



ecovadis

Network Impact Report

3rd Edition

Guiding All Companies Toward a Sustainable World

Contents

Foreword: Activating Our Purpose to Accelerate Impact	3	EcoVadis' Impact Model	8	The Impact Model in Action: L'Oréal and Its Supplier KCI	27
Introduction	5	Scaling Our Efforts: 2022 Solutions Update	11	L'Oréal	28
2022 Highlights	6	The EcoVadis Network	13	KCI	30
		Requesting Organizations	14	Next Steps to Accelerate Our Network's Impact	32
		Rated Companies	19		

Foreword: Activating Our Purpose to Accelerate Impact

To our customers: I hope this report motivates you to begin or ramp up reporting on your impacts. And to other individuals and companies: I invite you to share in our belief that value chains are a powerful force for positive change and to join us – alongside more than 100,000 of your peers – on the rewarding journey toward a sustainable world.

The promise of 2022 as a year for recovery and rebuilding was put to the test by a confluence of new and existing challenges. Widespread climate change-fueled disasters, which have [tripled since 2015](#), had untold human and economic consequences. Progress on reducing global poverty [stalled](#), and [modern slavery soared](#) in the wake of the pandemic to 50 million victims – many of whom are trapped within supply chains. Russia’s invasion of Ukraine sparked an ongoing humanitarian crisis and is contributing to inflation, energy volatility, sluggish economic growth and disruption to businesses around the world.

It’s clear that complex sustainability challenges like these cannot be viewed or addressed in isolation. The private sector is increasingly being called upon to accelerate collaboration and leverage the interconnectedness of global value chains to drive sustainable change at the rate and scale required. A growing number of companies are responding to these calls and, in the process, are building resilience, attracting more capital and ensuring future compliance with emerging ESG reporting requirements.

Forward-looking businesses are realizing that, despite ongoing turbulence in markets and supply chains, committing to sustainability now is essential to long-term success. We’re ramping up our efforts to help companies in our network deepen their commitment and translate it into positive impact. In 2022, we officially became a “purpose-driven” company under French law and formalized our organization-wide purpose to “guide all companies toward a sustainable world.”

Our new status and purpose will underpin our approach to network impact going forward and have already led us to:

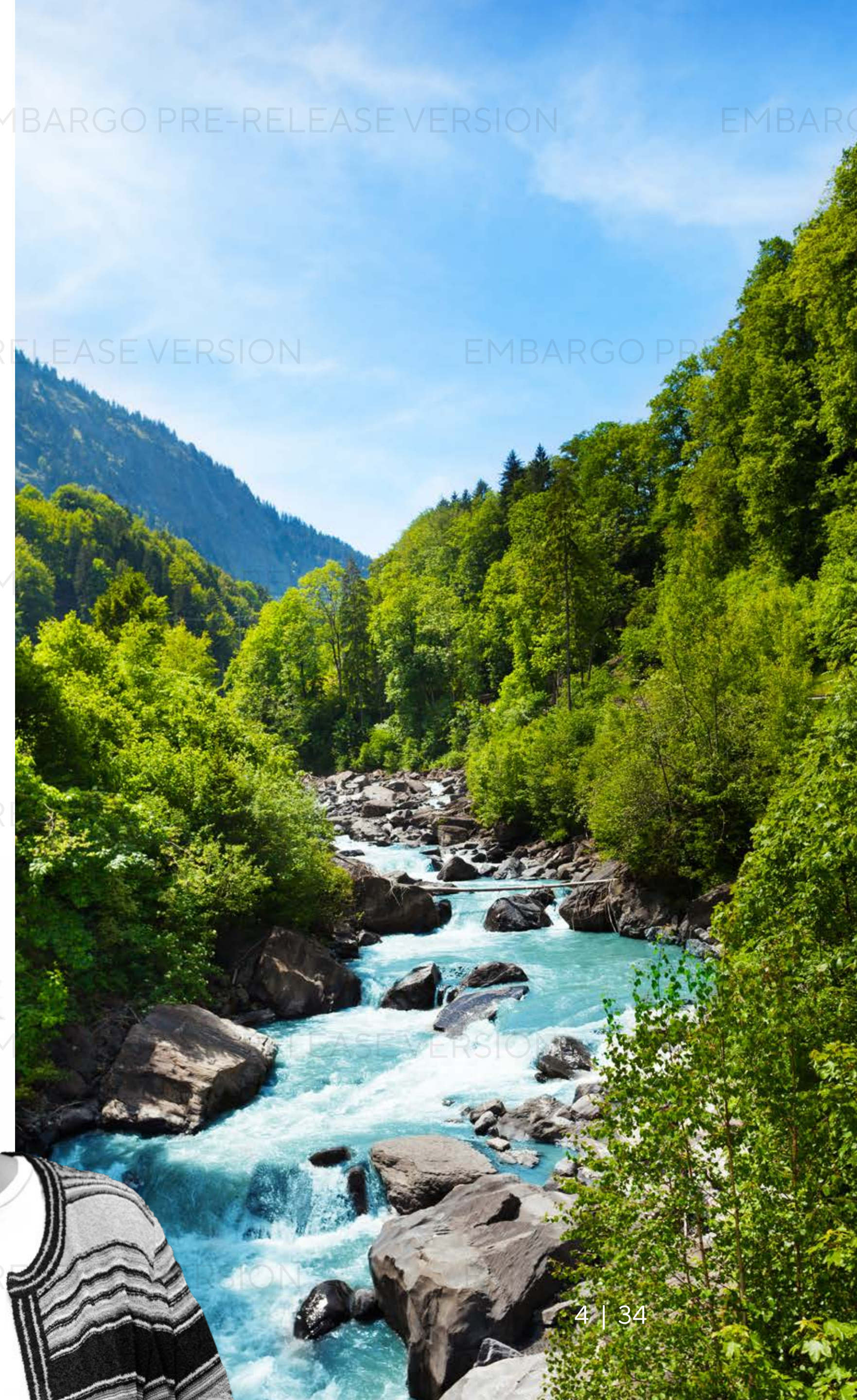
- ✔ **Define four key purpose objectives.** While all are crucial to achieving our purpose, objectives 1, 2 and 4 are of particular relevance to accelerating and scaling network impact:
 - 1 Deliver independent, trusted and actionable sustainability ratings and insights through methodology excellence;
 - 2 Enable the greatest number of companies to continuously improve their business practices and contribute to creating a regenerative and equitable economy;
 - 3 Cultivate an inclusive learning environment for our people, providing meaningful work and empowering future generations of sustainability practitioners;
 - 4 Foster collective action within our ecosystem to accelerate the transition to a sustainable world.
- ✔ **Establish a Purpose Committee.** Composed of five external sustainability leaders and three from within EcoVadis, it will ensure we are operating in line with our purpose.

The Committee will review the effectiveness of purpose-related efforts and validate an annual report – audited by a third party – to disclose progress made on the four objectives. The first version will be released in early 2024.

- ✔ **Enhance metrics disclosure across our network.** We are encouraging more companies to report their environmental and social metrics on the EcoVadis platform. In 2022, 13,000 companies disclosed at least one greenhouse gas (GHG) metric. By the end of 2023, we aim to have 23,000 carbon reporters and the same number of companies disclosing their diversity, equity and inclusion metrics. These efforts are bringing us ever closer to being able to measure and report on our network’s positive impact.

To our customers: I hope this report motivates you to begin or ramp up reporting on your impacts. And to other individuals and companies: I invite you to share in our belief that value chains are a powerful force for positive change and to join us – alongside more than 100,000 of your peers – on the rewarding journey toward a sustainable world.

Valérie Touchon
Chief Impact Officer, EcoVadis



Introduction



In what needs to be a decade of sustainable transformation for the global economy and supply chains, the steady [rise of greenwashing](#) presents a serious threat to progress. [A recent report](#) found that while a third of the world's largest companies have signaled their intention to become net zero by 2050, fewer than 1 in 10 are actually on track to do so. Companies in our network – from leaders to those taking the first steps on their sustainability journey – are pushing back against this worrying trend by building transparency and accountability through a cycle of assessment, improvement and reporting. This will not only help insulate them from growing scrutiny around greenwashing but also enable them to prepare for increasingly stringent ESG legislation – like the EU's upcoming [Corporate Sustainability Reporting Directive](#) – build resilience, unlock value and drive much-needed positive impact for people and the planet.

This edition of the Network Impact Report provides deeper insights into how EcoVadis helps companies build the foundation for sustainable change, drive real improvement and measure the positive outcomes of this journey – within their own operations and upstream in their value chain. Further, it highlights the promise of sector-wide collaboration around sustainable procurement, expands on our metrics for tracking the disclosure of our network on impact and showcases our Impact Model in action through a customer case study.

2022 Highlights



2022 was another important year for growth and engagement in our network. We are now enabling 945 enterprise customers to understand and improve the sustainability performance of the more than 100,000 companies rated by EcoVadis.

As explored in depth in our [Index Report](#), average sustainability performance continues to improve across our network. This, combined with the 37% growth in ratings since 2021, represents a significant increase in impact potential.

Our ever-growing dataset tracks what this network growth and scoring improvement translates to on the ground. When a company undergoes an EcoVadis assessment, it receives a scorecard highlighting both its strengths – or the sustainability best practices it has in place – and improvement areas. In this report, we aggregate the results of the more than 40,000 scorecards generated in 2022 to see what best practices companies are adopting to drive improvement.

We are also rolling out new initiatives to enable and encourage companies to upload their sustainability metrics – or the quantifiable output of these best practices – directly to the EcoVadis platform. This report marks the first time we have reported on metrics and, as a result, serves as an important baseline for future editions.

Key Network Indicators

Requesting Organizations

945

(+25% since 2021)

Our buying customers represent a total of

€4.5 (\$4.8) trillion

in global spend (+26% since 2021)

€2.5 (\$2.6) trillion

in spend covered by EcoVadis Ratings (+44% since 2021)

Rated Companies

107,000

(+20% since 2021) across **176 countries** and **200+ industries**

160,000 ratings

conducted across the network from 2016 to 2022

40,000+ ratings

across the network in 2022 (first assessments plus reassessments) – a 37% growth since 2021

90 million

workers represented across the network

Score Improvement

+8.3 points

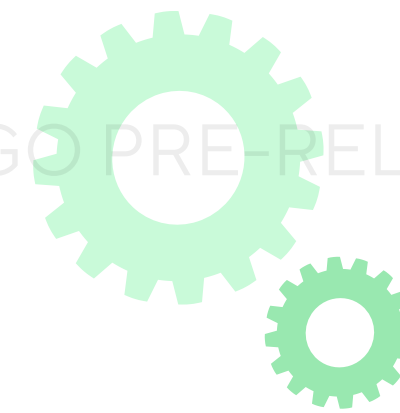
Average improvement companies made between their first-ever assessment and reassessment in 2022 (+7.9 in 2021)



Sustainability Best Practices

14

This edition highlights our network’s reporting progress on 14 best practices (6 in 2021)



Metrics Disclosure

40,000

companies have input metrics data into our platform’s Metrics tool

Nearly

14 million

total data points collected on our network’s performance across 38 key sustainability metrics



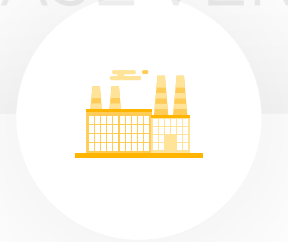
EcoVadis' Impact Model

We define “impact” as the positive social or environmental outcomes a company can generate by taking action on sustainability. The EcoVadis Impact Model consists of three key phases that, together, help companies do this.



