Sustainable1

Supplier Risk Management

Methodology

S&P Global Sustainable1 – May 2025

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Terms and Definitions

CSA: The Corporate Sustainability Assessment (CSA) is an evaluation conducted by S&P Global. It assesses the sustainability performance of companies across various industries. The CSA evaluates companies based on a wide range of environmental, social, and governance (ESG) criteria. It covers areas such as climate change, resource management, labor practices, human rights, and corporate governance. The assessment process involves collecting and analyzing data from companies, as well as conducting industry-specific research.

Criteria: Sub-categories of each dimension in this methodology. Each criterion represents a topic that applies to industries based on their ESG impacts and risks, as well as the resulting buyer risks.

Dimension: The overarching topics (Environmental, Social, Governance & Economic)

ESG: Environmental, Social, Governance & Economic

ESG Risk Exposure: The exposure to a risk that results from environmental, social, or governance aspects.

GICS: Global Industry Classification System was developed in 1999 by S&P Dow Jones Indices and MSCI. The GICS structure consists of 11 sectors, 25 industry groups, 74 industries, and 163 sub-industries. The GICS methodology has been widely accepted as an industry analysis framework for investment research, portfolio management, and asset allocation. Its universal approach to industries worldwide has contributed to transparency and efficiency in the investment process, and the GICS methodology supports the trend towards sector-based investing.

KPIs: Key performance indicators (KPIs) are quantifiable measurements used to gauge a company's performance. In this methodology, KPIs refer to both financial (e.g., revenues) and non-financial (e.g., scope 1 greenhouse gas emission, energy consumption, etc.) indicators.

Risk Exposure Assessment: The Risk Exposure Assessment measures the ESG risks an entity is exposed to, mostly driven by its business activities and geographic profile. ESG risks can materialize in various forms, such as reputational, legal, and regulatory risks that can ultimately have financial, business, and operational consequences. In other words, the Risk Exposure Assessment measures an entity's exposure to business, financial, and operational risks linked to its specific environmental, social, and governance profile on a scale from 0 to 100, where 0 represents a negligible risk and 100 represents the highest risk.

Introduction and Context

Objective

The Supplier Risk Management indicator is designed to measure a supplier's management of ESG impacts and risks informed by the supplier's disclosures submitted through the Supplier Risk Management assessment. The Supplier Risk Management assessment produces a relative indicator measuring the management of environmental, social, and governance impacts and risks of suppliers compared to their peers within the same industry classification. The result is measured on a scale of 0 – 100 and is displayed with a label that indicates the overall level of performance on a 7-point scale.

The assessment aims to support buyers in implementing their company's Supplier Code of Conduct throughout their supply chain. The assessment methodology is designed to enhance buyers' regulatory compliance, minimize operational and reputational risks, strengthen operational efficiency, and assess their suppliers' management of upstream ESG impacts and risks. Additionally, it provides valuable insights into suppliers' management of product compliance requirements and the maturity of their ESG management practices. Nevertheless, this assessment only focuses on suppliers' ESG impacts and risks as well as the risks for the buyers, but not on the buyers' value chain impacts as a whole.

The Supplier Risk Management assessment contains three dimensions, which cover 28 criteria and 62 questions in total (although the number of criteria and questions that are applicable per supplier assessment varies depending on the industry). It prioritizes dimensions, criteria, and questions that evaluate the supplier's ability to prevent and mitigate its key ESG impacts (external) and risks (to the business), which pose a significant risk to the buyer. The methodology adheres to a double materiality approach by focusing on key ESG impacts and risks of the supplier and considering buyer risks.

The Supply Chain Methodology workflow is illustrated in Figure 1 below. Supply chain management tools and services provided by S&P Global Sustainable1 (S1) cover step 1: Risk Exposure Assessment and step 2: Supplier Risk Management assessment, which is the focus of this methodology document. Step 3 – Performance Gap – will accompany step 2, as the results of the Supplier Risk Management will be displayed along with gaps identified in the supplier assessment.

Buyers can select suppliers to participate in the Supplier Risk Management assessment (step 2) by considering the modeled Risk Exposure Assessment results of their suppliers (step 1), based on their own selection criteria, or through a combination of both. However, it is not required for buyers to utilize the Risk Exposure Assessment (step 1). Suppliers with existing valid Supplier Risk Management indicators can also provide access to any buyer using the Supplier Risk Management assessment service. These tools are designed to support buyers in designing responsible sourcing programs that suit their risk appetite and to allow for further integration of supplier assessment and development measures beyond the scope of services provided by S&P Global in the company's workflow.

