Operationalizing Value Chain Sustainability
A Practical Toolkit
About the Knowledge Paper

Today, an increasing number of businesses recognise the importance of sustainability as they look to create long-term shareholder value and build competitive advantage. However, for sustainability to mature into an integral part of organisational structure and culture, and for organisations to reap tangible long-term benefits, businesses need to operationalize sustainability across the value chain – upstream, in-stream and downstream. This process is undoubtedly fraught with challenges as businesses are forced to fundamentally rethink the way they operate. Sometimes, the business case for doing so is not apparent, and even when it is, corporates find it difficult to get sustainability projects off the ground for lack of the right kind of knowledge and expertise.

In November of 2012, TERI-BCSD convened the first ever Chief Sustainability Officers’ (CSO) Forum to provide further impetus to the corporate sustainability journey. This knowledge paper is a product of the ‘Value Chain’ Special Interest Group (SIG).

Recognising the need for a dependable ready-reckoner or a guidance document for the corporate sector to refer to, the mandate to this SIG was to create a knowledge paper that lays out step-by-step approaches with case studies to help companies get started with the process of integrating sustainability dimensions in their value chains, irrespective of their size.

It is also recognized that issues and level of complexities in the value chain differ in manufacturing and services sectors, and beyond a point there would be differences in structures of the value chain in different industries within each of the above sectors. The SIG was therefore of an opinion that, to start with, the knowledge paper would be focussed on the upstream supply chain in case of the Manufacturing Sector, and cover the entire value chain only for the Financial Services Sector.

This paper is therefore structured in three sections:
Section I sets out the background and the business case for incorporating sustainability into the value chain, along with basic terminologies to help better understand the concepts
Section II covers the upstream supply chain in the Manufacturing Sector and
Section III discusses the approach for a sustainable value chain in the Financial Services Sector.

We acknowledge and appreciate the efforts and contributions of all the Value Chain SIG members – YES Bank, Mahindra and Mahindra, CLP and SAP- for taking the initiative to lead the way.
Section I

Operationalising Sustainable Value Chains – A Business Imperative

Background

In today’s globalized economy, organizations are competing with each other, not only for a substantial market share but also for resources. In this global scenario, the ever-growing emphasis on organizational responsiveness towards the environmental and societal impact of their products and services is changing the dynamics of the market place and the way organizations do business. If India has to be at the forefront of development and growth internationally, Indian corporations will have to quickly adapt to stricter legislations and soaring pressure from various key stakeholders, for greater accountability and responsibility in business operations. To stay competitive, organizations will have to work closely with their partners in the value chain and other key stakeholders, for effective resource management and risk mitigation. If managed well, these challenges could also provide an opportunity for businesses to, discover innovative solutions, drive impactful action, realize efficiencies and enhance market share. Thus operationalising sustainability across the entire value chain through effective value chain management is not only the need of the hour but a business imperative.

This paper provides a step-by-step understanding of the process involved in institutionalizing sustainability across their value chains, and presents some examples to inspire action.

Some base line definitions:

What is Value Chain or Supply Chain Sustainability:

Value Chain or supply chain sustainability is the management of environmental, social and economic impacts, and encouragement of good governance practices, throughout the life cycle of the goods and services. The objective of this approach is to create, protect and grow long term environmental, social and economic value for all stakeholders involved in bringing products & services to market.

The Various Stages of a Value Chain

The upstream stage essentially comprises of input materials supplied for manufacturing the product or delivering the service. It is therefore also referred to as supply chain. The input material depends upon the stage of the manufacturing process. E.g. For a steel manufacturing company the input material would be iron ore, coal etc but for a component manufacturing company, the input material would be the processed steel manufactured by the steel manufacturing company, and for the product manufacturing company, the components would be the input material.

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1 Supply Chain Sustainability - a practical guide to continuous improvement. published by UNGC and BSR
The in-stream stage comprises of inputs required to run the operation e.g. physical infrastructure like office space, storage, energy, etc.

The down-stream stage is comprises of business partners that enable the distribution and actual sale of the product or service. E.g. logistics providers, distributors, dealers, marketing agents etc.

