Optimize Your Sustainability Performance Assessment Process

INTRODUCTION

As TSC and Sphera Supply Chain Sustainability, formerly known as SupplyShift have worked with companies to man-age their THESIS data collection and calculations, we've seen that proactive preparation is a key factor that allows companies to maximize their performance on THESIS assessments. Con-sistently, companies that develop strategies to integrate annual sustainability assessments into their operations achieve better results, create better insights into their sustainability perfor-mance, and set themselves on track to improve their THESIS scores year over year.

Inspired by these successful strategies and our unique perspec-tives, TSC and Sphera have co-created this guide to help you prepare for and optimize your annual sustainability perfor-mance assessment process. Below are our recommended best practices to ensure you accurately demonstrate your progress to your customers while creating valuable supply chain intelli-gence for your company.

THESIS brings added value to the sustainability performance assessment process, including user interface enhancements and easy access to TSC's resources to guide companies toward improved sustainability performance.

Sphera is a cloud-based responsible sourcing platform that helps companies collect data from and about the supply chain to develop insight across a wide range of sustainability and labor issues. Sphera has also helped companies collect data to improve the quality of their assessment results for THESIS.

1. ESTABLISH CONTEXT

The first step is to determine how your team historically managed the assessment process. This will help you understand the landscape of your company's supply chain relationships, as well as help identify any gaps in data from previous years. Here are some helpful questions to get started:

WHO:

- Who previously managed our sustainability performance assessments?

- Which people or teams have access to supplier, compliance, and product-level information?

- Were there consultants or third parties used for support?

WHAT:

- What data did we share last year?

- What were our scores, and where were we leading or lagging our peers?

- Did we take any actions on opportunities to improve?

HOW:

- How have we previously collected the data?

- How efficient and successful was the process, and is it repeatable?

- How did we previously address the biggest pain points and bottlenecks?

Context on your previous efforts creates a foundation where you can start this year. At the same time, this pre-work will identify the resources and internal knowledge available to make the assessment process much more efficient. Remember to document your assessment approach and develop it in a way that integrates data collection processes into your everyday operations.

2. REVIEW PAST SUBMISSIONS

Reviewing your prior data before beginning the assessment process will help you know what to expect. Whether you're dealing with a complex supply chain or simply have limited resources, creating a repeatable strategy for assessing your products' hotspots will help guarantee that your efforts are impactful and improve your overall THESIS results.

PRODUCTS

- Look at your prior submissions to get a sense of which product categories your retail customers may be expecting you to assess and share with them.

- Do you sell any products to retail customers that aren't covered in your prior responses? Consider assessing them through THESIS, too! THESIS is designed to help suppliers understand where their strengths and weaknesses across their entire portfolio of consumer goods.

Note: THESIS will help you determine which assessments to complete based on the products you sell.

CUSTOMERS

- Create a table outlining which products are sold to which retail customers.

- Indicate which of your customers are actively using THESIS. These retailers can be easily selected on THESIS on Sphera and may be *members* of TSC (e.g., Walmart, Kroger, Walgreens, Sprouts).

- Indicate which customers you would like to receive data who may not be on THESIS.

Note: You will be able to map products to your participating customers and simultaneously submit responses to them. You will also have an opportunity to indicate non-participating customers that you'd like to receive your sustainability performance via THESIS.

PERFORMANCE

- Identify your key areas of improvement by taking note of how you previously ranked compared to your peers at the assessment level, reviewing your key performance indicator (KPI) scores, and taking note of all "Unable to determine" responses.

- In which categories did you perform well?

- Were there any categories you did not perform well on or simply could not assess at all?

Note: THESIS will help you determine which assessments to complete based on the products you sell.

Identifying your strengths and data gaps will help you prioritize and increase the likelihood of improved scores next time you complete your assessments.

3. ORGANIZE YOUR DATA COLLECTION NEEDS

The level of knowledge companies have related to all the ingredients and components of their products or about suppliers can vary widely. And yet, through its science-based, multi-stakeholder approach, TSC has identified that most environmental and social impacts related to a consumer good occur upstream from the point of sale. This is why many THESIS KPIs will require supplier engagement. Segmenting your data collection requirements and suppliers is a great way to save time during your assessment process.

- ■ **List the Products or SKUs Included in the Scope of Your Assessment(s)**

- ■ **Group Your Key Performance Indicators (KPIs)**

- ■ **Create Your Facility and Supplier Lists**

- ■ **Segment and Map Your Contacts**

- ■ **Notify Your Facilities and Suppliers**

■ **List the Products or SKUs Included in the Scope of Your Assessment(s):**

All THESIS assessments are designed to help you assess the global production of a product. This means all regions and customers, unless otherwise noted on the assessment scope, should be included.