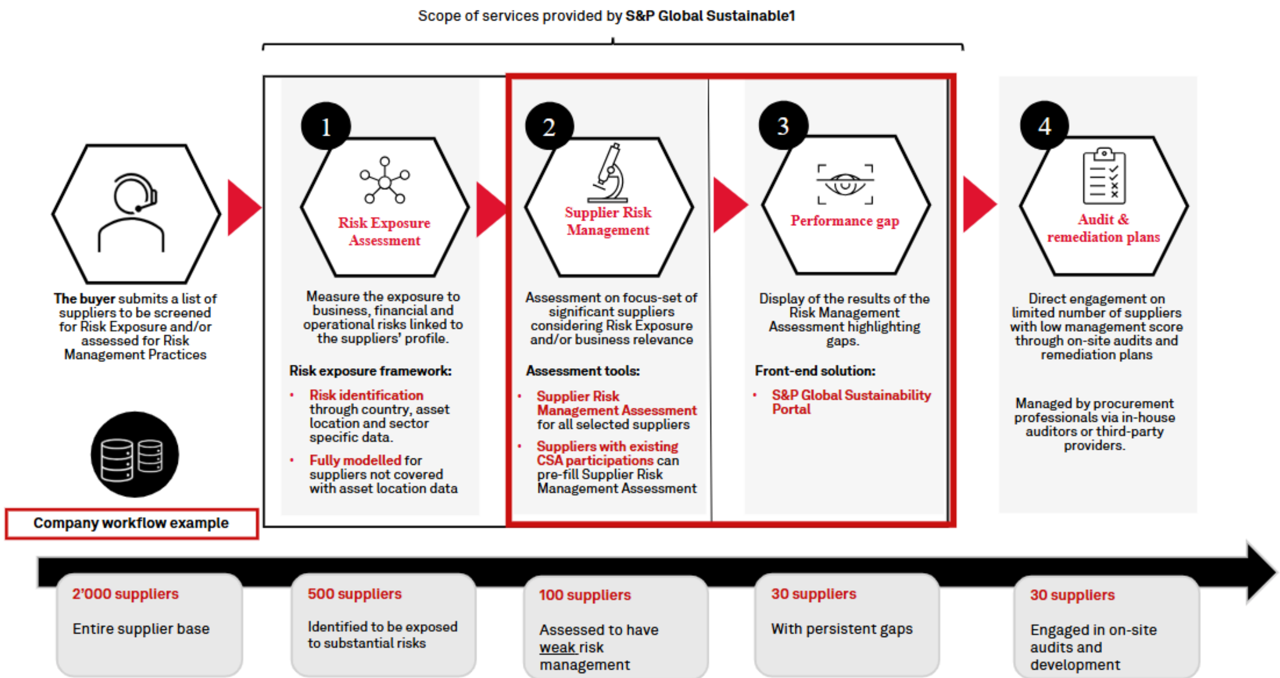

Figure 1 Supply Chain Methodology Workflow

The Risk Exposure Assessment (1) and the Supplier Risk Management (2) can be used individually. Performance Gap (3) can only be used in combination with the Supplier Risk Management (2).

Interpretation

Supplier Risk Management indicators are measured on a scale of 0 – 100, where 100 represents the maximum result. Points are awarded at the question level (up to 51 questions per supplier assessment) according to pre-defined scoring frameworks to assess the information submitted by suppliers in underlying data points (up to 400 data points per assessment). These "question-level indicators" aggregate up to the "criteria level", reflecting the most prominent and relevant ESG themes depending on the sub-industry (up to 27 criteria per assessment). The Criteria-level indicators further combine into their respective groupings to form standalone E, S, and G "dimension indicators", which ultimately roll up into a single, headline Supplier Risk Management indicator for every supplier/company. As relevant ESG impacts and risks as well as their management tend to be industry-specific, the results measure a supplier's overall sustainability performance relative to its peers within its industry.

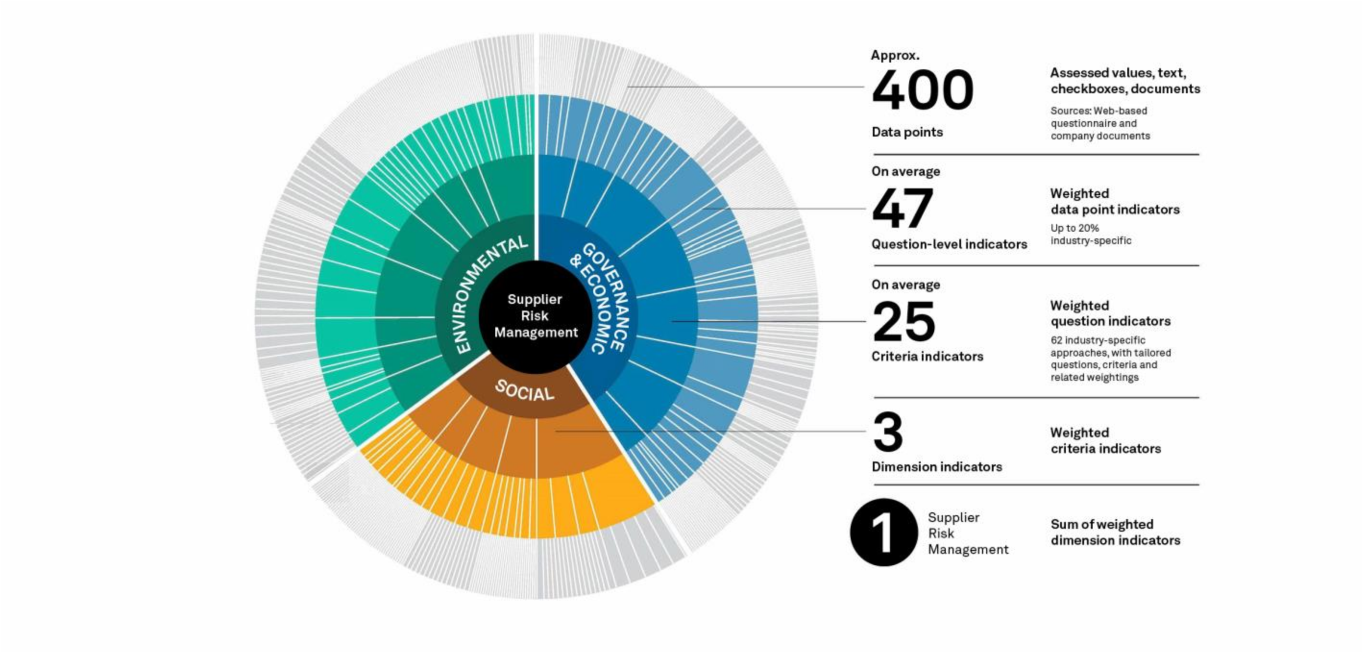

Figure 2 Supplier Risk Management indicator overview

Supplier Risk Management indicators are then categorized into performance labels. This is a 7-point scale that provides a clear and concise overview of suppliers' management of impacts and risks. For more information on the performance labels, please see page 13.

Supporting Documents

This document describes the Supplier Risk Management assessment methodology and is intended to be read in conjunction with supporting documents listed below (with hyperlink access), providing additional detail.

Supporting documents
Supplier Risk Management Weights Overview
S&P Global ESG Scores Methodology
Risk Exposure Assessment Methodology
S&P Global CSA Industry-GICS Sub-Industry Mapping

Data Sources and Collection

This methodology collects and scores participating suppliers' responses to the Supplier Risk Management assessment, evidenced by public and private documents. A few examples of public documents include publicly available annual reports, sustainability reports, integrated reports, company publications on the corporate website, etc. Private documents can be internal documents, procedures, training plans, audit reports, standard certifications, etc.

Relevant data points of a Supplier Risk Management assessment can be pre-filled with data from the Corporate Sustainability Assessment (CSA) if the supplier has already participated in the CSA in the current or the last two methodology years, or from a Supplier Risk Management assessment conducted in the past two methodology years if the supplier is a past participant.