Clean and Green Supply Chain is a terminology used for a holistic approach deployed by companies for dealing with business partners that are responsible towards the environment, social and governance responsibilities.

A 'green' supply chain is an eco-efficient a supply chain which is optimised to cut down on its use of natural resources, emissions, waste and energy. A 'clean' supply chain is the one that is transparent, and which follows good governance and ethical practices. A supply chain needs to be both clean and green in order to be sustainable in the longer run.

Sustainability in Value Chains – A Business Case

Companies often perceive undertaking sustainability measures to be a cost centre for their organization. However, contrary to these perceptions there are several compelling business reasons to take action to improve the social and environmental impacts throughout the value chain. Immense business value can be added and shared through a comprehensive and integrated approach towards a sustainable value chain. Enumerated below are some of the important business reasons, which cuts across all lines of business:

**Note: Case studies and examples to be quoted here in boxes against each of the four aspects given below. (Radhika & Ajay to identify them)**

- **Cost efficiencies**: Working with suppliers /contractors (both upstream and downstream) to improve efficiencies in resource consumption, and driving out process inefficiencies results in clear cost savings and helps improving the performance of the business’s own operations.

- **Opening up to Newer Markets**: The natural fall out of cost efficiencies is opportunities to grow, for both, the Company as well as the suppliers.

- **Managing Risks**: by developing a 'clean and green' value chain, regulatory, operational and reputational risks can be mitigated.

- **Sustaining brand equity**: The demands and expectations of external stakeholders are changing. Regulators, Investors, Customers and civil society are expecting more responsible conduct and transparency from corporates, from 'cradle to grave'. Any questionable act, in any part of the product life cycle, can adversely affect growth in sales, legal tangles and most importantly the image of the organization.

In the knowledge paper to be released, each of these business drivers will be demonstrated through on-ground case studies and best practices from companies across industries.
Most organizations see four main reasons for investing in sustainable supply chain management: to manage the risk of unintended environmental or social damage, to manage their company’s reputation and the expectations of its shareholders, to reduce costs and realise productivity improvements and to create sustainable products, thereby increasing revenues and enhancing the corporate brand.

**Institutionalizing a Sustainable Value Chain – A Practical Approach**

There are various stakeholders which can help partner with an organization to institutionalize sustainability in value chains. The paper will define and elaborate on the roles for the Upstream, In-stream and Downstream and other major stakeholders to take forward this exercise.

**A Step-by-Step approach:**

Moving towards a sustainable value chain is a strategic initiative, the successful implementation of which is only possible with Leadership commitment. This should be backed by a structured approach and the following is process recommended.

1. **Establishing Vision and Objectives:**
   
   Articulation of a Vision and objectives for creating a sustainable value chain, would give a perspective and a common understanding of the intent of the Leadership across the organization as well as to the external stakeholders. These should be framed based on:
   
   - Issues material to the organization as well as its key stakeholders.
   - What the organization wishes to achieve and by when.

2. **Planning and Team building:**

   This would include:
   
   - Setting up a team with responsibilities for developing the required framework. Identification of the major stakeholders and making a list of priorities critical to both. This is a very critical exercise the detailed process for which is explained as Tool 1 in the annexure to this Knowledge paper.
   - Framing of appropriate policies codes of conduct and guidelines in sync with the priorities agreed upon. The aspects to be covered in the policies are elaborated in Tool 2

3. **Create a Roadmap with Goals**

   A document setting out the plan of action to
   
   - Outline a strategic framework document/road-map with timelines, milestones and key deliverables for institutionalizing a sustainable value chain
   - Identify activities and assign goals and rewards against each deliverable
   - Define the responsibilities for achieving and review of targets
4. Implementation of the Programme

- **Communicate expectations to the suppliers and Collaborate with them**

  Build awareness and capacities based on the vision and the goals set, through dialogue, training and best practice sharing. This will create an understanding and a buy-in which will help the company to pursue its agenda.

- **Measuring and Monitoring**

  Gauge the achievements against the milestones outlined in the strategic framework document to assess your progress and review any changes that need to be made to facilitate the progress. For supplier assessment, refer to Tool 3.

