



ecovadis

Business Sustainability Risk and Performance Index 6th Edition

Insights From Global Supply Chain
Ratings 2017-2021

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Foreword

Dear readers,

Welcome to the sixth edition of the *Business Sustainability Risk and Performance Index: Insights From Global Supply Chain Ratings*, which covers ratings data from 2017 to 2021. It explores the state of sustainability performance in the EcoVadis network – across global regions, key industries and company sizes – and the remarkable progress being made by companies that have undergone multiple assessments.

Supply Chain Turbulence Persists

More than two years of pandemic-related disruptions and the ongoing war in Ukraine have triggered seismic shifts in global supply chains. Procurement professionals are adjusting their focus from traditional concerns like cost and efficiency to continuity and resiliency – ensuring that your supply network can withstand the next big shock will be paramount going forward. With climate impacts intensifying and social unrest growing in many countries, this shock can come in many forms. Companies must take a holistic approach to integrating sustainability into their operations and throughout their supply chain if they want to continue to operate effectively in an increasingly unpredictable world.

Legislators Are Stepping Up

On 23 February 2022, the European Commission published a proposal for a Directive on Corporate Sustainability Due Diligence that would require large companies to identify, mitigate, report on and, ultimately, eliminate adverse human rights and environmental impacts throughout their operations and value chains. And Europe is not alone. Emerging legislative efforts around due diligence in Japan, Australia and a number of other countries are compelling companies around the world to rethink their approach to managing social and environmental issues.

Helping Companies on Their Sustainability Journey

A confluence of factors, from increased regulatory pressure to the growing stakeholder spotlight on the role the private sector must play in the sustainability transition, is incentivizing suppliers to improve their social and environmental practices. With EcoVadis officially becoming a purpose-led company under French law in 2022, we are better poised than ever to support this influx of companies embarking on or accelerating

their sustainability journey. This edition of the *Business Sustainability Risk and Performance Index* highlights the growing maturity of our network – from companies rated for the first time to veterans of the ratings process – on a wide spectrum of sustainability topics.

We hope you enjoy the new insights,



Sylvain Guyoton
Chief Rating Officer



Executive Summary

In its sixth edition, the *EcoVadis Business Sustainability Risk and Performance Index* explores sustainability performance trends in global supply chains from 2017 to 2021. This report and the accompanying [Index Online](#) highlight the unique insights companies can gain when they use ratings to measure, benchmark and track improvement on sustainability management practices across their supply base. Based on data from over 83,000 sustainability ratings of nearly 53,000 companies, the report highlights that companies across sizes, industries and regions have significantly improved their sustainability management practices over the past five years. The global scoring average reached 49.2 in 2021, up by 5.1 points since 2017. The 1.7-point gain since 2020 represents a doubling of the 0.9-point improvement observed from 2019 to 2020.

In addition to sustained performance improvement, more companies than ever are engaging in sustainability ratings. EcoVadis has seen a 61% growth in the number of assessments from 2017

to 2021, with an even faster acceleration in uptake from 2020 to 2021 (+24.1%) compared to 2019 to 2020 (+16.3%). In particular, Northern America* (the US and Canada) experienced an unparalleled 42% growth in assessments from 2020 to 2021 alone.

Nonetheless, significant performance differences persist between regions and companies assessed for the first time versus those that have consistently leveraged EcoVadis ratings to improve their sustainability practices. Building a comprehensive sustainability management system takes time, as illustrated by the fact that over 65% of companies with an Advanced (score of 65+) or Outstanding (85+) rating have been undergoing assessments since 2018 or earlier. Only 16% of this high-performing group underwent their first assessment in 2021.

*The region of Northern America includes the US and Canada. Mexico is included in Latin America & the Caribbean.

The EcoVadis Scoring Scale and Performance Levels



Europe continues to significantly outperform other regions on both overall scoring, with an average of 53.8 (followed by Northern America at 46.9), and across all themes. Scoring 54.6 on the Environment theme, it is more than 10 points ahead of Latin America & the Caribbean, the next-closest region at 44.8 points. Asia-Pacific, however, boasts the fastest improvement on the theme from 2020 to 2021. The region's 1.8-point improvement on Labor & Human Rights since 2020 has taken the regional average above the 45-point threshold indicating a Good level of sustainability management (Europe: 56.7, Northern America: 51.2).

Companies reversed a multi-year decline in Sustainable Procurement scoring, with the 2021 theme average of 38.8 representing a 1.1-point improvement over the past year. Performance on Labor & Human Rights was the highest across all themes, with companies averaging 52.5. Strong performance on both of these themes is essential if companies are to prepare for the human rights due diligence (HRDD) legislation that

is on the rise globally and will require many companies to rethink how they approach social issues in their supply chains. [The Deep-Dive section](#) of this report sheds light on companies' readiness for HRDD requirements. It highlights that there are significant performance gaps in terms of how companies are addressing these issues internally versus in their supply chains. The share of companies with policies in place to cascade due diligence practices throughout their supply chain is currently below 50%. Companies have a lot of work left to do to transform their HRDD aspirations into action – both within their operations and upstream in their supply chain.



Global Overview



Key Trends

- Companies across all sizes improved their sustainability performance over the 2017-2021 timeframe, though small and medium-sized enterprises (SMEs) outperformed their larger counterparts and continue to improve at a faster rate (1.9 vs. 0.7 points since 2020).
- Insufficient sustainability performance levels (scoring below 25) have fallen over the past five years, indicating a reduction in supply chain sustainability risks globally. First-time rated companies that are new to their sustainability journey are twice as likely to fall into the Insufficient or Partial performance level than companies that have undergone multiple assessments (46% vs. 23% respectively).
- Sustainability performance increases substantially for re-assessed companies that have focused on improving their sustainability management systems over multiple years. Companies that have been assessed for 5+ years are much more likely to have Advanced (score of 65+) or Outstanding (score of 85+) performance than those in the early stages of their journey.
- All industries improved their sustainability performance between 2017 and 2021, with Finance, Legal & Consulting firms jumping to the top of the industry rankings due to particularly high scoring on both the Labor & Human Rights (56.5) and Ethics (55.7) themes.

Growth and Maturity of the EcoVadis Network

83,000+ ratings

on nearly 53,000 companies from 2017 to 2021

50/50

split between companies assessed for the first time and those with multiple assessments

61%

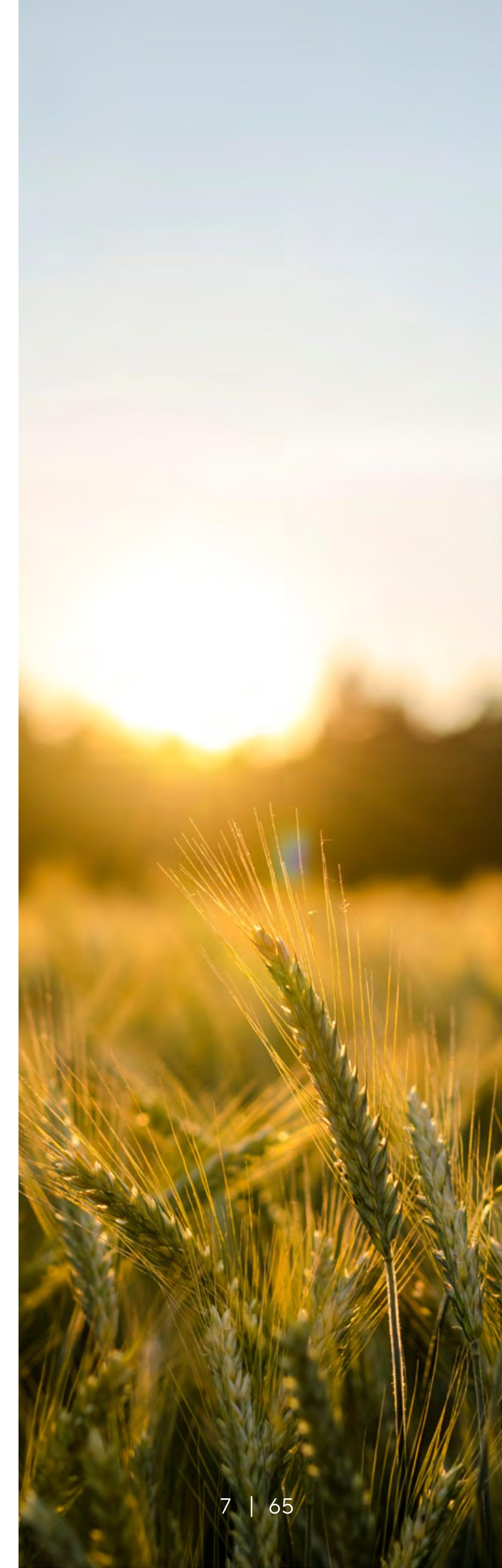
growth in assessments since 2017

160

countries represented in the data

42%

growth in assessments in Northern America since 2020



Scoring Highlights

49.2

global overall average in 2021

↑ 1.7

scoring increase since 2020 (the second-largest annual gain over the past five years)

↓ 30%

decrease in the number of companies with a Partial or Insufficient level of sustainability performance (score below 45)

↑ 5.1

overall scoring increase since 2017

10%

of companies are scoring above 65 – double the 2017 level

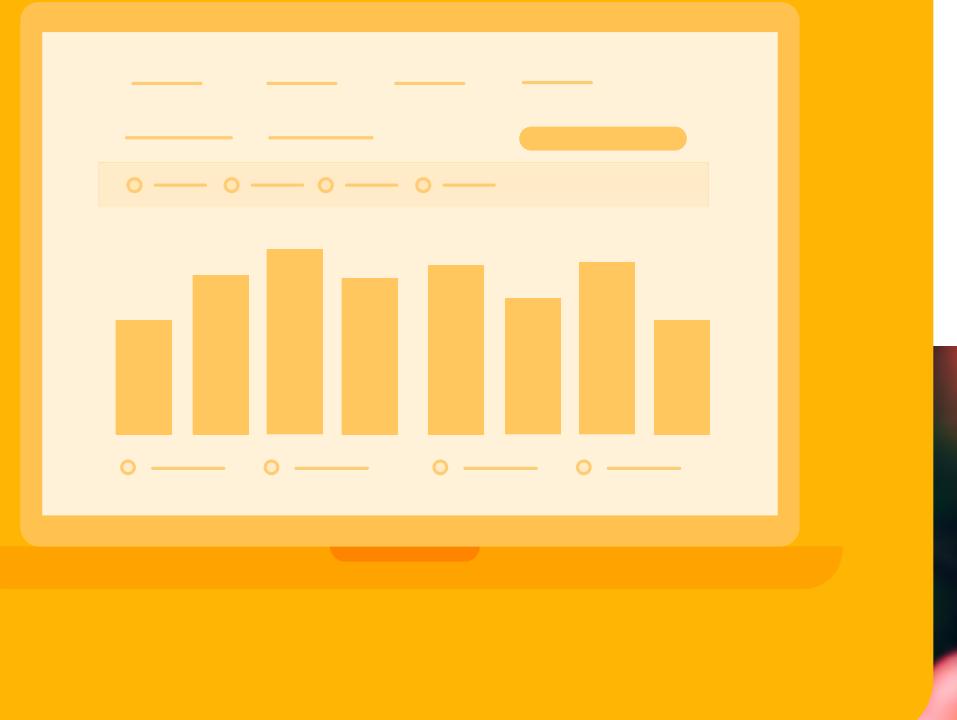
The sustainability trends highlighted in this report are drawn from EcoVadis ratings data spanning 2017 to 2021 and covering more than 83,000 assessments of nearly 53,000 companies. In 2021, our ratings data set was evenly split between companies assessed for the first time and those with multiple assessments. A first for EcoVadis, this split reflects the growing maturity of our network and enables us to provide more in-depth insights into how companies around the world are progressing along their sustainability journeys.

Our network also continues to expand, with the number of assessments increasing by 61% since 2017. While European companies still represent the majority

of the data set, assessments are growing across all regions. Northern America (the US and Canada) experienced an unparalleled 42% growth in assessments from 2020 to 2021 alone.

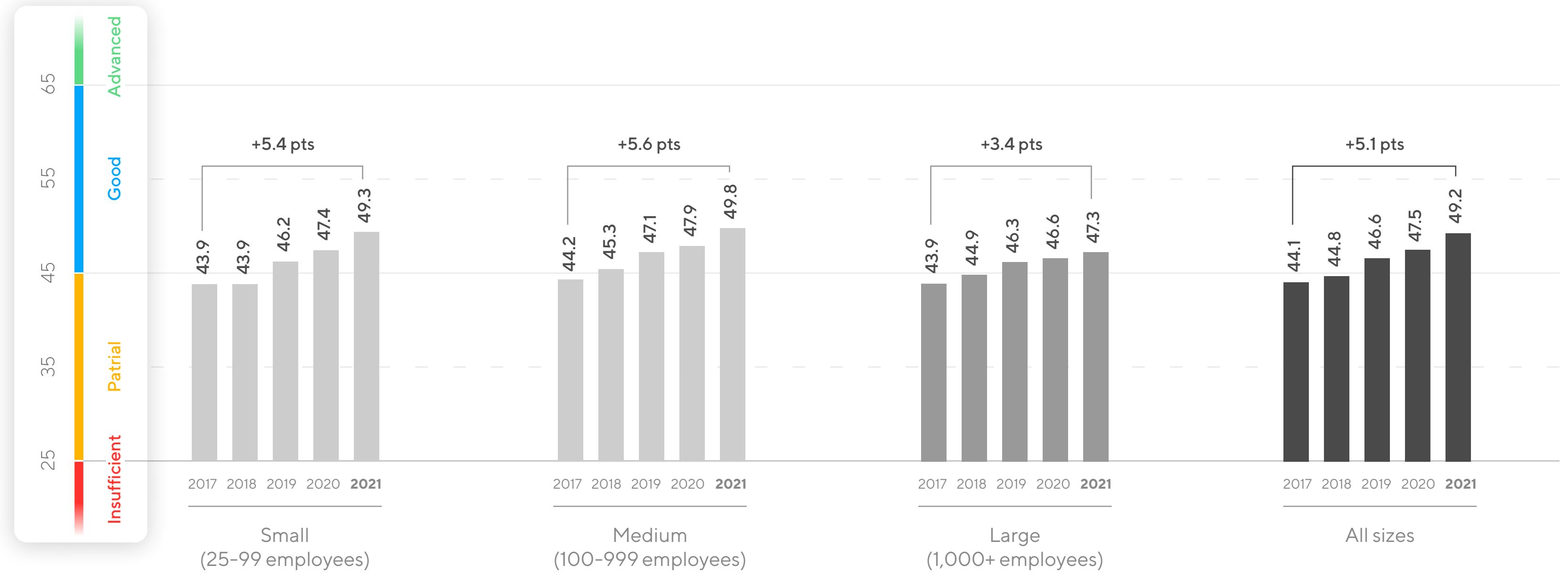
EcoVadis' global, industry-spanning data set reflects the reality that, to achieve our global climate goals and build more sustainable and equitable supply chains, best practices in sustainability management must reach companies of all sizes and across all regions and sectors. This report explores the progress achieved to date and highlights areas that will require more collaborative action to accelerate improvement.

This report is supplemented by an interactive, web-based tool: [My Index Online](#). It enables you to explore our ratings data set in even more detail and tailor your results by country, industry, theme and other parameters. Create customizable and shareable charts that give you even deeper insights into the state of supply chain sustainability.



Global Trends: SMEs Are Excelling

Overall Scoring by Company Size (2017-2021)

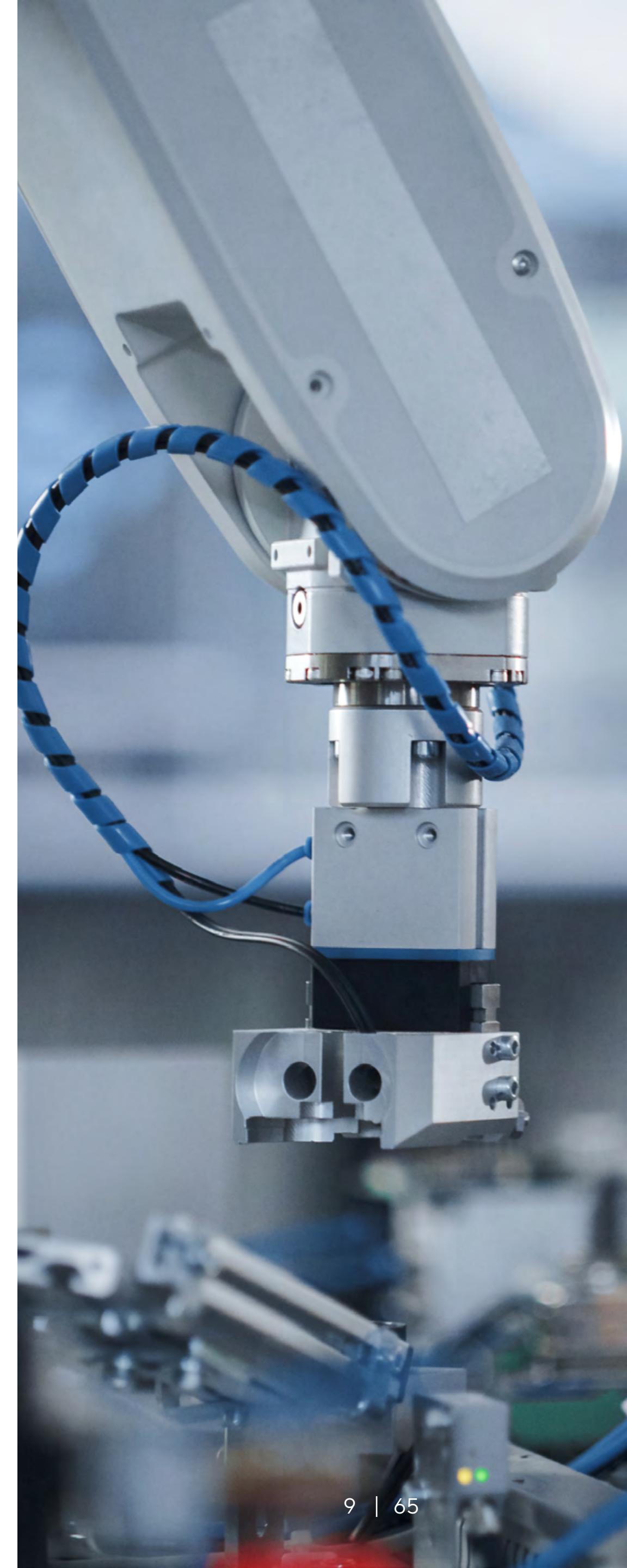


The global average reached 49.2 in 2021, an increase of 5.1 points since 2017. Improvement has accelerated over the past year, with the 1.7-point gain since 2020 representing a doubling of the 0.9-point increase observed from 2019 to 2020. SMEs have been fueling much of this progress: They not only outperformed their larger counterparts over the five-year period but also improved faster, with both small and medium-sized companies increasing

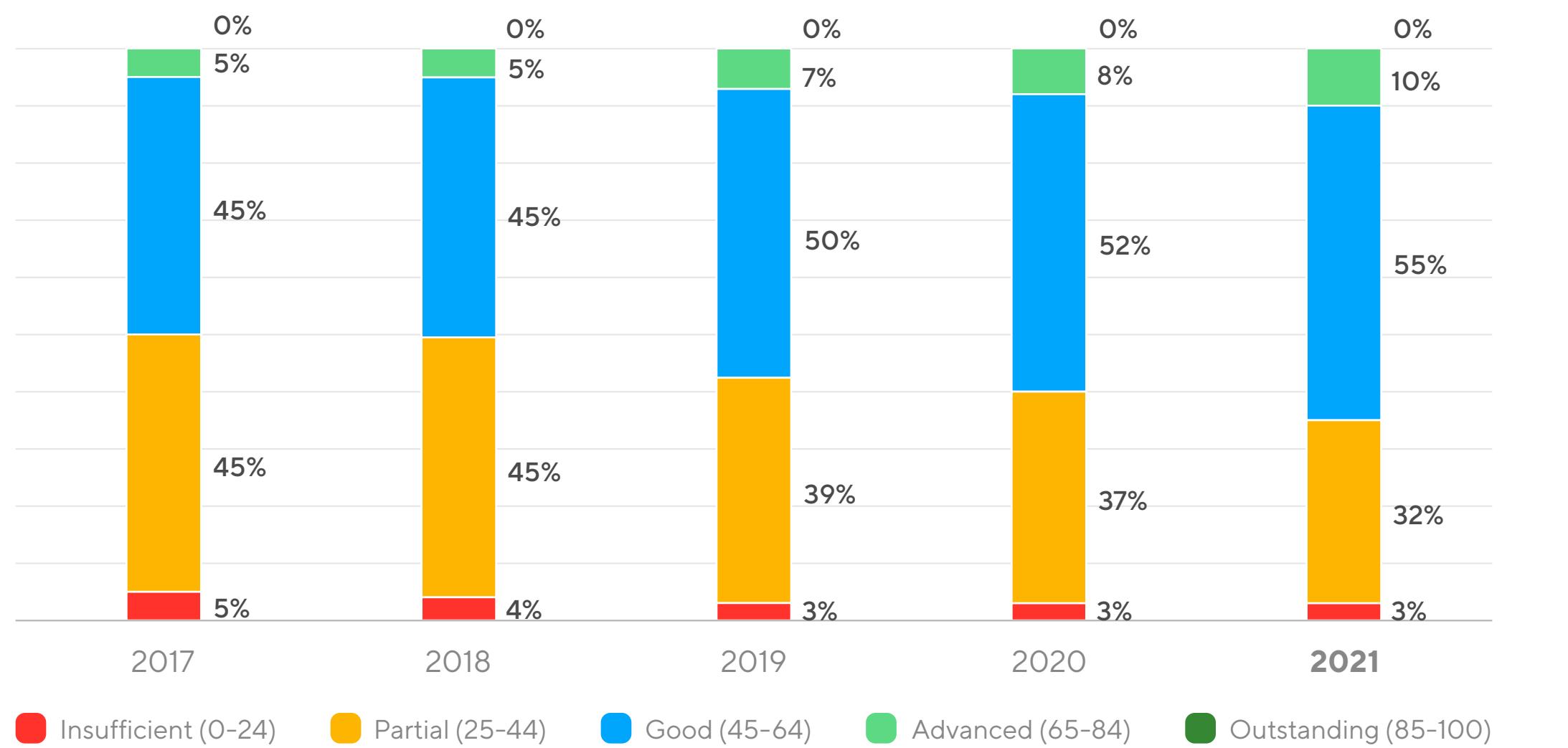
their score by more than 5 points compared to the 3.4 gained by large companies.

Although large companies achieved their highest score yet in 2021, they now trail SMEs by more than 2 points. As large companies face mounting regulatory pressure – see [the Human Rights Due Diligence Deep-Dive section](#) – their slower progress raises questions as to what percentage of these companies are ready

for the stringent reporting and due diligence requirements awaiting them. The strides made by SMEs, which account for over 70% of global supply chains, are a highly positive sign for the future of sustainable procurement. And, while they have not always had a seat at the procurement roundtable, their scoring shows that they are already playing a pivotal role in reshaping global supply chains.



Performance Distribution of Companies in the EcoVadis Network (2017-2021)*



Companies of all sizes around the world are elevating their sustainability performance. Strikingly, over 65% of companies are achieving a performance level of Good or better (a score of 45+), up from 50% in 2017. The share of companies with a Partial sustainability management system in place fell from 45% in 2017 to 32% in 2021.

This trend strongly suggests that the share of companies in the Partial and Insufficient categories will continue to decline as the broader sustainability landscape matures and companies within the EcoVadis network continue to drive improvements throughout their operations and supply chains.

*Due to rounding, distribution chart totals throughout the report can range from 99 to 101.