While the methodology allows for the assessment of suppliers based on publicly available supplier information, limited public availability of required supplier information is expected, which may result in lower results.

Methodology Overview

Methodology design

Purpose of methodology

The Supplier Risk Management assessment aims to support buyers in implementing their Supplier Code of Conduct throughout their supply chain. The assessment methodology is designed to enhance the buyers' regulatory compliance, minimize operational and reputational risks, strengthen operational efficiency, and assess their suppliers' management of upstream ESG impacts and risks. Additionally, it provides valuable insights into suppliers' management of product compliance requirements and the maturity of their ESG management practices. Impacts and risks of products and services are not the core focus of the assessment, as buyers can control these through product specifications. Also, ESG-related risks and opportunities for the long-term value creation of the supplier are not a primary concern of the assessment.

Alignment with sustainability regulations and standards

Sustainability regulations, standards, and frameworks at the international and national levels, particularly related to the supply chain, informed the methodology development process at both the question and data-point levels. The most relevant and updated due diligence regulations were taken into consideration to define the topics covered, including the Corporate Sustainability Due Diligence Directive (CSDDD) and the UK Modern Slavery Act. Questions to assess these topics have been developed considering relevant ESG disclosure standards such as the Sustainability Accounting Standards Board (SASB) Standards, Corporate Sustainability Reporting Directive (CSRD), Global Reporting Initiative (GRI), etc. Please refer to **Appendix I** for more details.

Assessment structure and results

Dimension and Criteria Overview

The Supplier Risk Management assessment consists of three dimension-indicators from Governance & Economic, Environmental, and Social dimensions. In the methodology inventory, the assessment contains a total of 28 criteria and 62 questions. However, the required number of questions and criteria differ among industries, depending on the relevance of the different ESG topics for suppliers in each industry. The number of questions and criteria per industry can be found in **Appendix II.**

The overview of the assessment structure in our inventory is illustrated in Table 1 below.

Table 1 Supplier Risk Management assessment - dimensions and criteria

Dimension	Criteria
Company Information	Denominator – Revenues (question)
Company Information	Workforce Profile (question)
Company Information	Operational sites (question)
Governance & Economic	Transparency & Reporting
Governance & Economic	Governance
Governance & Economic	Risk & Crisis Management

Governance & Economic	Business Ethics
Governance & Economic	Supply Chain Management
Governance & Economic	Information Security
Governance & Economic	Quality Management
Governance & Economic	Governance & Economic Violations
Environmental	Environmental Management
Environmental	Energy
Environmental	Waste & Pollution
Environmental	Water
Environmental	Climate Strategy
Environmental	Biodiversity
Environmental	Product Stewardship
Environmental	Sustainable Raw Materials
Environmental	Environmental Violations
Social	Human Rights
Social	Labor Practices
Social	Occupational Health & Safety
Social	Local Community Rights
Social	Human Capital Management
Social	Customer Relations
Social	Privacy Protection
Social	Social Violations

The rationale for these criteria is detailed in **Appendix III**. The criteria (along with questions that they cover) apply to industries based on their ESG impacts and risks, as well as the resulting buyer risks. For example, while Local Community Rights are relevant for the Mining industry, companies in the Banking industry are not inquired about Local Community Rights due to the limited impacts of banks' operations on local communities. Please refer to **Appendix IV** for the full list of dimensions, criteria, and questions.

The Supplier Risk Management assessment includes 39 industry-agnostic questions and 23 industry-specific questions. General criteria relating to standard practices and performance measures, such as Climate Strategy, Human Rights, and Risk and Crisis Management, are assessed across all 62 industries. These 'core factors' (also called 'industry-agnostic') comprise approximately 80% of the assessments. The remaining 20% evaluate industry- or cross-industry-specific factors deemed relevant to a company's success and sustainability, depending on its industry. The industries in this assessment are mapped against the Global Industry Classification System (GICS), as shown in the S&P Global CSA Industry-GICS Sub-Industry Mapping.

As aforementioned, buyers can utilize the Supplier Risk Management assessment in combination with the modeled Risk Exposure Assessment indicators, though this is not mandatory. The criteria in this assessment are mapped against the risk factors of the Risk Exposure indicators, as detailed in **Appendix V**.

Question types

The Supplier Risk Management assessment contains five question types. Their characteristics are detailed in Table 2 below.

Table 2 Question types' characteristics

Question types	Description	Disclosure Requirement	Number of questions in the Supplier ESG Management Assessment
Policy	Focus on the company's commitments to good ESG practices and relevant policies	Public evidence only	12
Program	Measure how a company identifies and addresses key ESG impacts and risks	Public or private evidence	32
KPIs	Assess a company's transparency about its data management, performance, and progress on key ESG topics	Public or private evidence	10
Verification	Identify whether the company has certified its program to ensure the credibility of the procedures and systems in place	Public or private evidence	5
Denominator	Company information on revenue, operations, and workforce to understand company structure and use as coverage denominator in selected programs and verification questions.	Public or private evidence	3
Total number of questions			**62**

Evidence requirements

Every question in the Supplier Risk Management assessment requires supporting evidence. For questions on policies and commitment, the evidence must be public (e.g., publicly available annual report, sustainability report, integrated report, company publications, or on the corporate website). For other types of questions, supporting evidence can be private (e.g., internal documents, procedures, training plans, audit reports, standard certification).

Definitions, guidance, disclosure requirements, and references

Each question contains a question layout, rationale on the importance of the topic to a supplier, definitions of the terms used in the question, data requirements, disclosure requirements (i.e., acceptable public or private supporting evidence), along with references to relevant standards, frameworks, and other sources from reputable organizations.

Question scoring approaches

Answers to each question field are awarded between 0–100 points and are translated into results via scoring algorithms that vary according to the complexity of the data and the intent behind each question.

Depending on the question type, the focus of the assessment differs, as outlined in Table 3 below.