**Note:** The steps elaborated in this section are general and would be applicable to almost all companies irrespective of the industry. Additional steps as specifically applicable to manufacturing & service companies are mentioned Section II & III respectively.
Section II: Manufacturing Sector Guide to a Sustainable up-stream supply Chain

The reason for integrating sustainability in supply chain has been adequately dealt with in section I supported by the business case as well as a step by step approach of how to get started.

This section concentrates on the manufacturing sector (mainly the upstream portion of supply chain), and provides a guide and tools to help companies get started their sustainable supply chain program.

Making a Business Case

Besides the business compulsions for integrating sustainability in value chain given in Section I, the following are some of the striking issues that are more critical for the upstream supply chain of Manufacturing companies.

- **Growth through inclusivity:** The major part of the supplier base in India comes under the category of Micro, Small and Medium Enterprises, which are largely unorganised and have compliance issues that result in undue damage to environment and exploitation of communities. Considering the increased dependence on supply chains, it makes good business sense to incorporate practices that would not only help the primary suppliers but also the sub-tier suppliers, to adopt best practices, follow laws, and be sensitive to people and the environment. Their stability and sustainability is very critical for not only the growth of India Inc. but for National growth.

- **Innovation through co-creation:** For businesses to survive in a highly transformative environment, innovation for use of alternative material, renewable energy, reduction of waste across the life cycle of the product, is a business imperative. This needs to start from the components used for manufacturing the product. By working with suppliers and showing them how, a culture of innovation would fuel a sustainable growth for both the manufacturer as well as the supplier, besides of course creating a long standing relationship.

- **Mitigating the business continuity risk:** Long term relationships with suppliers are key to business continuity. Any hitch in the supply chain, be it regulatory non-compliance or ability to be cost & eco-efficient, or violation of Human Rights or compromise on safety with the primary or sub-tier supplier, could pose a potent business continuity risk to the manufacturer.

Understanding the Supply Chain

While the above are overarching and applicable universally, companies should identify specific business drivers for value chain sustainability, depending upon their own unique business compulsions. The drivers would depend upon a variety of issues including, the type of industry, the depth of the supply chain, specific stakeholder expectations, business strategy, organizational culture etc. Understanding the supply chain, and prioritizing on issues based on internal business strategy and compulsions, would help developing internal practices that respond to multiple drivers and maximize value to business.
**Beginning with the Upstream Value Chain or the Supply Chain**

Although sustainability across the entire value chain is important, for this exercise the focus is only on upstream suppliers, as it is at the root of all manufacturing businesses.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Ways to address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complexity</td>
<td>Supply chains of a number of manufacturing companies are complex and prioritization becomes critical. Hence, focusing on key or strategic suppliers and the hotspots in the supply chain (non compliance, availability of rare metal, etc.), would be the best place to begin. The strategic suppliers can be further divided into large corporate, SMEs and MSMEs. Focus on enhancing the capabilities with the later two.</td>
</tr>
<tr>
<td>Sub-tier management</td>
<td>The sub-tier supplier often gets missed in the sustainability programs. Hence there is a perceived lack of influence. One of the ways of not ignoring the sub-tier supplier is to map the supply chain as deep as possible. Here again a focus on the hot-spots which are likely to affect business continuity, due to any reason.</td>
</tr>
<tr>
<td>Logistics</td>
<td>Packaging and transporting are two areas where huge wasteful expenses and carbon emissions are hidden. These can be unraveled by working with suppliers for reviewing and reducing packaging, realigning the modes of transport and routes, reuse packaging, incorporating green warehousing, etc.</td>
</tr>
<tr>
<td>Magnitude of other issues</td>
<td>An increase in stakeholder demands has enhanced the magnitude of issues. New issues are gaining importance e.g country specific laws, carbon/water footprint across value chain, redefinition of 'Hazardous material' etc. These issues should be prioritized and addressed depending upon their importance to business continuity.</td>
</tr>
</tbody>
</table>
How to get started

Over and above the steps suggested in Section I Para ____, manufacturing companies would need to consider two important processes

1. Mapping the supply chain.

As stated above, manufacturing companies have very deep and complex supply chains. Any problem in the sub-tier supply chain in terms of compliance or issues like human rights or safety violations would immediately put the company to a business continuity risk and/or a Brand risk.