By assessing your global production, you are able to take advantage of THESIS' feature of simultaneously reporting to all your participating retail customers.

■ **Group Your Key Performance Indicators (KPIs):**

There are several ways to group KPIs. You can group them by assessment, issue, KPI type, life cycle stage, or by metric. For data collection purposes, we recommend you group your KPIs by type. There are three types of KPIs:

Category KPIs

Require data collection from all products within the assessment's scope. Ask about an organizational practice that pertains to all related SKUs/products. For Category KPIs requiring numerical data (e.g, "recycled content"), one must calculate a weighted average for all SKUs/products.

Examples include KPIs addressing:

- Product design
- Product safety
- Recycled content
- Packaging raw materal and end of life
- Sustainable packaging design and production
- Transportation to retailers

Facility KPIs

Require data collection from each facility responsible for final manufacturing of products within the category. Note that this may include contract manufacturers.

Examples include KPIs addressing:

- Air quality - Manufacturing
- GHG emissions intensity - Manufacturing
- Labor Rights - Manufacturing
- Water use intensity - Manufacturing
- Worker health and safety - Manufacturing

Supply Chain KPIs

Require data collection from all relevant suppliers (direct or indirect) for the product(s) within the assessment scope.

Examples include KPIs addressing:

- Certification - Supply chain
- GHG emissions - Supply chain
- Water use - Supply chain
- Worker health and safety - Supply chain
- Supply chain mapping

Note: *These are suggestive groupings. Some KPIs may fit into more than one type. You should determine the grouping based on what makes the most sense for your data collection.*

Pro tip! *Read the Calculation & Scope for each KPI to best outline the necessary data requirements.*

Create Your Facility and Supplier Lists:

If your company has collected sustainability performance data before, then work with your teams to make sure the facility and supplier contacts remain comprehensive and current. **_Reminder!_** Contract manufacturing is in scope and should be included.

If this is your company's first time to undertake a sustainability performance assessment, then it's even more important to compile your facility and supplier contacts beforehand.
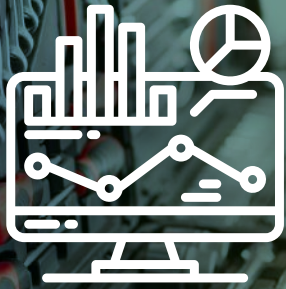
Segment and Map your Contacts:

Segmenting your contacts based on assessment and then mapping who has what information by KPI type will allow you to be efficient in your data collection efforts since one contact may have the data required for multiple KPIs.

Notify Your Facilities and Suppliers:

Your customers likely give you a heads up that you're going to be expected to share your sustainability performance with them in the near future. Doing the same for your own facilities and suppliers is a great way to set expectations and increase your response rate.

It's common for contacts to change over time, so giving ample notice also allows you to identify your most up-to-date contact while ensuring they're aware of the upcoming data request.

4. PICK A PROCESS FOR COLLECTING DATA

Companies that prioritize supplier engagement and establish a process for collecting data generally see the best results. Knowing how you're going to collect the required data will help you reduce the number of "Unable to determine" responses and ensure your assessment accurately reflects your sustainability performance.

There are a number of ways to collect organizational and supply chain data. First, determine if any existing internal tools, reports, or tracking processes can be leveraged. Many companies have an internal method or work with consultants who can help manage the process. If you don't yet have a process for collecting data, here are some resources available to help you:

TSC Excel-based KPI Documents:

In the "Helpful Links" section of each assessment's cover page, you can download TSC's spreadsheet formats for each THESIS KPI set and content so you can:

- Enter data to see your potential KPI results and keep track of your responses
- Sort and filter a KPI set's content to quickly find what you need

- Copy and paste content to your own tracking files for better management and communication in the data collection process

TSC-Trained Service Providers:
TSC has trained an ecosystem of Service Providers who are available to provide assistance in collecting and calculating for data for THESIS assessments as well as consulting on areas for improvement.

Sphera Upstream Data Collection Program:
Sphera can offer a streamlined data collection and reporting solution for companies reporting to THESIS. Work with Sphera to design an online assessment for suppli-er data collection and automated KPI calculation. To learn more, visit the Upstream Data Collection Program page.