Table 3 Assessment focus per question

Categories	Description
Scope/coverage of data	Scope and coverage of quantitative or qualitative data
Completeness or comprehensiveness of policy/program/KPIs	Policy and/or program that covers multiple aspects; Completeness of KPIs provided by the company
Third-party assurance	Management systems verified by a third party
Performance against benchmark	Quantitative data of KPIs over the years assessed against predefined thresholds

Dimension, criteria, and question weights

Supplier Risk Management indicators are generated by aggregating question indicators to criteria indicators, criteria indicators to dimension indicators, and dimension indicators to the total indicator. Question, criterion, and dimension weights are used to reflect the relevance of topics for different industries. To achieve the purpose of the methodology, the assessment prioritizes dimensions, criteria, and questions that evaluate the supplier's ability to prevent and mitigate its key ESG impacts (external) and risks (to the business), which pose a significant risk to the buyer. Dimension and criteria weights reflect these priorities, combined with the industry-specific exposure to ESG issues, as outlined below and shown in the document **Supplier Risk Management Weights Overview.** The methodology adheres to a double materiality approach by focusing on key ESG impacts and risks of the supplier and considering buyer risks.

Dimension and criterion weights

The **Governance & Economic** dimension typically has a relatively low weight, except for industries with increased impacts and risk exposure related to Business Ethics, Information Security, Supply Chain Management, and Risk & Crisis Management, which may pose significant risks to buyers. The average weight across industries is 31%, ranging from 24% to 43%.

The **Environmental** dimension weights are driven by industry exposure of own operations to issues related to Environmental Management, Waste and Pollution, Water consumption, and Biodiversity. More dimension weight is allocated to industries with significant operational environmental impacts and risks, which can considerably affect the buyers' business. On average, the Environmental dimension weighs 35%, ranging between 21% and 45%.

The **Social** dimension weights are influenced by industry exposure of own operations to industries related to Human Rights, Child Labor, Forced Labor, Labor practices, Occupational Health & Safety, and Local Community Rights, which are critical social supply chain topics from a buyer perspective. Industries with high impacts or risks related to labor (e.g., industries that heavily rely on physical, low-qualified labor, as well as industries that depend on highly skilled labor, and industries interacting with local communities) have more weight, while those with limited social impacts and risks in their own operations have less. On average, the Social dimension weighs 34%, ranging from 26% to 43%.

Criteria weights are industry-specific, add up to dimension weights, and total 100 points across all dimensions. The criteria assigned to an industry are weighted depending on the industry's exposure to the topic and the risk it poses to a buyer, following the dimension approaches outlined above, and as shown in the document **Supplier Risk Management Weights Overview**.

Question weights

Question weights are defined as a percentage of the criterion weight. They depend on the type of question and which other questions are used in a criterion for a selected industry. The general approach to question weights is illustrated in table 4 below.

Table 4 Question weights

Question type	**Question weight** (in % of criterion weight)	**Rationale**
Policy questions (public)	20%	The policy represents the company's commitments and acts as a basis for its measures and actions. It is expected that suppliers should have publicly available policies to demonstrate their commitment.
Program questions (private)	35%-40%	This is the focus of the criterion due to the importance of measures and programs that the company implements to achieve its commitments and address ESG impacts and risks. Hence, 40% of the criterion weight is allocated to program questions.
Certification questions (private)	30%-35%	Third-party verification validates the management measures that the company implements.
KPI questions (private)	10%	KPIs disclosure demonstrates the company's transparency on performance and provides valuable insights to the buyer.

In addition, the weight of questions that do not apply to any industry will be redistributed to other applicable questions in the assessment. Some criteria only contain program questions (e.g., the Water criterion only contains Water Efficiency Management Programs and Water Risk Management Programs). This means that 100% of the weight of the Water criterion will be distributed to program elements.

Performance labels

Performance labels provide a way for buyers and suppliers to interpret the total score a supplier receives on the management of ESG impacts and risks.

The Supplier Risk Management indicator (0-100, maximum) is categorized on a 7-point scale, as illustrated in Table 5 below. A result between 0 to 14 represents a very weak approach to the management of ESG risks whereas a result of 90+ is considered very strong. Indicators with decimal points are rounded to the nearest whole number. For example, an indicator of 44.4 which rounds to 44 is labelled Evolving, while 44.6 which rounds to 45 is labelled Intermediate.

Table 5 Performance labels

Indicators	Label	Description
0-14	Very weak	Insufficient ESG management. Limited disclosure and alignment with requirements. Improvement needed.
15-29	Weak	Significant gaps identified in ESG management approach. Improvement needed.
30-44	Evolving	Some gaps identified in the ESG management approach. Improvement needed.
45-59	Intermediate	Sufficient ESG management with areas for improvement.
60-74	Enhanced	High level of ESG management, some areas for improvement, some good practices demonstrated.
75-89	Strong	Proactive ESG management. Many good practices demonstrated.
90-100	Very strong	Excellent ESG management practices on key ESG impacts and risks.

Methodology workflow

Potential or existing suppliers can be invited by S&P Global on behalf of the buyer. The Supplier Risk Management assessment will be displayed on the S1 Sustainability Portal. Suppliers can choose to pre-fill relevant data points of the Supplier Risk Management assessment with data from the Corporate Sustainability Assessment (CSA) from up to two methodology years prior, or from a Supplier Risk Management assessment from up to two methodology years prior if the supplier is a past participant.

A Supplier Risk Management result, generated after the assessment process, displays the supplier's assessment indicator at the dimension, criteria, and question levels on the Sustainability Portal. The ESG performance label and weighted performance gaps will be generated alongside the total result. Supplier Risk Management Indicators will be made available to the assessed supplier and the buyers approved by the supplier. Raw data, including question-level options and data, is also provided for buyers and suppliers to download from the Sustainability Portal.

Research universe

Potential or existing suppliers can be invited by S&P Global on behalf of the buyer. Assessed suppliers are invited to update their assessments annually. While the methodology allows for the assessment of suppliers based on publicly available information from the supplier, limited public availability of required supplier information is expected, which may result in lower results.

Corporate actions

Suppliers are assigned Supplier Risk Management indicators at the level of the supplier invited for participation. If a supplier acquires another supplier after the publication of Supplier Risk Management indicators, the acquiring supplier retains its assessment results until the next annual assessment cycle. A supplier that is spun off from a parent company may, based on relevance, inherit the parent's Supplier Risk Management indicators until the next annual review cycle, as information in such cases is typically not sufficient to renew the assessment (such as the new supplier's full-year financial or sustainability report).