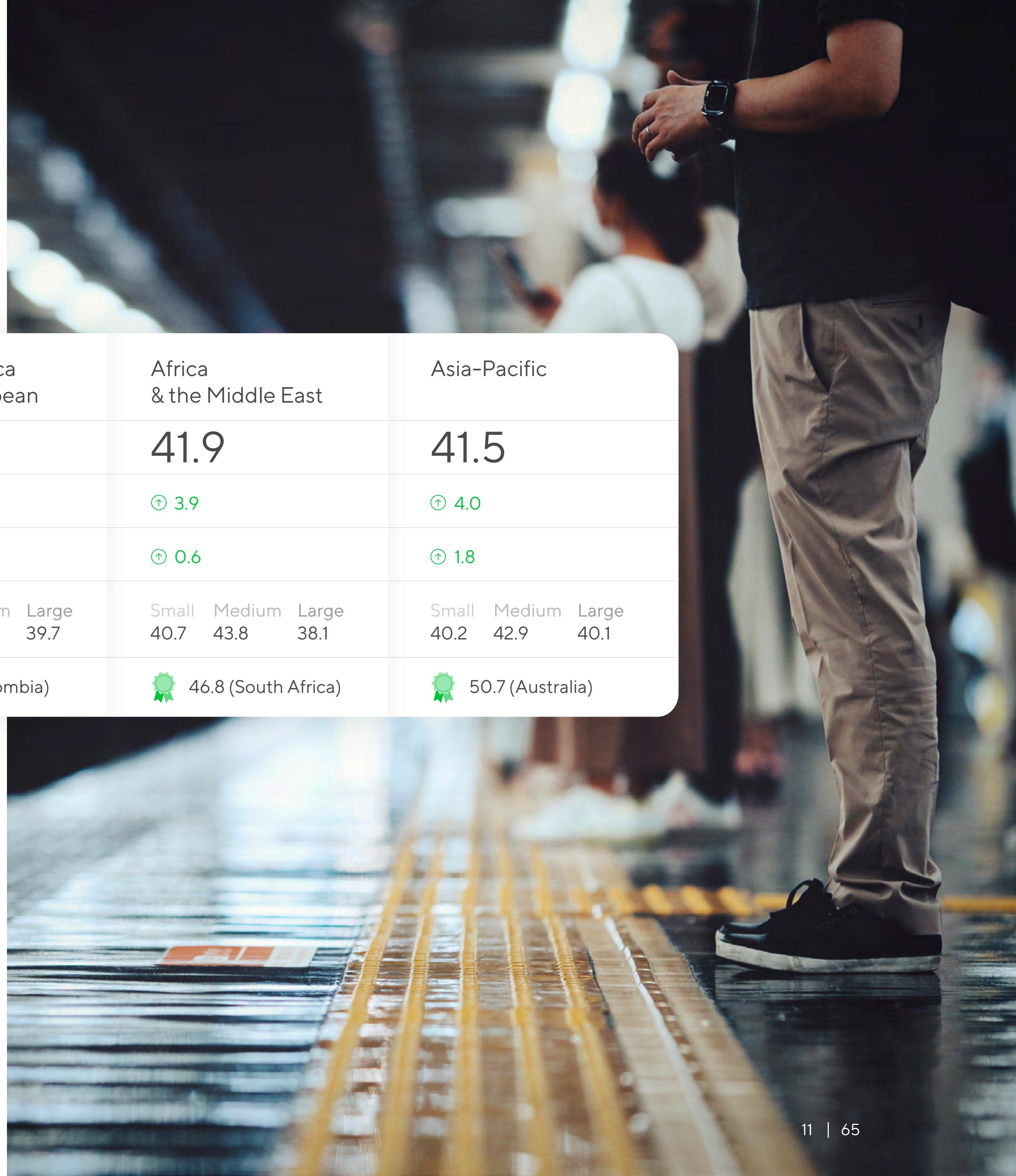
Regional Trends: Progress Is Being Made Across All Regions

Overall Scoring and Improvement by Region (2017-2021)

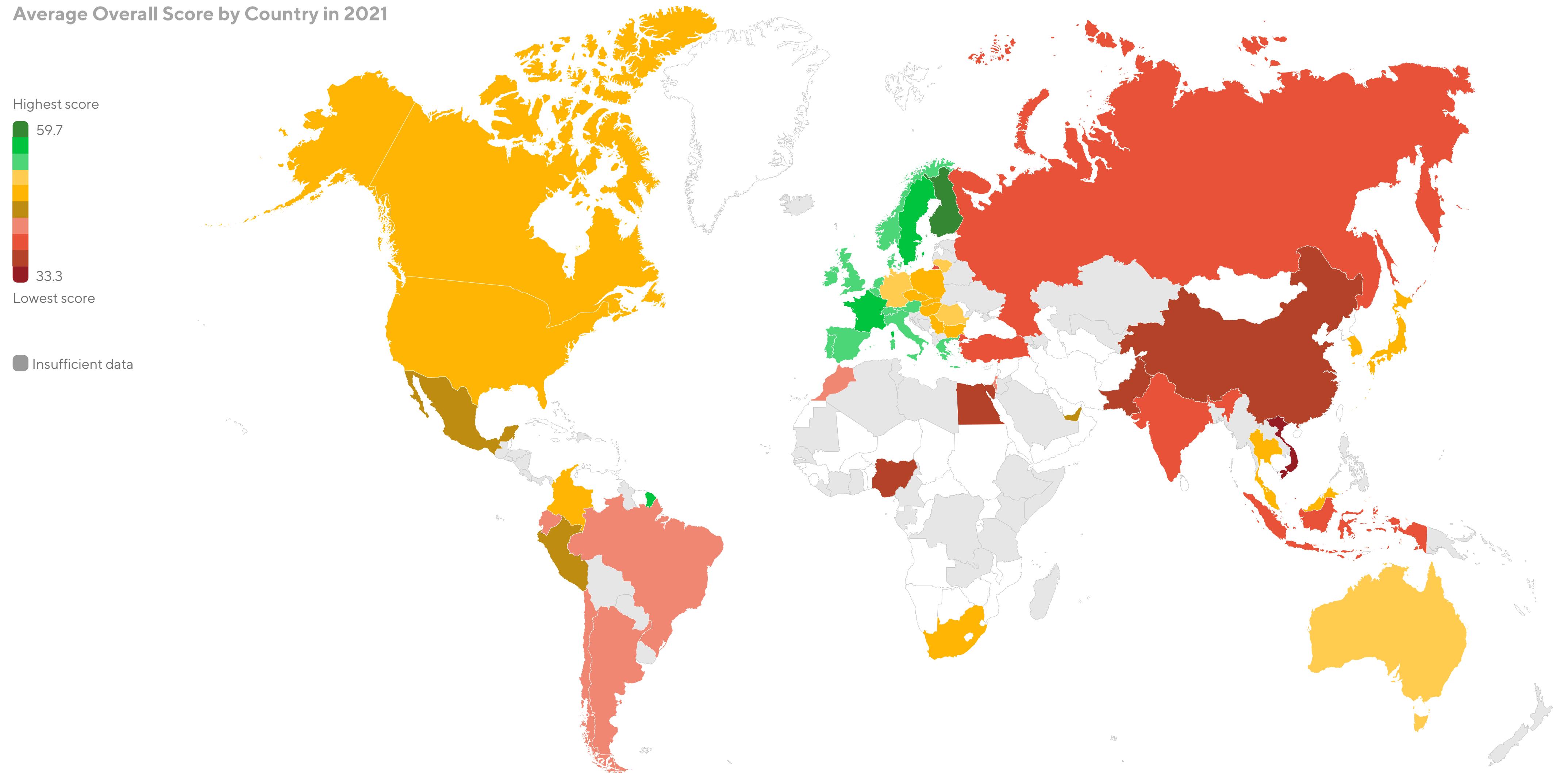
	Europe	Northern America	Latin America & the Caribbean	Africa & the Middle East	Asia-Pacific										
2021 average	53.8	46.9	44.9	41.9	41.5										
Progress 2017-2021	↑ 5.5	↑ 3.5	↑ 2.0	↑ 3.9	↑ 4.0										
Progress 2020-2021	↑ 1.6	↑ 0.4	↑ 1.2	↑ 0.6	↑ 1.8										
Average score by company size	Small 53.3	Medium 54.3	Large 53.6	Small 48.6	Medium 47.5	Large 44.4	Small 44.9	Medium 46.4	Large 39.7	Small 40.7	Medium 43.8	Large 38.1	Small 40.2	Medium 42.9	Large 40.1
Top scorer	🥇 59.7 (Finland)	🥇 48.8 (Canada)	🥇 46.8 (Colombia)	🥇 46.8 (South Africa)	🥇 50.7 (Australia)										

Zooming in on regional sustainability progress, it is clear that performance gaps persist. Europe continues to lead with an overall average of 53.8. Regional leader Finland boasts a score of 59.7, placing its companies on the upper end of the Good performance bracket on average. Europe is followed at some distance by Northern America with a score of 46.9, Latin America & the Caribbean (LAC; 44.9) and Africa & the Middle East (MEA; 41.9).

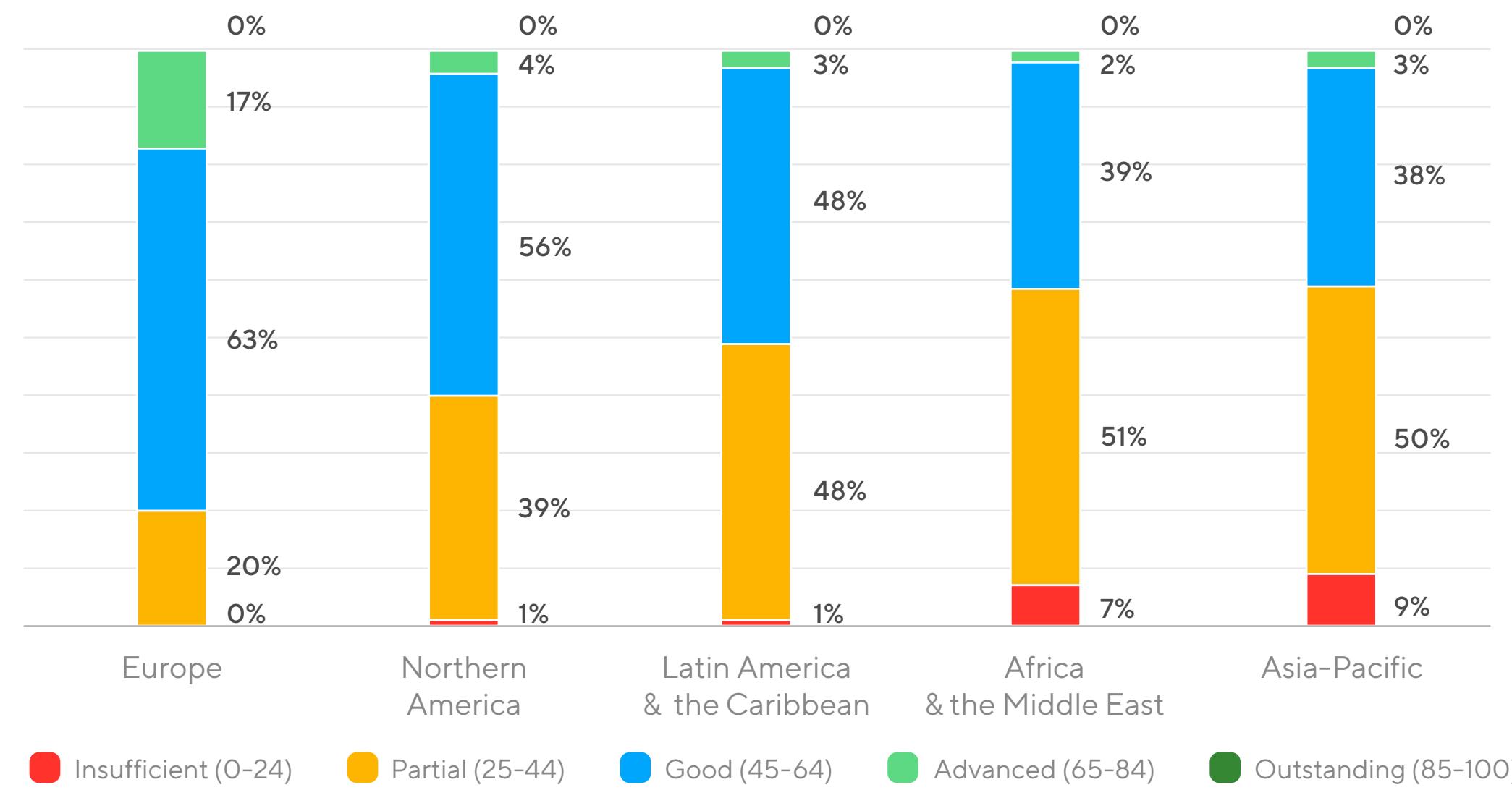
On the tail end of the regional distribution is Asia-Pacific, at 41.5 in 2021. It is notable, however, that Asia-Pacific was the most improved region in 2021, gaining 1.8 points overall to Europe's 1.6. This trend reveals that companies in Asia-Pacific are poised to start closing the wide gap between them and their European and Northern American counterparts.



Average Overall Score by Country in 2021



Regional Distribution of Companies Across the EcoVadis Performance Levels (2021)



Europe's leadership is reflected not only by its average score but also its broad maturity level. As shown in the distribution chart above, more than 70% of its companies are now at a Good, Advanced or Outstanding performance level and virtually none have an Insufficient sustainability management system. On the other hand, 9% and 7% of companies

in Asia-Pacific and MEA, respectively, are at an Insufficient performance level. This low-performing group of companies indicates an elevated risk of major sustainability incidents. Heightened due diligence measures and targeted capacity building efforts may thus be required when working with certain business partners in these regions.

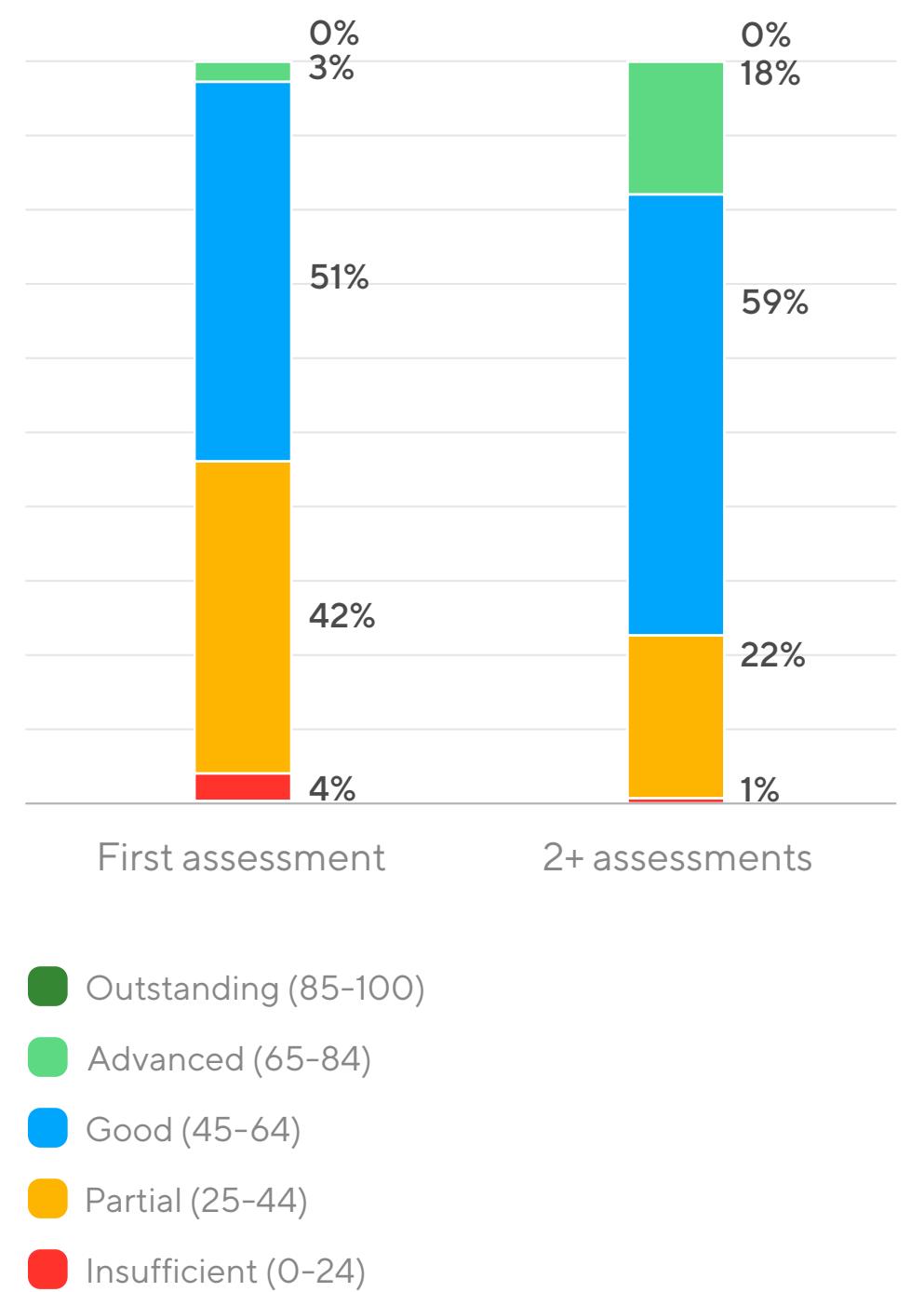
Performance Improvement by Sustainability Theme (2020-2021)



Focusing in on the EcoVadis assessment themes, global performance is highest on Labor & Human Rights with an average score of 52.5 in 2021. Although scoring on Ethics is lower than on both the Labor & Human Rights and Environment themes, it has seen the fastest year-over-year growth, from 44.3 in 2020 to 46.8 in 2021.

Beyond the Global Average: Score Improvement by Companies With Multiple Assessments

Performance Distribution of First-Time Rated Companies Versus Those With Multiple Assessments (2021)



The clear case for how reassessment can help a company advance its sustainability journey emerges when comparing the performance of companies assessed by EcoVadis for the first time versus those with multiple assessments. Most notably, the share of companies performing at an Advanced level rises from 3% in first-time assessees to an impressive 18% in those with two or more assessments. This jump emphasizes the capacity of companies to significantly improve their sustainability management practices with the help of stakeholder support, network collaboration and dedicated tools to manage their sustainability footprint. Similarly, multiple assessments caused the percentage of companies at a Partial level or below to halve – from 46% to just 23%. This highlights what is possible when companies are consistent with their sustainability efforts and leverage new assessment insights to identify weaknesses and opportunities. These trends send policymakers and legislators an important message: When expectations are clear and companies actively work on the sustainability challenges they encounter, genuine improvement is not only possible but highly likely.



Theme Scoring for First-Time Assessed vs. Reassessed Companies (2021)



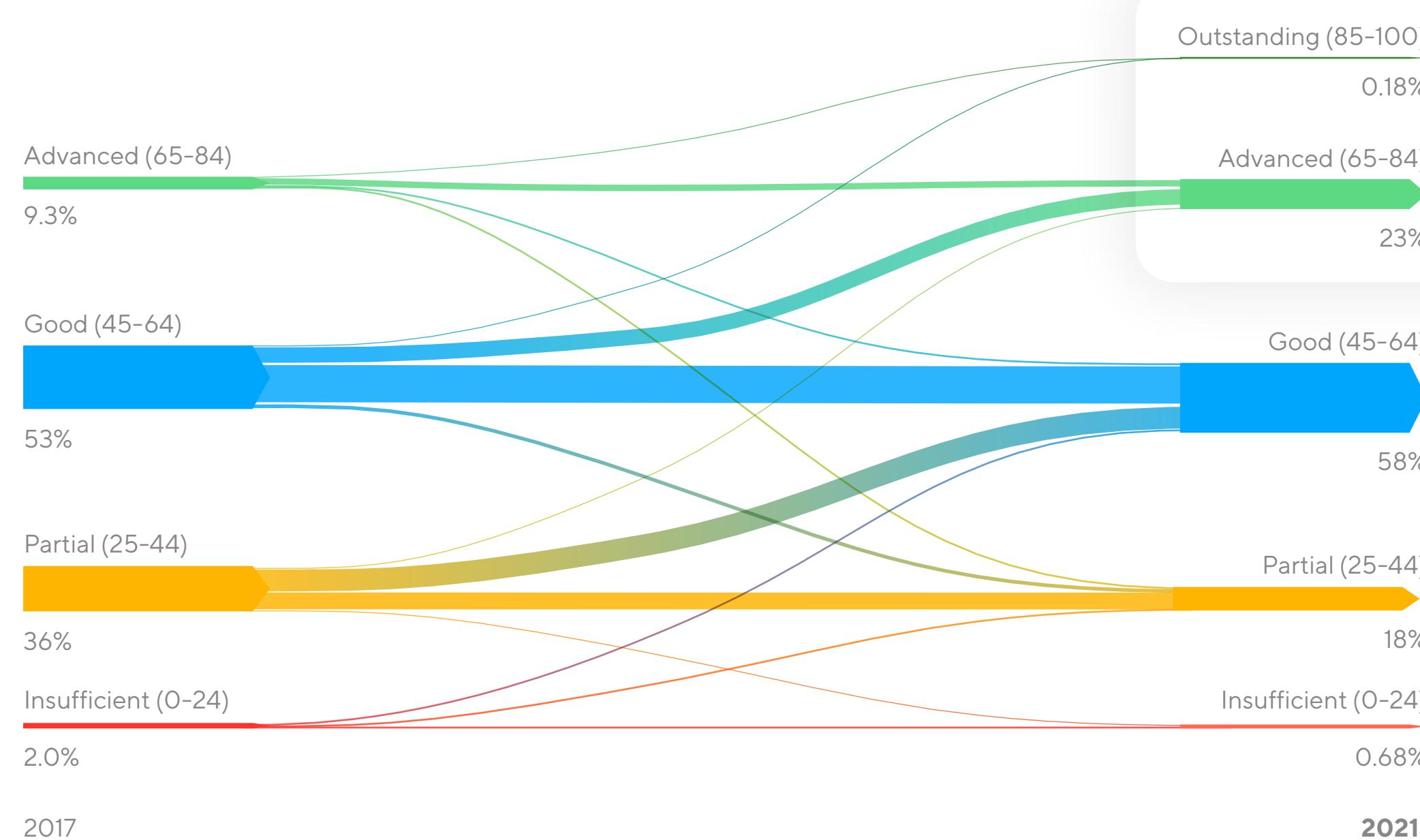
Differences between companies assessed for the first versus multiple times are even more pronounced at the theme level. Companies with multiple assessments score more than 10 points higher on the Environment theme than those assessed for the first time. On the Sustainable Procurement theme, the lowest-performing theme overall,

companies average 34.4 on their first assessment and 43.3 upon reassessment. This highlights that once suppliers commit to their sustainability journey, the broad capacity they build enables them to tackle a range of complex sustainability challenges and cascade best practices throughout their value chain.



The EcoVadis Improvement Journey: Advanced Companies

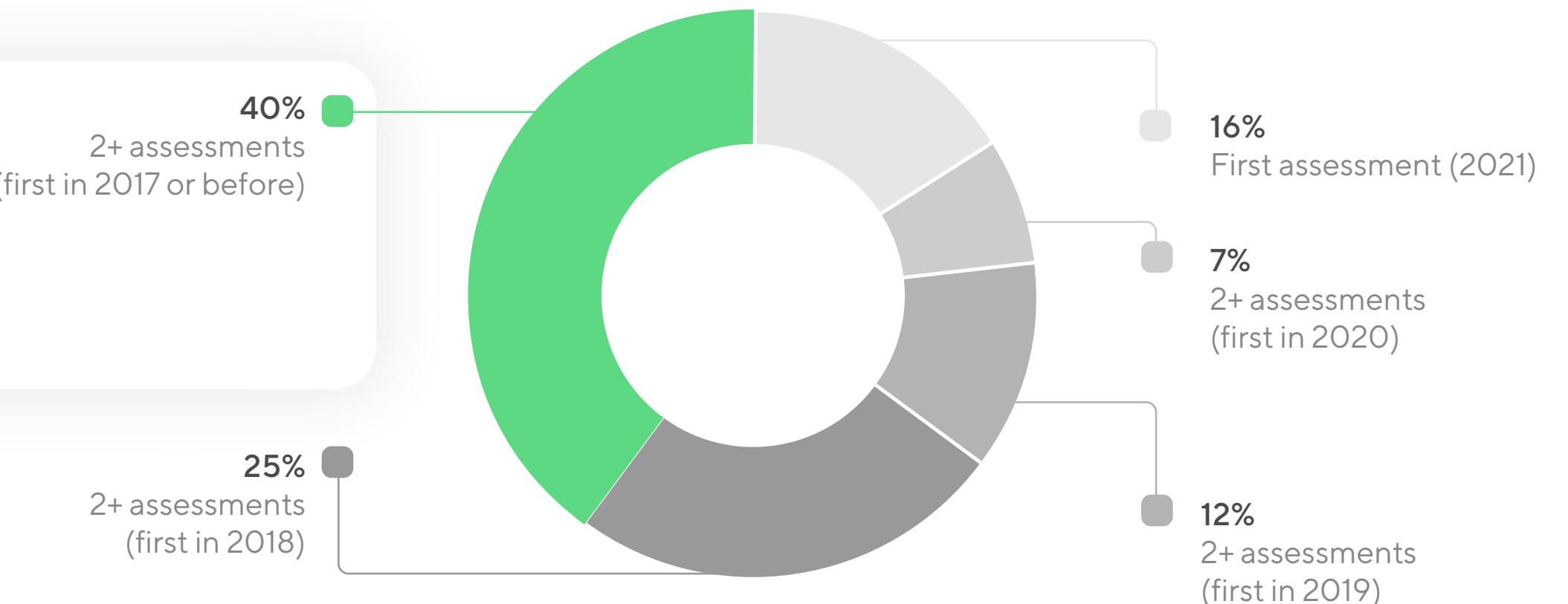
Progression of Companies Assessed in 2017 and Again in 2021



Taking a closer look at the cohort of companies assessed in 2017 and again in 2021, over 23% have reached an Advanced or higher performance level (with just a handful of companies in the Outstanding category), up from only 9.3% in 2017. Companies in this committed

group, which have been invested in building their sustainability management systems for at least five years, have increased their scores across all levels – most notably from a Partial to Good or from a Good to Advanced performance level. Tracing their sustainability

Year of First Assessment for Companies Scoring 65+

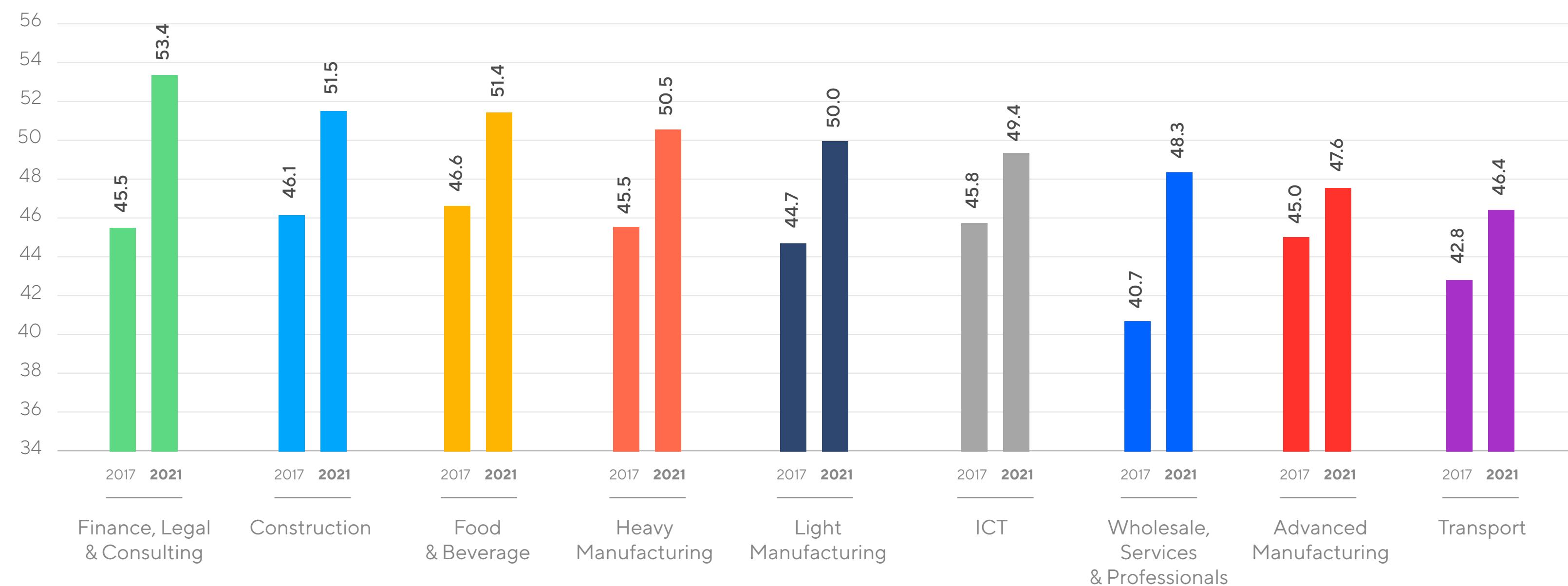


performance over time shows improvement trends at the company level and signals to buyers that their suppliers will continue to adopt more sustainable practices with continued engagement, collaboration and support. But improvement takes time, as highlighted by the fact that 40%

of current high-performers have been rated since 2017 or earlier. Only 16% of companies with a score of 65+ achieved this rating in their first assessment in 2021.