Many companies struggle with whether and how to include sub-tier suppliers in the scope of their supply chain programme because of the lack of direct interaction and perceived lack of influence. In developing economies like India, sub-tier suppliers have the most significant challenges in addressing sustainability issues. Hence, companies need to be aware of where sustainability challenges are likely to arise by mapping their supply chain, and go as deep into the sub-tier as possible. The challenges will differ from Industry to industry, and hence Companies need to evaluate the importance of the issue relevant to them and its potential impact on society to determine how to include it in the scope of its supply chain sustainability program.

A supply chain map helps to trace the key activities of organizations and people involved in bringing a product from raw material to market.

2. Segmenting the Supply Chain

Segmentation of suppliers helps in resource allocation and risk assessment as it allows companies to focus on the most critical elements of the supply chain,

Good segmentation is a balance between acknowledging that some risk will always exist but that specific risks need to be addressed to avoid negative impacts to business and to society.

Both business and societal risk can be influenced by:

- The level of financial exposure to the suppliers and hence the potential influence or control the supplier has on the business.
- Country in which the suppliers operate in, and which of those countries are high risk because of weak legal and regulatory frameworks, high levels of corruption, etc.
- Tier: Which suppliers sell to your company directly, and which are sub-tier suppliers?
- Nature of transaction in terms of the level of transparency and accountability for conditions in the supply chain? For example, sub-contracted labour, brokers, agents, and middlemen may lead to gaps in knowledge, awareness and influence.
Engaging with Suppliers

Only a shared mindset about sustainability issues, between the companies and its suppliers can result in a successful execution of the Sustainability program in the supply chain. Hence continuous engagement with suppliers is very critical. A graded approach could help effective integration of sustainability levers in the supply chain, as depicted below:

Detailed tools for setting expectations through Supply chain Policies, Self Assessment and supplier Audit, are given as an annexure to this Knowledge paper.

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2 Supply Chain Sustainability - a practical guide to continuous improvement. published by UNGC and BSR
Section III: Financial Sector Guide to a Sustainable Value Chain

As intermediaries, financial institutions can have far-reaching positive impacts by persuading and assisting businesses to manage their externalities by factoring triple-bottom-line impacts to avoid long-term risks from social and environmental imbalances, thereby acting as a catalyst for change. Sustainable finance is therefore all about good governance, effective risk management and proactive social and environmental intervention. To embed sustainability in this sector, the Government of India and Reserve Bank of India as a regulator encourage financial institutions to extend their arms to the underserved.

Major stakeholders in the value chain of the financial sector

The financial services value chain is a complex interlinking of multiple stakeholders such as customers, suppliers, internal employees, external agencies or NGOs, regulators, investors and the community at large. Our paper will focus on the three major stakeholders which are:

- **Investors**: Investors influence business decisions. This section discusses the need to focus and influence investors to consider sustainability practices in their investment decisions.
- **Employees**: Steering employee behaviour towards sustainability influences client and customers indirectly. This section will discuss the importance of employee involvement to enhance sustainability in the sector which will also result in reduction of the organization’s carbon footprint.
- **Customers**: The financial sector has a key role in influencing customers positively creating a win-win situation, thereby mitigating both the sector’s and the clients’ risks.

Evolution of sustainability practices in the financial sector

Previously, very few financial institutions considered non-financial parameters in decision-making. Now, due to the increased incidence of climate-change, the financial sector is slowly moving towards developing measures to monitor and mitigate Environmental, Social and Governance (ESG) risks. In the paper, we will touch upon this journey and the factors that catalysed it.

Challenges faced in integrating sustainability practices in the value chain

We will discuss the problems/challenges faced by the early adopters of sustainability in the form of an uneven playing field, where the competition leads to advantages in the short run by not adhering to sustainability-led policies while sourcing/vetting clients.
The opportunities for the financial sector to strengthen sustainability in stakeholders

Through examples and case studies the paper will discuss opportunities for the sector to increase awareness through innovative approaches which will provide:

- **Access to new markets**: This will open new markets to the financial sector and helps serve customers/clients better by developing newer and innovative products.