Monitoring and Review

All new methodologies and any material changes to existing methodologies are reviewed and approved by an independent methodology governance committee.

Assumptions and Limitations

Assumption:

- The methodology provides buyers with a supplier self-assessment based on documented evidence, useful for the initial assessment and development of suppliers’ practices. On-site audits, while more resource-intensive, provide a deeper and more reliable assessment of a supplier's performance. A combination of both methods can be an effective strategy, using self-assessments for initial evaluations and on-site audits for high-risk suppliers.

Limitations:

- The methodology relies on suppliers’ disclosure of data and documents, most of which can be private. The effectiveness of the assessment depends on the information provided by participating companies, which can be validated by the buyers during the assessment process.
- The methodology collects data on economic, governance, environmental, and social violations from the supplier’s disclosure. At this stage, it does not leverage a controversies research methodology, which monitors and assesses media and stakeholder issues.
- The methodology incorporates industry-specific elements by assigning criteria, questions, and weights based on their relevance to the industry. However, the inclusion of additional industry-specific questions is subject to further development.

Maintenance/Updates

The Supplier Risk Management assessment methodology can be reviewed and updated annually to reflect emerging and underreported topics that are expected to increase in relevancy in the future, reflect new regulatory requirements, and address new client requirements.

Appendices

Appendix I Standards & Frameworks referenced in the Supplier Risk Management assessment

Standard/Framework	Summary	Industry application	Geographical application
California Transparency in Supply Chains Act	Requires large companies doing business in California to disclose efforts to eradicate slavery and human trafficking.	Applies to retail and manufacturing industries with large supply chains	California, United States
Corporate Sustainability Due Diligence Directive (CSDDD)	The Directive requires companies to identify, prevent, and, where necessary, mitigate and cease the adverse impacts of business activities on human rights and the environment. It is part of the European Union's broader sustainability ecosystem. It complements Corporate Sustainability Reporting Directive (CSRD), EU Taxonomy and Sustainable Finance Disclosure Regulation (SFDR).	All industries with +1,000 employees and a global (net) revenue of 450 million euros	EU-wide directive
Corporate Sustainability Reporting Directive (CSRD)	A European Union directive requiring large companies to report on environmental, social, and governance matters.	Large public interest entities in the European Union	EU-wide directive
German Act on Corporate Due Diligence Obligations in Supply Chains	The Act sets out the necessary preventive and remedial measures to identify, prevent, or minimize the risks of human rights violations and damage to the environment.	Enterprises that have their central administration, principal place of business, administrative headquarters, statutory seat, or branch office in Germany with at least 1,000 employees.	Germany
Global Reporting Initiative (GRI) Standards	Provides a comprehensive sustainability reporting framework covering economic, environmental, and social impacts.	All industries globally, common in corporate social responsibility reporting	Netherlands-based organization, used globally
International Labour Organization (ILO) Fundamental Principles and Rights at Work and Decent Work Agenda	Promotes the fundamental aspirations of workers worldwide, underpinned by a series of core ILO conventions. These conventions generally cover areas such as the elimination of forced and child labor, non-discrimination, and the right to freedom of association and collective bargaining. The Decent Work Agenda emphasizes productive employment that provides fair income, workplace security, and social protections.	All industries	Global, headquartered in Geneva, Switzerland
Sustainability Accounting Standards Board (SASB) Standards	A set of industry-specific standards to help businesses report on financial material sustainability issues.	Over 77 industries globally, mainly used by investors and financial markets	United States-based, used globally

UK Modern Slavery Act	Legislation aimed at combating modern slavery requires businesses to report actions taken to prevent it in supply chains.	United Kingdom companies and subsidiaries have an annual turnover of £36 million	United Kingdom
United Nations Global Compact (UNGC)	A voluntary initiative encouraging companies to align with principles on human rights, labor, environment, and anti-corruption.	All industries globally, particularly large multinationals	Global, initiated by the United Nations
Uyghur Forced Labor Prevention Act (UFLPA)	The United States' law bans the import of goods produced using forced labor from the Xinjiang region of China.	All industries importing goods into the US, particularly textiles, electronics	United States

Appendix II Number of applicable criteria and questions by industries

Industry	Number of criteria	Number of questions
ATX Auto Components	25	48
AUT Automobiles	26	49
BNK Banks	22	38
ARO Aerospace & Defense	26	49
BLD Building Products	25	47
CON Construction & Engineering	25	45
ELQ Electrical Components & Equipment	25	48
IDD Industrial Conglomerates	26	49
IEQ Machinery and Electrical Equipment	25	48
TCD Trading Companies & Distributors	24	42
ICS Commercial Services & Supplies	24	43
PRO Professional Services	22	38
DHP Household Durables	25	47
HOM Homebuilding	24	44
LEG Leisure Equipment & Products and Consumer Electronics	25	47
TEX Textiles, Apparel & Luxury Goods	27	50
CNO Casinos & Gaming	26	44
CSV Diversified Consumer Services	24	41
REX Restaurants & Leisure Facilities	26	45
TRT Hotels, Resorts & Cruise Lines	26	47
FBN Diversified Financial Services and Capital Markets	22	38
COL Coal & Consumable Fuels	25	47
OIE Energy Equipment & Services	25	45
PIP Oil & Gas Storage & Transportation	25	45
FDR Food & Staples Retailing	26	47
BVG Beverages	27	50
FOA Food Products	27	50
TOB Tobacco	25	45
HEA Health Care Providers & Services	24	43
MTC Health Care Equipment & Supplies	25	46
COS Personal Products	25	46
HOU Household Products	25	46
INS Insurance	22	38
ALU Aluminum	25	47
CHM Chemicals	25	47
COM Construction Materials	26	49