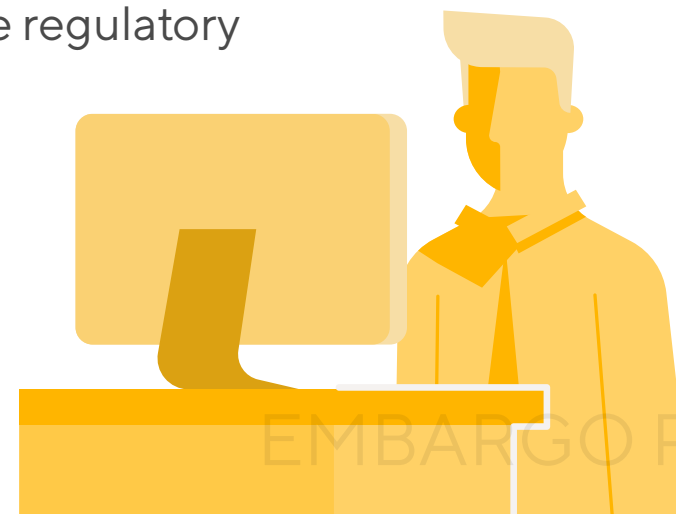
Requesting organizations use our solution to embed sustainability into their procurement or investment strategy and help trading partners improve.

Requesting organizations – which can be large multinational buyers, private equity firms or even SMEs looking to enhance their sustainable procurement efforts – drive the first phase of our model. By inviting trading partners to be assessed by EcoVadis, they set in motion the “cascading multiplier effect” that enables a single company to influence the sustainability approach and efforts of many companies throughout its supply base or portfolio. The 945 requesting organizations in the EcoVadis network use supplier ratings and insights from our solutions to improve their procurement policies, allocate spend based on sustainability performance, enhance collaboration and reward high-performing suppliers or portfolio companies.



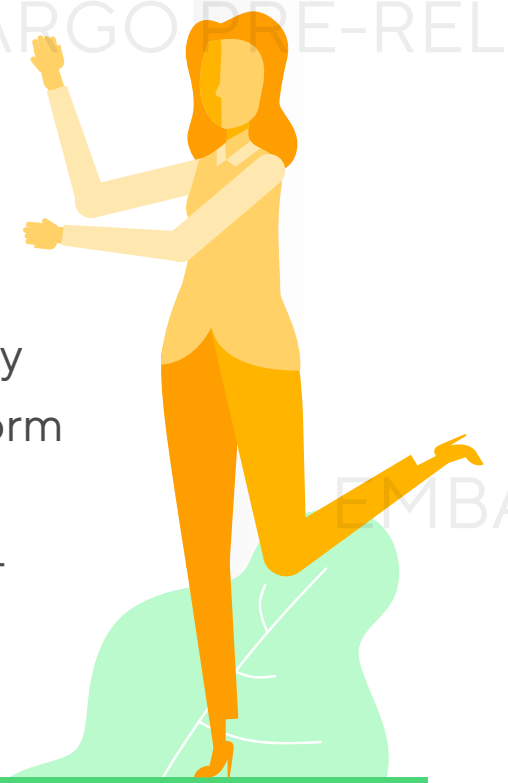
Rated companies leverage ratings insights and platform tools to improve their sustainability practices.

While requesting organizations have significant influence, rated companies remain the key to driving the on-the-ground improvement that results in positive impact. The rated companies in the EcoVadis network are highly diverse, spanning all sizes, 176 countries and 225 industries. We meet companies “where they are,” providing them with the tailored insights and support they need to continuously improve their sustainability practices and climb the maturity curve on the way to becoming a leader. Helping all companies improve is central to scaling our efforts as it enables us to reach regions where regulatory and consumer pressure on sustainability issues is currently low.



The positive social and environmental outcomes generated by this process are measured and fed back into the loop to scale and accelerate efforts.

Ultimately, collaboration between requesting and rated companies on sustainability yields positive outcomes for communities, economies and the planet. The cycle does not stop here: Measuring and reporting on this impact is what enables both requesting and rated companies to enhance credibility around their actions and gain buy-in from stakeholders. EcoVadis facilitates this feedback loop by giving rated companies the ability to report on key metrics directly through the platform and share the results with trading partners. This gives requesters the information they need to fine-tune their approach and build a more sustainable, resilient value chain. For rated companies, this feedback loop enables them to continue to improve and showcase progress to customers, investors and other key stakeholders.



Requesting organizations use EcoVadis Ratings and solutions to improve their sustainable procurement or investment strategy and engage trading partners on sustainability.

Key performance indicators:

- % spend covered by ratings
- Number of buyers trained
- Score improvement across supply base
- % of spend redirected to high performers
- Integration of ratings into procurement or investment processes

Rated companies leverage ratings insights and platform tools to improve their sustainability management system and adopt best practices.

Key performance indicators:

- Score improvement across themes
- Implementation of best practices
- Engagement with the EcoVadis Academy
- Reporting and sharing of metrics on the platform

Positive impact on society and the planet can include:

Environment

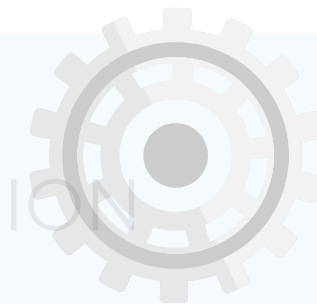
Reduction of:

- GHG emissions
- Water consumption
- Waste generated

Social

Reduction/elimination of:

- Workplace accidents
- Human rights abuses
- Modern slavery incidents



This cycle enables **requesting organizations** to:

- Scale their sustainable procurement efforts
- Collaborate and share best practices with industry peers
- Report on progress and impact across the value chain



This cycle enables **rated companies** to:

- Enhance transparency by reporting on the output of the best practices they adopt
- Create value by leveraging product, brand or employer differentiation, etc.
- Cascade efforts downstream and share best practices with their own suppliers

Scaling Our Efforts: 2022 Solutions Update

We are continually developing new ways to expand the reach of our solution, enhance the depth of the data we provide to customers and empower companies at all stages of their sustainability journey. As they continue to scale, solutions like our Carbon Action Module, Private Equity ESG Solution, EcoVadis Academy and newly launched IQ Plus are helping more companies build the maturity and foundation needed for generating and tracking positive impact. Here is a glimpse into the progress made in 2022.

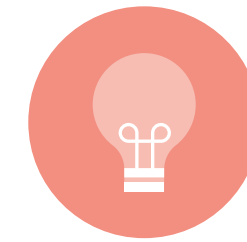




Carbon Action Module



Private Equity (PE) ESG Solution



EcoVadis Academy



IQ Plus

We have expanded our Carbon Action Module (CAM) with features such as enhanced target setting, a carbon-specific Corrective Action Plan tool and a Carbon BI dashboard. These provide our customers with even richer insights and tools to help them enhance the carbon performance of their trading partner and scale their decarbonization efforts. Read our latest [Carbon Maturity Report](#).

Launched in 2021, our PE solution grew fourfold in 2022, adding leaders such as Bain Capital and Francisco Partners. In 2022, we developed new tools to enable fund managers to see how their portfolios align with leading standards – such as SFDR, TCFD, UNGC and the EU Taxonomy – and monitor their performance across a wide range of ESG metrics.

In 2022, we doubled the scope of our e-learning platform to 27 courses (including 5 for buyers) in 9 languages, covering new topics such as diversity, equity and inclusion and the prevention of child and forced labor. A course recommendation feature has been added to the Academy to expand its capacity-building efforts and accelerate the pace of improvement.

Launched in 2022, IQ Plus builds on our existing IQ solution. Through AI-powered sustainability data mining and a number of other new features, it further enhances the ability of procurement and investment teams to map their sustainability risk and opportunity landscape, meet regulatory reporting requirements and fine-tune their approach to rating trading partners.

120

organizations using CAM to gain deeper insights into the carbon performance of their suppliers

23,000+

carbon maturity scorecards published in 2022 (compared to 5,200 in 2021)

23

PE firms engaged in the solution

198

portfolio companies covered by EcoVadis Ratings

10,000

companies engaged in the Academy

~5,000

active learners

14,000+

courses completed (since launch in 2021)

193 customers

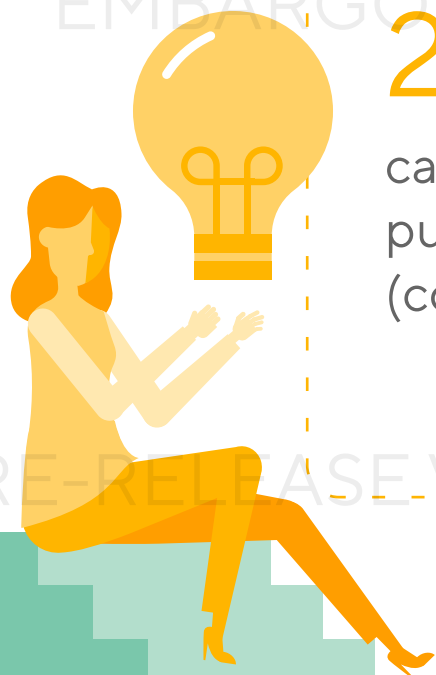
using the solution (as of the end of 2022)

1.2 million

companies profiled since launch

150,000

companies scanned for sustainability-related documents

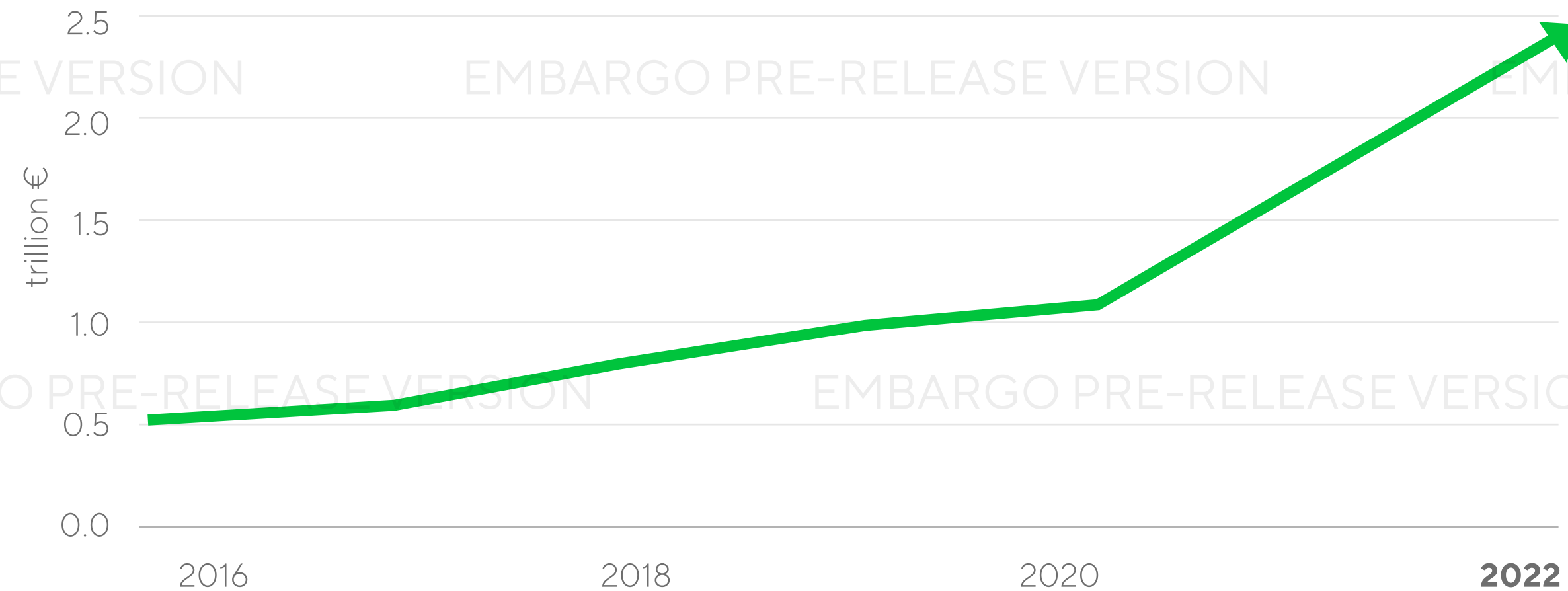


The EcoVadis Network

Requesting Organizations

A commitment to building an effective sustainable procurement program is enabling requesting organizations to reduce risk, lower costs, unlock value and generate positive impact throughout the supply chain. As buyers in the EcoVadis network see this effect take hold, they are ramping up their sustainability efforts and collaborating with their trading partners to help them do the same. In 2022, 52% of requesting organizations included EcoVadis Ratings in their request for proposal (RfP) criteria. And more than 16,000 individuals from our 945 enterprise customers are now actively using the platform. Together, these factors have driven the total global spend covered by EcoVadis Ratings to more than €2.5 (\$2.6) trillion – 55% of our buying customers’ total spend total.