5. VALIDATE YOUR DATA

No matter how you collect your data, validation is a critical step. Because KPIs are calculated based on raw supplier data, validating for mistakes, outliers, and missing data will ensure the integrity of your THESIS performance assessments.

Review Supplier Responses: ➤ Triple check your supplier submissions and identify any invalid data, outliers, and blank responses.

Re-engage with Suppliers: ➤ Contact any suppliers that have provided an invalid response. Indicate any errors with their submission and provide guidance on how to give an appropriate response.

Leave Plenty of Time: ➤ The validation process can require some back and forth, so it's important to make sure you have enough time to receive corrections and roll them back into your response before the reporting window closes. We recommend allotting at least 3 weeks for validation.

Note: The resources listed in Step #4: Pick a Process for Collecting Data can also assist your team with data validation.

6. CALCULATE YOUR RESULTS

Once you've closed your data collection period for your suppliers and validated their responses, use the data to calculate your KPI responses. TSC has the following resources available to assist in your data calculation:

📖 KPI Guidance

The **Calculation and Scope** section tells you how to calculate the KPI response(s) and the range of activities that should be included in your calculations. The period from which respondent may use data to calculate their response is also included here.

The **Certification, Standards, and Tools** section provides you with ready-to-use resources that can assist in the KPI calculations.

▦ TSC Calculation Tools

TSC offers Excel-based calculation tools that help companies collect and interpret data and perform calculations for 12 most frequently used KPIs. They include data tables, built-in formulas, step-by-step instructions, and basic error detection. The Cover Page of every THESIS assessment includes a "Helpful Links" section where you can access these tools.

Note: The resources listed in Step #4: Pick a Process for Collecting Data can also assist your team with KPI calculations.

7. SHARE WITH YOUR CUSTOMERS

Once you've calculated results for all of your KPIs, you're ready to complete your THESIS sustainability performance assessments and share your results with your customers.

8. UTILIZE YOUR SCORECARDS

Completing an assessment and sharing the results with your customers is the first major step towards manufacturing or selling more sustainable and competitive consumer goods. Now you are ready to utilize all the features of your THESIS scorecard. A few recommendations are:

- Gauge overall & KPI-level performance by referencing your
    - THESIS & retailer rank and
    - Benchmark results
- Review general & KPI-level Action Recommendations
- Consider your strategic priorities and your customers'
- Determine priority areas
- Reference related Improvement Opportunities within the KPI document
- Set SMART goals that include year-over-year improvement
- Apply for improved trade financing

Register for an account by visiting **https://app.supplyshift.net/thesis/login**

For any questions related to THESIS or getting prepared to report to your customers, feel free to reach out to us at **help@sustainabilityconsortium.org** or **supplyshift-support@sphera.com**

Establish Context

WHO
- previously managed
- have access to information

WHAT
- data shared last year
- were the scores
- actions have been taken

HOW
- data was collected
- efficient was the process

STEP 1

Review Past Submissions

PRODUCTS
- Identify product categories

CUSTOMERS
- which products to which retail customers
- customers using THESIS

PERFORMANCE
- Identify areas of improvement, strengths and data gaps

STEP 2

Organize Data Collection Needs

- **List** the products or SKUs included in the scope of your assessment(s)
- **Group** Your Key Performance Indicators (KPIs)
- Create Your **Facility** and **Supplier Lists**
- Segment and Map **Your Contacts**
- **Notify** Your Facilities and Suppliers

STEP 3

Pick a Process for Collecting Data

- TSC Excel-based **KPI Documents**
- TSC-Trained **Service Providers**
- Sphera Upstream **Data Collection Program**

STEP 4

Validate Your Data

- **Review Supplier Responses**
  Check suppliers submissions for invalid data and errors
- **Re-engage with Suppliers**
  Contact suppliers with invalid responses
- **Leave Plenty of Time**
  Make sure you have enough time to receive corrections

STEP 5

Calculate Your Results

KPI Guidance
- Calculation and Scope section
- Certification Standards and Tools section

TSC Calculation Tools
  Excel-based tools that include tables, built-in formulas, step-by-step instructions and basic error detection

STEP 6

Share with Your Customers

Once you've calculated results for **all of your KPIs**, you're ready to complete your THESIS sustainability performance assessments and **share your results** with your customers.

STEP 7

Utilize Your Scorecards

- **Gauge performance** referencing THESIS rank and benchmark results
- Review **recommendations**
- Consider **priorities**
- Determine **priority areas**
- Reference **Improvement Opportunities** in the KPI document
- Set **SMART goals**
- Apply for **trade financing**

STEP 8