CTR Containers & Packaging	25	49
FRP Paper & Forest Products	27	51
MNX Metals & Mining	25	47
STL Steel	25	47
PUB Media, Movies & Entertainment	24	41
BTC Biotechnology	25	45
DRG Pharmaceuticals	26	46
LIF Life Sciences Tools & Services	24	44
REI Equity Real Estate Investment Trusts (REITs)	25	43
RTS Retailing	26	47
SEM Semiconductors & Semiconductor Equipment	26	51
SOF Software	24	42
TSV IT services	24	42
CMT Communications Equipment	26	50
ITC Electronic Equipment, Instruments & Components	26	50
THQ Computers & Peripherals and Office Electronics	26	50
TLS Telecommunication Services	25	44
AIR Airlines	25	45
TRA Transportation and Transportation Infrastructure	26	46
ELC Electric Utilities	26	47
GAS Gas Utilities	26	46
MUW Multi and Water Utilities	26	47
OGX Oil & Gas Upstream & Integrated	25	46
OGR Oil & Gas Refining & Marketing	24	44
IMS Interactive Media, Services & Home Entertainment	24	42
REM Real Estate Management & Development	25	43
Average across all industries	**25**	**47**

Appendix III Supplier Risk Management assessment - Criteria Rationale

Dimension	Criteria	Rationale for criteria
Company Information	Company Information	This criterion collects foundational information on the company assessed, such as revenues, workforce profile and locations of its operational sites. The information collected in this criterion will be used to normalize quantitative data provided in other questions as well as to reference the denominator used for calculating the coverage of the management system certifications disclosed in other questions and for additional research purposes.
Governance & Economic	Transparency & Reporting	To confidently use sustainability-related data, reports, and materiality assessments produced by companies, stakeholders must be able to rely on accurate information that has been collected, elaborated, and presented in a transparent manner. This criterion aims to assess how companies set and communicate the reporting boundaries associated with their sustainability disclosure and whether they certify the quality and accuracy of the disclosed data through third-party verification and assurance processes. In addition, this criterion assesses whether companies conduct a materiality assessment process i.e., considering the interrelation between external impacts on society or the environment on the one hand and internal impacts on enterprise value on the other hand.
Governance & Economic	Governance	Corporate Governance encompasses the rules and processes guiding a company to ensure accountability, transparency, and alignment with stakeholder interests. As ESG factors gain importance, integrating them into oversight structures is crucial for managing risks, seizing opportunities, fostering long-term value, and upholding responsible business practices.
Governance & Economic	Risk & Crisis Management	Effective risk and crisis management is vital for long-term financial planning and organizational flexibility. Since the financial crisis, it has gained particular importance. Companies need to implement internal control processes to comply with existing regulations and proactively develop control mechanisms. This criterion focuses on risk management independence, the frequency of risk reviews and audit processes incentivizing training and empowering employees in order to develop an effective risk culture.
Governance & Economic	Business Ethics	Business ethics are at the crux of a well-functioning business. By establishing integrity across business lines and amongst employees, trust can be built with key stakeholders and employees, and the general public can be safeguarded. The criterion evaluates the Codes of Conduct and their effective implementation. Additionally, corporations across all industries are expected to have higher alignment with ethical standards by implementing comprehensive Codes of Conduct outside their business model and mitigating risks associated with non-compliance.
Governance & Economic	Supply Chain Management	In an increasingly globalized world, when a company outsources its production, services, or business processes, it also outsources corporate responsibilities and reputational risks. This means that companies need to find new strategies to manage the associated risks and opportunities, which differ from the traditional risk and opportunity management with the company's production or services in-house. In addition, the company is confronted with the need to minimize costs and time of delivery to satisfy customers' demand and increase profitability without negatively impacting product quality or incurring high environmental or social costs. Stakeholders increasingly see the importance of supply chain risk management and the negative consequences if it is not managed effectively. This criterion aims to identify companies with lower supply chain risk profiles through the appropriate management of existing risks.
Governance & Economic	Information Security	Information Security/Cybersecurity concerns the ability of companies to prevent the failure of IT systems, networks, programs, and devices due to cybersecurity

		incidents and digital attacks. It includes the protection of sensitive and private information and ensuring the confidentiality, reliability, and continued availability of infrastructure and data. It requires preparedness to respond and ensure business continuity in the event of any incident or attack. This includes escalation mechanisms, incident response procedures, and vulnerability analysis. Additionally, the criterion aims to identify whether the company has certified its IT security infrastructure and systems. While the issue does pertain to data security broadly, issues related to protecting the personal information and rights of individuals, such as employees, are addressed under the topic of privacy protection.
Governance & Economic	Quality Management	Quality management represents a challenge to any company, as it necessitates effectively addressing a range of environmental, social, and governance risks and opportunities. Effective quality management systems help companies ensure the safety and quality of their products and services. A robust quality management system can enhance operational efficiency and reduce costs, putting companies in a better position to deliver products and services that meet or exceed customer expectations. On the other hand, ineffective or poorly implemented systems can lead to product defects, recalls, and customer complaints, all of which can damage a company's reputation and result in financial losses. Additionally, companies that do not prioritize quality management may face legal and regulatory risks if they fail to comply with industry standards and regulations. The criterion assesses a company's systems, which include its quality management policy and program certification.
Governance & Economic	Governance & Economic Violations	Organizations are increasingly expected by the marketplace, regulations, and stakeholders to demonstrate their adherence to integrity, governance, and good business practices. This question assesses if a company transparently discloses legal violations on economic and governance topics such as Corruption or Bribery, Conflict of Interest, Money Laundering and IT/Cybersecurity.
Environmental	Environmental Management	Environmental Management System (EMS) refers to the management of an organization's environmental programs in a comprehensive, systematic, planned, and documented manner. It includes the organizational structure, planning, and resources to develop them, and the procedure for the implementation and management of the company's policy on environmental resource management. Companies that have adopted an EMS as a management tool are more likely to improve their environmental performance in a cost-effective way and to reduce the risk of incurring fines or penalties for not complying with environmental legislation.
Environmental	Energy	In the last century, energy demand has increased exponentially. Companies are required to understand and report the types of energy they use, the quantities and the management strategy of this critical issue. Energy efficiency can enhance companies' competitiveness through reduced costs and environmental liabilities. It can also mean companies are better prepared for future environmental regulations. This criterion focuses on the company's energy consumption and how energy management is integrated across business operations.
Environmental	Waste & Pollution	The shift towards a circular economy continues to grow in importance as the waste crisis escalates. The proper treatment of waste and effective measures to prevent and minimize pollution of air, land, and water can enhance a company's competitiveness through reduced costs and environmental liabilities. Integrating programs within company operations to reduce waste is considered one of the best practices in minimizing environmental and social impact when seeking new business opportunities. Additionally, measuring waste and pollution generated allows companies to track progress, set meaningful targets, better prepare for future regulation, and address stakeholder expectations. The focus of this criterion is to identify the management of waste and pollution across business operations.
Environmental	Water	Water is becoming increasingly scarce, and such scarcity poses a considerable risk to many sectors. Considering water consumption and exposure to water risks along the value chain of business operations can enhance companies'