Global Spend Covered by EcoVadis Ratings



945

requesting organizations in the EcoVadis network

16,000+

total active procurement users on the EcoVadis platform*

€2.5 (\$2.6) trillion

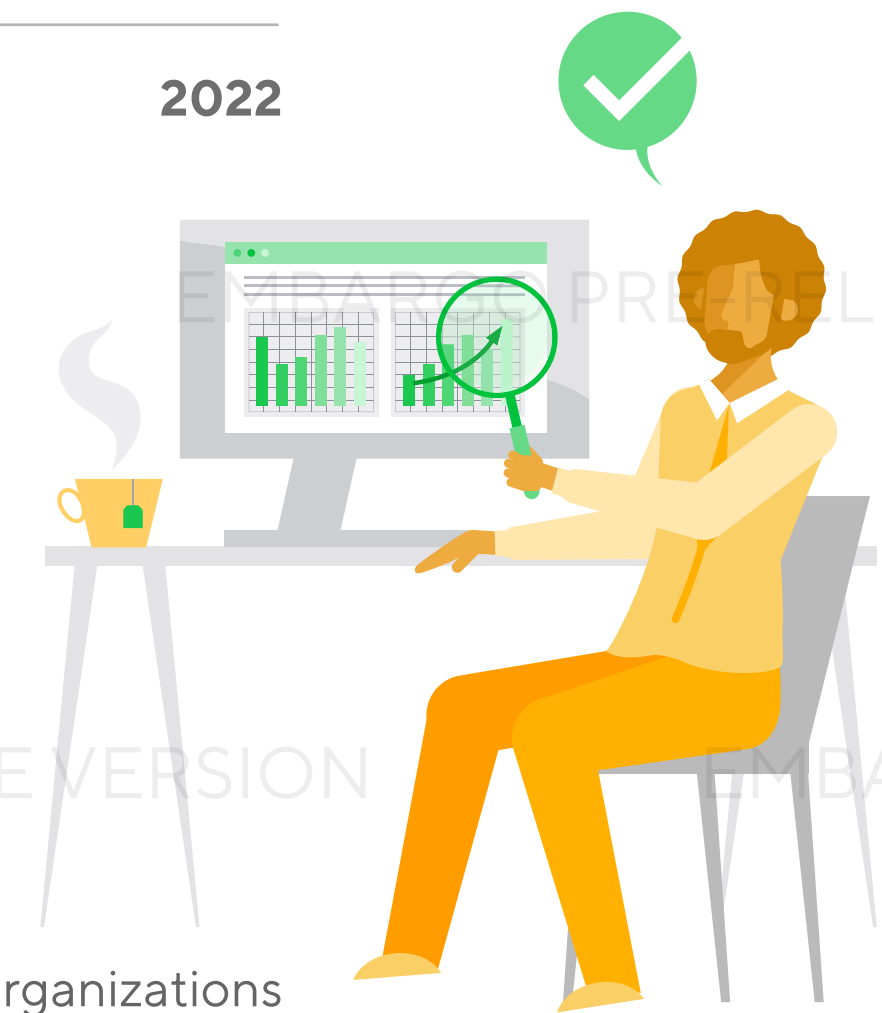
in global spend** covered by EcoVadis Ratings

Our buying customers represent a total of €4.5 (\$4.8) trillion

in global spend

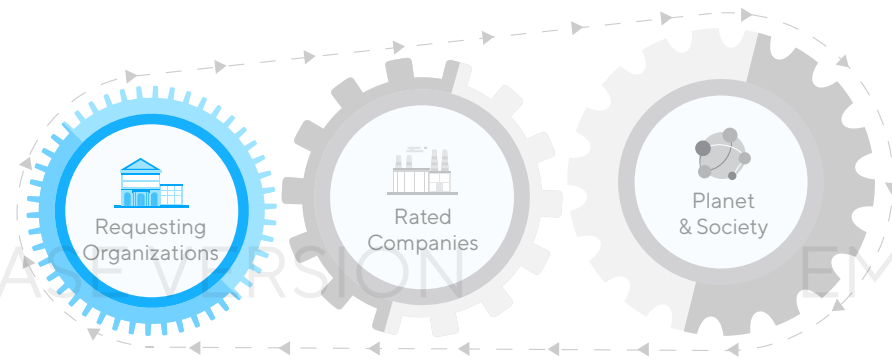
52%

of requesting organizations included an EcoVadis Rating in their RfP criteria



* Active users are defined as administrators or collaborators that logged on to the platform at least once in 2022.

** Reporting of total procurement spend and spend coverage by EcoVadis was improved in this edition through the input of real data from enterprise customers. Where real data was not available, we assumed that requesters typically cover 50% of their spend with EcoVadis Ratings. We were able to estimate total procurement spend based on average spend statistics per industry (Bain & Company, 2016).



The Requesting Impact Journey

The requesting journey is multi-faceted and differs for every organization depending on its starting maturity, supply chain characteristics and many other factors. However, it can broadly be broken down into four stages: identifying risks and opportunities, inviting trading partners to be assessed, leveraging ratings insights and collaborating with partners to drive improvement, and monitoring and reporting on progress. The visual to the right showcases this cyclical process and highlights some of the key solutions that support requesting organizations at each stage.

IQ Plus: Leverage predictive intelligence to map risk and identify opportunities across the supply base

Live News Monitoring: AI scan of 100k+ sources of supplier information and data

EcoVadis Ratings: Assess and benchmark the sustainability performance of trading partners

Carbon Action Module: Gain deeper insights into the carbon performance of trading partners (e.g., Scope 3 emissions)

Program Management: Enhance governance, develop goals and targets

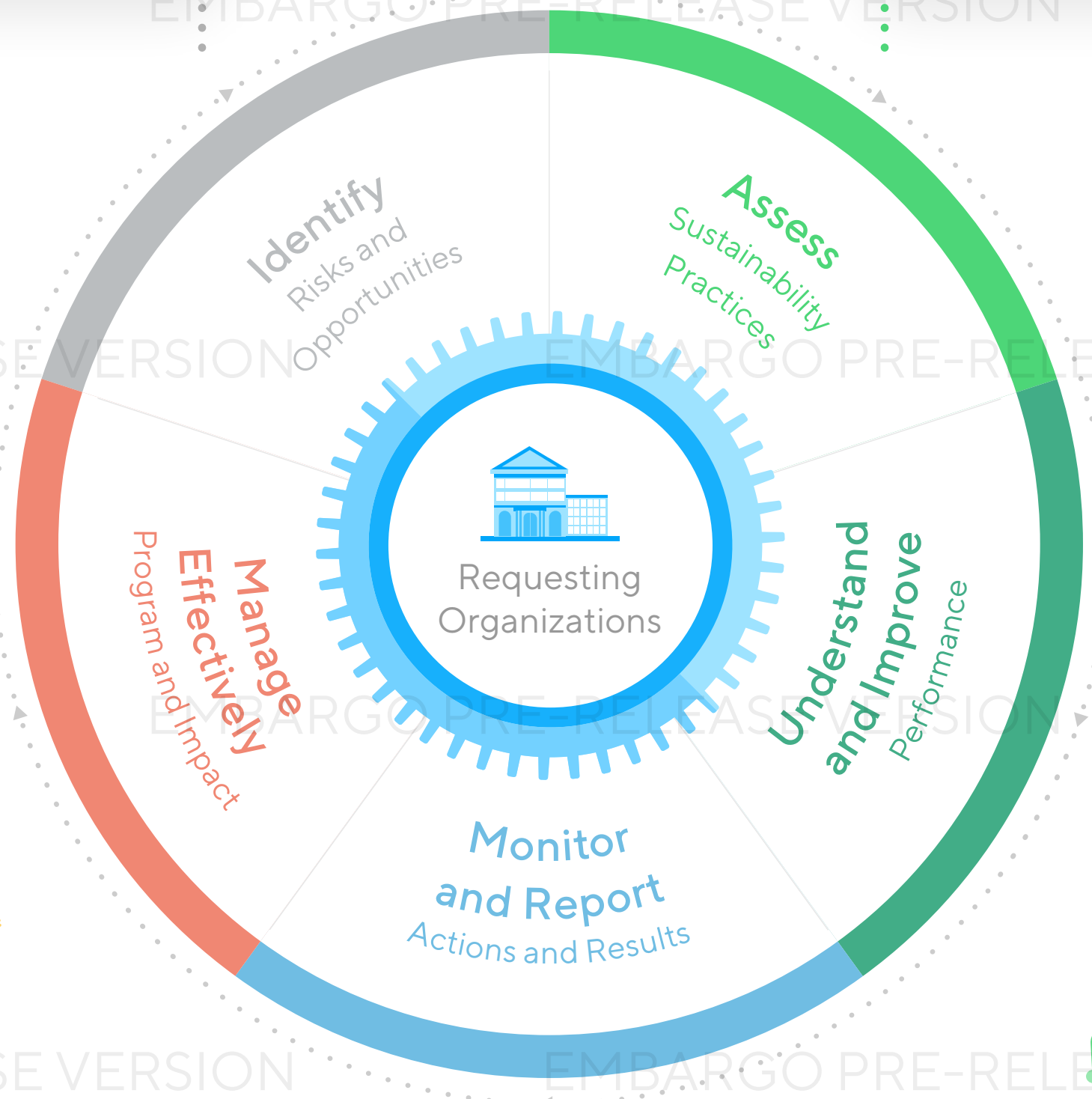
Maturity Matrix: Assess sustainable procurement maturity annually

Sector Initiatives: Collaborate with industry peers on shared challenges

Process/API integration: Integrate ratings into RfPs, contracts, etc.

Corrective Action Plans: Collaborate with trading partners to help them improve

EcoVadis Academy: Encourage trading partners to build capacity on sustainability



360° Watch: Ongoing scan (100k+ sources) of trading partners between ratings

Dashboards & Reports: Benchmark, track and aggregate trading partner performance (across categories, regions, portfolios, etc.) and metrics (carbon, DEI, etc.)