Overall Industry Performance: More Industries Are Crossing the 50-Point Threshold

Performance Improvement by Industry (2017-2021)



Industry scoring shows just how much suppliers have raised the bar on sustainability over the past five years. While not a single industry scored above 50 in 2017, five have since crossed this threshold. The Finance, Legal & Consulting industry has made the most progress since 2017, with its 7.9-point gain over the period making it the top-performing industry in 2021. Although the Food & Beverage and Information & Communications Technology (ICT) industries have improved over the five-year period, they have been bypassed by a few peers that have made outstanding progress. Nonetheless, all industries increased their average scores over the 2017-2021 timeframe, showcasing their ability to overcome ongoing global supply chain challenges and drive continuous improvement on a range of sustainability topics.

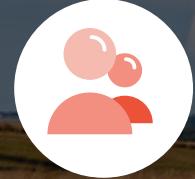
View a full breakdown of the industry categories here.



Performance by EcoVadis Assessment Theme



Environment



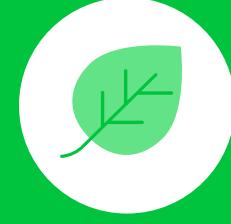
Labor
& Human Rights



Ethics



Sustainable
Procurement



Environment

Operations

- Energy Consumption & GHGs
- Water
- Biodiversity
- Local & Accidental Pollution
- Materials, Chemicals & Waste

Products

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

2021 average:

49.6

↑1.3

points since 2020
(3rd among all themes)

↑ 4.5

points in five years
(3rd among all themes)

25%

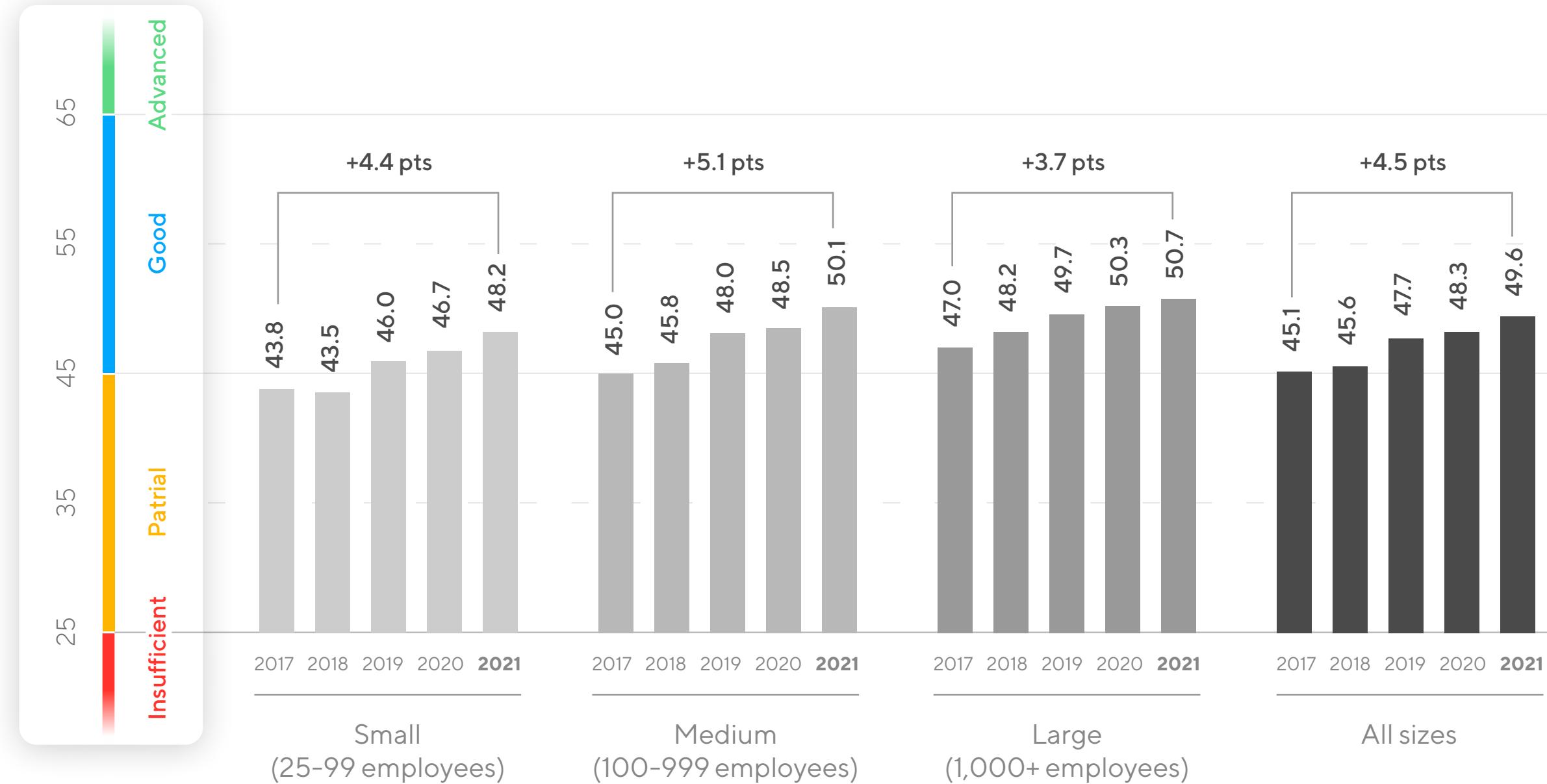
of companies in Europe
are scoring above 65
(Advanced performance
level)

10.3 points

The performance gap between
companies assessed for the first
time in 2021 and those with
2+ assessments

Overview

Environment Performance by Company Size (2017-2021)

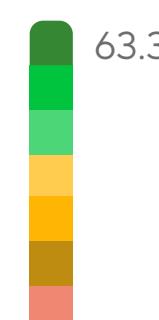


Companies in the EcoVadis network continue to improve their performance on the Environment theme, which encompasses everything from reducing operational GHG emissions to managing biodiversity and water impacts. The theme average rose to 49.6 in 2021, an increase of 1.3 points from 2020 and 4.5 points since 2017. This is more than double the sluggish 0.6-point growth on this theme in 2020, which was unsurprising given that many companies scaled back their spending on more ambitious environmental and climate initiatives during the pandemic. However, greater clarity around its long-term impacts and the acceleration of several megatrends – from the global [explosion in ESG and sustainable investing](#) to the growing number of companies [setting science-based targets](#) – pushed climate action firmly back to the fore of the corporate agenda in 2021.

While large companies continue to lead the way on this theme with an average of 50.7, their small and medium counterparts are rapidly gaining ground. Over the past year, small companies improved their score by 1.5 points and medium-sized companies gained 1.6 to crest the 50-point mark for the first time. This growth significantly outpaces the 0.4-point increase achieved by large companies over the same period. With SMEs representing [90% of global supply chains](#), it is essential that this maturation continues to accelerate if the private sector is to keep pace with increasingly stringent environmental legislation and reporting requirements and stay on track to meet its net-zero targets.

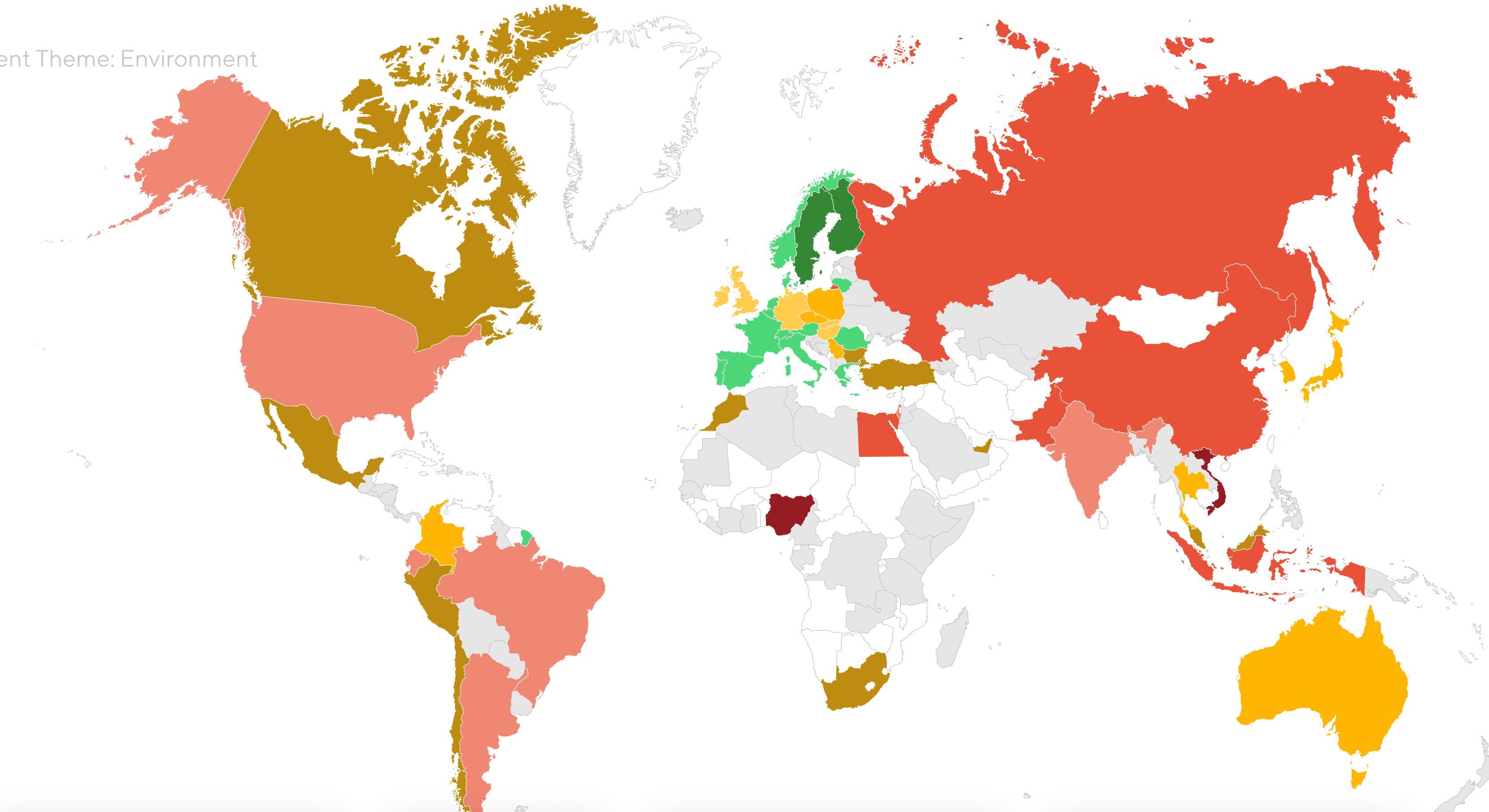
Regional Environment Performance

Highest score



Lowest score

Insufficient data



2021 Regional Scoring and Top Performers

Europe:

54.6

↑ 1.2 since 2020

Top performers:
Finland (63.3)
Sweden (60.7)
France (56.7)Rapidly improving
since 2020:
Luxembourg ↑4.1

Latin America & the Caribbean:

44.8

↑ 0.8

 Top performers:
Colombia (48.6)
Mexico (45.6)
Brazil (44.3)
 Rapidly improving
since 2020:
Ecuador ↑2.4

Northern America:

43.9

↓ 0.0

 Top performers:
Canada (47.3)
US (43.6)

Asia-Pacific:

43.3

↑ 1.6

 Top performers:
Japan (51.4)
Thailand (51.1)
Singapore (49.1)
 Rapidly improving
since 2020:
Thailand ↑3.1

Africa & the Middle East:

42.6

↑ 0.8

 Top performers:
South Africa (46.4)
UAE (45.9)
Turkey (45.6)
 Rapidly improving
since 2020:
South Africa ↑4.7

Europe is Significantly Outperforming All Other Regions

In 2021, Europe remained the definitive global leader on environmental performance. The 9.8-point scoring gap between companies in Europe and LAC – the next best region – was the most significant regional disparity between first and second place found across any of the themes in 2021. The next largest gap was on the Sustainable Procurement theme, where Europe outperformed Northern America by 6.7 points.

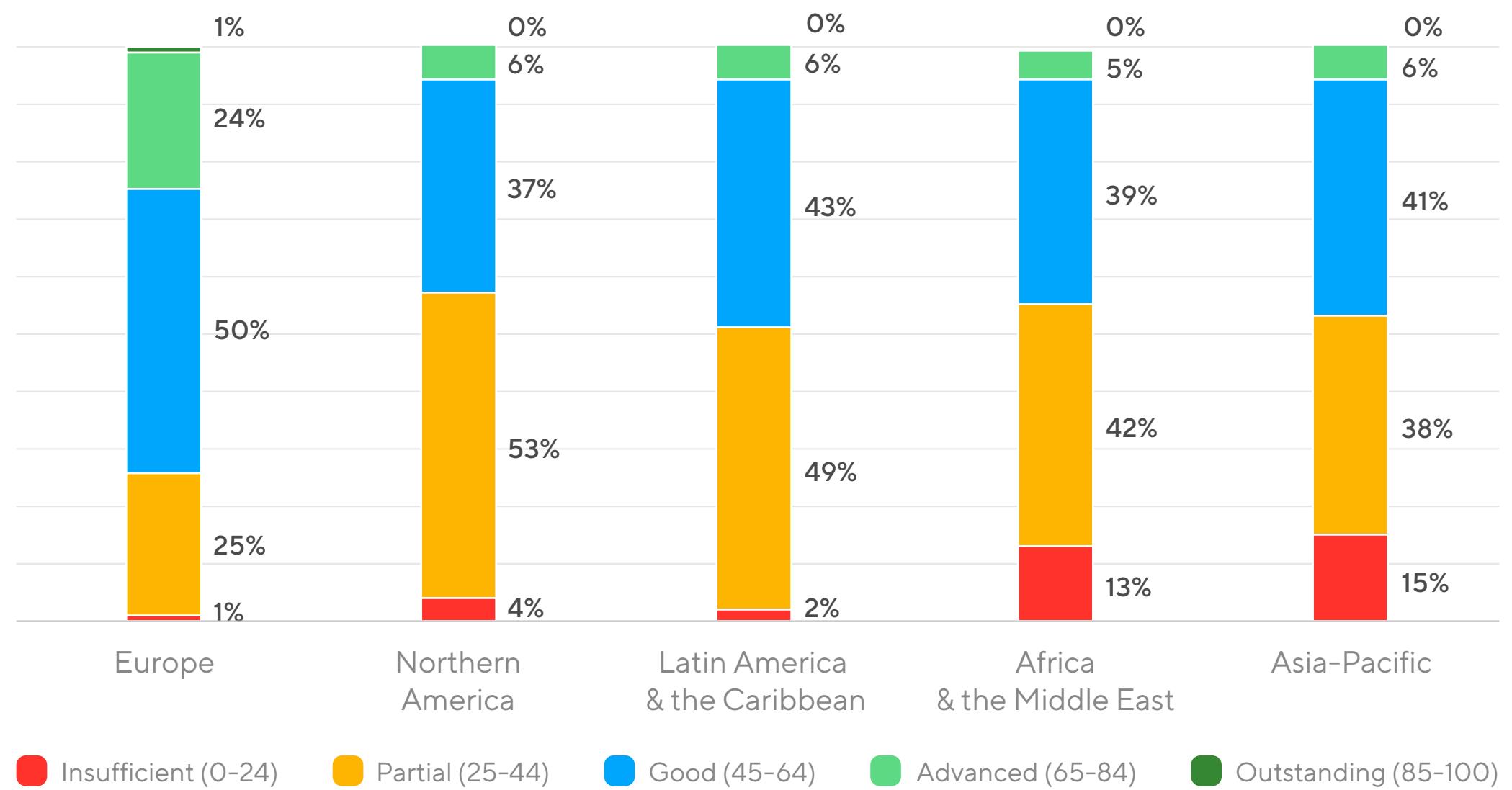
Some of the gulf between Europe and the rest of the world on the Environment theme can be attributed to the performance of standout countries like Finland (63.3) and Sweden (60.7). However, performance was remarkably consistent outside of these outliers, with the next eight European countries separated by fewer than 2 points (between France at 56.7 and the Netherlands at 55). This broad maturity is reflected in the distribution chart to the right, which shows that a quarter of European companies scored above 65 on this theme in 2021.

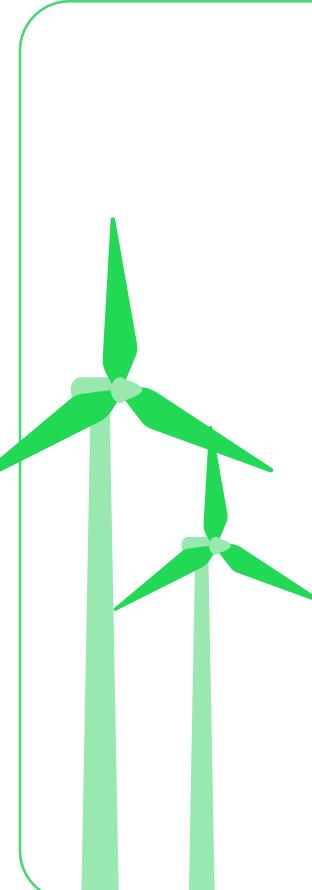
Northern America is Stagnating – Asia-Pacific is Gaining Ground

While Europe has steadily improved its performance on the Environment theme over the past five years, Northern America has stagnated. After gaining 1.4 points from 2017 to 2019, its average has stalled at 43.9 – making it the only region that failed to improve its score on the theme over the past year. With a score of 43.6, US companies now lag behind their Canadian counterparts (47.3).

On the other hand, Asia-Pacific is making headway. Its 1.6-point gain over the past year, the most of any region in 2021, brought its theme average to 43.3. Although Japanese companies lost ground in 2021, they remained regional leaders on environmental performance with a score of 51.4 – ahead of their counterparts in Thailand (51.1), Singapore (49.1), Australia (48.6) and Malaysia (48.1). China has made slow progress on this theme in recent years, with its 2021 score of 39.5 representing an improvement of fewer than 3 points since 2015. Despite the strides being made by Thai and Malaysian companies, overall regional performance will continue to hinge on the progress of Chinese companies due to their massive representation in the EcoVadis network.

Regional Performance Distribution of Companies on the Environment Theme (2021)



 Two regions with very similar average scores on the Environment theme, Northern America (43.9) and Asia-Pacific (43.3), vary significantly in terms of how their companies are distributed across the EcoVadis performance levels. Although Northern America has a much lower percentage of companies in the Insufficient category (4% vs. 15%) than Asia-Pacific, more of its companies remain below the 45-point threshold indicating “Good” performance. The percentage of companies scoring above 65 is virtually identical across the two regions. While it is clear that both regions have much work to do, countries in Asia-Pacific must ensure they are ratcheting up their environmental policies to catalyze companies in the Insufficient category to accelerate their efforts.

Industry Spotlight: Progress Is Being Made Across All Industries



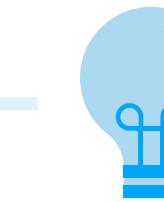
Top performers:

Food & Beverage (54.5)
Heavy Manufacturing (53.8)
Light Manufacturing (51.1)



Rapidly improving since 2017:

Wholesale, Services & Professional  7.2
Finance, Legal & Consulting  6.6
Heavy Manufacturing  5.4

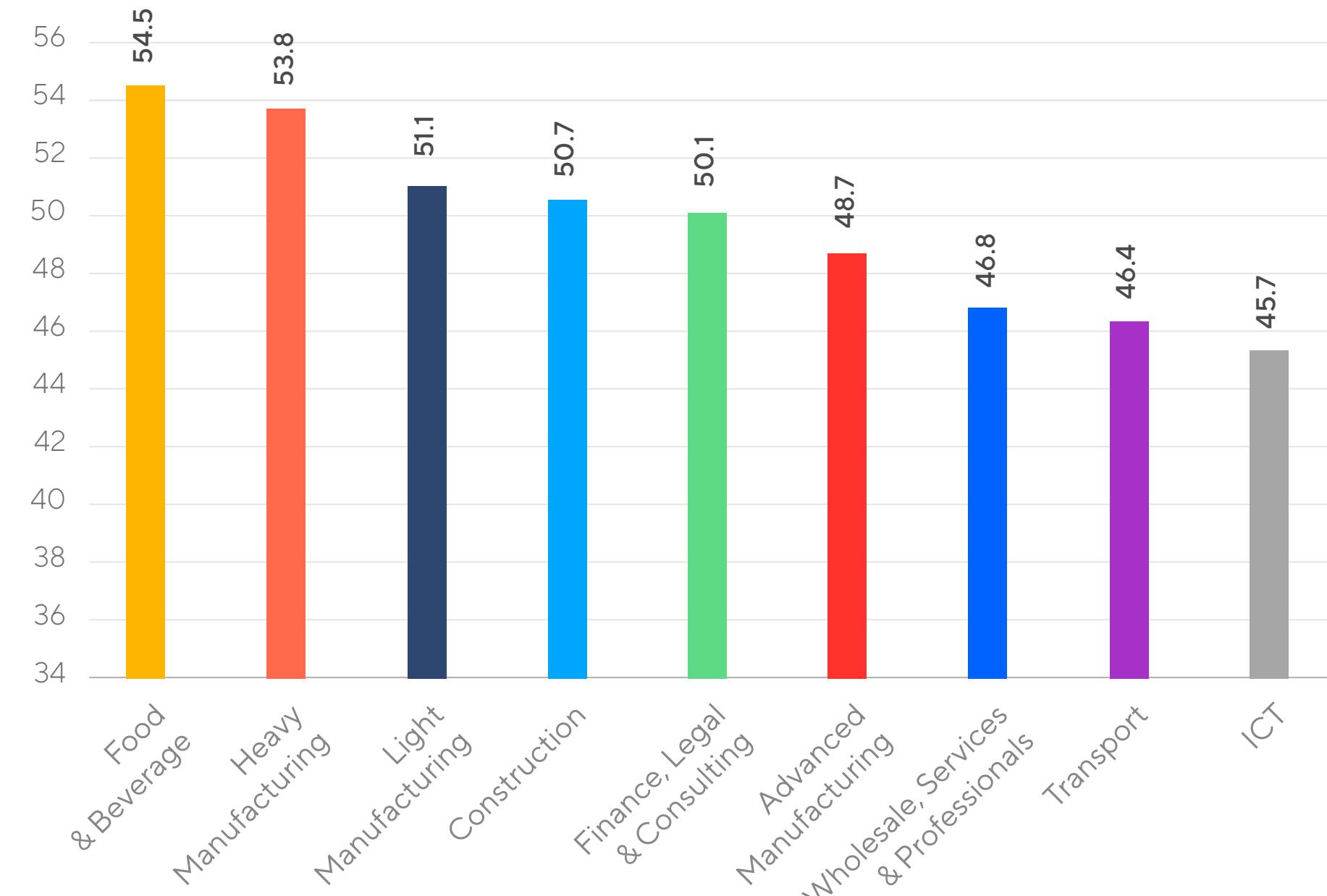


Key Trends

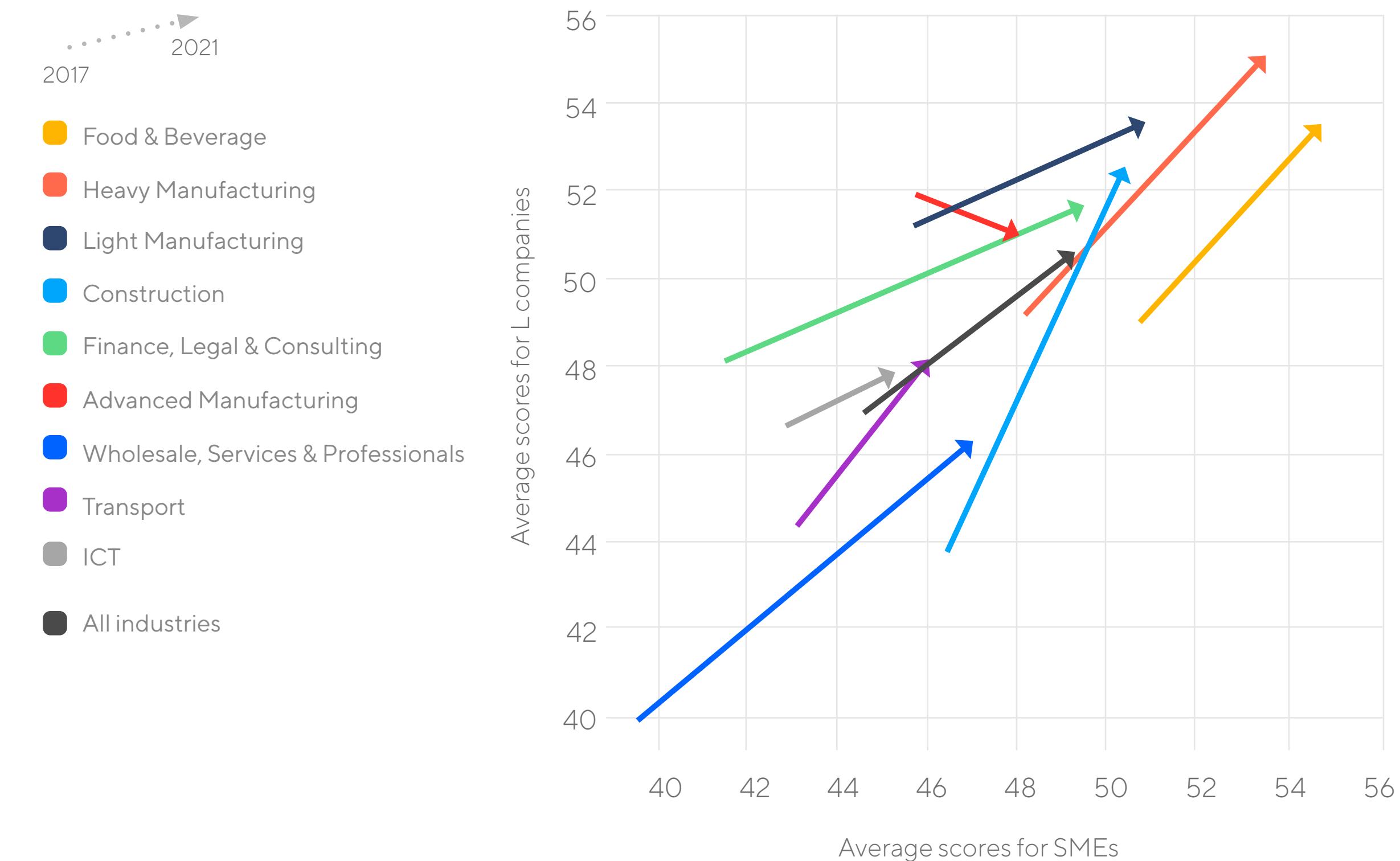
- All industries made progress on the Environment theme in 2021. This progress has been fairly uniform, with six of the nine industries gaining between 1.9 and 2.2 points.
- With an average of 54.5, Food & Beverage leads the way on environmental performance, attributable in part to its [growing commitment to benchmarking sustainability performance](#). SMEs are leading the way, scoring 54.9 compared to 53.5 for large companies.
- Although the Wholesale, Services & Professional industry ranks toward the bottom in terms of scoring, it has made the most overall progress on the theme over the five-year period. Its 7.2-point gain was driven equally by SMEs and large companies.
- The Construction sector has made significant strides on environmental performance since 2017. Large companies have been the primary catalyst, gaining 8.6 points over the timeframe.