		competitiveness by reducing costs and environmental liabilities. It can also mean companies are better prepared for future environmental regulations. The purpose of this criterion is to understand how companies are taking steps towards properly managing water as a critical resource for their businesses through specific water management programs.
Environmental	Climate Strategy	Most industries will be impacted by climate change, albeit to a varying degree. The need for robust strategies to meet the scale of the challenge is growing ever more significant. As the number of climate-related mandatory and voluntary disclosure frameworks and standards increases, companies must remain vigilant in not only assessing their exposure to climate risks but also documenting this in a way that meets disclosure requirements. The purpose of this criterion is to assess companies' reporting on emissions KPIs and managing physical climate risks.
Environmental	Biodiversity	Biodiversity forms the foundation for all of life. It plays a critical role in maintaining the quality, quantity, and resilience of ecosystems and provides services that the planet relies upon. Businesses have long utilized nature's resources and services without having to pay the full price for the privilege. The externalities of these actions have brought us to a turning point—either continue elevated levels of dependency and impact on nature, or follow a path to a more holistic approach. The world—humans, businesses, economies—face a risk of collapse if we continue to exceed nature's boundaries. The only foreseeable option is a transformative path where businesses deeply consider their relationship with nature and work collaboratively with stakeholders to achieve mutually beneficial outcomes. This criterion focuses on the ability of companies to recognize the importance of biodiversity by making firm commitments to achieving a net positive impact on biodiversity and avoiding operational activities near sites with important biodiversity. Risks must be identified in order to alleviate pressure on ecosystems and to help them thrive, while still working within the parameters of business operations. This criterion also seeks a high level of industry collaboration with external stakeholders to create meaningful policies, operate within supply chains, and transform existing systems.
Environmental	Product Stewardship	Managing the negative impact of products is a major concern for stakeholders. Integration of sustainable practices reflects an understanding of sustainability challenges and demonstrates the ability of firms to capitalize on market opportunities while minimizing risks. Product stewardship processes refer both to how firms assess sustainability aspects on product design and its impact during its life cycle, as well as its exposure to hazardous substances and mitigating actions to minimize the risk of harm to both people and the environment.
Environmental	Sustainable Raw Materials	Raw materials play a vital role in the production of a variety of goods for numerous industries across the globe. Population growth, industrialization, and decarbonization of transport and energy systems, along with new technologies are contributing to the growing demand for raw materials in the production of food, consumer products, machines and infrastructure. At the same time, companies and stakeholders that depend on raw materials are exposed to numerous environmental, social, and governance risks. A growing number of companies are also experiencing operational disruptions, public scrutiny, investor interest, new regulatory requirements, and judicial actions related to the sustainability impacts of the raw materials used in their value-creation processes. Through this criterion, we assess the policies and programs companies have implemented to identify and minimize negative environmental and social impacts from the production of raw materials and to address operational, reputational, compliance, and regulatory risks for their business.

Environmental	Environmental Violations	It is increasingly important for organizations to demonstrate their adherence to integrity, governance, and good business practices as expected by the marketplace, regulators, and stakeholders. This question assesses whether a company transparently discloses legal violations on environmental topics.
Social	Human Rights	It is recognized that business enterprises should support and respect human rights. Related responsibilities include the need to avoid contributing to and seeking to prevent adverse human rights impacts. The criterion assesses if companies commit to, among others, prohibiting human trafficking, forced labor, child labor, and respecting the rights of local communities. At stake are the rights of not only employees but all citizens, including vulnerable groups such as indigenous peoples, migrants, people with disabilities, and people who are discriminated against. A company’s practice that respects human rights will also build trust with stakeholders and demonstrate internationally good business practices.
Social	Labor Practices	Employees represent one of a company's most important assets. Maintaining good relations with employees is essential for the success of businesses' operations. Beyond providing a safe and healthy working environment, companies should support fair treatment practices such as prohibiting discrimination, ensuring equal remuneration, and supporting freedom of association. In accordance with international standards on labor rights, companies are increasingly expected to adhere to and apply these standards equally across all operations within the organization. Furthermore, growing customer awareness leads to higher expectations from companies in their role as global corporate citizens and their ability to drive sustainable business practices forward.
Social	Occupational Health & Safety	Poor occupational health and safety (OHS) performance has a direct negative impact on labor costs through lower productivity. Moreover, it can also affect a company's reputation, impact staff morale, or increase operating costs through fines and other contingent liabilities. Our key questions focus on policy, program, and Key Performance Indicators (KPIs) for a company's own operations.
Social	Local Community Rights	Manufacturing, extractive, tourism, and real estate industries operate assets that require land and access, and that potentially impact affected communities' noise, light, traffic, waste generation, and health. To avoid the possibility of conflict, protest, or the cancellation of companies’ operating licenses, it is critical to engage with local communities at an early stage of the site’s activities and to create structures to enable ongoing consultation throughout the life of the asset. In particular, Indigenous Peoples are social groups that are distinct from mainstream groups in national societies and are often among the most marginalized and vulnerable section of the population.
Social	Human Capital Management	Human capital can make up a significant part of a company's intangible assets in many industries. Considering the drivers in technological disruption and innovation, demographic shifts, and societal developments, companies need to focus on developing their human capital and make sure that their employees have the necessary skill set needed to perform well and execute the business strategy. To address the skills gap challenge, companies must carefully consider their investments in training, upskilling, and reskilling their workforce.
Social	Customer Relations	Customer Relations includes ethical advertising. These guidelines and commitments help ensure that the information contained is truthful and accurate, not deceptive, misleading or unethical. This element of trust is essential to ensure customer loyalty and avoid key reputational and financial risks.
Social	Privacy Protection	Privacy protection is about the handling of personal information. For an organization, it refers to the effective implementation of a privacy policy. The protection of personal data is closely followed by many regulators and requires compliance with laws, regulations, and/or voluntary standards adopted by companies. Implementation mechanisms include the integration of a privacy

		policy system into companies' risk and compliance management. This topic is separate but related to the topic of Cyber Security.
Social	Social Violations	Organizations are increasingly expected by the marketplace, regulations, and stakeholders to demonstrate their adherence to integrity, governance, and good business practices. This question assesses if a company transparently discloses legal violations on social topics, including human rights, labor rights, occupational health & safety, local community rights, customer relations, and customer data privacy.

