, Mumbai, Guwahati, Siliguri, Agartala, Ranchi, Bhubaneshwar, Hyderabad, Tamil Nadu & Patna functioning efficiently, and building meaningful synergies among Industry and Government by addressing strategic issues of national significance

ICC's North-East Initiative has gained new momentum and dynamism over the last few years. ICC has a special focus on India's trade & commerce relations with South & South-East Asian nations, in sync with India's 'Act East' Policy, and has played a key role in building synergies between India and her Asian neighbours through Trade & Business Delegation Exchanges, and large Investment Summits.

 ICC also has a very strong focus upon Economic Research & Policy issues - it regularly undertakes Macro-economic Surveys/Studies, prepares State Investment Climate Reports and Sector Reports, provides necessary Policy Inputs & Budget Recommendations to Governments at State & Central levels.

ICC's forte is its ability to anticipate the needs of the future, respond to challenges, and prepare the stakeholders in the economy to benefit from these changes and opportunities.

Author – Suryadipta Das

Suryadipta Das is a matured sustainability professional with about four years of experience in advising corporate clients in India and the Middle East, working for Ernst & Young and RSM. He is currently managing the US operations of Futurestation. He is an MS in Energy and Sustainability from Northwestern University, USA and BTech in Electronics and Communication

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