Industry Scoring on the Environment Theme (2021)



Industry Comparison: SMEs vs. Large Companies on the Environment Theme (2017-2021)



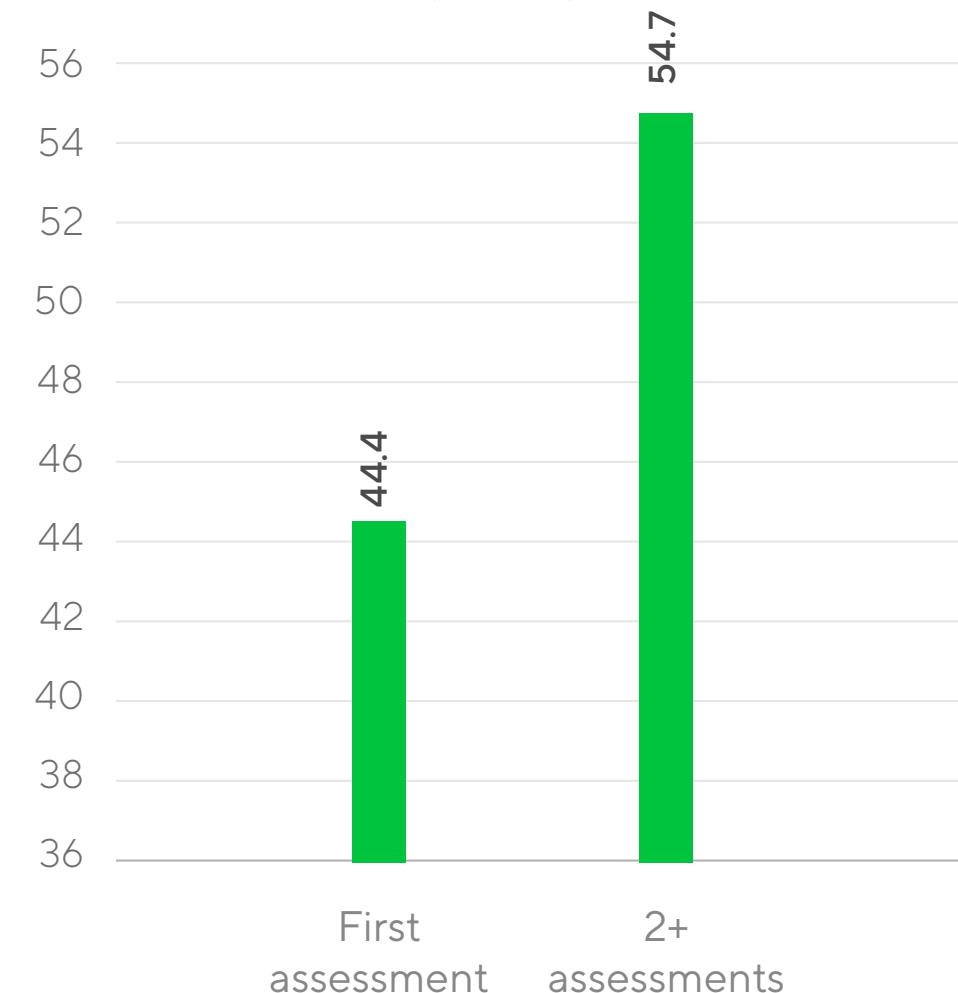
Each arrow represents the change in average score from 2017 to 2021 of small/medium (x-axis) and large (y-axis) companies in a given industry. A 45-degree upward arrow indicates that improvement is balanced between large companies and SMEs. A steeper upward arrow indicates that large companies are making more

progress (e.g., Construction), while a shallower arrow shows that SMEs are leading the way (e.g., Finance, Legal & Consulting). The Advanced Manufacturing arrow, for example, shows that large companies have lost ground over the five-year period but SMEs have made some progress.

Beyond the Average: Consistent Efforts Yield Significant Gains

The data shows that the environmental performance insights revealed through the EcoVadis assessment – and the subsequent support provided through the platform – are helping companies target key areas for improvement, build capacity and drive tangible progress. Companies assessed for the first time in 2021 averaged 44.4 on the Environment theme. This climbed by a remarkable 10.3 points for those with an assessment in 2021 and at least one in a previous year. The 54.7 average achieved by this committed group of companies was higher than on any other theme.

Environment Performance By Number of Assessments (2021)



A Quarter of European Companies Now Score Above 65 on the Theme

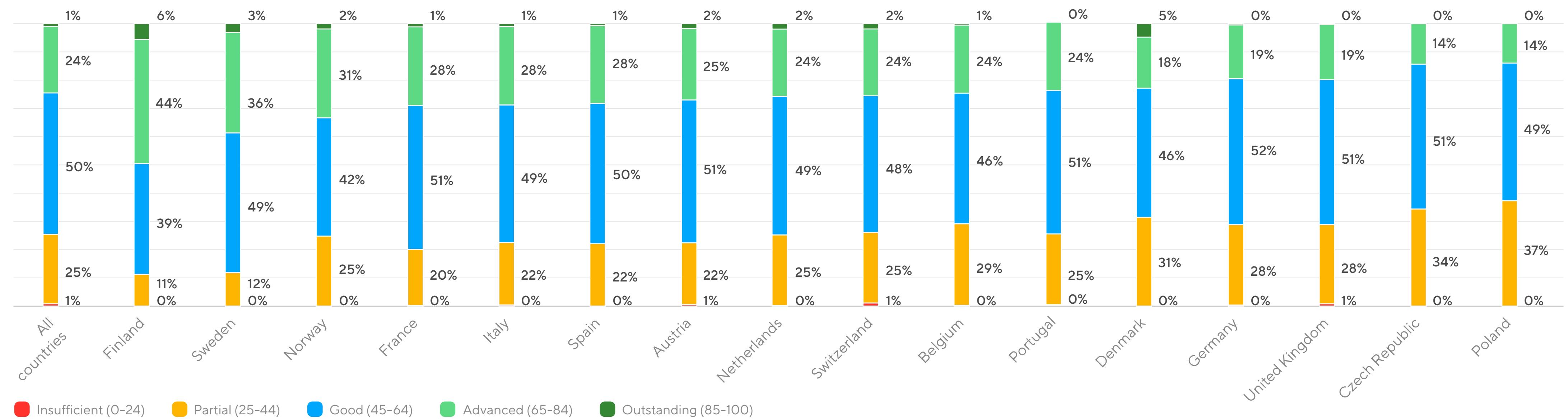
Only 10% of all companies across the entire EcoVadis network have attained an overall score of 65 or above, which indicates an Advanced level of performance. An impressive 25% of European companies have now reached this threshold on the Environment theme, an indication that a critical mass of leaders has emerged that will spur other companies in the region to follow suit. The actions these companies are taking vary based on their activities and size, but there has been a clear uptick in the number of companies using renewable energy, setting science-based climate targets and examining their Scope 3 emissions.

Although these high performers are concentrated in Europe, all regions have a small but growing cohort of leading companies (between 5-7% across the board). These companies did not

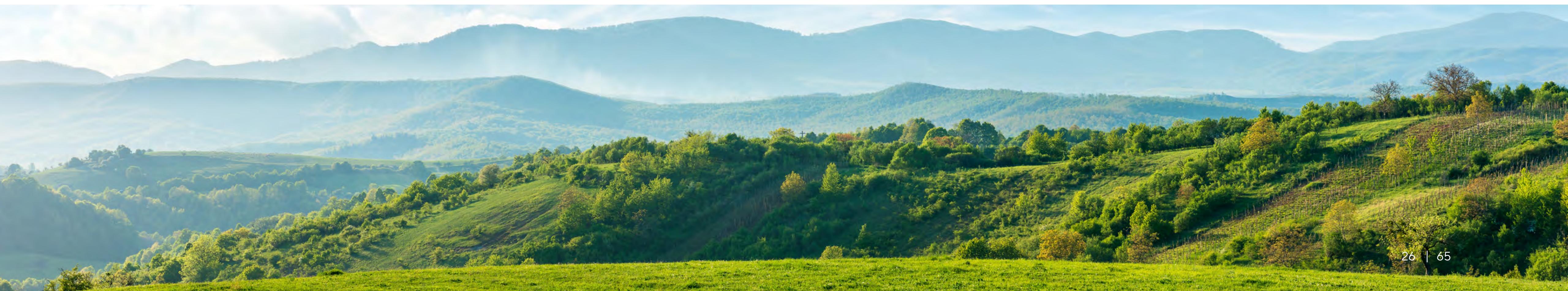
achieve this success overnight. While some joined the EcoVadis network with a high maturity on environmental topics, 78% of those that scored above 65 on the Environment theme in 2021 have undergone multiple assessments. Of this group, 35% were assessed for the first time in 2017, indicating that improvement has been an ongoing and iterative process. A disproportionate number of these high achievers are large companies: Although they only make up 19% of all companies assessed, they account for 28% of all 65+ performers on the Environment theme.

Visit the Index Online for even more insights into country-level performance on the Environment theme.



Performance Distribution of European Countries on the Environment Theme (2021)

Legend: Insufficient (0-24) | Partial (25-44) | Good (45-64) | Advanced (65-84) | Outstanding (85-100)





Labor & Human Rights

Human Resources

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

Human Rights

- Child Labor, Forced Labor & Human Trafficking
- Diversity, Discrimination & Harassment
- External Stakeholder Human Rights

2021 average:

52.5

↑ 1.7

points since 2020
(2nd among all themes)

↑ 7

points in five years
(3rd among all themes)

75%

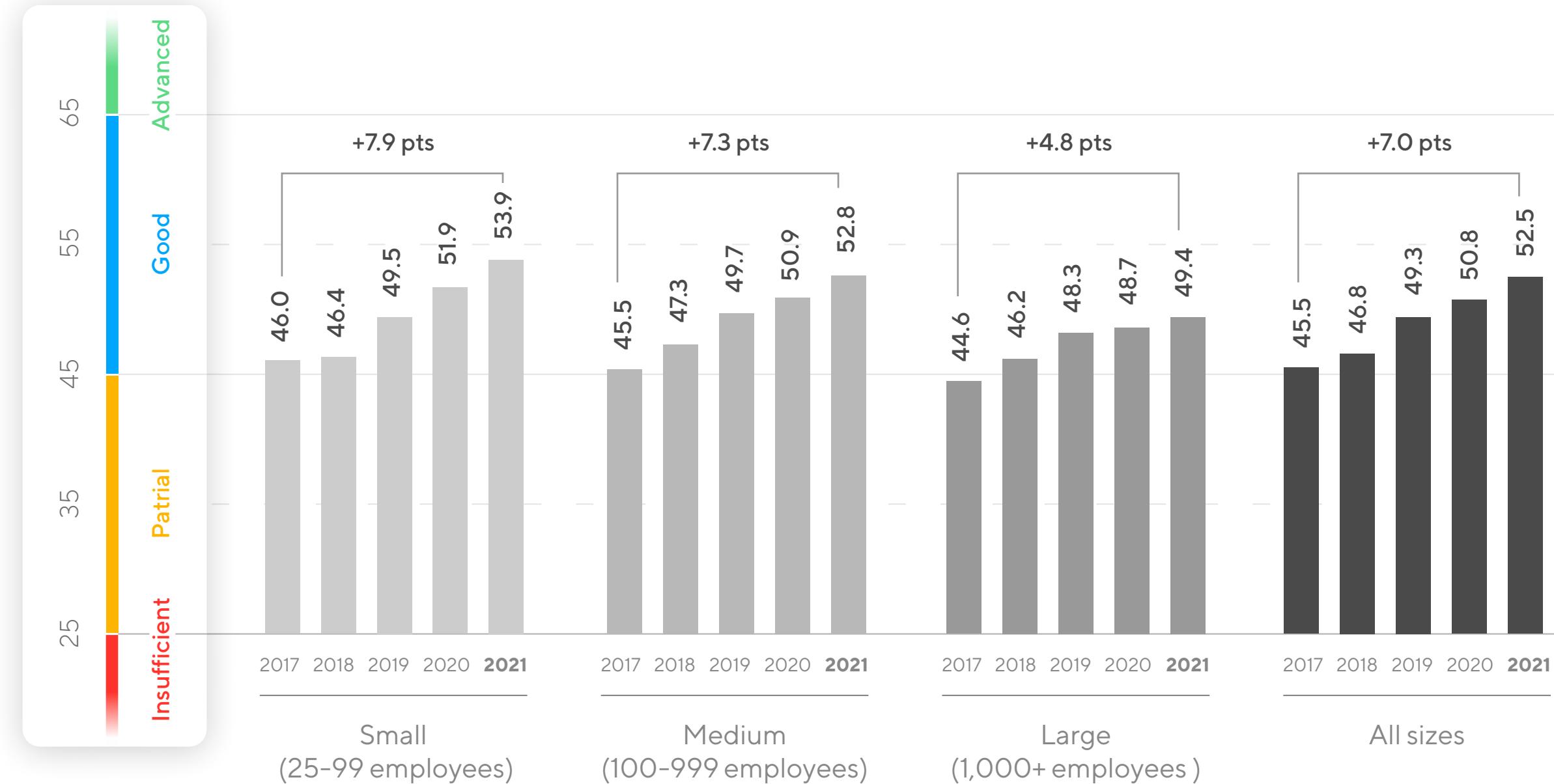
of rated companies
are now scoring above
the 45-point threshold
(indicating a Good level
of performance)

55.6

Average score for companies
with multiple assessments (one
in 2021 and one prior)

Overview

Labor & Human Rights Performance by Company Size (2021)



This past year compelled many companies to look closer at their labor and human rights performance than ever before. With the COVID-19 pandemic exacerbating existing risks and creating new ones, companies have had to be particularly diligent and proactive to ensure they are supporting their workforce and respecting human rights throughout their operations. Despite these significant challenges, companies in the EcoVadis network were able to increase their average Labor & Human Rights score by a solid 1.8 points in 2021. With an average of 52.5, companies are scoring better on this theme than on any other.

Unlike the Environment theme where large companies continue to lead the way, SMEs outperformed their larger counterparts on labor and human rights topics by a significant margin in 2021. Mirroring the broader trend over the past five years, small companies improved their score by 2 points, medium by 1.9 and large by just 0.7 over the past year.

This is the only EcoVadis assessment theme where small companies (fewer than 100 employees) are leading the way. While this is undoubtedly a testament to their focused efforts, it is also an indication that risks related to this theme can vary significantly by size. With their expansive workforces and global supply chains, many large companies face highly complex labor and human rights risks that are often exacerbated by local norms and ineffective legal structures. As the human rights due diligence landscape continues to evolve in scope and stringency, large companies in particular will have to accelerate their efforts to keep pace and ensure compliance.

Read more in
the Deep-Dive section.



Regional Labor & Human Rights Performance

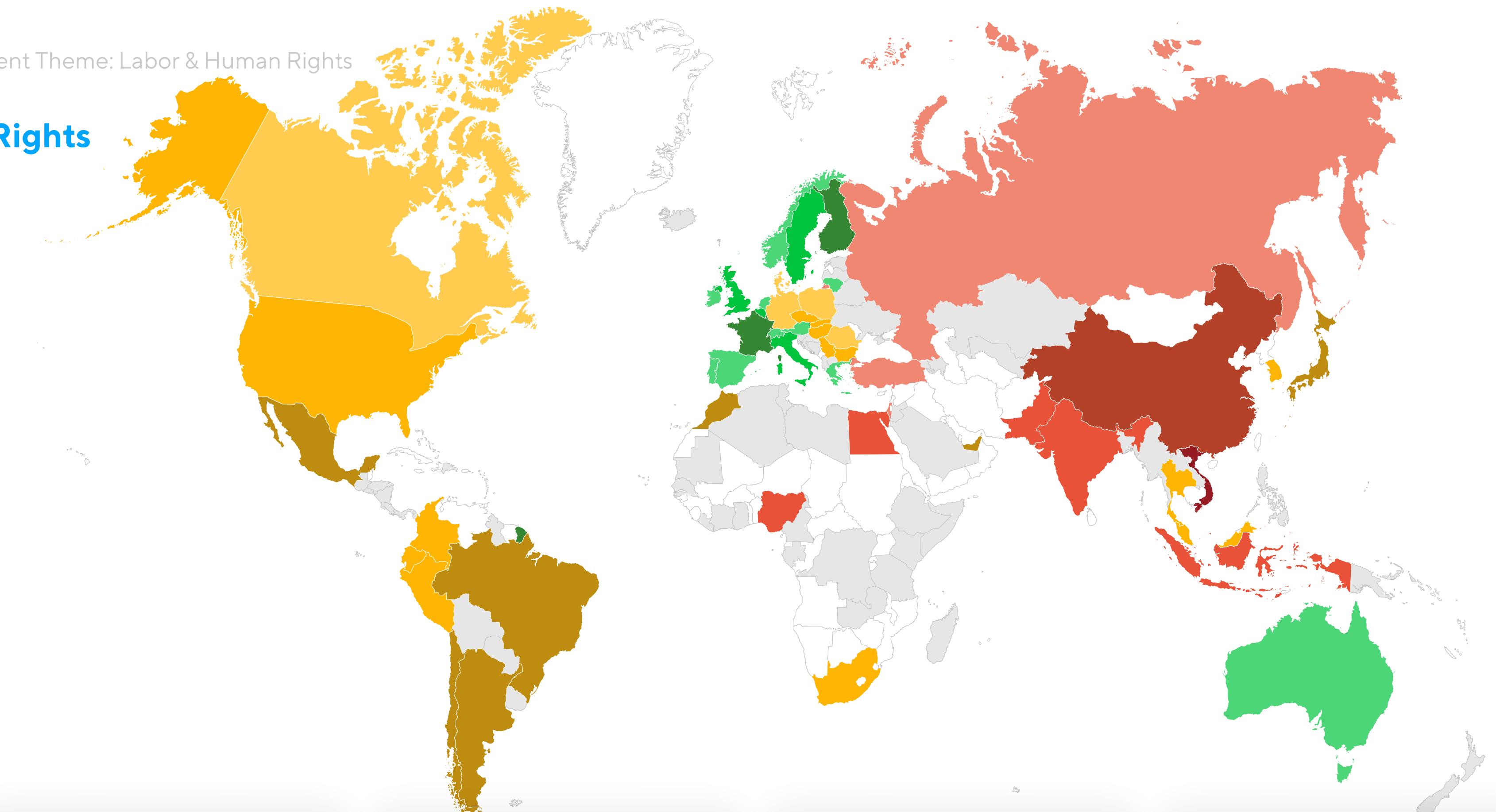
Highest score

61.4

Lowest score

38.5

Insufficient data



2021 Regional Scoring and Top Performers

Europe:

56.7

↑ 1.6 since 2020



Top performers:

Finland (61.4)

France (60.1)

Luxembourg (59)



Rapidly improving since 2020:

Luxembourg ↑ 3.5

Finland ↑ 3.4

Northern America:

51.2

↑ 0.9



Top performers:

Canada (53)

US (51)



Rapidly improving since 2020:

Canada ↑ 3.1

Latin America & the Caribbean:

48.8

↑ 1.1



Top performers:

Colombia (51.5)

Peru (51.1)

Ecuador (50.5)



Rapidly improving since 2020:

Peru ↑ 2.3

Africa & the Middle East:

45.9

↑ 1.0



Top performers:

South Africa (51)

UAE (48.9)

Morocco (47.9)



Rapidly improving since 2020:

South Africa ↑ 3.3

Morocco ↑ 3.1

Asia-Pacific:

45.1

↑ 1.8



Top performers:

Australia (55.1)

Singapore (54.3)

Thailand (50.6)



Rapidly improving since 2020:

Thailand ↑ 3.0

Northern America Is Keeping Pace With Europe

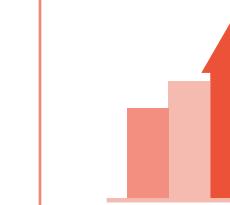
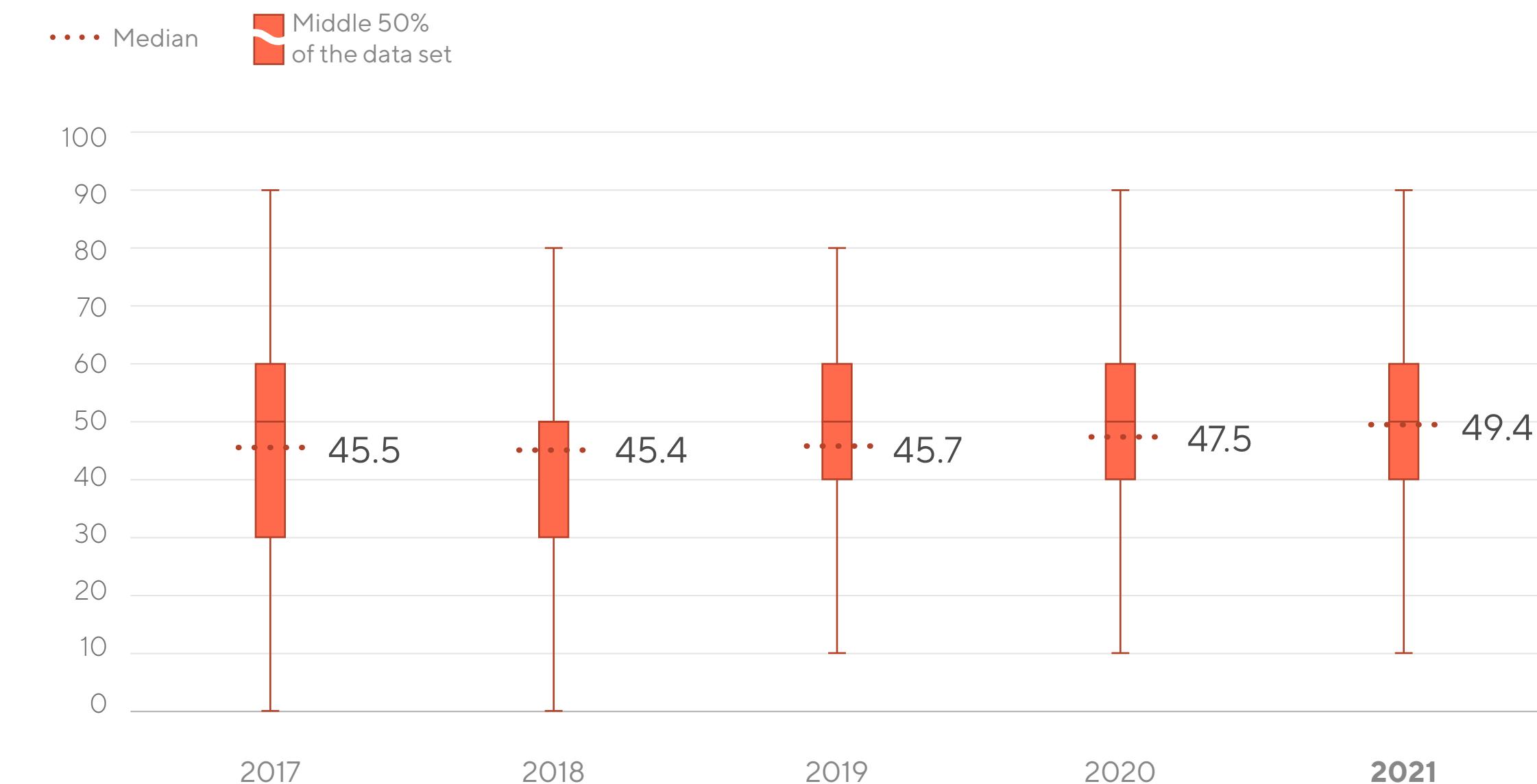
Europe once again led the way on labor and human rights in 2021. However, the performance gap between the leading region and second-place Northern America is much smaller than observed for the Environment theme. Though they trail Europe by 5.5 points, the 6.9-point improvement made by US and Canadian companies since 2017 has helped them keep pace with their European counterparts (7-point gain over the same period). However, their performance varies significantly by size. Small companies are performing particularly well, with their 55.7 average putting them just 2 points shy of the European average. Although large Northern American companies made consistent progress from 2017 to 2020, their marginal 0.4-point increase in 2021 now puts them more than 10 points behind their European peers.

Greater Regional Parity Than On Any Other Theme

In 2021, all regions scored above the 45-point threshold indicating a Good performance level – a first for any EcoVadis assessment theme. Europe has made the most progress on the theme since 2017 (+7 points) but is closely followed by Northern America (+6.9), MEA (+6.3) and Asia-Pacific (+6.1). LAC only gained 3.8 points over the period but is still performing well with a 48.8 average.

MEA and Asia-Pacific have a nearly identical performance distribution on the Labor & Human Rights theme. Both regions have fewer than 10% of their companies at the Insufficient level and more than 50% of their companies are scoring 45 or above. The strong performance of these two regions is the primary reason the overall scoring distribution of companies has narrowed since 2017.

Evolution of Labor & Human Rights Scoring (2017-2021)



As shown above, the middle 50% of companies fell within a range of 30 to 60 points in 2017. The minimum score recorded in 2017 was 0 while the maximum was 90. The narrowing of this range to 40–60 in recent years is a clear indication of the growing parity of companies on this theme across regions and sizes.