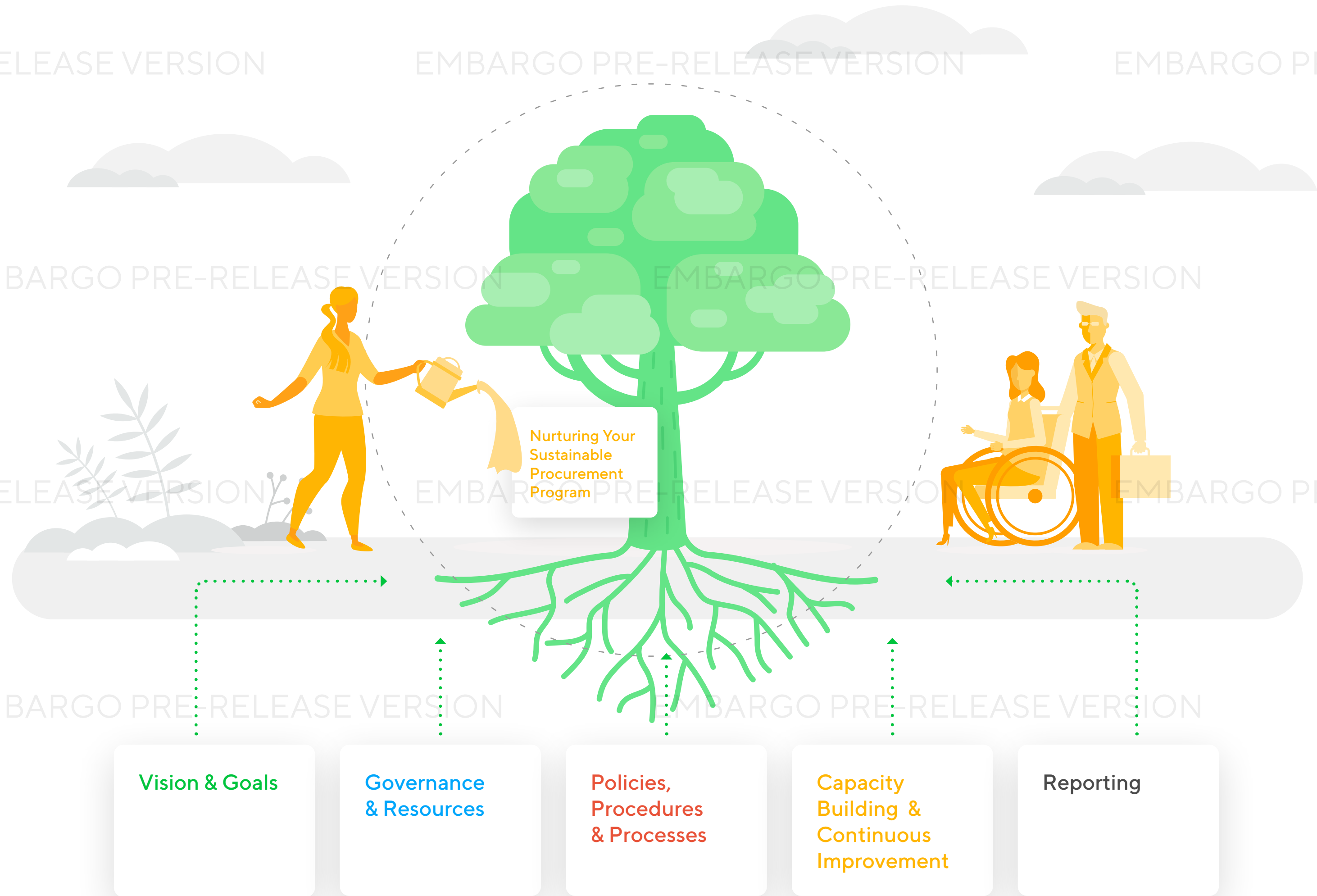
Building the Long-Term Foundation for Impact

This journey enables requesting organizations to embed sustainability as a core procurement value. Achieving this takes time and commitment. While some buyers may be able to score quick wins by simply inviting suppliers to undergo assessment and leveraging the resulting scorecard data, those that engage holistically in the entire process will be much better equipped to consistently scale their efforts and impact over the long term.

Baselining Maturity & Identifying Opportunities for Growth

To build maturity, companies must first understand where they are starting from. All new requesting organizations in the EcoVadis network undergo a maturity review during onboarding that evaluates their sustainable procurement program across the five fundamental pillars highlighted to the right. Through this process, a roadmap is developed for how companies can utilize our platform and tools to empower their program and reshape their corporate culture around sustainability. The insights generated through the maturity review tap into procurement best practices shared by the 945 requesting organizations in our network. This is an ongoing process, with annual reviews that help companies evaluate their progress and refine their approach.

The Five Key Pillars of a Sustainable Procurement Program



Spotlight on EcoVadis Sector Initiatives: The Power of Supply Chain Collaboration

Industry-level collaboration is one of the best levers available to companies looking to build more sustainable value chains and scale their positive impact. EcoVadis Sector Initiatives (SIs) are a highly effective vehicle for this. Six initiatives spanning a diverse range of sectors – from chemical manufacturing to health – are using the EcoVadis solution to share best practices and collectively address sector-specific challenges across their often highly interconnected supply chains. Our data shows that participation in an SI helps buyers improve their supplier engagement and enables rated companies to improve faster than their network peers.

6
active SIs in 2022

84
of our 945 requesting customers are engaged in an SI

10%
of requesting organizations have engaged 40% of total rated companies through an SI

Companies in SIs are outperforming the broader network:

- Companies engaged in an SI outperformed the network average by 5.3 points in 2022.
- SI members are also 6% more likely to have their invited trading partners become EcoVadis-rated companies.
- SI members have access to 7% more primary sustainability data.

Key features scaling Sector Initiatives' impact potential:

- ✓ Initiative-wide sharing options, such as the "one-click share to sector group" feature used by our largest SIs, maximize transparency and supplier visibility.
- ✓ Enhanced dashboards provide sector-specific benchmarks on scores, strengths and improvement areas, and other key performance indicators to give members the insights they need to build a more sustainable value chain.
- ✓ Collaborative tools boost supplier engagement with Corrective Action Plans, enhancing accountability and accelerating improvement.



The Responsible Beauty Initiative Leads the Way on Transparency

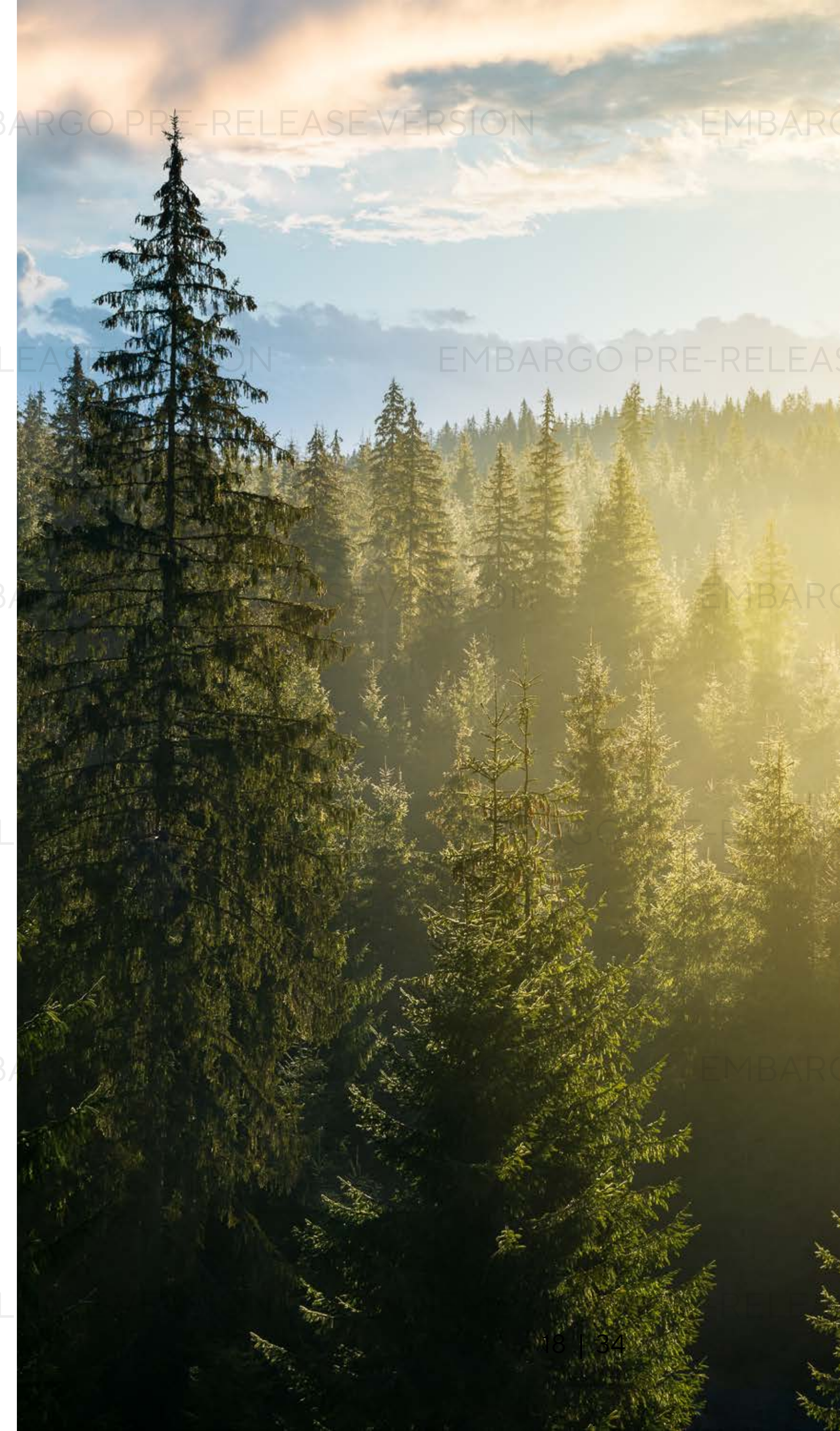
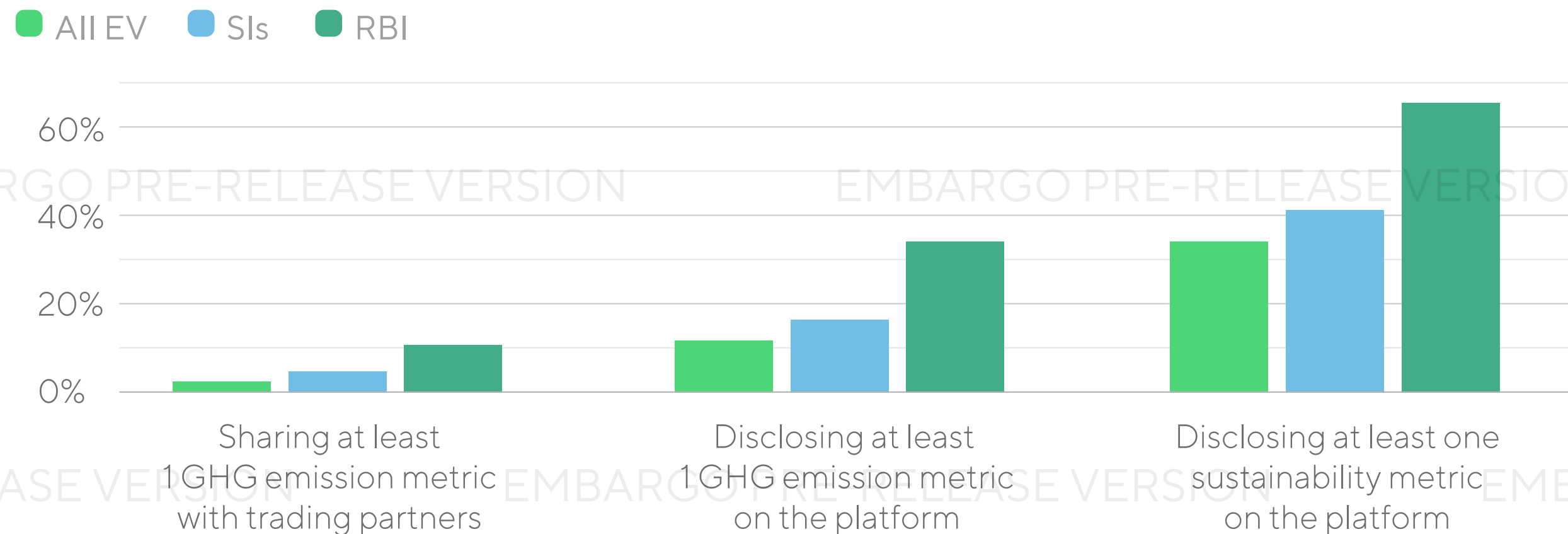
While SIs are performing well on supplier engagement and reporting across the board, the Responsible Beauty Initiative (RBI) is leading the way on transparency. Founded in 2017, [eight leading companies](#) – including L’Oréal – are collaborating highly effectively to improve transparency and sustainability throughout the cosmetics value chain. The more than 2,000 suppliers in RBI disclose and share their sustainability metrics (including carbon-specific ones) at a higher rate than both their network and SI peers. They are also twice as likely to share at least one carbon metric than those in other SIs.