Appendix IV Supplier Risk Management Criteria & Questions

Dimension	Criteria	Question	Industry application
Company Information	Denominator - Revenues	Denominator - Revenues	62
Company Information	Workforce Profile	Workforce Profile	62
Company Information	Operational Sites	Operational Sites	62
Governance & Economic	Transparency & Reporting	Materiality Analysis	62
Governance & Economic	Transparency & Reporting	Sustainability Reporting	62
Governance & Economic	Governance	ESG Governance Oversight	62
Governance & Economic	Risk & Crisis Management	Risk Management	62
Governance & Economic	Business Ethics	UN Global Compact Membership	61
Governance & Economic	Business Ethics	Codes of Conduct	62
Governance & Economic	Business Ethics	Codes of Conduct: Systems/Procedures	62
Governance & Economic	Supply Chain Management	Supplier Code of Conduct	62
Governance & Economic	Supply Chain Management	Supplier ESG Programs	62
Governance & Economic	Information Security	IT Security/Cybersecurity Measures & Infrastructure	62
Governance & Economic	Information Security	Verification of IT Security	62
Governance & Economic	Quality Management	Quality Management Policy	62
Governance & Economic	Quality Management	Quality Management Programs	62
Governance & Economic	Quality Management	Verification of Quality Management Programs	62
Governance & Economic	Governance & Economic Violations	Reporting on Governance & Economic Violations	62
Environmental	Environmental Management	Environmental Policy	62
Environmental	Environmental Management	Verification of Environmental Programs	62
Environmental	Energy	Data Center Efficiency	4
Environmental	Energy	Energy Consumption	62
Environmental	Energy	Energy Management Programs	62
Environmental	Waste & Pollution	Pollution Prevention Programs	56
Environmental	Waste & Pollution	Waste Management Programs	54
Environmental	Waste & Pollution	Construction Waste Management	4
Environmental	Waste & Pollution	Tailings Management Programs	4
Environmental	Water	Water Efficiency Management Programs	58
Environmental	Water	Water Risk Management Programs	17
Environmental	Climate Strategy	Emissions Reduction Targets	62

Environmental	Climate Strategy	Direct Greenhouse Gas Emissions (Scope 1)	62
Environmental	Climate Strategy	Indirect Greenhouse Gas Emissions (Scope 2)	62
Environmental	Climate Strategy	Physical Climate Risk Adaptation	62
Environmental	Biodiversity	Biodiversity Commitment	28
Environmental	Biodiversity	No Deforestation Commitment	25
Environmental	Product Stewardship	Exposure to Hazardous Substances	29
Environmental	Product Stewardship	Hazardous Substances Programs	29
Environmental	Product Stewardship	Product Stewardship Programs	24
Environmental	Product Stewardship	End-of-Life Cycle E-Waste	6
Environmental	Sustainable Raw Materials	Raw Materials Policy	18
Environmental	Sustainable Raw Materials	Raw Materials Programs	18
Environmental	Sustainable Raw Materials	Conflict Minerals	11
Environmental	Environmental Violations	Reporting on Environmental Violations	62
Social	Human Rights	Human Rights Policy	62
Social	Human Rights	Human & Labor Rights Due Diligence	62
Social	Human Rights	Forced Labor & Child Labor Prevention Programs	19
Social	Human Rights	Forced Labor & Child Labor Prevention Programs (advanced version)	43
Social	Labor Practices	Labor Rights Policy	62
Social	Labor Practices	Labor Practice Programs	19
Social	Labor Practices	Labor Practice Programs (advanced version)	43
Social	Labor Practices	Verification of Labor Management Systems	43
Social	Occupational Health & Safety	OHS Policy	62
Social	Occupational Health & Safety	OHS Programs	62
Social	Occupational Health & Safety	Verification of OHS Programs	62
Social	Occupational Health & Safety	Lost-Time Injury (Frequency) Rate (LTIFR/LTIR) - Employees	52
Social	Local Community Rights	Local Community Rights Programs	25
Social	Human Capital Management	Hiring & Development Programs	62
Social	Human Capital Management	Employee Support Programs	62
Social	Human Capital Management	Employee Turnover Rate	62
Social	Customer Relations	Ethical Marketing & Advertising	62
Social	Privacy Protection	Privacy Policy: Systems/Procedures	35
Social	Social Violations	Reporting on Social Violations	62

Appendix V: Risk Exposure Assessment factors and Supplier Risk Management assessment questionnaire criteria mapping

Risk Exposure Assessment - Risk factors	Supplier Risk Management assessment criteria
Not mapped	Denominator - Revenues
Not mapped	Workforce Profile
Not mapped	Operational Sites
Corporate Governance & Ethics	Governance
Corporate Governance & Ethics	Business Ethics
Risk & Crisis Management	Risk & Crisis Management
Cyber Security	Information Security
Not mapped	Transparency & Reporting
Product / Service Quality & Safety	Quality Management
Supply Chain Management	Supply Chain Management
Not mapped	Governance & Economic Violations
Energy	Energy
Environmental Policy & Management	Environmental Management
Pollutants & Waste	Waste & Pollution
Water	Water
Biodiversity	Biodiversity
Sustainable Products & Services	Product Stewardship
Climate Transition & Physical Risks	Climate Strategy
Sustainable Raw Materials	Sustainable Raw Materials
Not mapped	Environmental Violations
Occupational Health & Safety	Occupational Health & Safety
Human Capital Management	Human Capital Management
Human Rights	Human Rights
Customer Relations	Customer Relations
Privacy Protection	Privacy Protection
Society & Community Relations	Local Community Rights
Labor Practices	Labor Practices
Not mapped	Social Violations

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