Industry Spotlight: All Industries Are Scoring Above 50



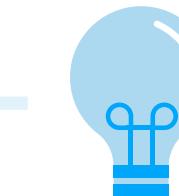
Top performers:

Food & Beverage (54.5)
Heavy Manufacturing (53.8)
Light Manufacturing (51.1)



Rapidly improving since 2017:

Wholesale, Services & Professional  7.2
Finance, Legal & Consulting  6.6
Heavy Manufacturing  5.4

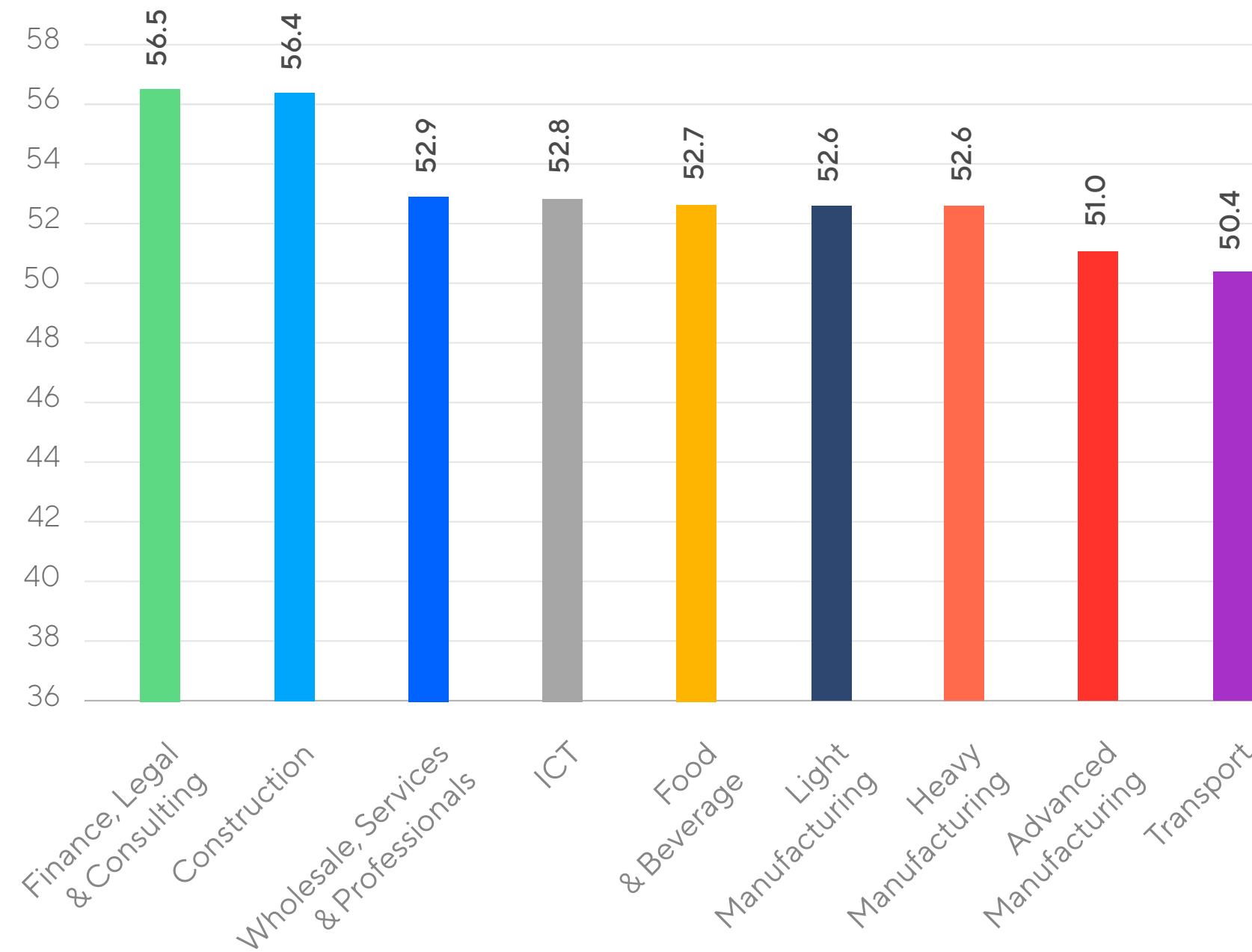


Key Trends

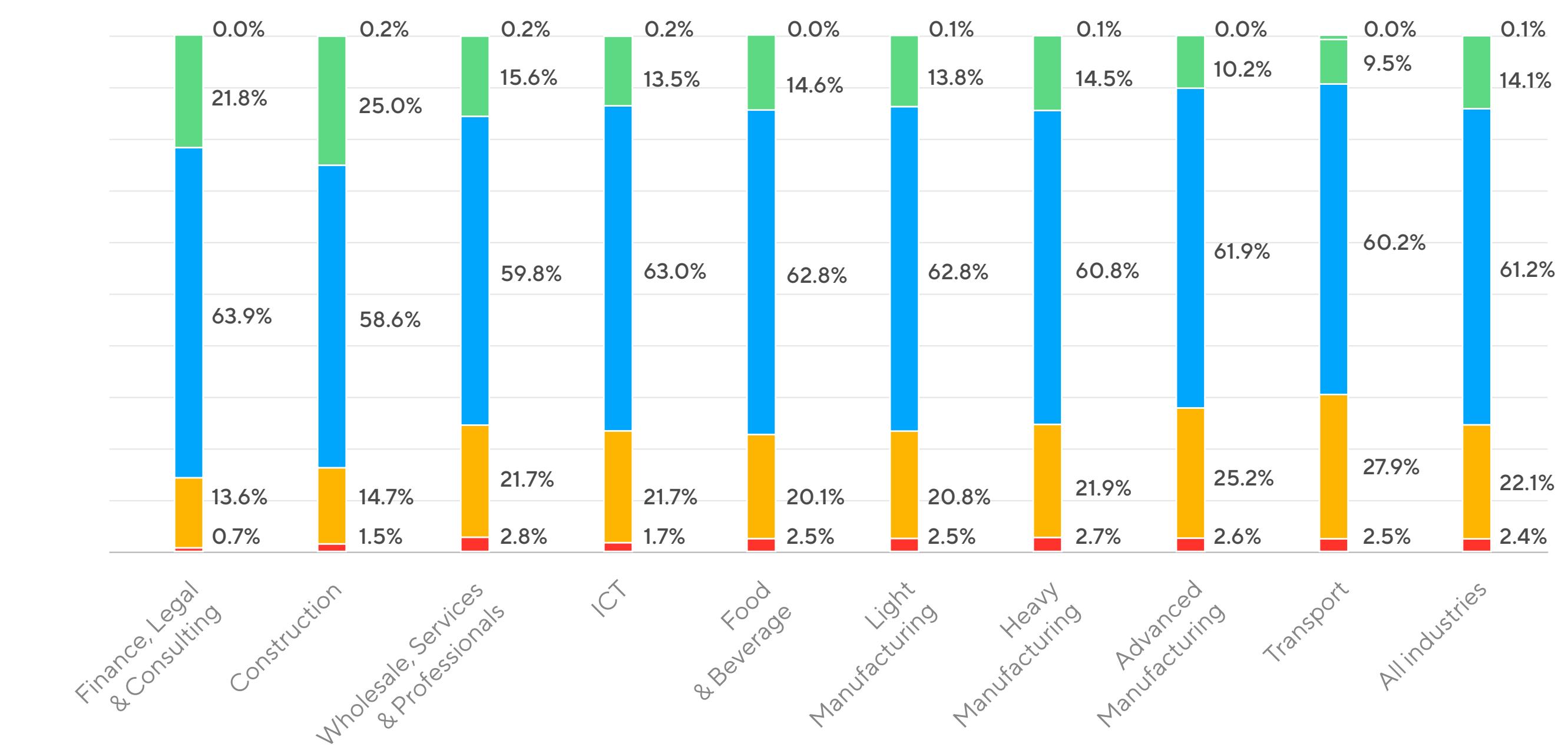
- All industries have now crossed the 50-point threshold, compared to zero industries in 2017.
- In 2021, 25% of companies in the Construction industry reached the Advanced category. The only other industry to reach this threshold is Finance, Legal & Consulting on the Ethics theme (26.3%).
- The Transport industry is the only one with more than 30% of its companies scoring below the 45-point mark on the Labor & Human Rights theme (compared to all nine in 2017). This broad level of industry maturity is unique to this theme. On the Environment and Ethics themes, seven of the nine industries have more than a third of their companies below the 45-point mark.
- The Wholesale, Services & Professional and Finance, Legal & Consulting industries have made unparalleled progress since 2017, gaining 9.8 and 10.2 points respectively. All company sizes have contributed to this growth but SMEs are outperforming large companies in both industries.
- ICT is the only industry where large companies have largely stagnated on the Labor & Human Rights theme, gaining only 0.9 points in five years. Conversely, small companies (25-99) have gained 8.2 points.



Industry Scoring on Labor & Human Rights (2021)



Performance Distribution of Companies on the Theme (2021)



Legend: Insufficient (0-24) | Partial (25-44) | Good (45-64) | Advanced (65-84) | Outstanding (85-100)

Compare industry scoring on Labor & Human Rights by country at the Index Online.

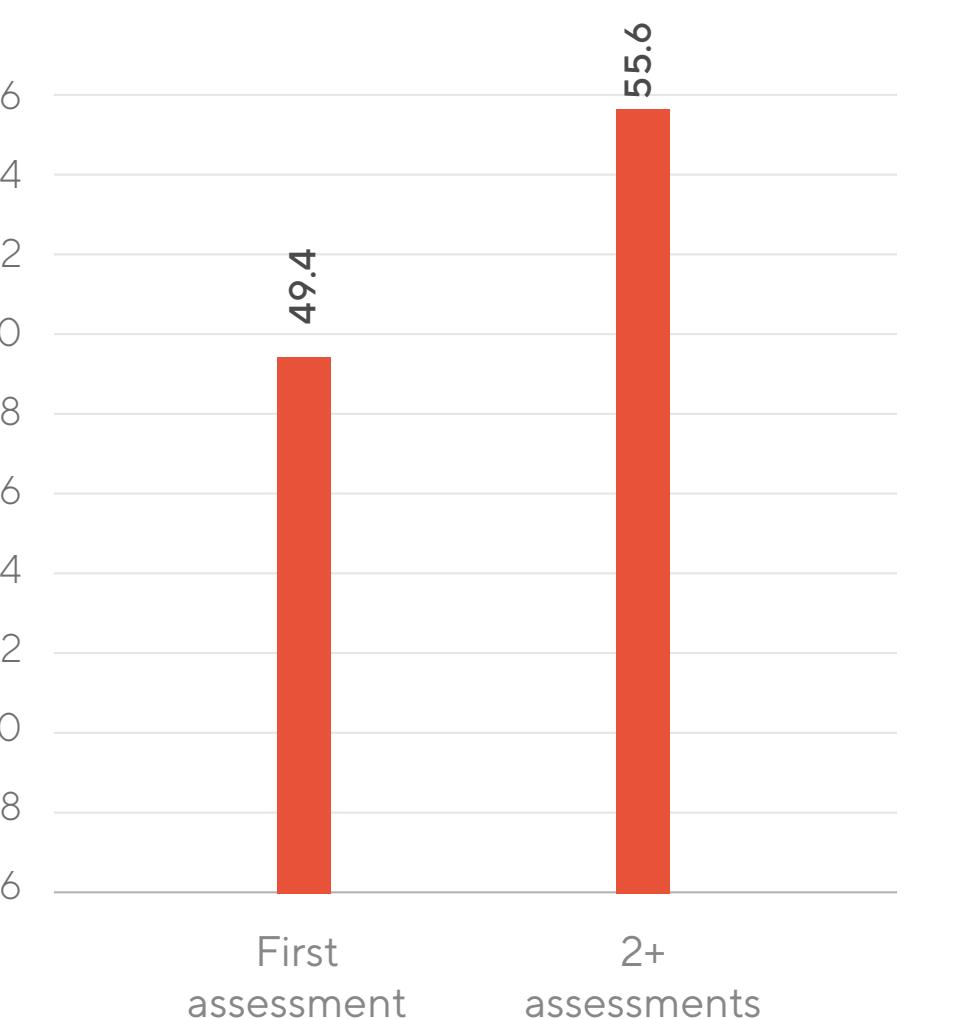


Beyond the Average: Continuous Engagement Drives Scoring Improvement

Comparing EcoVadis first-assessment scoring over the years provides a unique quantitative glimpse into the evolution of the broader sustainability landscape. This is particularly true for the Labor & Human Rights theme. Companies assessed on their labor and human rights practices for the first time in 2019 averaged 45.7 – this jumped to 49.4 in 2021. This significant 3.7-point growth indicates that, thanks to rapidly mounting stakeholder pressure around addressing issues like diversity and inclusion and modern slavery, companies are entering the EcoVadis network with a relatively high level of maturity on this theme. Growth in the first-assessment benchmark was slower across the other themes from 2019 to 2021: +2.9 for Ethics, +1.3 for Environment and +0.3 for Sustainable Procurement.

Companies can build on this momentum by undergoing multiple assessments and leveraging those insights to drive improvements. Those assessed in 2021 and at least once previously averaged 55.6 on the Labor & Human Rights theme.

Labor & Human Rights Performance by Number of Assessments (2021)





Ethics

- Corruption
- Anticompetitive Practices
- Responsible Information Management

2021 average:

46.8

↑ 2.5

points since 2020
(1st among all themes)

↑ 4.7

points in five years
(2nd among all themes)

28%

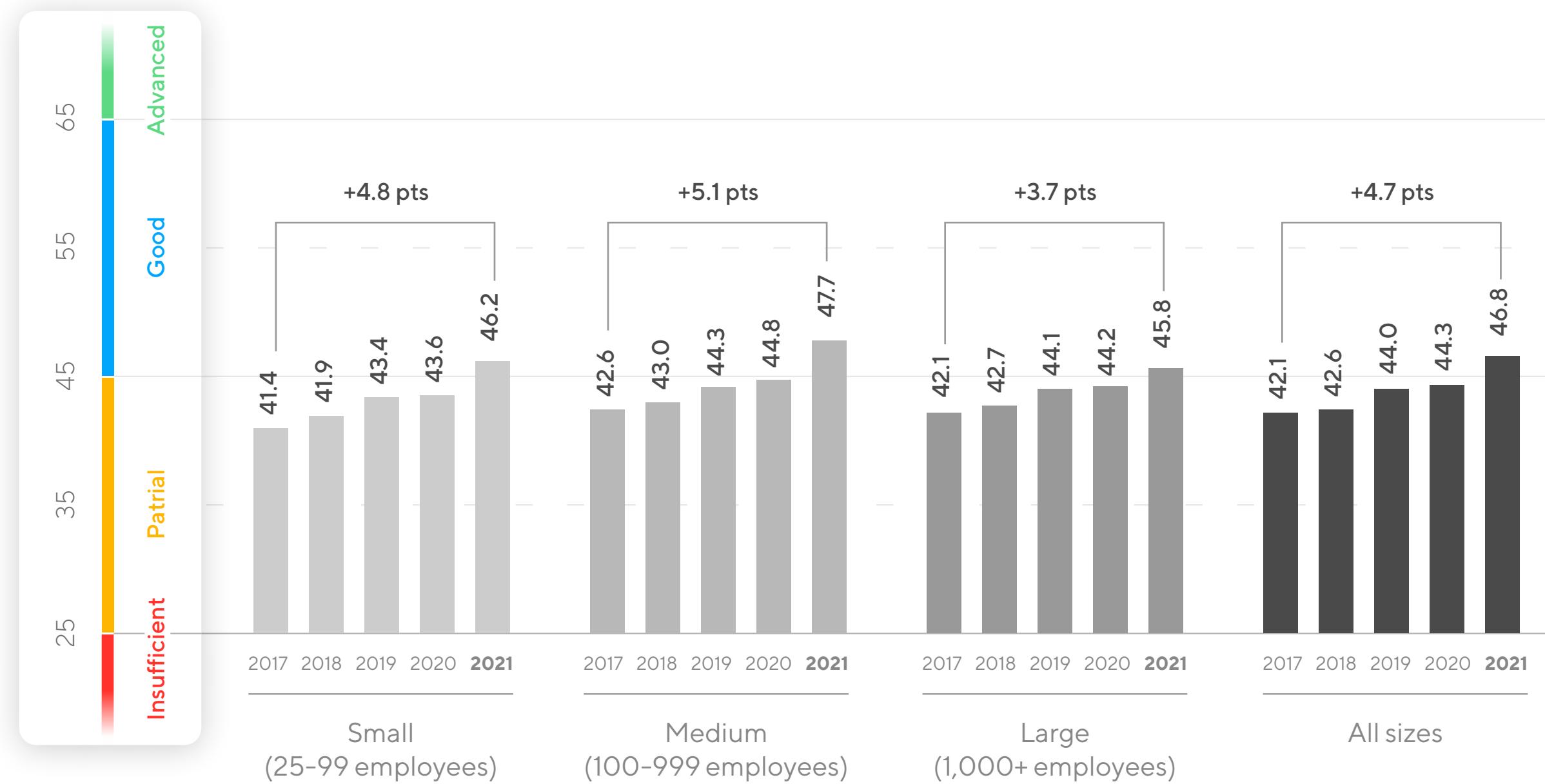
of companies in Asia-Pacific are still in the Insufficient category (compared to 19% in MEA and just 3% in LAC)

2.9 points

The gain made by medium-sized companies since 2020 (second-largest one-year gain by a group of companies on any theme since 2017)

Overview

Ethics Performance by Company Size (2017-2021)



The Ethics theme examines how effectively and proactively companies are addressing corruption, anti-competition and information security risks throughout their operations. According to a recent [EY report](#), 54% of corporate board members surveyed agree that the pandemic has made it more difficult for companies to act with integrity. And with the massive shift to remote working, data protection and cybersecurity risks became a particular concern in 2021.

Despite these challenges, companies in the EcoVadis network have made exceptional progress on the Ethics theme in the past year. The 2.5-point increase in overall scoring in 2021 is the largest gain across any theme and is a particularly positive sign given that progress largely stalled from 2019 to 2020. However, with a theme average of 46.8, companies are still falling behind their performance on the Environment and Labor & Human Rights themes.

All company sizes contributed to the progress made in 2021: medium-sized companies increased their average by an impressive 2.9 points, small companies gained 2.6 points and large companies tacked on a solid 1.6 points. This 2.9-point gain is the second-largest achieved by a group of companies on any theme since 2017.



Regional Ethics Performance

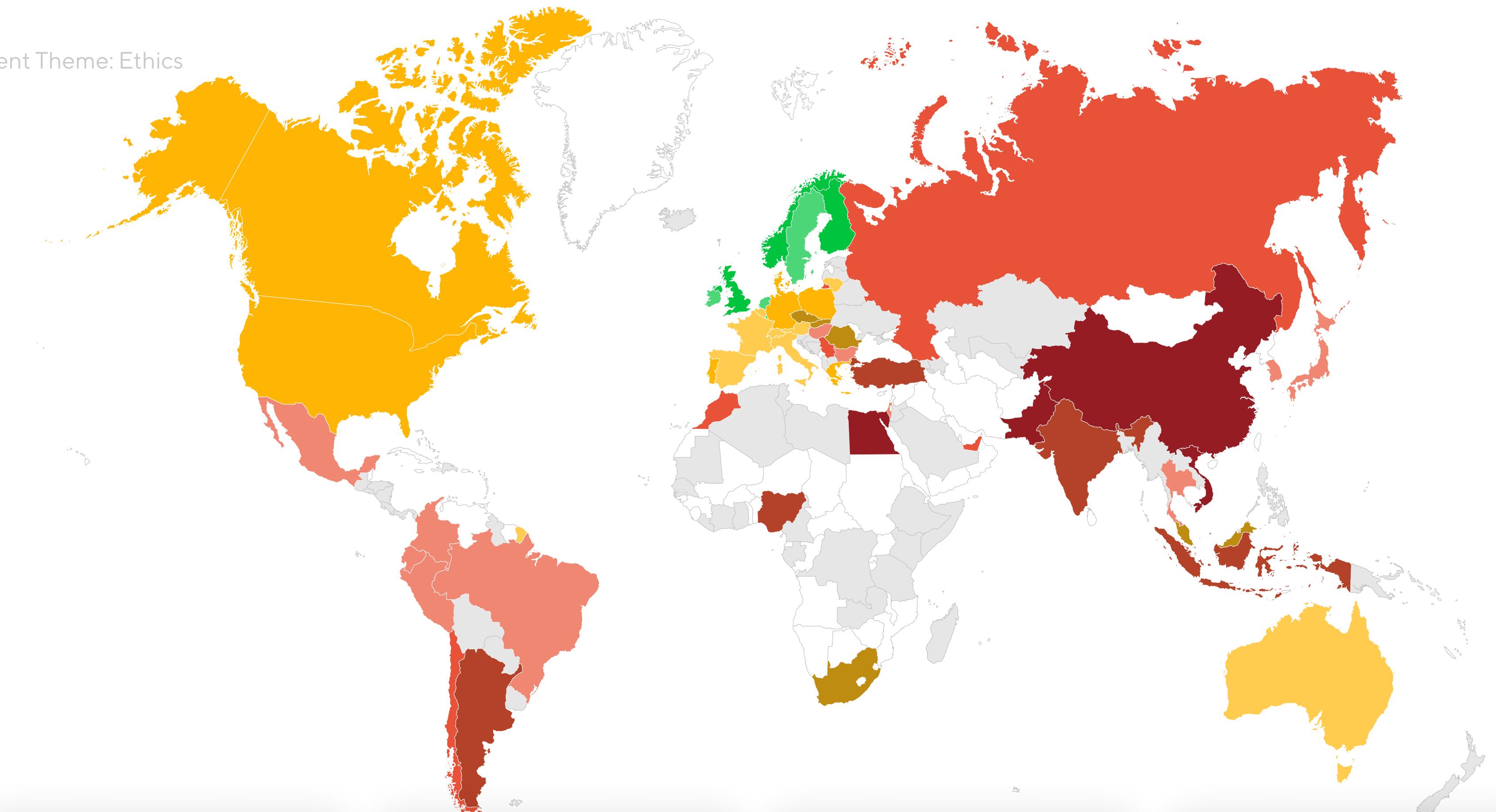
Highest score

57.7

Lowest score

30.8

Insufficient data



2021 Regional Scoring and Top Performers

Europe:

51.6

Top performers:

Finland (56.4)

Luxembourg (55.4)

Sweden (54.2)



Rapidly improving since 2020:

Luxembourg ^{↑ 3.5}

Northern America:

48.2^{↑ 0.8}

Top performers:

Canada (48.8)

US (48.2)



Rapidly improving since 2020:

Canada ^{↑ 3.0}

Latin America & the Caribbean:

42.6^{↑ 2.1}

Top performers:

Colombia (43.7)

Ecuador (43.4)

Mexico (43.3)



Rapidly improving since 2020:

Ecuador ^{↑ 2.3}

Africa & the Middle East:

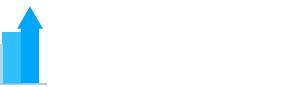
38.8^{↑ 0.4}

Top performers:

South Africa (45.1)

Israel (43.8)

UAE/Morocco (41.6)



Rapidly improving since 2020:

South Africa ^{↑ 4.5}

Asia-Pacific:

36.4^{↑ 2.1}

Top performers:

Australia (50.7)

Singapore (48.3)

Malaysia (45.3)



Rapidly improving since 2020:

Malaysia ^{↑ 4.7}

Europe is Outpacing Northern America on Ethics

Europe and Northern America (NA) are in a league of their own in terms of performance on the Ethics theme. With an average of 51.6, Europe is outperforming Asia-Pacific by more than 15 points – the largest regional gap observed across any of the themes in 2021. Despite performing similarly on every other theme, NA leads LAC by a significant 5.6 points on Ethics.

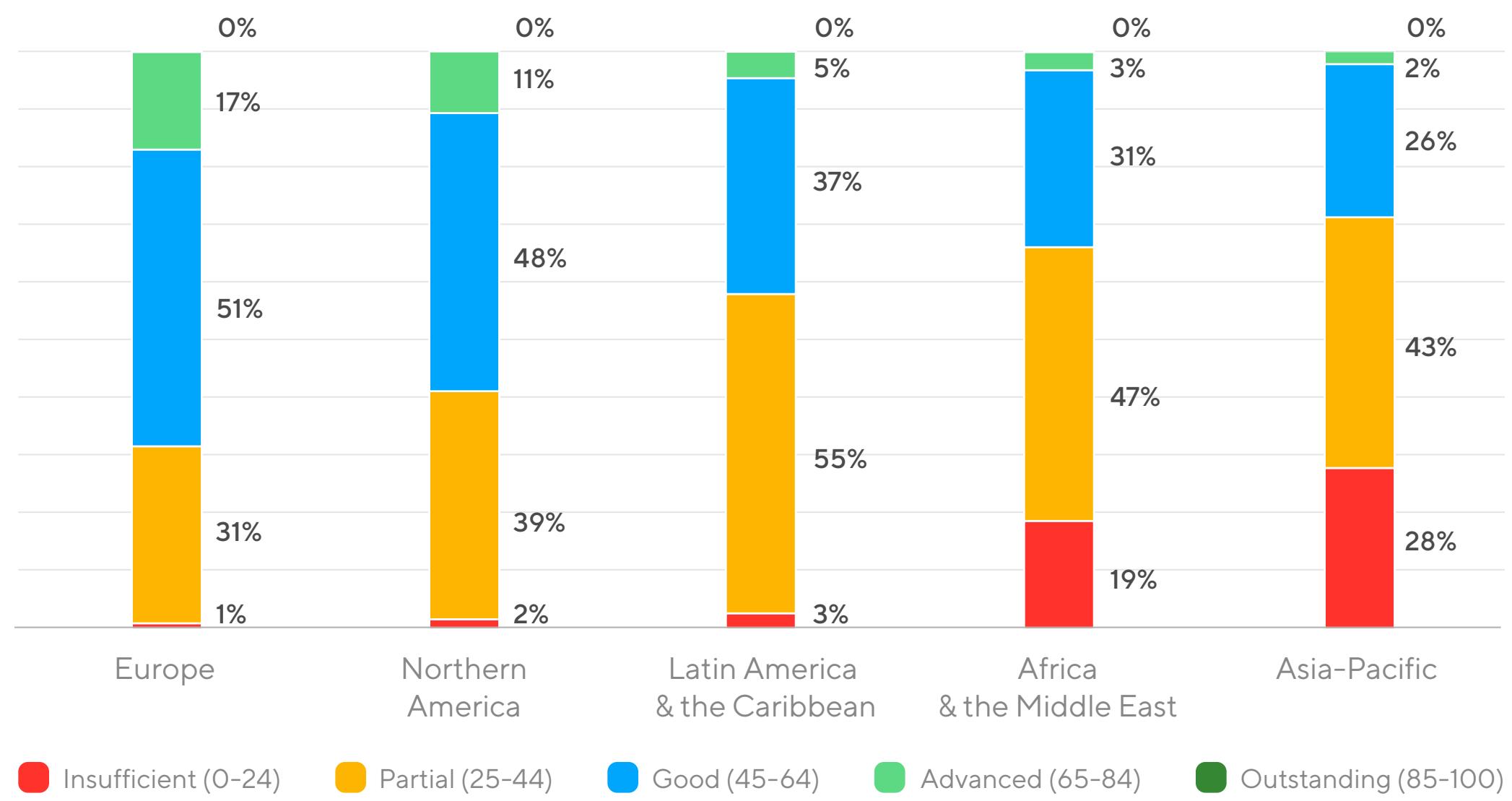
Europe bested NA by 3.4 points on the Ethics theme in 2021. At first glance, this appears to be a positive sign given that NA lags behind Europe by more than 5 points on every other theme. However, the five-year trend indicates otherwise. In 2017, NA companies were outperforming their European counterparts (46 vs. 45.1). The five years since have seen Europe make significant strides on Ethics, gaining 6.5 points, while NA has faltered. Its lackluster improvement of only 2.2 points is attributable to underperformance across all company sizes, but large companies have been particularly stagnant. There are signs that NA may be poised to reverse this trend in coming years. Canadian companies have made substantial gains on Ethics over the past year, improving their average from 45.9 in 2020 to 48.8 in 2021. This increase has pushed their average above that of their US counterparts.