- **Reduced risk portfolio**: When non-financial parameters are also considered to measure and monitor risk, this additional caution in evaluating projects/clients mitigate the overall risk for the financial sector.

Recommendations to the sector to contribute to a sustainable future

The final knowledge paper will address how financial sector organisations can integrate sustainable practices into core business operations through:

- Encouraging investors to adapt and adopt newer frameworks to measure not only financial, but social and environmental impact.
- Improving awareness amongst the human capital, which will in turn strengthen the organization’s sustainability practices.
- Improving impact measurement frameworks which in turn would increase the risk-appetite and cater to the underserved segments. This will improve the market size significantly.

Chemicals and Process Industry

The most important value drivers for Chemicals and Process Industry companies are minimised costs (87%), maximum delivery performance (87%), maximum volume flexibility and responsiveness (77%) and complexity management (72%). The Leaders focus on continuous improvements in production efficiency and inventory management — coupled with process simplification — to drive down costs and on end-to-end supply chain planning and visibility.

Automotive companies

The most important value drivers for Automotive companies are minimised costs (90%), maximum delivery performance (87%), maximum volume flexibility and responsiveness (83%) and complexity management (67%). The Leaders focus on continuous improvements in production efficiency and inventory management — together with best-cost country sourcing, to drive down costs and on collaborations with key customers and suppliers.

Industrial Products Companies

The most important value drivers for Industrial Products companies are minimised costs (98%), maximum delivery performance (93%), maximum volume flexibility and responsiveness (74%) and complexity management (61%). The Leaders focus on collaboration with key customers and suppliers and continue to place great weight on continuous improvement and lean processes to reduce order fulfilment cycle time and decrease costs.
Pharmaceuticals and Life Sciences

The most important value drivers for Pharmaceuticals and Life Sciences companies are minimised costs (100%), maximum delivery performance (94%), maximum volume flexibility and responsiveness (78%) and complexity management (78%). The Leaders focus on collaboration with key customers and suppliers and end-to-end supply chain planning. They also continue to place great weight on continuous improvements in manufacturing.

Retail and Consumer Goods

The most important value drivers for Retail and Consumer Goods companies are minimised costs (95%), maximum delivery performance (90%), maximum volume flexibility and responsiveness (79%) and complexity management (70%). The Leaders focus on collaboration with key suppliers and vendor-managed inventory and continue to place great importance on continuous improvements in production efficiency and inventory management.

Technology and Telecom Company

The most important value drivers for Technology and Telecom companies are minimised costs (94%), maximum delivery performance (90%), maximum volume flexibility and responsiveness (83%) and complexity management (71%). The Leaders focus on collaboration with key customers and suppliers and end-to-end transparency. They also continue to place great weight on dual sourcing with key electronics manufacturing services providers and regional supply chain set-ups.
Identifying the priority areas of primary importance to the company - Tool 1.

The procedure for making a list of priority issues consists of two main steps,

**Identification**: of factors like cost control, compliance, resource efficiency, disposal, customer satisfaction, etc. The issues are different for different companies and for different industries.

These will depend on the overall vision and business aspirations of the company.

**Prioritization and Validation**: The identified issues need to be prioritized with reference to the importance of each of them to the company as well as the suppliers.

The prioritized issues should be validated with the key and target suppliers and confirmed by the top management handling supply chain.

Once validated they should be categorized as shown in matrix below;

*This is just an example and the issues might vary in importance from company to company*
Tool 2: Developing a Supplier Code of Conduct

This tool presents a list of parameters that should be included in the Code of Conduct of suppliers. This ties in with the sustainability parameters that are required to create a clean & green supply chain, and be in sync with the self assessment and the supplier assessment tool.

While creating the code of conduct, companies should ensure that the material issues identified and prioritized are appropriately covered.