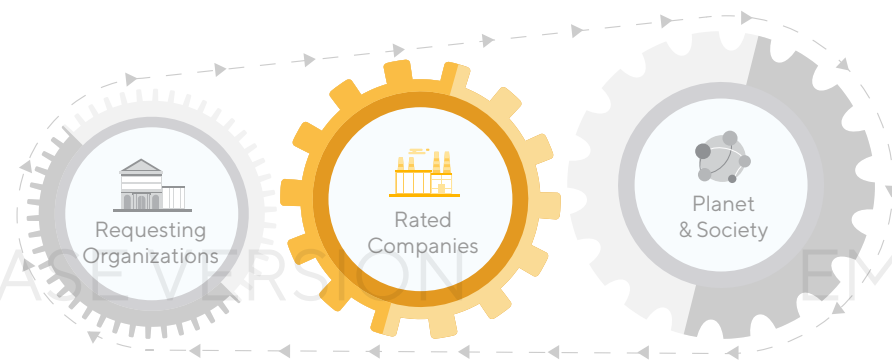
Behind this success is the Initiative’s commitment to building supplier capacity. In collaboration with our learning partner Nexio, we are helping RBI launch a pilot that will target suppliers needing additional support on topics like GHG measurement and reporting. Through targeted “Learning Paths” consisting of webinars co-hosted by RBI members and dedicated e-learning courses on the EcoVadis Academy, suppliers will learn how to develop a GHG reporting system, calculate their emissions and set science-based reduction targets.

See how RBI member L’Oréal drives sustainability throughout its value chain



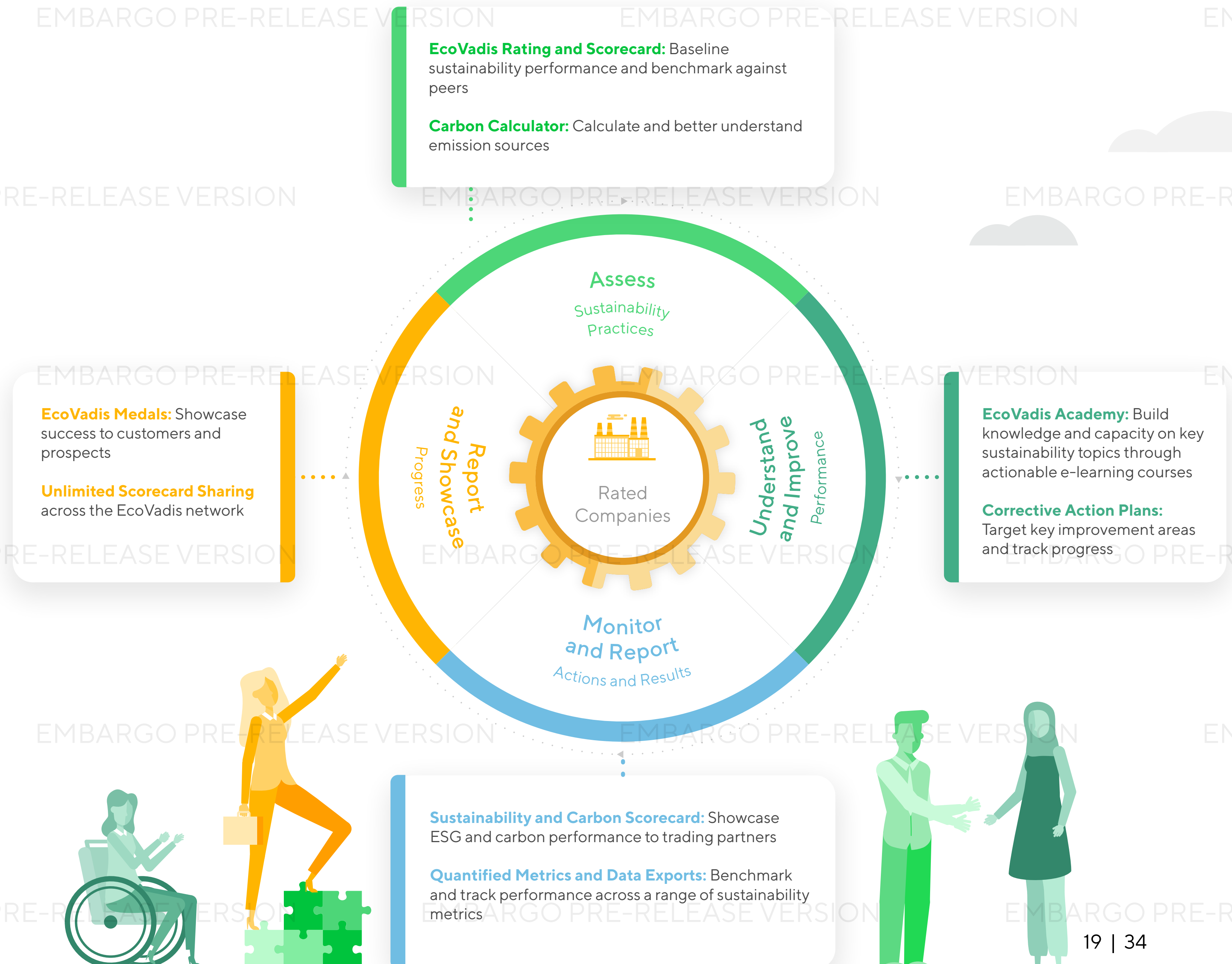
Percentage of Companies Disclosing and Sharing Sustainability Metrics in 2022: SIs vs. the Broader Network





Rated Companies

For all the progress that large requesting organizations can achieve by assessing their trading partners, building the maturity of their sustainable procurement programs (or sustainable investment strategies) and collaborating at the industry level, the key to unlocking positive impact remains embedded in global value chains. At each stage of the rated company journey, EcoVadis provides solutions and tools to help companies baseline their sustainability performance, build capacity and improve, and track and report progress. The visual to the right provides a high-level overview of this cycle.



The Impact Engine: Network Growth + Score Improvement

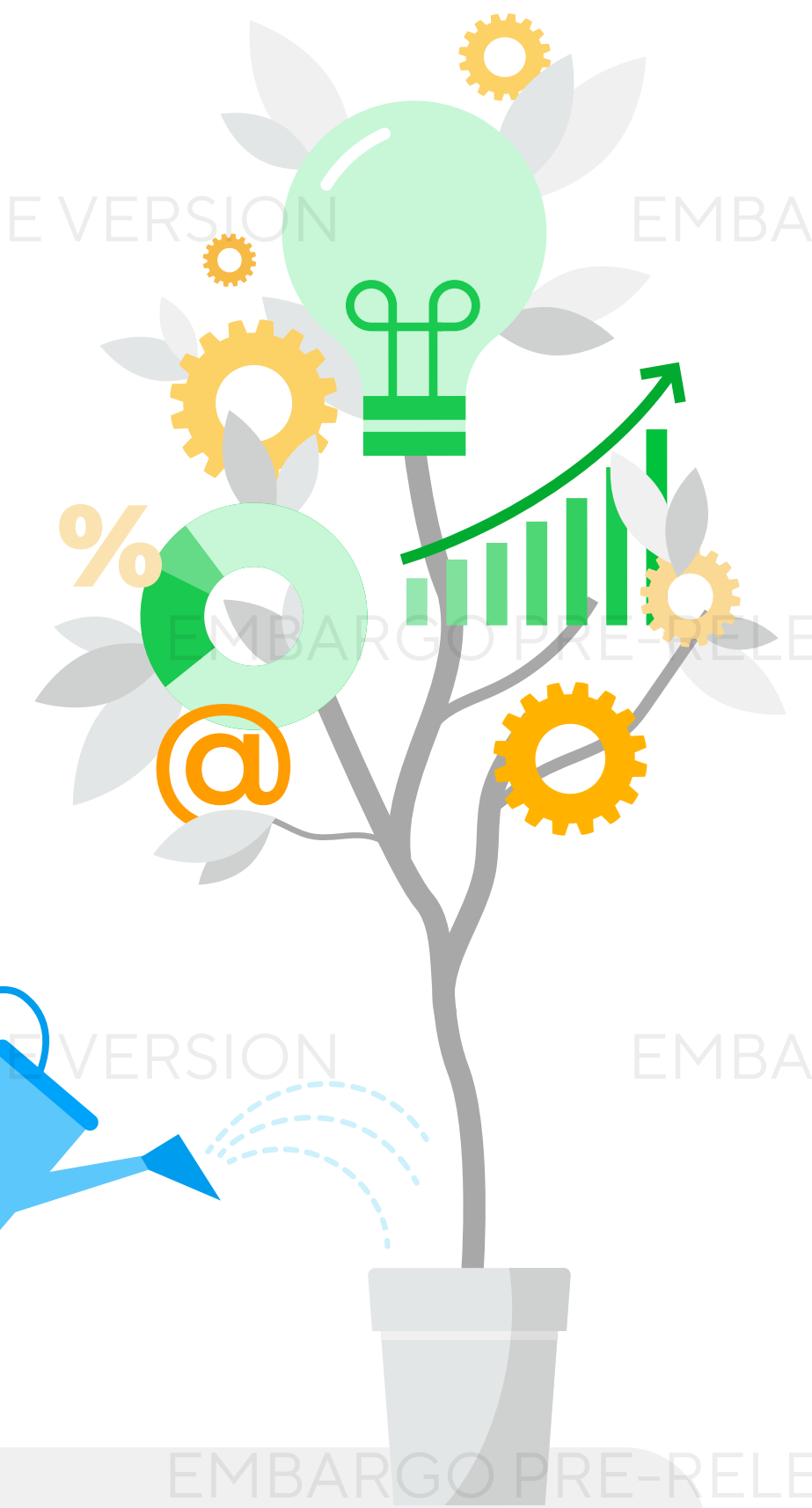
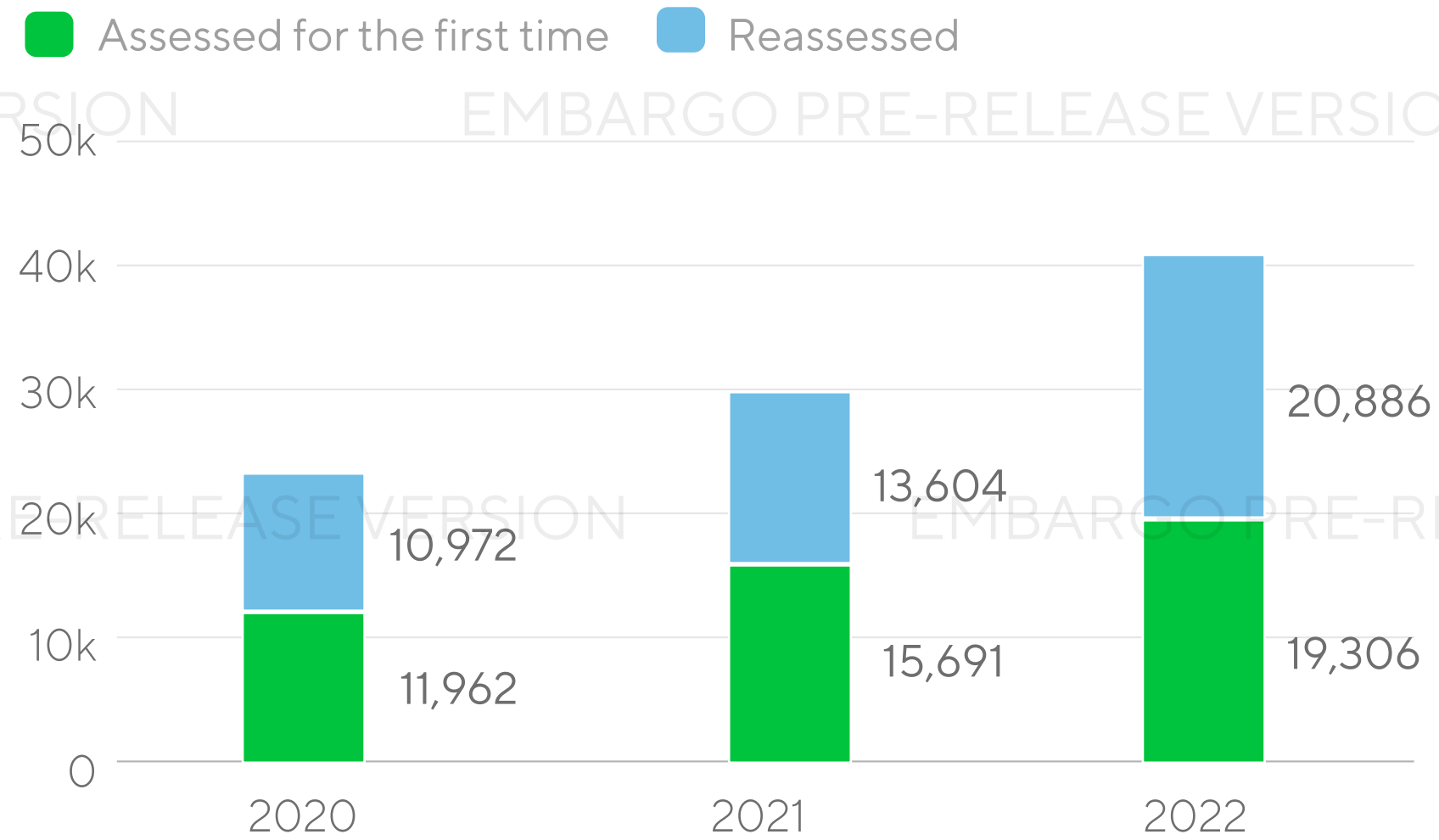
By engaging in this journey, companies can build the capacity and management system they need to consistently improve their sustainability performance over time. We measure this improvement through EcoVadis Ratings, which assess the policies, actions and reporting mechanisms a company has in place across our core assessment themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement (read more on the methodology [here](#)). While score improvement is not a direct measure of impact, it does indicate the tangible progress a company is making on building governance around its material sustainability topics, implementing best practices and reporting to stakeholders on these efforts.