Asia-Pacific Lags Behind All Other Regions

Unlike on the Environment theme, where it was within 2 points of Northern American and LAC, Asia-Pacific remains well behind its peers on Ethics. It also trails MEA by 2.4 points. There is tremendous variance in this region's scoring, from Australia's leading 50.7 to China's 31.6. Regionally, Malaysian and Thai companies made the most progress on Ethics in 2021. They have now raised their theme scores to 45.3 and 43.5 respectively, besting the 42.8 achieved by their Japanese counterparts. Although Singapore is second only to Australia on theme scoring with 48.3, it made very little progress in 2021.

A look at performance distribution reveals that a staggering 28% of companies in Asia-Pacific are performing at an Insufficient level (an average of below 25) on Ethics topics. In comparison, the MEA region only has 19% operating below this threshold and more companies with an average score above 45. Building the capacity of this underperforming group of companies – through consistent engagement and the use of corrective action plans, e-learning modules and other tools on the EcoVadis platform – will be key to building the region's maturity on ethics issues.

Regional Performance Distribution on the Ethics Theme (2021)



Take a closer look at which countries are excelling or underperforming on the Ethics theme at the Index Online.



Industry Spotlight: Two Industries Lead the Way



Top performers:

Finance, Legal & Consulting (55.7)
ICT (52.9)
Wholesale, Services & Professionals (48.2)



Rapidly improving since 2017:

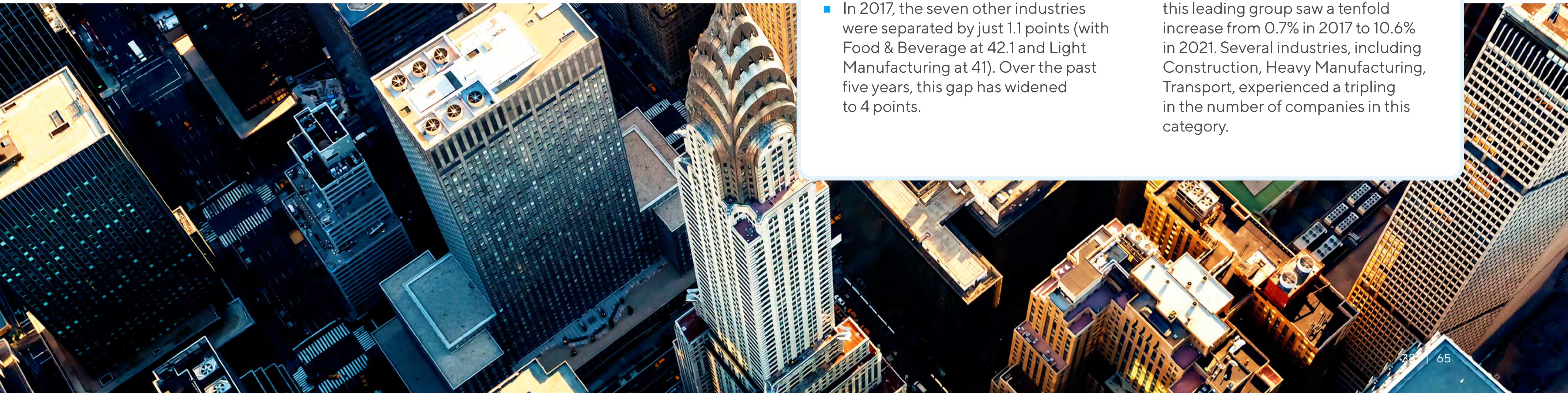
Finance, Legal & Consulting 8.2
Wholesale, Services & Professionals 6.7
Construction 6.1



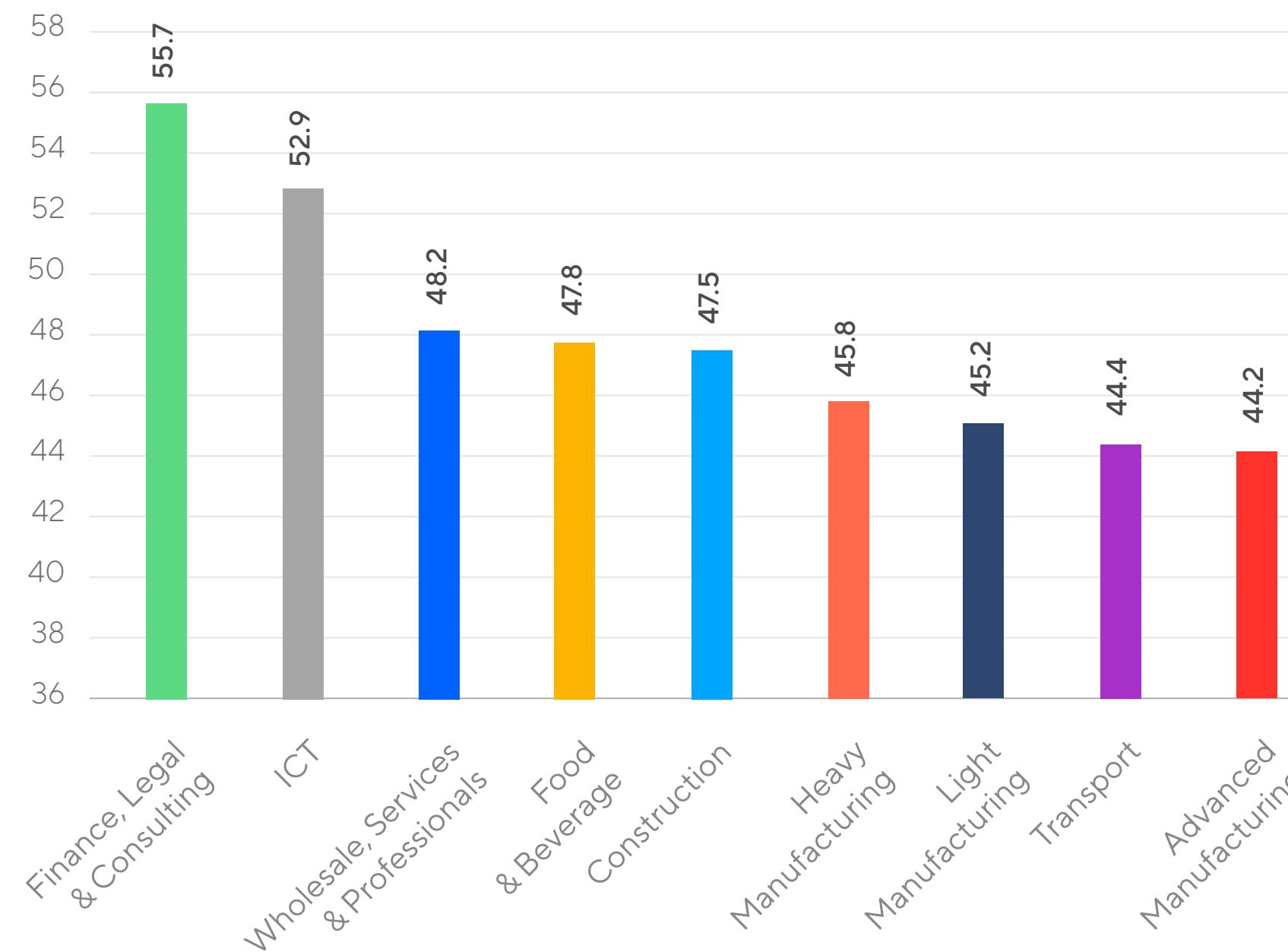
Key Trends

- The Finance, Legal & Consulting and ICT industries – averaging 55.7 and 52.9 respectively – have continued to separate themselves from the pack on Ethics topics. Medium-sized companies are leading the way in both industries. The Finance, Legal & Consulting industry now has more companies above the 65-point threshold (26.3%) than any other industry on any theme.
- In 2017, the seven other industries were separated by just 1.1 points (with Food & Beverage at 42.1 and Light Manufacturing at 41). Over the past five years, this gap has widened to 4 points.

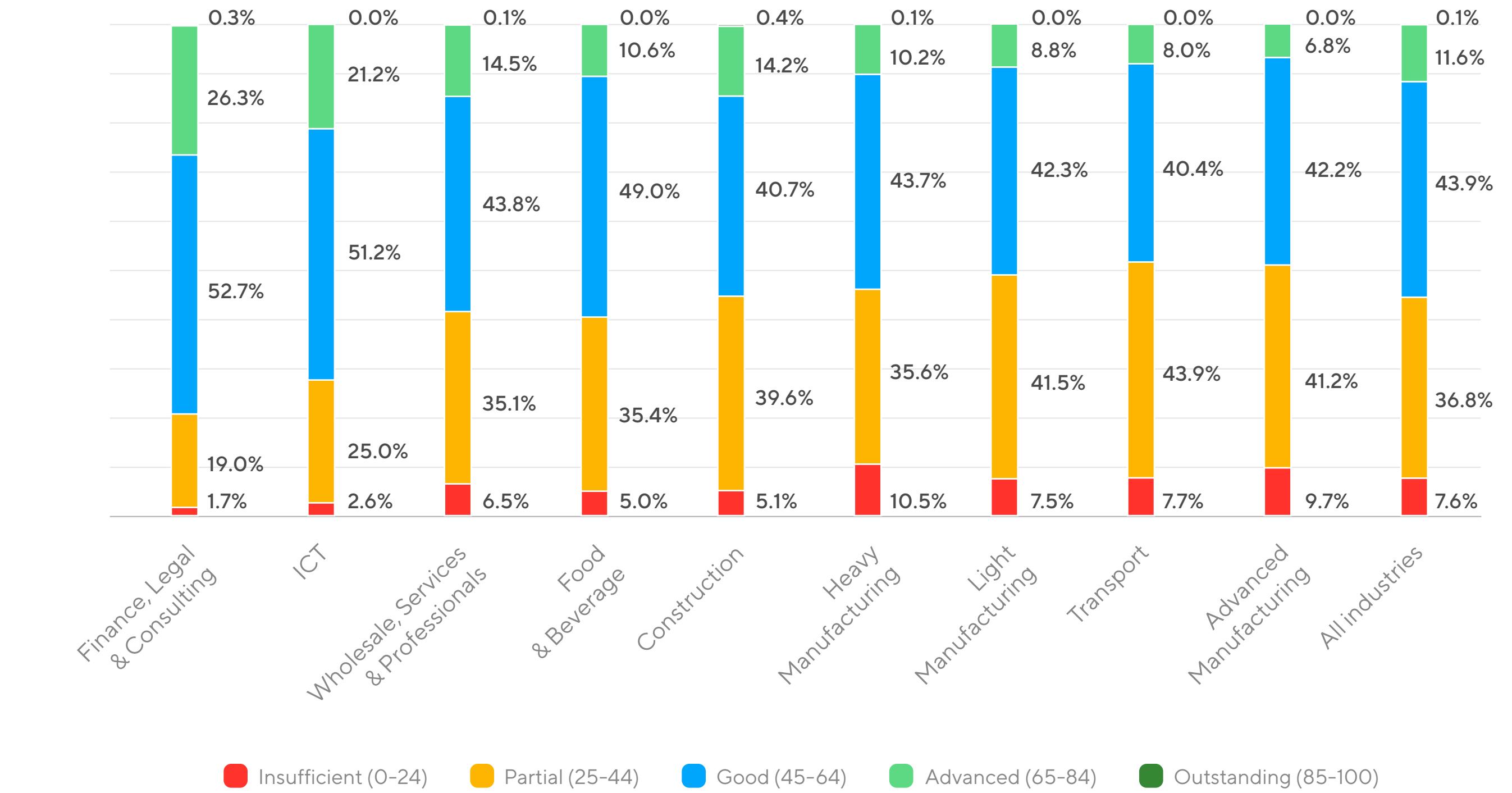
- Advanced Manufacturing, which was fourth in scoring in 2017, is now last among all industries. Its slow 2.3-point growth over this period is largely the result of the underperformance of large companies.
- The share of companies in the Advanced performance category (score of 65+) has increased substantially in a number of industries since 2017. In Food & Beverage, this leading group saw a tenfold increase from 0.7% in 2017 to 10.6% in 2021. Several industries, including Construction, Heavy Manufacturing, Transport, experienced a tripling in the number of companies in this category.



Industry Scoring on Ethics (2021)



Performance Distribution of Companies on the Theme (2021)



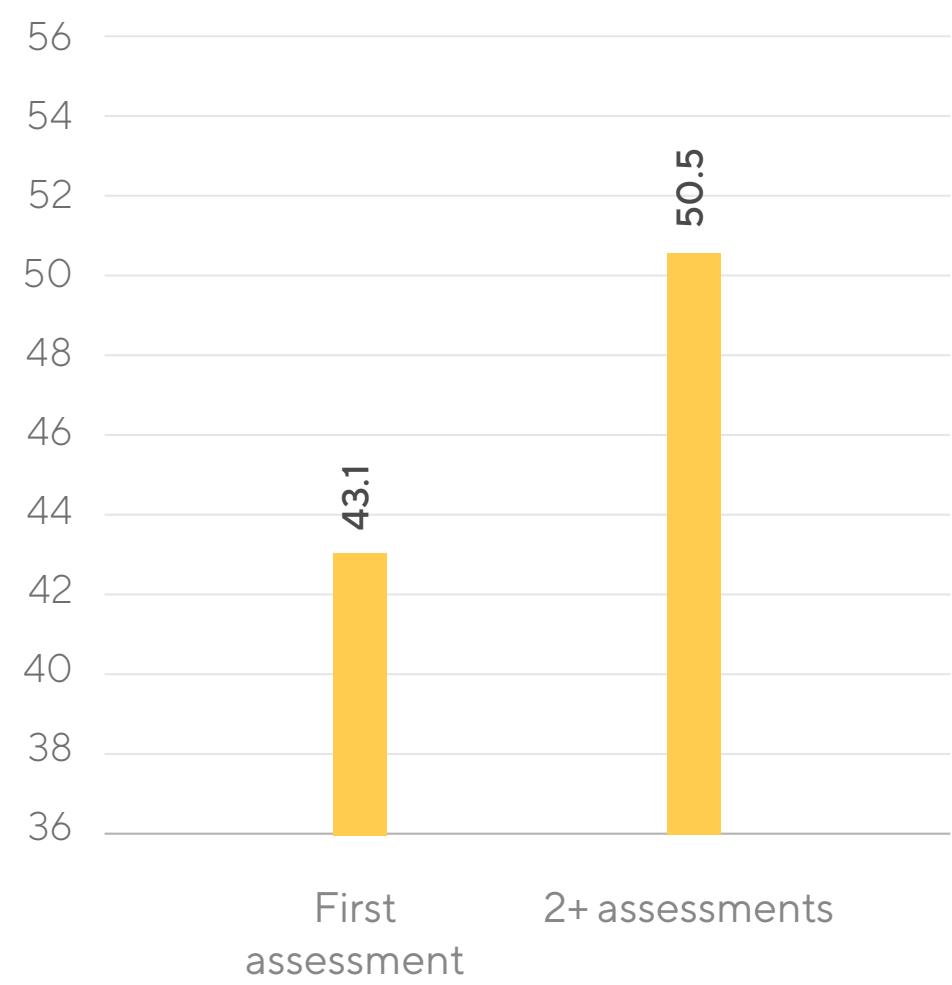
Legend: Insufficient (0-24), Partial (25-44), Good (45-64), Advanced (65-84), Outstanding (85-100)

Beyond the Average: The Key Actions Driving Ethics Improvements

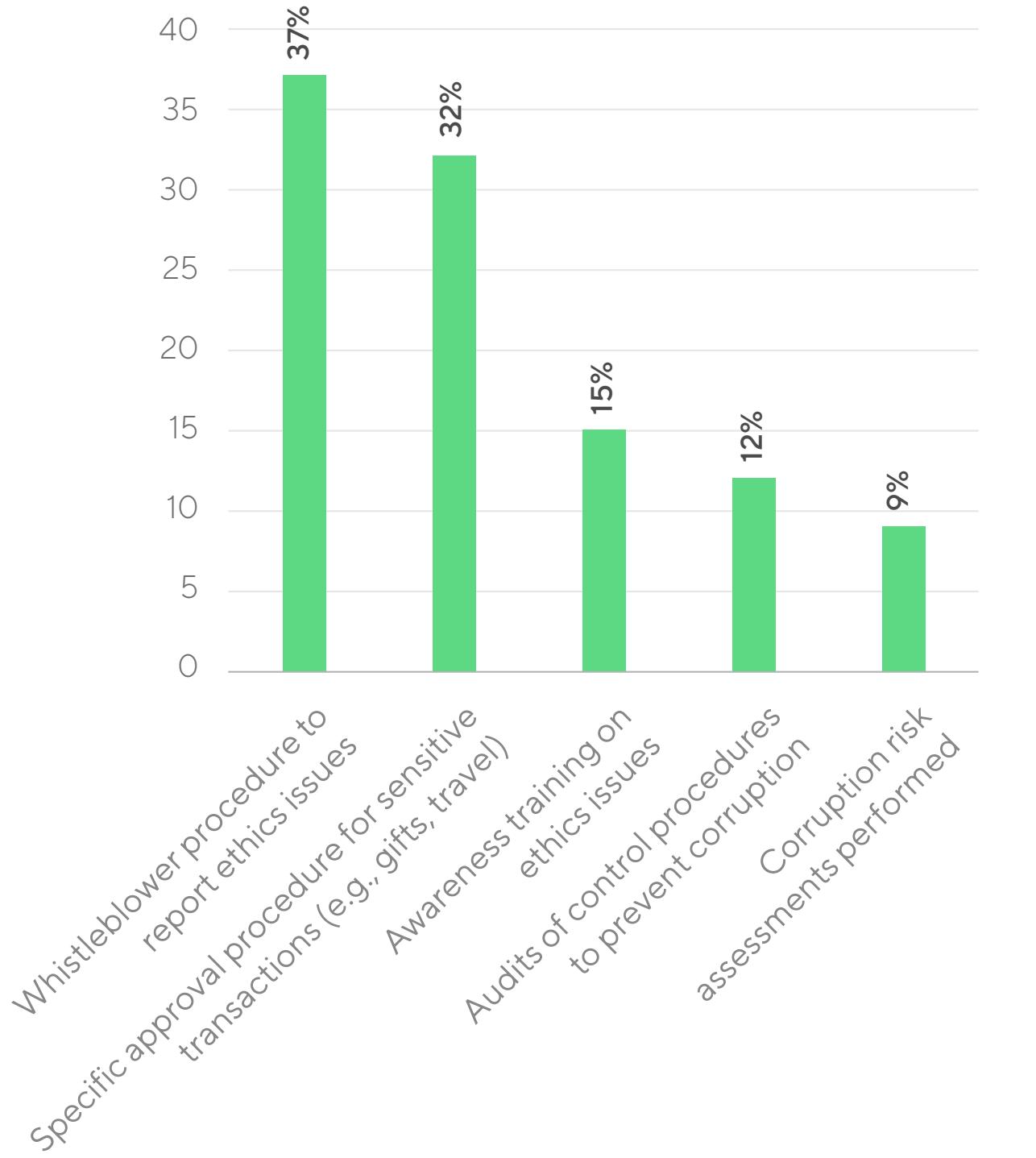
Those with multiple assessments (one in 2021 and at least one in a previous year) were able to increase their Ethics average to 50.5, 7.4 points higher than the first assessment average in 2021. The chart to the very right shows the most common actions in 2021 for the Ethics theme: 37% have a whistleblower procedure in place to report ethics issues, 32% have a specific approval procedure for sensitive transactions, and 29% have created a specific function for dealing with ethical challenges.

Implementing these core actions would help many of the companies currently in the Insufficient category progress to the next level.

Ethics Performance By Number of Assessments (2021)

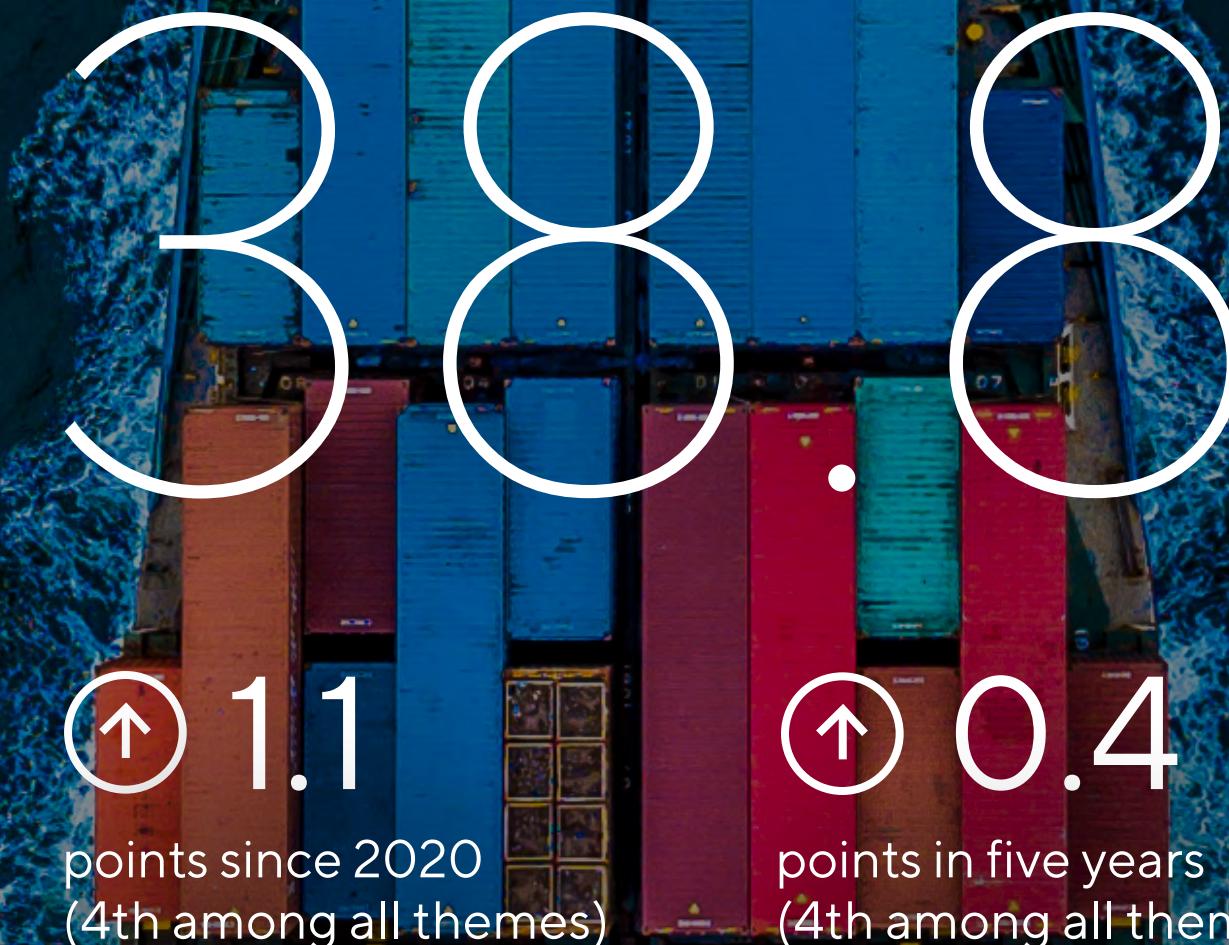


Most Common Actions Taken By Companies To Address Ethics Issues in 2021





2021 average:



100%

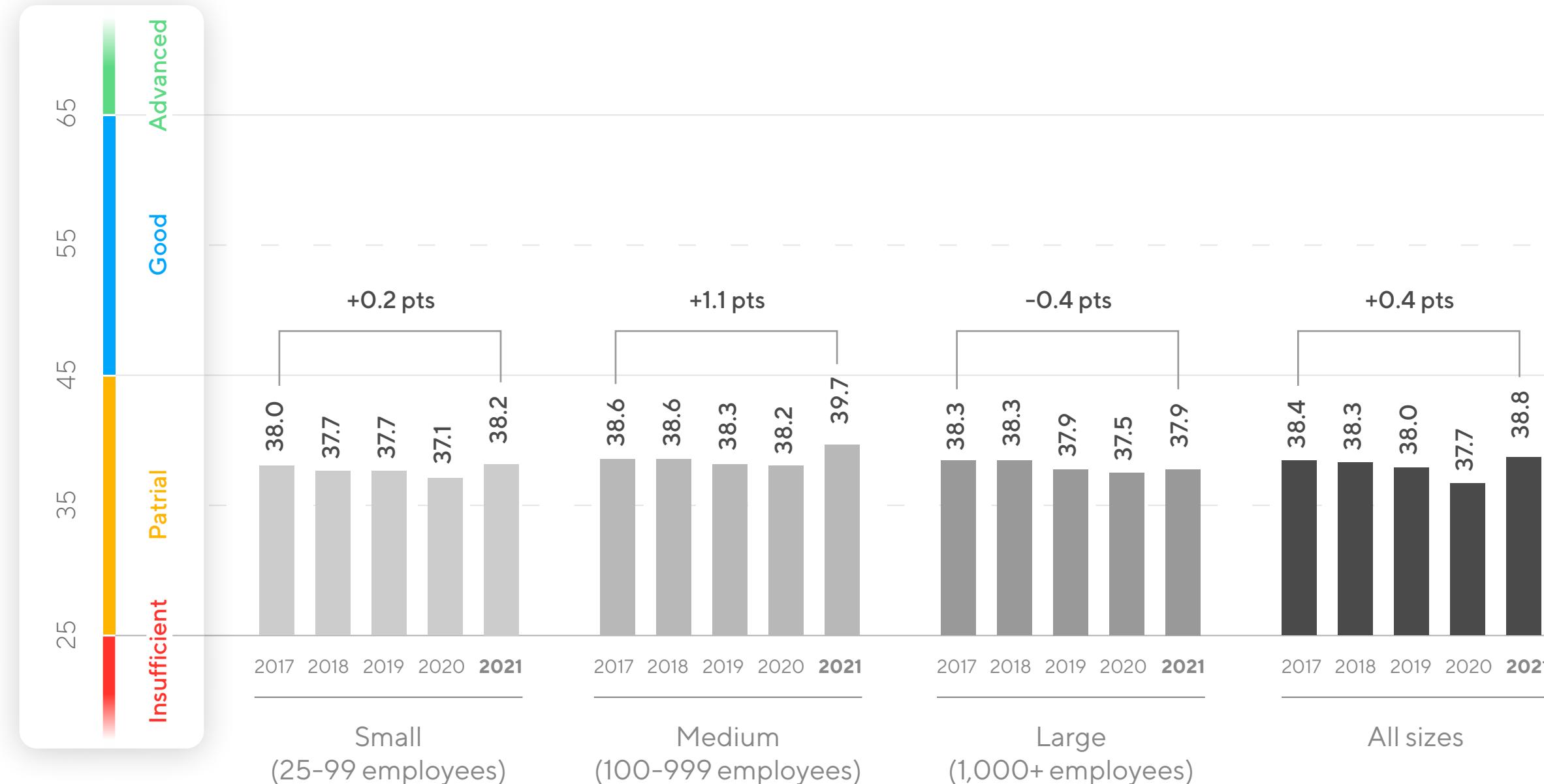
All company sizes improved
on this theme in 2021 after
multiple years of scoring
regression

43.3

average score for companies
with multiple assessments

Overview

Sustainable Procurement Performance by Company Size (2021)



The Sustainable Procurement theme examines how effectively companies are cascading sustainability principles and practices throughout their supply chain. Given that more than 90% of a company's environmental impact – as well as the bulk of its human rights risks – stem from its supply chain, assessing and benchmarking the environmental and social practices of suppliers is crucial. Although a growing number of companies are realizing the importance of integrating sustainability and ESG metrics into their procurement approach, building the capacity needed to drive meaningful improvement remains a challenge. Theme scores were on the decline prior to the COVID-19 pandemic and conventional wisdom indicated it would further suppress scoring. However, we are seeing signs that it has catalyzed some companies to take steps toward building greater supply chain resilience and sustainability.