After the code of conduct is formalized, there should be mechanisms in place to communicate this same to the Supplier Community with proper reasoning and explanations. There should also be a mechanism within the organization to review the Code annually or at such intervals as deemed fit. Reference to the code of conduct designed by best in class peer companies is recommended while undertaking this exercise.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Criteria (Levels can be looked at from Table 1)</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Relations &amp; Labor Practices</td>
<td>Compliance with Local and International Labor Standards</td>
<td>- Number of maximum work hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Wage rate above the legal minimum</td>
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<tr>
<td></td>
<td></td>
<td>- Security of Contracts</td>
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<tr>
<td></td>
<td></td>
<td>- Respect to Unions and freedom of association</td>
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<tr>
<td></td>
<td></td>
<td>- Age, Gender and Disability sensitive policies</td>
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<tr>
<td></td>
<td></td>
<td>- Frequent communication of policies</td>
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<tr>
<td></td>
<td></td>
<td>- Equal opportunity employer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- No child labor and No forced labor</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Commitment to Health and Safety which meets minimum legal requirements</td>
<td>- Health and Safety Policy in place</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Frequent Employee health monitoring</td>
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<tr>
<td></td>
<td></td>
<td>- Training of Safety, and usage of Personal Protective Equipments</td>
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<tr>
<td></td>
<td></td>
<td>- Practices as per OHSAS 18001</td>
</tr>
<tr>
<td>Governance</td>
<td>Demonstration of good governance commitments at the higher management</td>
<td>- Inclusion of sustainable development in strategy by top management</td>
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<tr>
<td></td>
<td></td>
<td>- Whistleblower policy</td>
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<tr>
<td></td>
<td></td>
<td>- Governance Redressal Committee</td>
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<td></td>
<td></td>
<td>- Internal Audit Targets in top management’s performance review</td>
</tr>
<tr>
<td>Environmental Responsibility</td>
<td>Compliance with international norms with regard to pollution and energy</td>
<td>- Reduction of energy by some target level in a year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Reduction of emissions by some target level in a year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Energy efficient design of plants and buildings</td>
</tr>
<tr>
<td>Product Responsibility, Hazardous material and Wastes</td>
<td>Compliance with the laws pertaining to hazardous wastes</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>-------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>• Energy auditing done frequently</td>
<td></td>
<td></td>
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<tr>
<td>• Water management, rain water harvesting, etc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Environmental Impact Assessments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Segregation of Hazardous and Non hazardous materials</td>
<td></td>
<td></td>
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<tr>
<td>• Disposal of Wastes through a certified agency</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplier Management</th>
<th>Commitment to local economies and reduced transport costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review of supplier bases</td>
<td></td>
</tr>
<tr>
<td>• Support to the supplier base in monetary and labor terms</td>
<td></td>
</tr>
<tr>
<td>• Presence of a local supplier base</td>
<td></td>
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<tr>
<td>• Training to suppliers regarding the environmental and social dimensions of sustainability</td>
<td></td>
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<tr>
<td>• Helping suppliers for transparent reporting and certification</td>
<td></td>
</tr>
</tbody>
</table>
Tool 3: Tool for Self Assessment and for assessing Suppliers using Sustainability Criteria

This tool is to assess the supplier as well as initially assess the company regarding where it stands on each of the indicators. The company rates itself against various indicators, then sets out where it wants to be, sets the timeline, and designs policies to implement so that it goes to that level after the stipulated time period.