Our Network is Expanding and Engagement is Deepening

Our network continues to expand both in terms of scope (the number of new joiners) and engagement (the number of companies undergoing reassessment). Over 19,000 companies joined the network in 2022, broadening it by 20% since 2021. Engagement grew at an even faster rate, with the 20,000+ companies that were assessed for at least the second time representing a 54% increase in engagement since 2021.

These two factors yielded over 40,000 ratings in 2022 – a 37% jump over the past year (compared to 27% from 2020 to 2021) and a nearly 200% increase since 2016. As shown to the right, there was a near- even split between companies assessed for the first time and those undergoing reassessment. This indicates that despite rapid growth, the network is maturing as companies realize the benefits of consistently engaging in the ratings process.

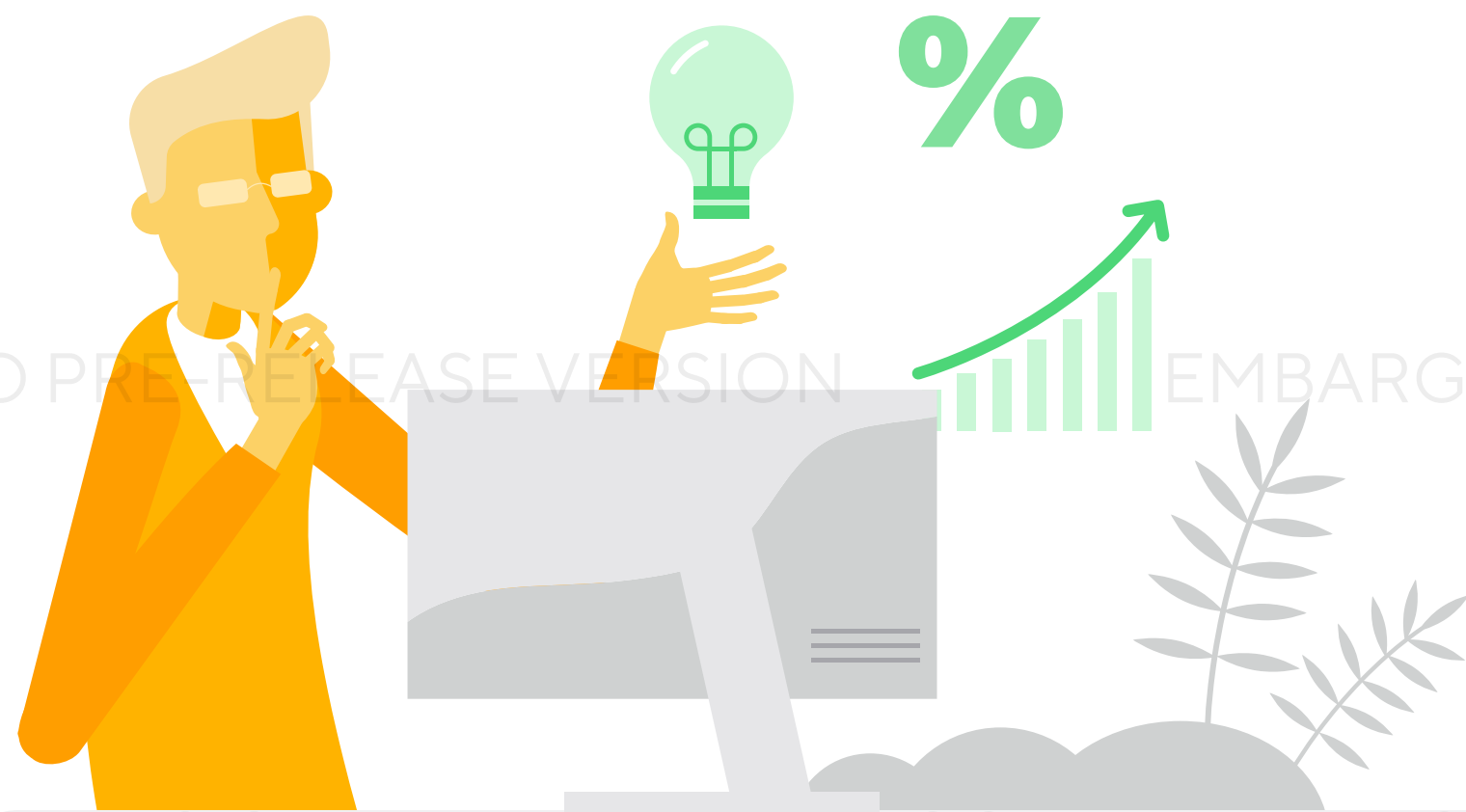
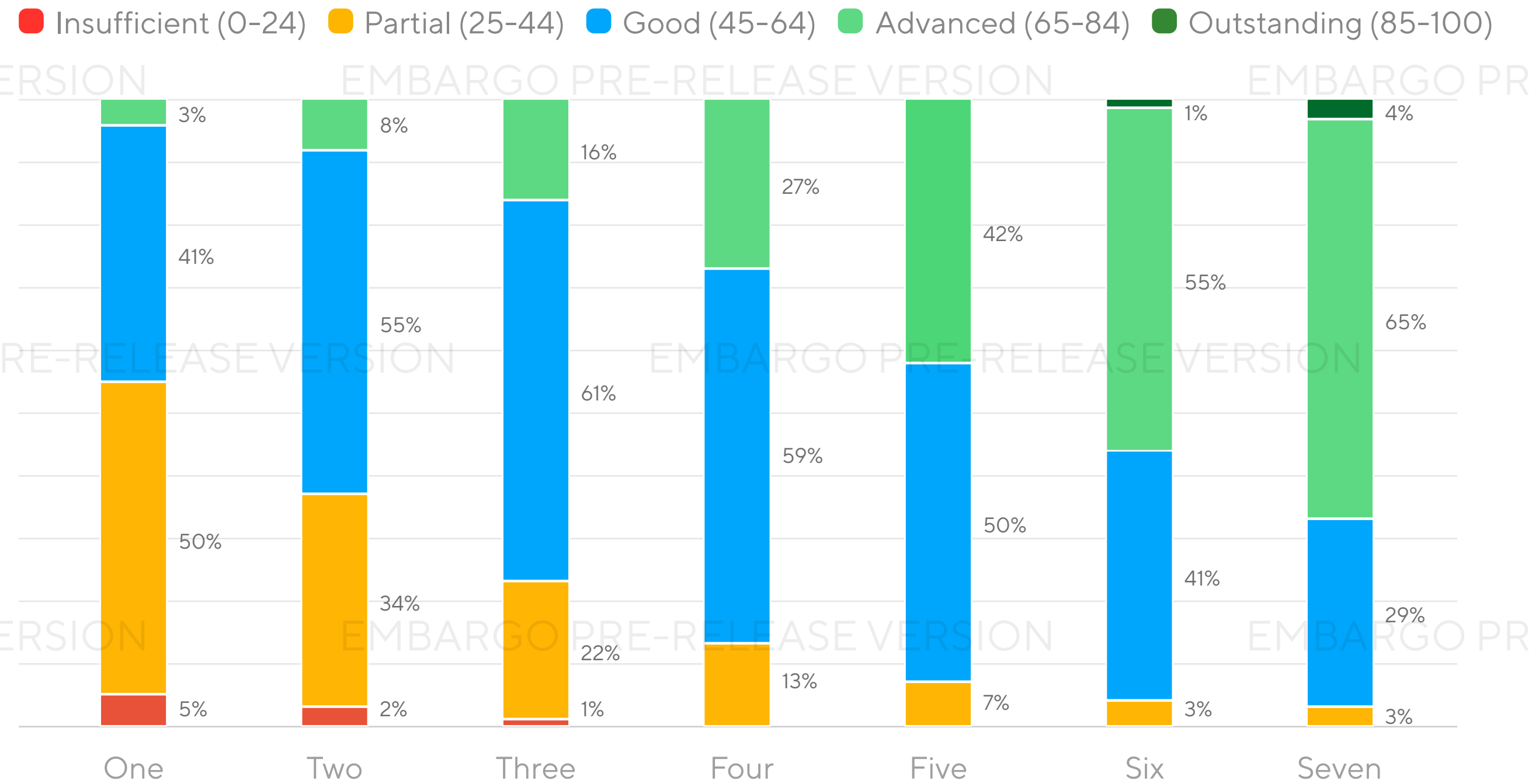
Growth in EcoVadis Ratings From 2020 to 2022



Companies Continue to Improve

Companies in the network continue to improve their sustainability performance. This is reflected in the 8.3-point average gain that companies are making between their first and most recent assessment. The link between consistent engagement in the ratings process and improvement is clear. In 2022, half of all companies rated for the first time fell into the “Partial” category (a score of 25-44) and fewer than 5% attained the “Advanced” performance level of 65+. However, among the small but growing subset of companies with seven assessments under their belt, an incredible 64% have built an “Advanced” sustainability management system and 4% have reached “Outstanding” – the highest performance level on the EcoVadis scoring scale.