As many companies in the EcoVadis network are still in the early stages of this process, overall scoring is significantly lower on this theme than the others. Companies have increased their average by just 0.4 points since 2017, from 38.4 to 38.8 in 2021. However, there are positive signs. After scoring declined year on year from 2017 to 2020, it increased by 1.1 points in 2021. Medium-sized companies gained a significant 1.5 points and small companies increased their average by 1.1 points. Large companies gained 0.4 points but are still performing below their 2017 benchmark. This is the only scoring decrease observed across any of the themes or company sizes over the five-year period.

Regional Sustainable Procurement Performance

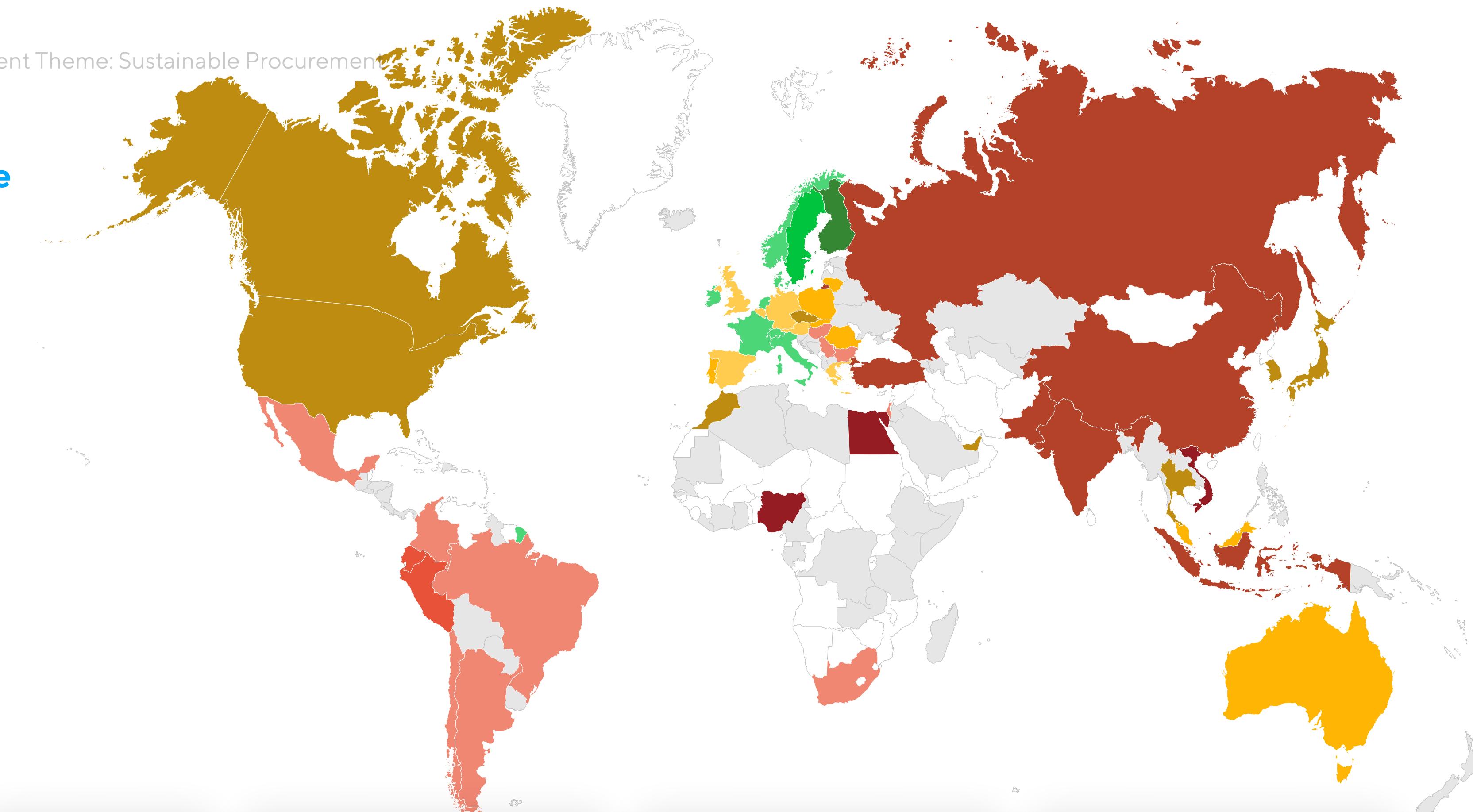
Highest score

50.0

Lowest score

25.3

Insufficient data



2021 Regional Scoring and Top Performers

Europe:

43.0

↑ 1 since 2020



Top performers:
Finland (50)
Sweden (47.4)
France (45.9)



Rapidly improving since 2020:
Finland ↑ 4.8

Northern America:

36.3

↓ 0.3



Top performers:
Canada (37.7)
US (36.2)

Latin America & the Caribbean:

35.0

↑ 0.8



Top performers:
Mexico (35.9)
Brazil (35.2)
Colombia (33.9)



Rapidly improving since 2020:
Ecuador ↓ 2.9

Asia-Pacific:

32.4

↑ 1.6



Top performers:
Singapore (40.5)
Malaysia (39.1)
Australia (38.6)



Rapidly improving since 2020:
Malaysia ↑ 3.6

Africa & the Middle East:

31.5

↓ 0.4



Top performers:
Morocco (37.9)
UAE (36.7)
South Africa (35.4)



Rapidly improving since 2020:

UAE ↑ 2.5

Most Regions Have Lost Ground Since 2017 – But There Are Positive Signs

Four of the five EcoVadis regions have either seen their Sustainable Procurement average decrease or remain relatively stagnant from 2017 to 2021. Over the five-year period, average scoring on the theme dropped by 1.3 points in LAC, 1.9 points in Northern America and 1.2 points in MEA. Asia-Pacific's average has increased by just 0.1 points since 2017. Large companies in particular have struggled, with those in Northern American and LAC dropping 3.9 and 3.3 points respectively since 2017.

However, some positive signs emerged over the past year. After Asia-Pacific's theme average declined steadily from 32.3 in 2017 to 30.8 in 2020, it jumped by 1.6 points in 2021 – a greater increase than observed in Europe over the past year. Even more promising is the fact that companies of all sizes contributed to this growth, with medium-sized companies improving by an impressive 2.2 points.

While Europe has also struggled to build maturity on sustainable procurement over the past five years – gaining only 0.6 points – companies of all sizes have increased their score. The Nordic countries and France

are leading the way on the theme, scoring above the 45-point mark indicating a Good level of performance. Finland has reached the 50-point mark after gaining nearly 5 points on the theme over the past year.

Ultimately, these scoring trends indicate that a significant gulf remains between the commitments expressed by companies around supply chain sustainability and their ability to translate this ambition into action. However, with supply chain regulations tightening and stakeholders expecting more transparency than ever before, companies will have to redouble their efforts to integrate sustainability into their procurement processes. While Europe is leading the way overall, Asia-Pacific is demonstrating that all companies have the potential to accelerate their efforts.

Use the Index Online tool to explore which countries, industries and company sizes are driving the upward trend in Sustainable Procurement scoring.



Industry Spotlight: Scoring Varies Widely by Company Size

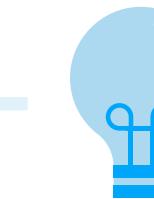


Top performers:

Food & Beverage (43.6)
Light Manufacturing (42.7)
Construction (39.8)

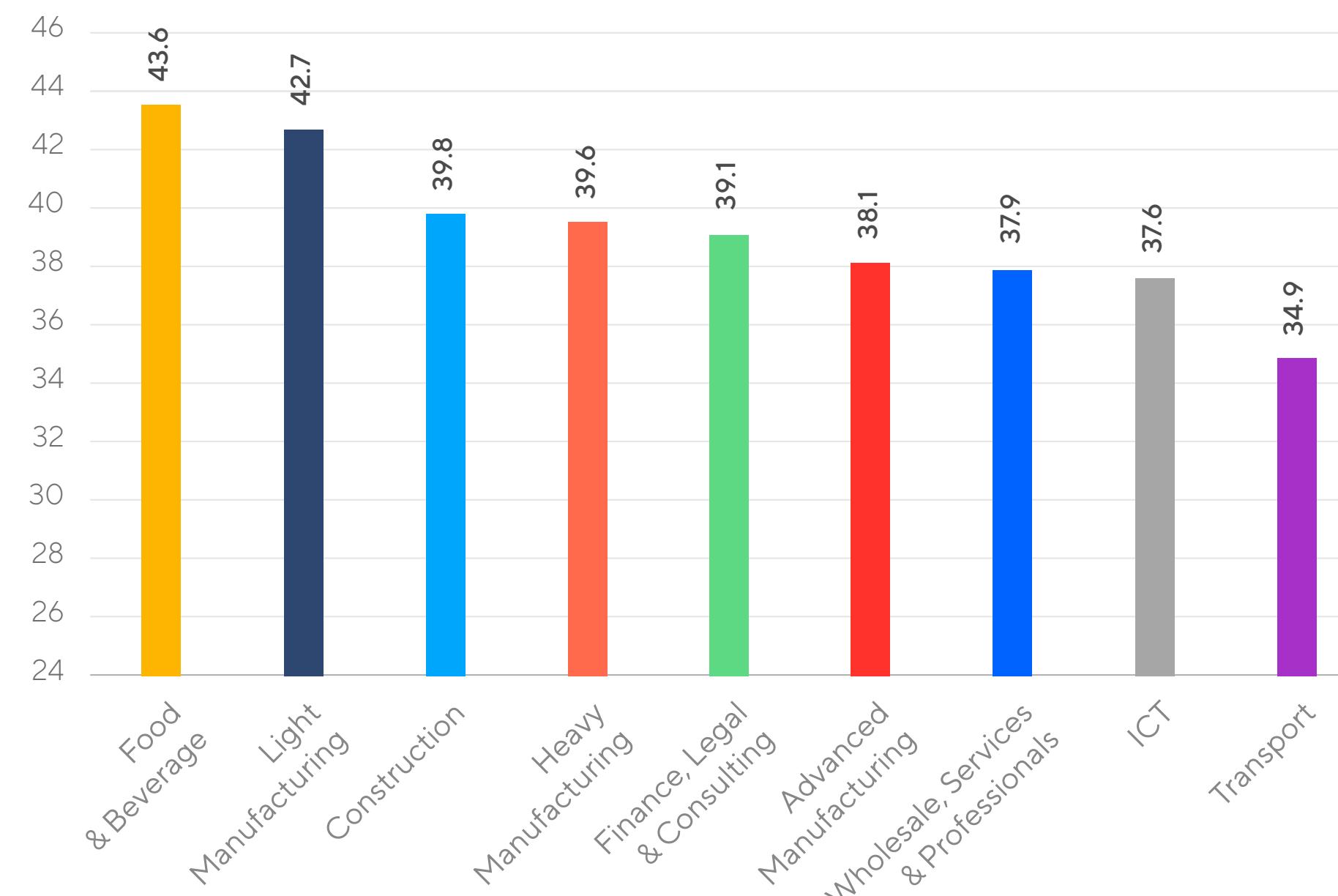
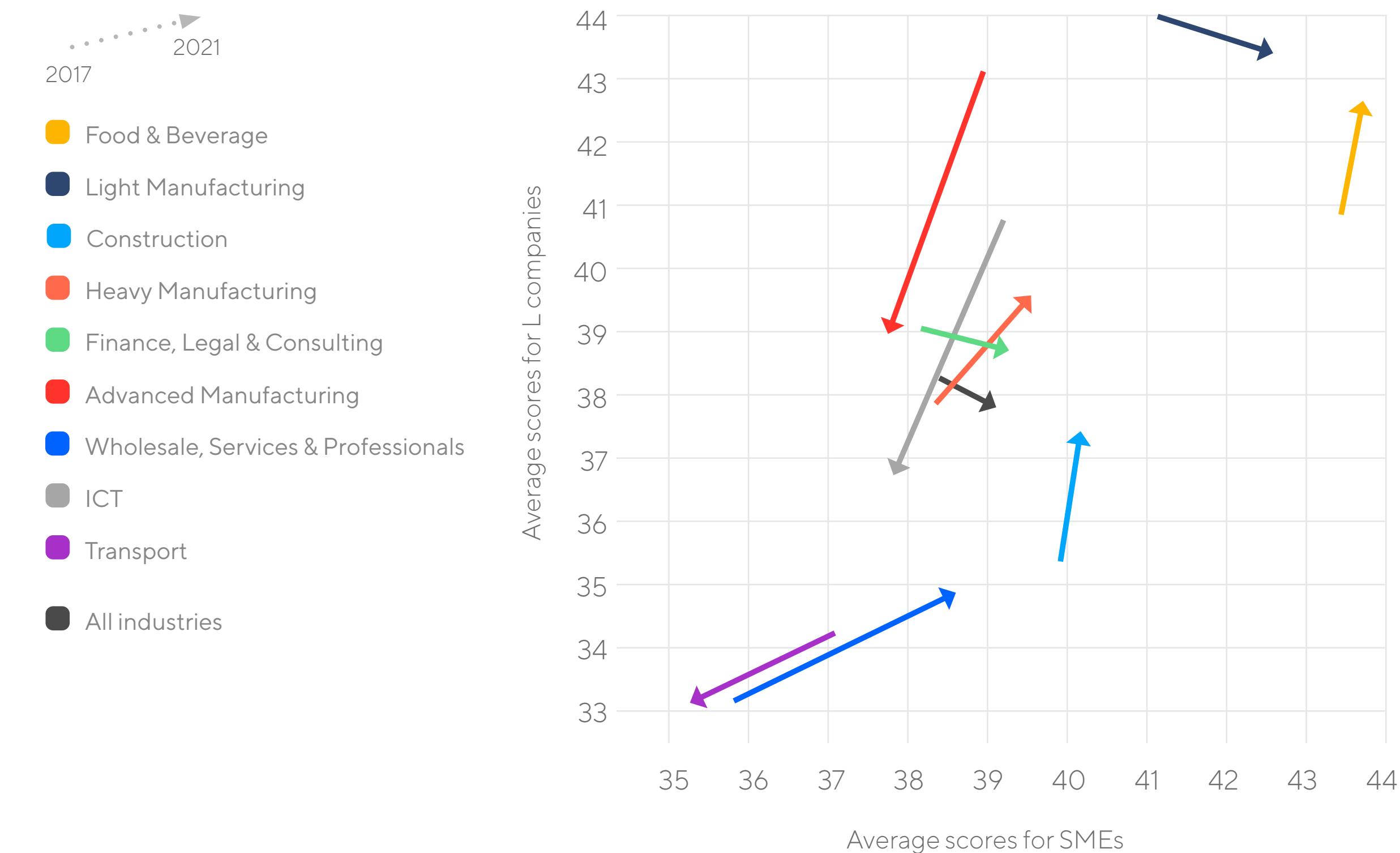


Rapidly improving since 2017:
Wholesale, Services & Professional 2.6
Heavy Manufacturing 1.3
Light Manufacturing 1.1



Key Trends

- All industries improved their Sustainable Procurement average from 2020 to 2021. Food & Beverage led the way in terms of average score (43.6) and progress made over the past year (+3.7 points). The progress made by other industries ranged from the 2 points gained by Light Manufacturing to the 0.4 gained by Advanced Manufacturing.
- The gains made across all industries in 2021 are particularly promising given the significant fluctuations observed over the five-year period. Three of the nine industries – Advanced Manufacturing, ICT and Transport – have regressed on the theme since 2017. The progress made by other industries has been very minimal, with Wholesale, Services & Professional being the only industry to have a net gain of more than 2 points over the period.
- As shown in the chart on the next page, performance on the Sustainable Procurement theme since 2017 varies widely by industry and company size. Although companies in the Heavy Manufacturing industry have only made modest gains between 2017 and 2021, large companies and SMEs have improved by roughly the same amount.
- Large companies in both the Advanced Manufacturing and ICT industries have lost significant ground (4 and 3 points respectively) over the five-year period. With their reliance on rare earth elements in their production processes, companies in these industries are exposed to significant sustainability risks throughout their value chains.

Industry Scoring on Sustainable Procurement (2021)**Industry Comparison: SMEs vs. Large Companies on Sustainable Procurement (2017-2021)**

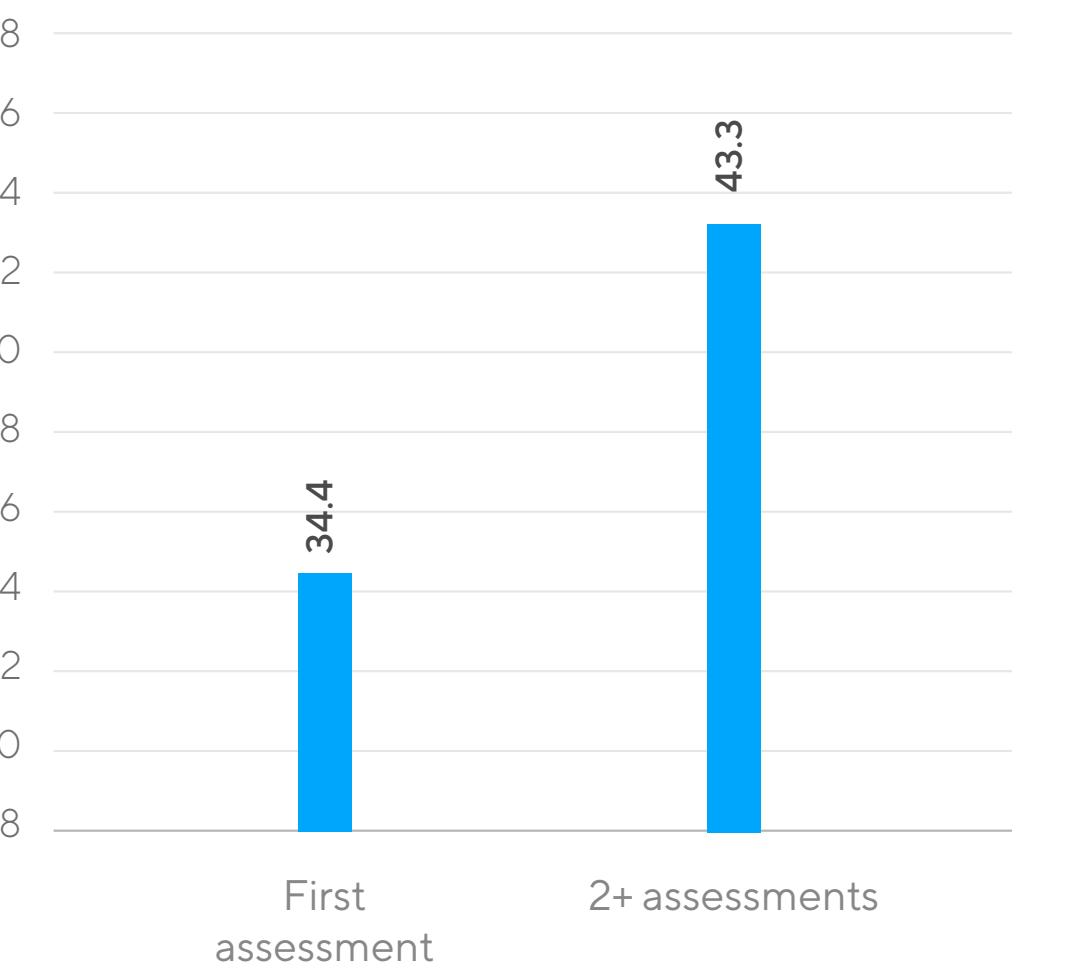
Each arrow represents the change in average score from 2017 to 2021 of small/medium (x-axis) and large (y-axis) companies in a given industry. A 45-degree upward indicates that improvement is balanced between large companies and SMEs (e.g., Heavy Manufacturing). Unlike the Environment theme chart, where all but one arrow trended upward and to the right

(indicating progress), this chart illustrates the exceptionally high degree of performance variance across the Sustainable Procurement theme. A steep downward arrow (Advanced Manufacturing and ICT) indicates that large companies have lost much more ground than their smaller counterparts. A shallow downward arrow (Transport) shows the opposite.

Beyond the Average: Companies With Multiple Assessments Are Forging Ahead

Companies assessed for the first time in 2021 scored 34.4 on average. This first assessment average has declined from 38.4 since 2017, although it rebounded by 1 point over the past year. Those with multiple assessments (one in 2021 and at least one in a previous year) improved to 43.3 in 2021, 8.9 points higher than the first assessment average. This is second only to the 10.3-point improvement gap for companies on the Environment theme. Nearly half of the companies that have undergone multiple assessments now score over 45, compared to just 21% of first-time assessees. On average, companies achieve this 45-point mark by their third assessment.

Sustainable Procurement Performance
By Number of Assessments (2021)



Deep-Dive: Human Rights Due Diligence



Key Trends

- The upcoming [European Directive on Corporate Sustainability Due Diligence](#), among other regulatory trends, requires companies to increase their efforts in assessing, preventing and mitigating human rights impacts throughout their operations and value chain.
- While companies are increasingly setting commitments to manage social risks in their operations, this trend does not extend to all sectors and is not reflected in commitments for upstream supply chains.
- Human rights risk assessments are an essential step in the due diligence process, yet only 11% of companies conducted supplier assessments and just 5% performed child and forced labor internal risk assessments in 2021.
- Overall readiness for due diligence legislation remains low. Supply chain stakeholders across all regions will need to bolster their due diligence mechanisms now to prevent negative social, legal and reputational consequences in the future.

Businesses operate in an increasingly complex environment that fundamentally influences how strategic decisions are made. Risk assessment has always been a core element of corporate strategy to ensure quality, increase profitability and build trust. While legal, operational, financial and environmental risks are addressed in most risk management systems, human rights due diligence (HRDD) remains a relatively new concept for many companies. It comprises a continuous process of identifying labor and human rights risks and taking action to mitigate and, ultimately, prevent them.

The OECD's Due Diligence Guidelines, which establish global standards and best practices around corporate human rights due diligence, outline six stages that should be embedded in an effective due diligence process:

- 1 Ingraining responsible business conduct into policies and management systems;
- 2 Identifying and assessing adverse impacts across the entire value chain;
- 3 Preventing or mitigating adverse impacts;
- 4 Tracking implementation and results;
- 5 Communicating on how impacts are addressed;
- 6 Providing adequate remediation when appropriate.



While the Guidelines are non-binding in nature, numerous regional and national laws have emerged since 2015 that require in-scope companies to conduct human rights due diligence within their operations and throughout their supply chain (see the map on the next page).