<table>
<thead>
<tr>
<th>Indicator (Rate against each indicator)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5 is excellent)</td>
<td>No Compliance</td>
<td>Marginal Compliance</td>
<td>Marginal Lapses</td>
<td>Full Compliance</td>
<td>Beyond Compliance</td>
</tr>
<tr>
<td>Good Employer &amp; Labor Practices</td>
<td>There is no commitment from the top management on the issue. No survey has been conducted to look at employee satisfaction levels</td>
<td>There are some compromises observed in compliance. The satisfaction levels from the survey show trends that are volatile and constantly changing</td>
<td>There are well laid out policies and the company adheres to the wage and labor practices. There are some programmes for employee development. Employee satisfaction levels are favorable</td>
<td>There are very good wage and other practices as per the prescribed norms. Employee satisfaction levels are very good. There is penetration of these policies to the contract workers</td>
<td>The remuneration levels and the work practices are the best in the industry. Employee satisfaction levels are the highest in the industry. There is penetration of these satisfaction levels among contract workers</td>
</tr>
<tr>
<td>Health &amp; Safety Practices</td>
<td>There is no compliance with the legal requirements of H&amp;S. The practices adopted are sub-par and frequency of occurrence of accident is high</td>
<td>There are compromises observed in the compliance of H&amp;S practices. There are records maintained but are infrequently used</td>
<td>There is good commitment from the management regarding H&amp;S practices. There are basic records maintained. No plans are made to get certifications</td>
<td>There is good demonstration of H&amp;S practices and it overshoots the legal requirements. Certifications are obtained for H&amp;S. There is recording and monitoring of the results in H&amp;S</td>
<td>The H&amp;S practices are among the best in the industry. The voluntary reporting and certification rates the company as the best in the area/sector. Preventive measures are included in the strategy</td>
</tr>
<tr>
<td>Governance</td>
<td>There is no commitment from the top management for monitoring social and environmental impacts and neither is there any compliance</td>
<td>There is commitment from the top management, but no transparency in the monitoring mechanism is observed; compliance is doubtful in certain critical areas</td>
<td>The firm commits to balance its social, economic and environmental impacts Measures are taken to put specific policies in place</td>
<td>There is transparent reporting of the impacts on the economic, environment, and social fronts There are policies laid out for sustainable development Reviews are frequent</td>
<td>There is a good history of the sustainability reporting There is proper governance policies to deal with contingencies and has support of the board</td>
</tr>
<tr>
<td>Environment Responsibility</td>
<td>There are no policies laid out regarding environmental responsibilities and suppliers have no commitment</td>
<td>The supplier has failed to provide a commitment but there are policies at the company There are impact assessments being made by the company</td>
<td>The supplier has identified issues and has provided impact assessments The company has policies to deal with environmental responsibility and has conveyed it to suppliers</td>
<td>The supplier has done product life cycle assessments and has plans to address them There are voluntary reporting and certification levels by both suppliers and the company</td>
<td>The suppliers are the best in the industry with regard to commitment to the environment There are separate contingency plans at both supplier and the company level and an action plan with specific timely targets</td>
</tr>
<tr>
<td>Product Responsibility &amp; Dealing with Hazardous Substances and Wastes</td>
<td>There is little knowledge about the existing laws on hazardous wastes among suppliers and the company The packaging of products do not take into account environmental impacts</td>
<td>There is some amount of knowledge about the laws regarding hazardous substances and some compliance is present Product packaging waste is minimized, and some attempts made at Reuse and Recycling of wastes</td>
<td>The suppliers are unable to provide information and details of their handling of wastes and hazardous materials but company has proper policies in place Product packaging is efficient and efforts are done to minimize wastage, and to recycle and reuse</td>
<td>The company and suppliers are fully aware of the hazardous materials being used across the supply chain and policies and action plans are present The product responsibility among the suppliers and company is high and good efforts are done to reuse and recycle</td>
<td>The supplier is actively involved with the company to deal with hazardous materials and wastes Timely audits are conducted in a transparent manner Has a process in place for environmental labeling of products</td>
</tr>
<tr>
<td>Supplier Management</td>
<td>No decision to consider geography in supplier decision making</td>
<td>Some amount of consideration is done occasionally to consider geography of the supplier</td>
<td>There is clear picture of the supplier base and efforts are made to reduce transportation emissions. There are specific policies in place to establish a supplier base and take the sustainability to them</td>
<td>The company has identified the suppliers that meet requirements from the local supply base and supports the economic sustainability of the suppliers. Occasional review of the supplier base is done.</td>
<td>The company demonstrates commitment to local economies and has the lowest transportation cost in the industry. There is frequent review of supply base</td>
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<tr>
<td>Actions taken to address impacts and implement policies</td>
<td>There is no action currently being taken to address environmental and social impacts at the supplier’s end</td>
<td>There is some commitment by the supplier to address the social and environmental impacts</td>
<td>Proper policies are there at the supplier end to address the social and environmental impacts</td>
<td>The supplier is able to demonstrate and transparently report on the environmental and social impacts frequently</td>
<td>The supplier is able to demonstrate innovation and is the best in class with regard to addressing social and environmental impacts</td>
</tr>
</tbody>
</table>