Performance Distribution of Network by Number of Assessments (2016-2022)

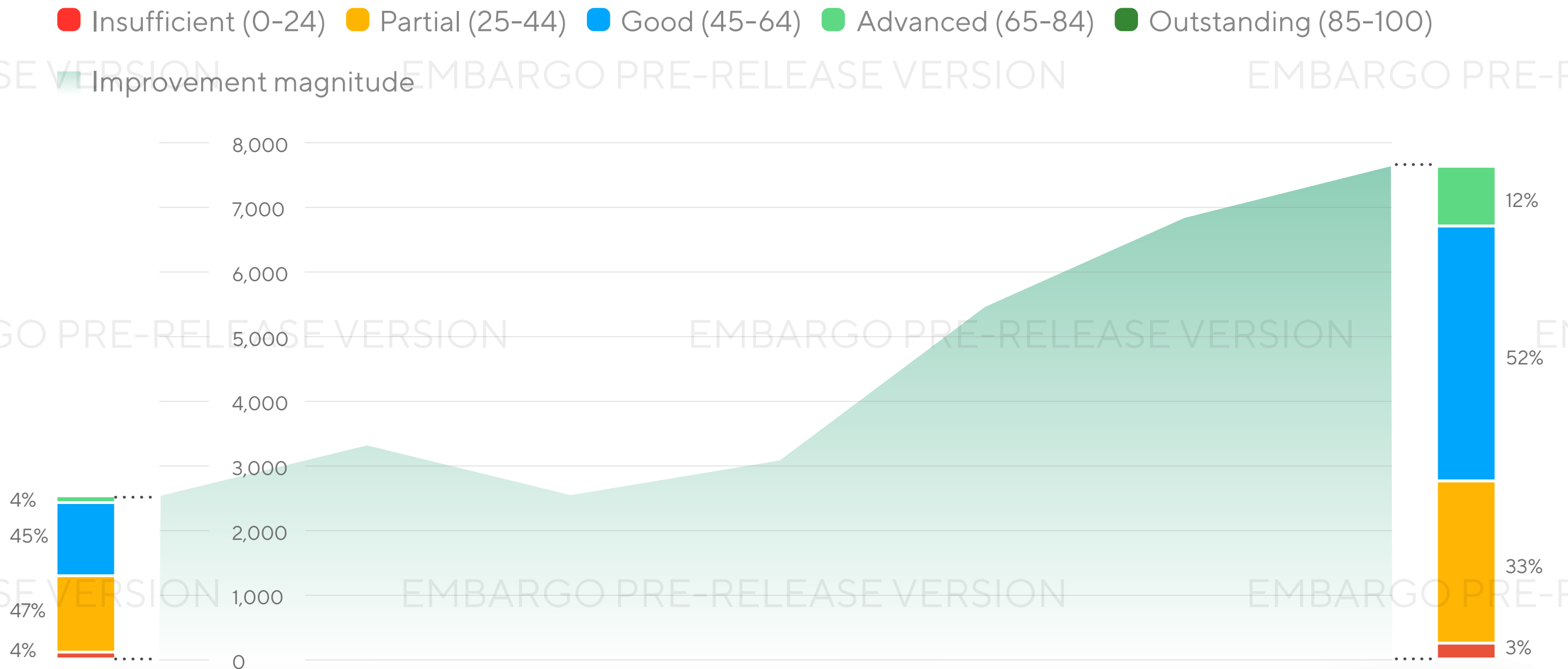


Improvement Magnitude

Thanks to this virtuous cycle of improvement, there are now more than three times as many companies at a “Good” performance level and eight times as many at “Advanced” than there were in 2016. This represents an incredible transformation in the number of companies that have built a sustainability management system capable of driving real change – both within their own operations and further into their value chains.

To quantify and compare what this growth means in terms of impact potential, we look at “improvement magnitude.” This is the average score improvement upon reassessment observed in our network over a given time period multiplied by the number of companies reassessed within that same timeframe. As shown to the right, improvement magnitude has nearly tripled since 2016, with much of that growth coming over the past three years.

Evolution of Improvement Magnitude and Performance Distribution From 2016 to 2022



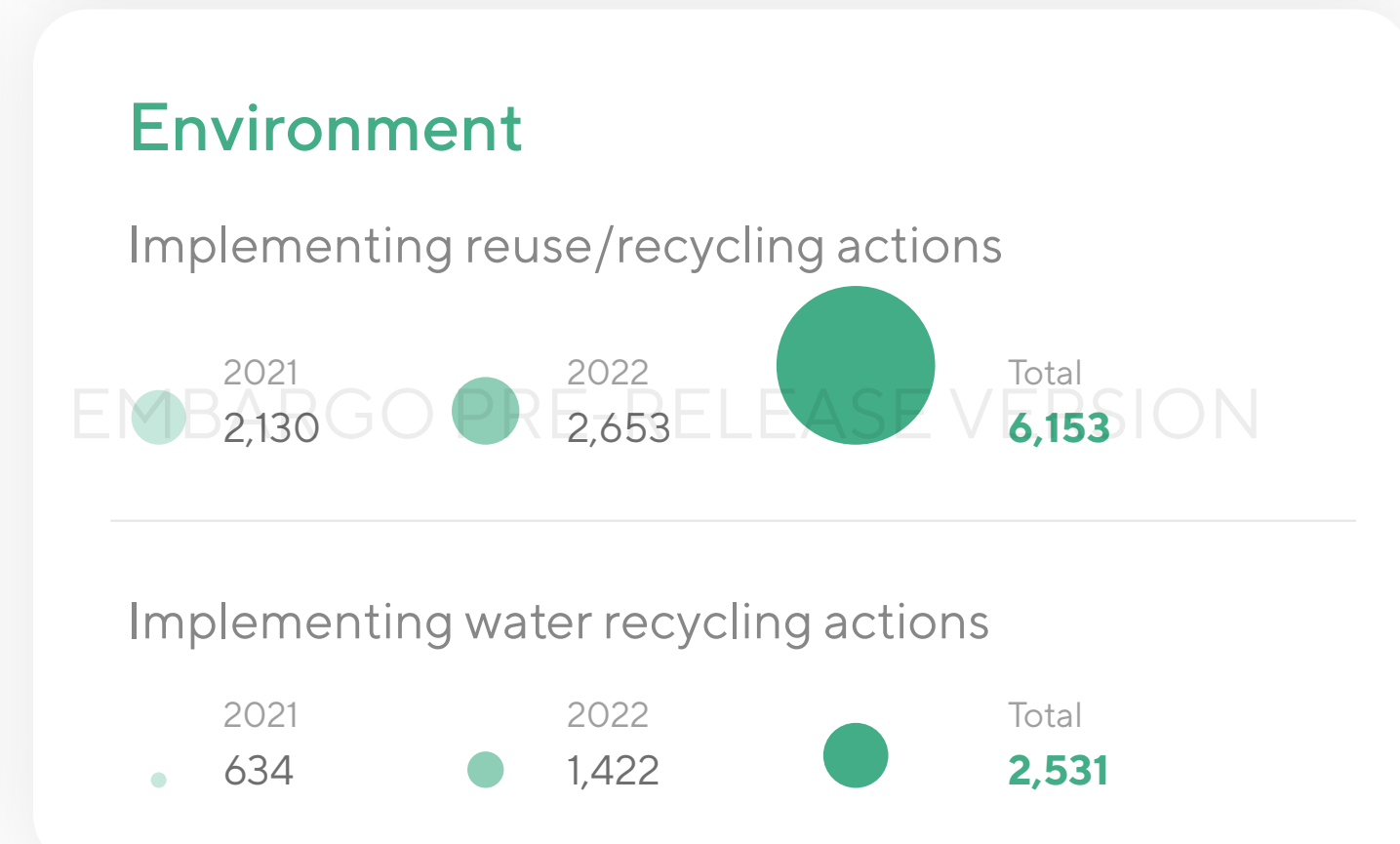
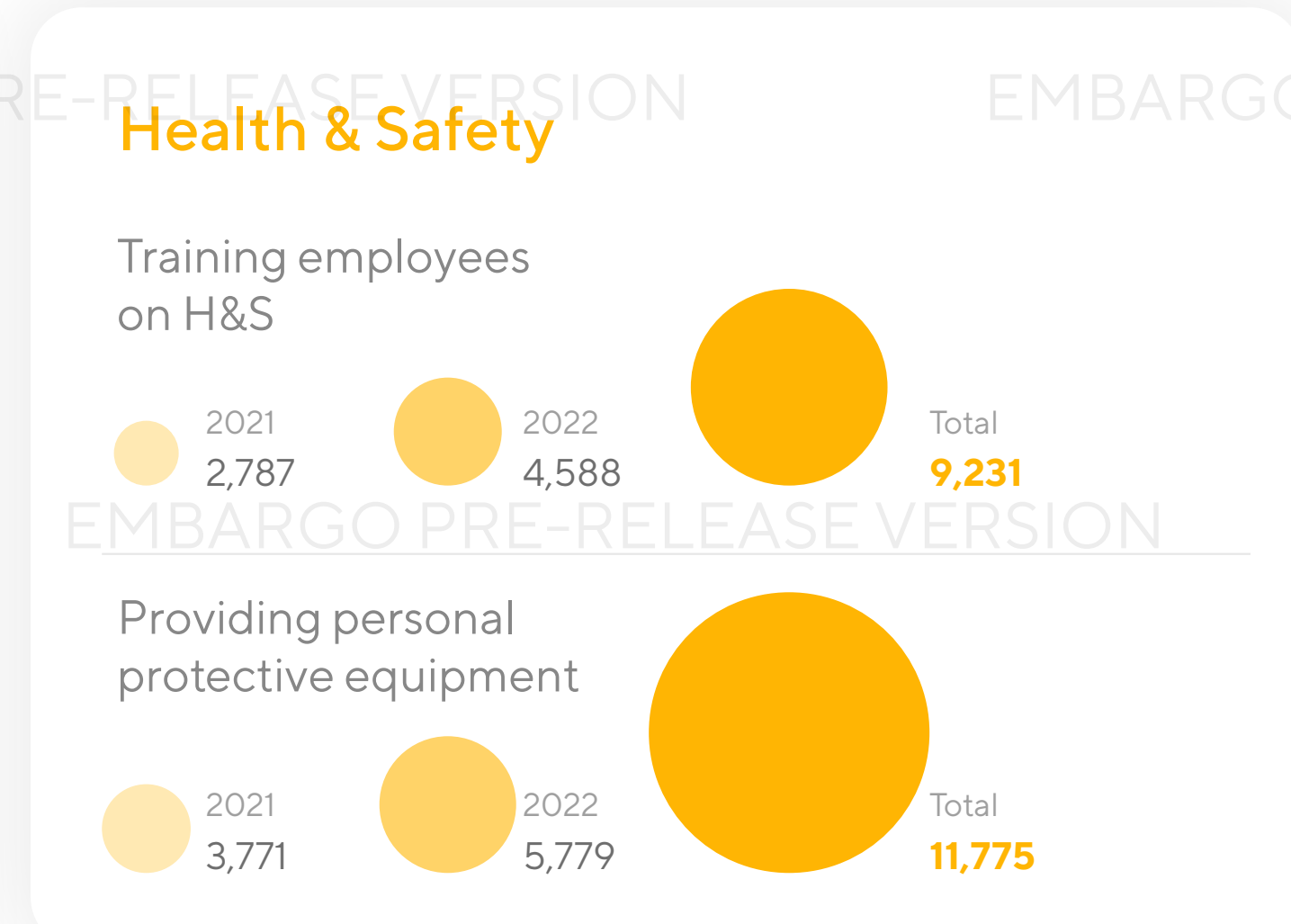
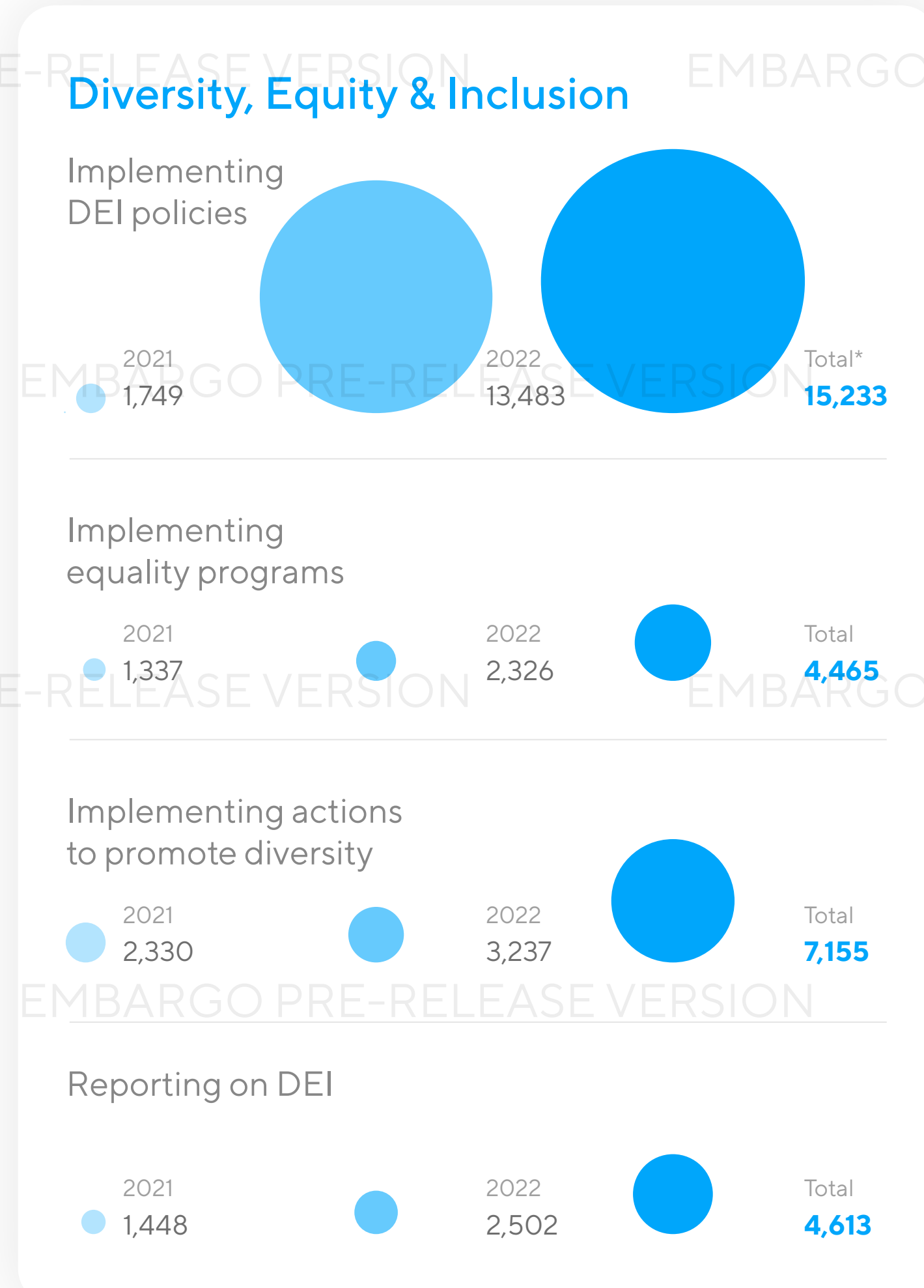
	December 2016	December 2017	December 2018	December 2019	December 2020	December 2021	December 2022
Improvement magnitude	2,635	3,367	2,640	3,172	5,204	6,506	7,607
Reassessments	↻ 549	↻ 783	↻ 800	↻ 1,133	↻ 1,239	↻ 1,549	↻ 2,056
Average score improvement upon reassessment	+4.8	+4.3	+3.3	+2.8	+4.2	+4.2	+3.7