Learn more about recent HRDD legislation:

[German Supply Chain Act](#)

[Norwegian Supply Chain Transparency Act](#)

[French Duty of Care Act](#)

[UK Modern Slavery Act](#)

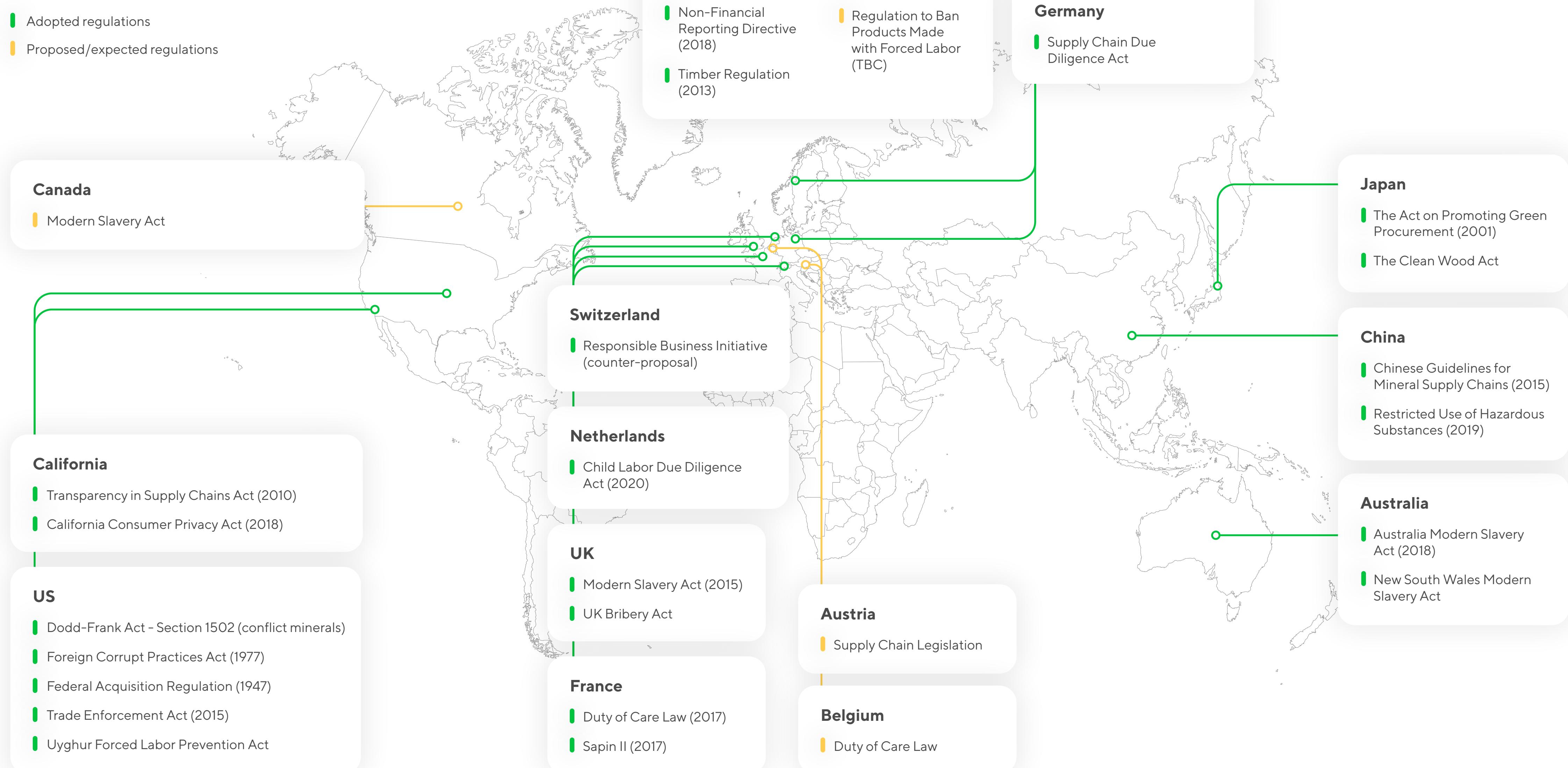
2022 saw a breakthrough with the European Commission's draft [Directive on Corporate Sustainability Due Diligence](#). Applicable to over 13,000 European and 4,000 non-European companies offering products or services in the EU, it will require companies to provide detailed reporting on human rights issues throughout their operations and supply chain. While the transposition of the Directive into national law will take time, the scope and stringency of its provisions make it necessary for businesses to prepare now.

This section sheds light on companies' policy setting efforts around HRDD and highlights actions they are taking to mitigate and prevent labor and human rights violations both within their operations and throughout their supply chains.



Supply Chain Due Diligence Legislation Around the World

- █ Adopted regulations
- █ Proposed/expected regulations



Industry-Level Performance: Commitments Are on the Rise

Companies across all industries are increasingly developing policies and setting targets on labor and human rights. While 34% of assessed entities had no such policies in place in 2017, this number almost halved to 18% in 2021.

The Finance, Legal & Consulting industry currently leads the way, with 86% of its companies possessing at least basic

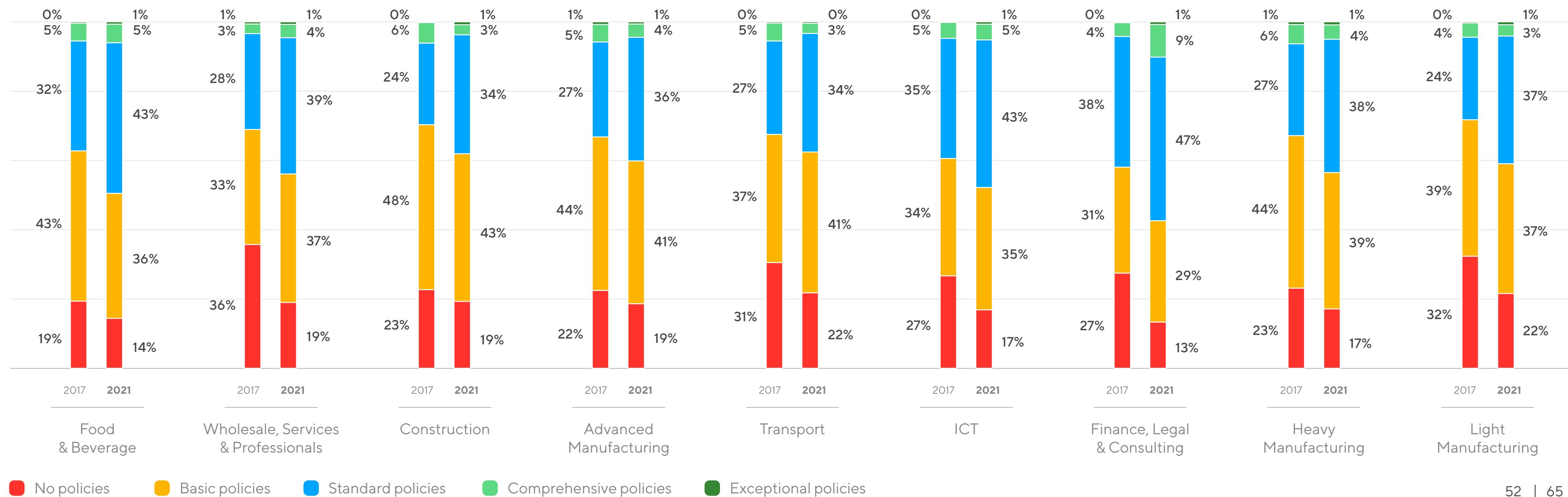
labor and human rights policies. Light Manufacturing and Transport have the highest percentage of companies without any policies in place at 22% each. Despite this, they have still made considerable progress over the past five years, with the number of companies integrating some labor and human rights-related commitments into their sustainability

management system growing by roughly 16 percentage points. Both industries face extensive labor and human rights challenges and must accelerate their policy setting efforts to build a solid foundation for mitigating risk and identifying areas for improvement.

Setting commitments is only the starting point, yet without them, implementing

any actions will likely be an ad hoc process without the formalization needed to ensure compliance with upcoming regulations. The substantial performance differences between industries suggest an urgent need to increase readiness levels and formalize commitments more broadly across value chains – particularly in high-risk sectors.

Labor and Human Rights Policies in Place by Industry (2017-2021)



Supply Chain Policies: Significant Room for Improvement

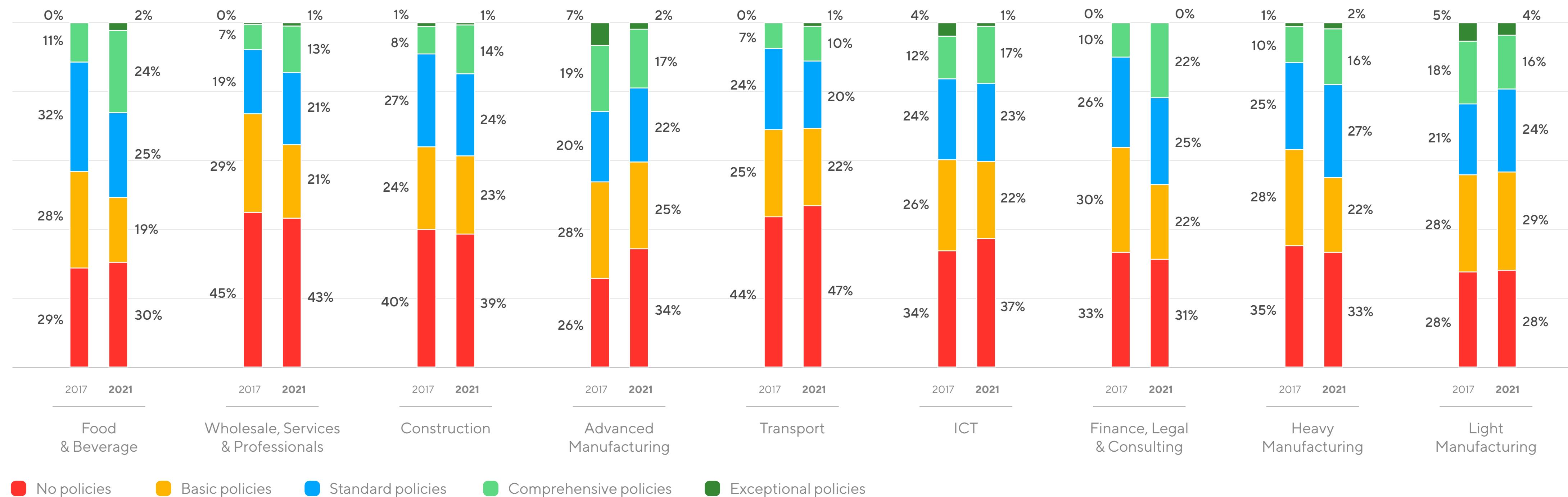
HRDD extends to human rights management in the supply chain, which is covered by the Sustainable Procurement theme in the EcoVadis assessment. The data shows that, across all industries, the percentage of companies with comprehensive policies in place has increased since 2017 and the number of companies with no policies is either stable or in decline.

The Wholesale, Services & Professionals and Finance, Legal & Consulting industries have observed the largest increase – 9 and 8 percentage points respectively – in setting sustainable procurement policies. This reflects their growing awareness of the potential risks in their value chain and that these can often outweigh the social challenges present in their own operations.

Light, Heavy and Advanced Manufacturers have only increased their sustainable procurement policy setting by a maximum of 5 percentage points since 2017, which is considerably lower than the progress they have made on internal labor and human rights-related issues. It is critical that more companies in these industries develop even basic sustainable procurement policies. Without this targeted action, many manufacturers will struggle to ensure readiness for upcoming HRDD requirements.

Due diligence requires companies to stay on top of both internal and external risks. While achieving this dual focus is challenging in the short term, companies that consistently build capacity holistically and across both domains will be much better positioned to mitigate or eliminate complex labor and human rights risks as HRDD requirements expand in scope.



Type of Sustainable Procurement Policies That Large Companies Have in Place by Industry (2017-2021)

Human Rights Due Diligence: Managing Internal Risks

Policy setting lays the foundation for a company's management system; however, it must be supported by tangible actions if progress is to be made.

Identifying and assessing adverse impacts within their own operations is an essential first step that companies must take toward meaningful action. However, only 11% of large companies performed such an exercise in 2021. Nonetheless, the 9 percentage-point increase on this measure since 2017 is the highest among all others related to child and forced labor. This shows just how many companies are failing to build the capacity needed to conduct supply chain due diligence, as well as how slow the current rate of progress is compared to the pace needed to ensure readiness for regulatory requirements. SMEs made almost no progress on implementing due diligence actions. The exceptions are whistleblowing procedures for internal human rights issues, where the number of SMEs implementing this action roughly doubled.

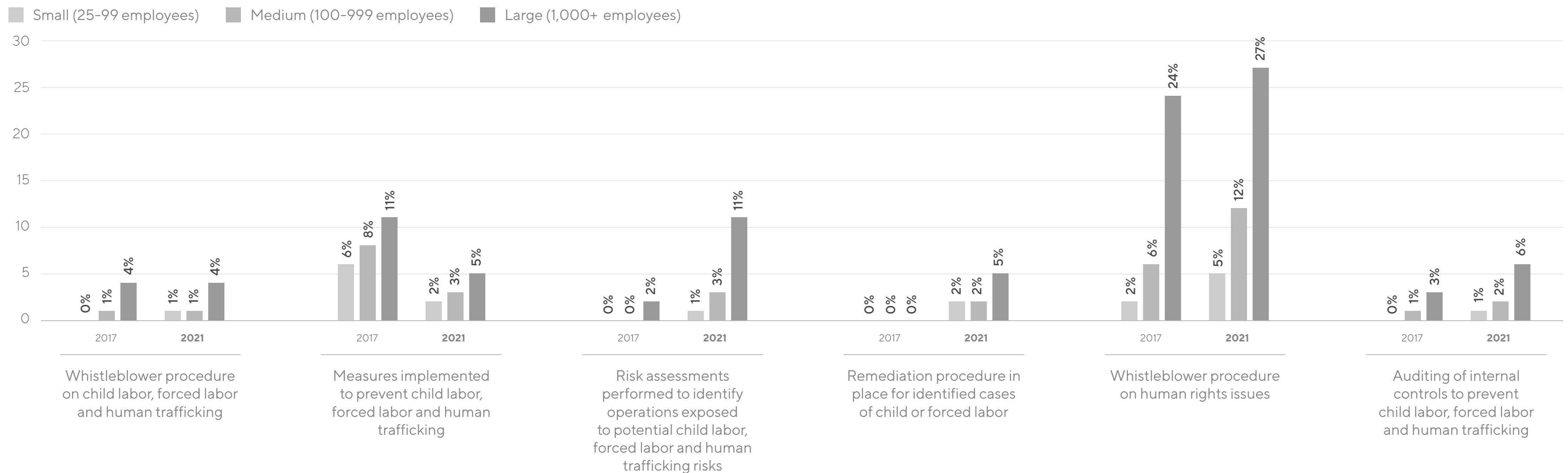
Overall performance on child and forced labor management is far from optimal. Key related actions, including client due

diligence to prevent exploitative practices, remediation procedures for identified cases of abuses, auditing of internal controls and general measures on the topic are, at best, present in just 6% of large companies' management systems. For SMEs, this is just 3%.

Some companies point to the advanced regulatory frameworks present in their jurisdictions as a reason for not developing strong internal policies on these issues. However, no region or country is immune from these risks. According to the International Labor Organization, [40 million people were victims of modern slavery in 2016](#). And even after passing the Modern Slavery Act in 2015, [UK authorities identified over 10,000 people in the country in 2019 as potential victims of modern slavery](#). This indicates that regulatory pressure alone is not enough: Companies need to proactively engage in advanced child and forced labor mitigation strategies to truly address the root causes of these complex issues.



Human Rights-Focused Actions by Company Size (2017-2021)



Companies' progress on protecting the human rights of external stakeholders is far more promising. The adoption of whistleblowing procedures to report on external human rights impacts has increased significantly since 2019. The share of medium-sized companies with such procedures in place increased from 1% to 12% - this number tripled for large companies (13% to 34%). As whistleblowing procedures are fundamental to detecting and acting upon human rights violations, their uptake is a highly positive sign.

However, only a third of large companies and even fewer SMEs have adopted this essential practice, revealing substantial gaps in human rights due diligence for a majority of rated companies. Similarly, there has been almost no improvement in the percentage of companies with whistleblowing procedures in place on child labor, forced labor or human trafficking. To improve their readiness for HRDD legislation, companies must develop effective channels for reporting human rights violations.

External Stakeholder and Human Rights-Focused Actions by Company Size (2019-2021)



Supply Chain Monitoring: On a Fast Track to Compliance

Supply chain due diligence is a challenging endeavor for companies due to their physical distance from suppliers and the limited control they have over their operations. Despite these challenges, companies of all sizes made progress on supply chain monitoring from 2017 to 2021.

The share of large companies with a supplier code of conduct in place has grown by a remarkable 23 percentage points since 2017 – this was 13 percentage points for SMEs. More and more companies are now conducting regular supplier assessments, with medium-sized companies seeing a 15 percentage-point increase and large and small companies seeing a 12 percentage-point gain. The integration of social or environmental clauses into supplier contracts has surged by 24 percentage points among large companies. SMEs gained a more modest 7.5 percentage points on average.

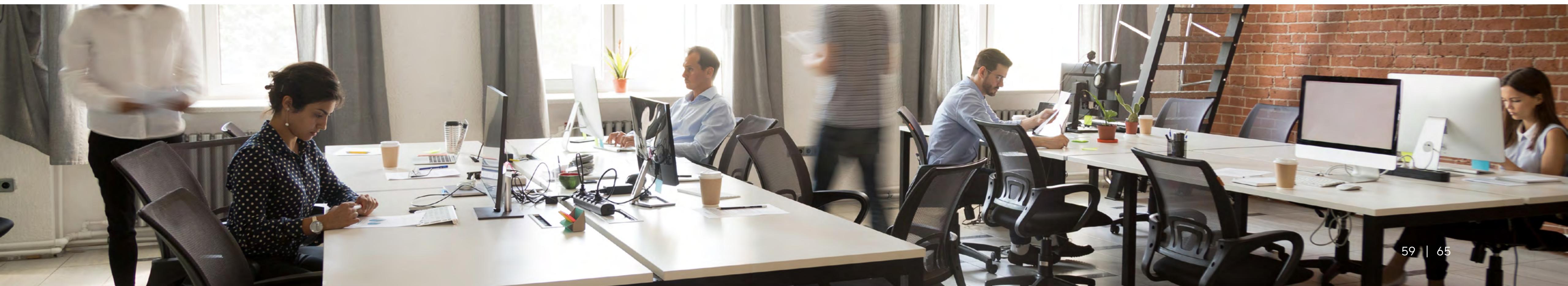
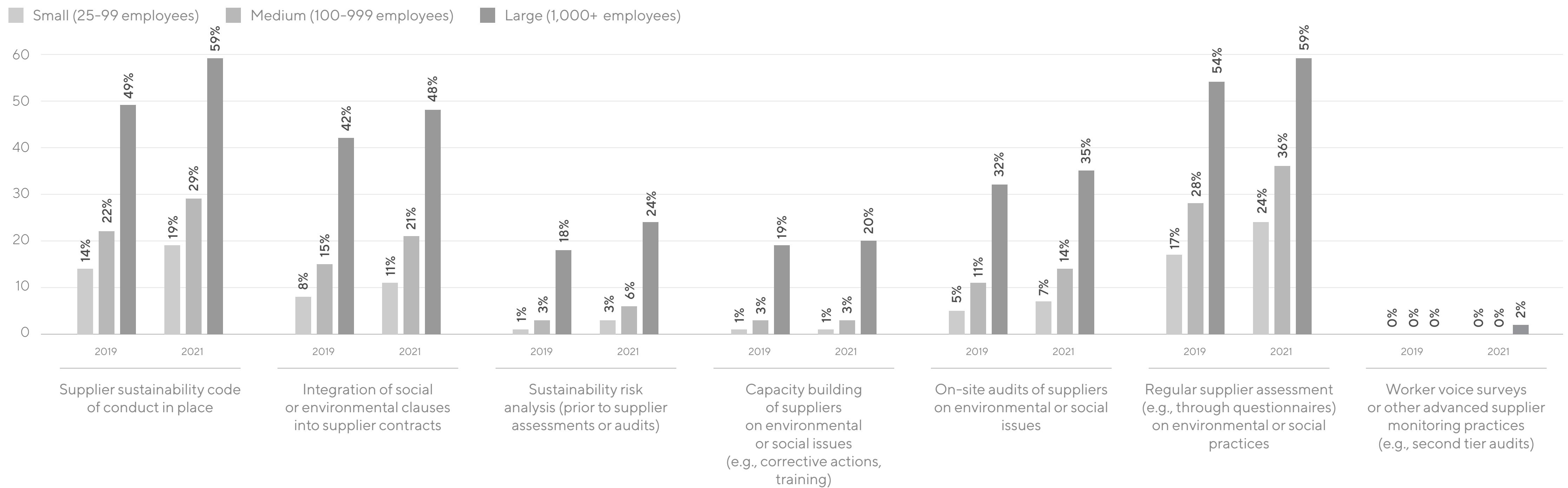
While these three fundamental actions form the basis of an effective supplier management system, in isolation they will not be enough to meet rapidly evolving HRDD obligations. The uptake of sustainability risk analysis, which will be

an essential action for companies going forward, has been very slow – at just 4 percentage points for SMEs since 2017. To add to that, companies have made little progress on some of the more advanced actions such as workers' voice surveys and corrective action plans for suppliers.

This lack of progress is unsurprising given the complexity of implementing such mechanisms. However, with pressure mounting on companies to embed HRDD in their sustainability management systems, this trend must be reversed.

Currently, a strikingly low 11% of companies conduct a supplier assessment and 5% a child and forced labor internal risk assessment. In light of that, enterprises will need to make consistent efforts to develop and maintain a due diligence risk assessment and mitigation plan to prevent negative social, legal and reputational consequences. Ultimately, companies that fail to integrate these best practices into their management system will expose themselves to consequences ranging from financial penalties to the loss of their competitive edge in the market.



Supply Chain-Focused HRDD Actions by Company Size (2019-2021)

Conclusion

The pace of sustainability progress in global supply chains is steadily increasing, with companies across industries showcasing a higher level of maturity on social and environmental topics in 2021 than ever before. Scoring has increased across all regions and, importantly, the share of companies with an Insufficient performance level has plummeted since 2017. This indicates a reduction in the likelihood that buyers will encounter extreme sustainability risks in their global value chains.

Nonetheless, significant risks persist and global supply chain stakeholders must stay vigilant and work to address performance gaps, particularly when it comes to sustainable procurement and HRDD. Our ratings data shows that companies across sizes, industries and regions perform better on their policy commitments than on implemented actions and reporting when it comes to the requirements they face in the context of current and upcoming HRDD legislation. Companies tend to have significantly stronger management systems in place to address risks in their own operations than upstream in their supply chain. This gulf must be addressed if companies want to scale their sustainability efforts and positive impact.

Performance trends reinforce the importance of sustained engagement. Companies with multi-year ratings data not only score better overall but also on each assessment theme. Most notably, they outperform first-time rated companies by almost 10 points on Sustainable Procurement, a theme that is vital to supply chain sustainability but has seen a decline in scoring over the past few years. However, this year's reversal in this trend – marked by a significant 1.1-point improvement on the theme – suggests that engagement and collaboration between buyers and their suppliers is starting to pay off. Continuing to reinforce these relationships between business partners will be key to advancing supply chain sustainability.

Ultimately, the case is clear: Companies that embark on a journey of measuring, benchmarking, improving and reporting on their sustainability performance are making real improvements. Progress is being made by proactive companies across the board; however, those that consistently engage in the ratings process and leverage capacity-building tools (like our Corrective Action Plans and the EcoVadis Academy e-learning platform) are finding themselves among the leaders.

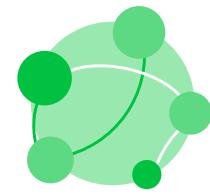
As our data set grows, we aim to deliver even more granular insights on the individual actions companies are taking to drive scoring improvement. We hope these findings serve as inspiration for companies to launch or enhance their supplier sustainability management, and accelerate their journey toward positive value chain impact.



Methodology Overview

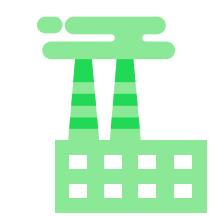
Scope of the Index

The Index analyzes more than 83,000 ratings conducted on nearly 53,000 companies assessed since 2017. This edition is based on assessment data from the calendar years 2017, 2018, 2019, 2020 and 2021. We primarily explore scoring across three broad parameters:



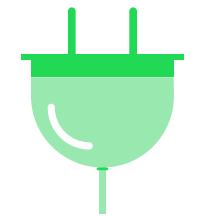
Regions:

We recently updated our regional categories to improve granularity. This year's report and the Index Online explore scoring across the following five regions: Europe, Northern America (which includes the US and Canada), Asia-Pacific, Latin America & the Caribbean, and Africa & the Middle East. A company's country is determined by the geographic location of its headquarters.



Size Groups:

Company sizes are defined as follows: **small companies** (26-99 employees), **medium-sized companies** (100-999 employees) and **large companies** (over 1,000 employees).



Industry Divisions:

All assessed companies are associated with an industry division, as defined by the International Standard Industrial Classification (ISIC) code. For the Index, scores are gathered into nine ISIC industry divisions. Review the complete list of industry divisions and ISIC codes in the [Index Online](#).

Rating Methodology

For EcoVadis, an effective sustainability management system is composed of the following elements: policies, actions and reporting mechanisms. These three management layers are separated into seven management indicators: Policies, Endorsements, Measures, Certifications, Coverage – Deployment of Actions, Reporting and 360° Watch Findings.

When assessing a company's sustainability management system, it is important to define which sustainability issues are covered by the management system. The assessment considers a range of sustainability issues grouped into four themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement. The sustainability issues are based on international sustainability standards, such as the Ten Principles of the UN Global Compact, the International Labour Organization conventions, the Global Reporting Initiative's standards, the ISO 26000 standard, the CERES Roadmap and the UN Guiding Principles on Business and Human Rights.

Factors Influencing Scoring

The scoring of the seven management indicators is based upon strict scoring guidelines that all analysts follow. Each scoring level is associated with a detailed definition and a database of sample documents. The seven management indicator scores then generate a score for each theme based upon the weight allocated to each management indicator. The three management layers, policies, actions and results, are given the following respective weights: 25, 40 and 35%.

The overall score is a weighted average of the theme scores. The activation and weight of each theme depends on a company's industry, size and location. This accounts for the characteristics of a given company, with each theme being more or less critical depending on its activities.

About EcoVadis: From Risk Mitigation to Performance and Impact

EcoVadis provides sustainability ratings and intelligence used in global value chains, finance and commerce, offering detailed insights into environmental, social and ethical risks across more than 200 industry categories and 160 countries. The EcoVadis Intelligence Suite covers:

Risk Mapping

EcoVadis IQ maps your entire supplier landscape for inherent risk and identifies additional due diligence needs.

Sustainability Ratings and Monitoring

EcoVadis Ratings engage companies in benchmarking and monitoring to mitigate risk and improve their sustainability performance. A robust methodology covering 21 criteria and a 360° Watch tool that scans external inputs (e.g., trade unions, NGOs, watchlists, news, etc.) yield reliable ratings on a 0-to-100 scale that are easy to integrate into procurement or business decisions.

Engagement and Improvement Tools

Detailed scorecards provide feedback and guidance for improvements. The Carbon Action Module engages deeper on measurement, reporting and action on reducing GHG emissions. The Corrective Action Plan enables collaboration with customers/requesters to prioritize improvements. The EcoVadis Academy provides e-learning courses to help rated companies build capacity on a range of sustainability topics.

Service, Support and Community

Enterprise offerings include program management support – change management, journey mapping, global deployment, supplier/rated company onboarding, dashboarding and reporting etc. – and training options for requesting (buyers, portfolio managers, etc.) and rated companies.





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