Best Practices: Driving Improvement and Impact

Underpinning scoring improvement are the sustainability best practices companies adopt to make progress on the “improvement areas” identified in their scorecards. When implemented and documented in a company’s subsequent assessment, these practices are highlighted as “strengths” and contribute to a higher score. Tracking and collating these strengths across the **40,000+ scorecards generated in 2022** enables us to more tangibly quantify the sustainability progress being made by our network. While reporting on the entire spectrum of strengths included in the assessment methodology is beyond the scope of this report, we have analyzed how many companies adopted 14 key environmental and social best practices upon reassessment in **2022 compared to 2021**.

* The total represents the cumulative number of reassessed companies that adopted a given best practice over the past three years (2020-2022). We began reporting on these best practices in 2020.

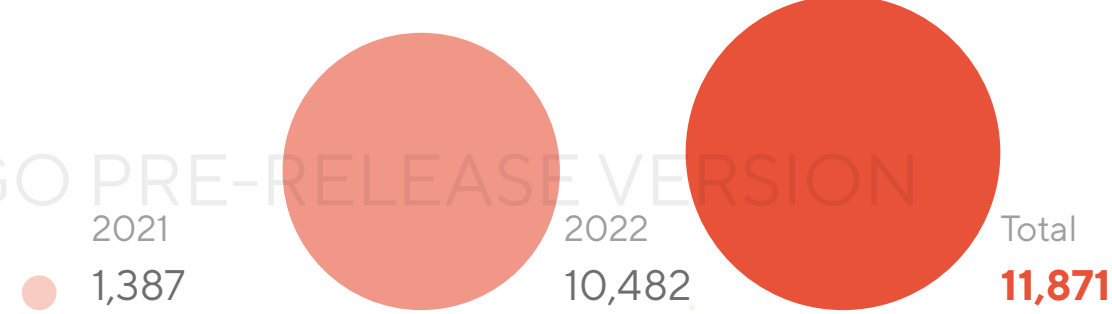
Number of Reassessed Companies in Our Network Adopting Selected Best Practices



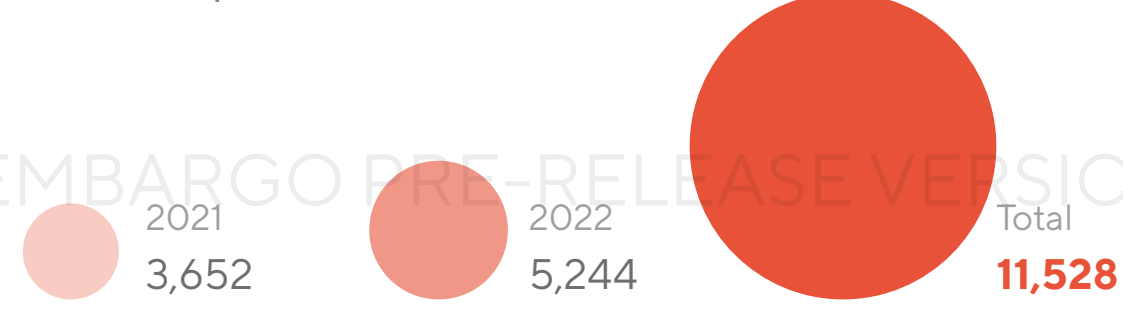
Number of Reassessed Companies in Our Network Adopting Selected Best Practices

Carbon: Energy and GHG Emissions

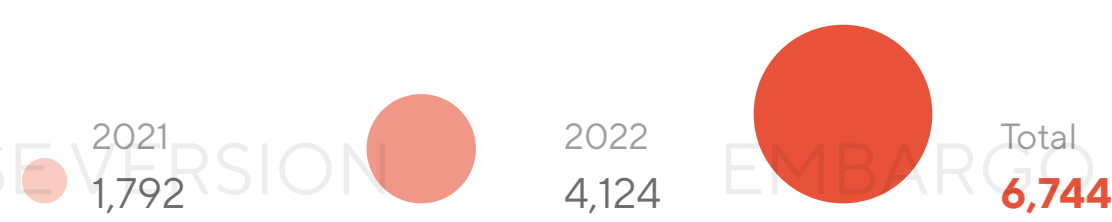
Implementing policies on energy and GHG emissions



Reporting on energy consumption



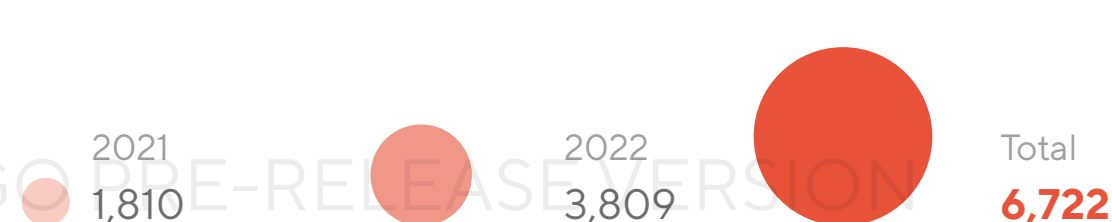
Using or producing renewable energy



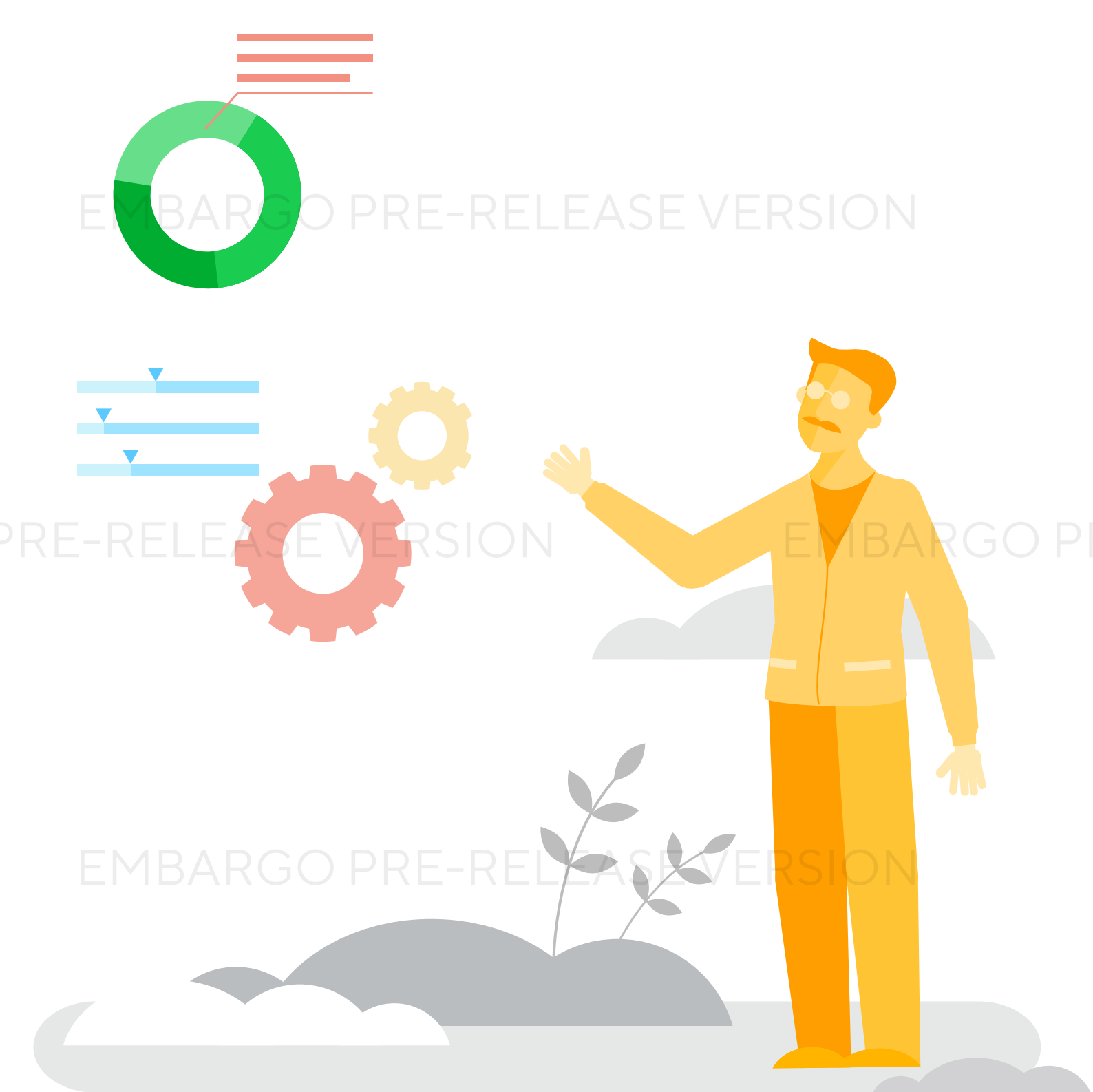
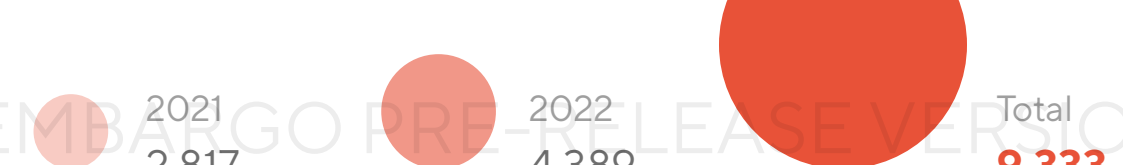
Reporting on renewable energy consumption*



Training employees on energy management



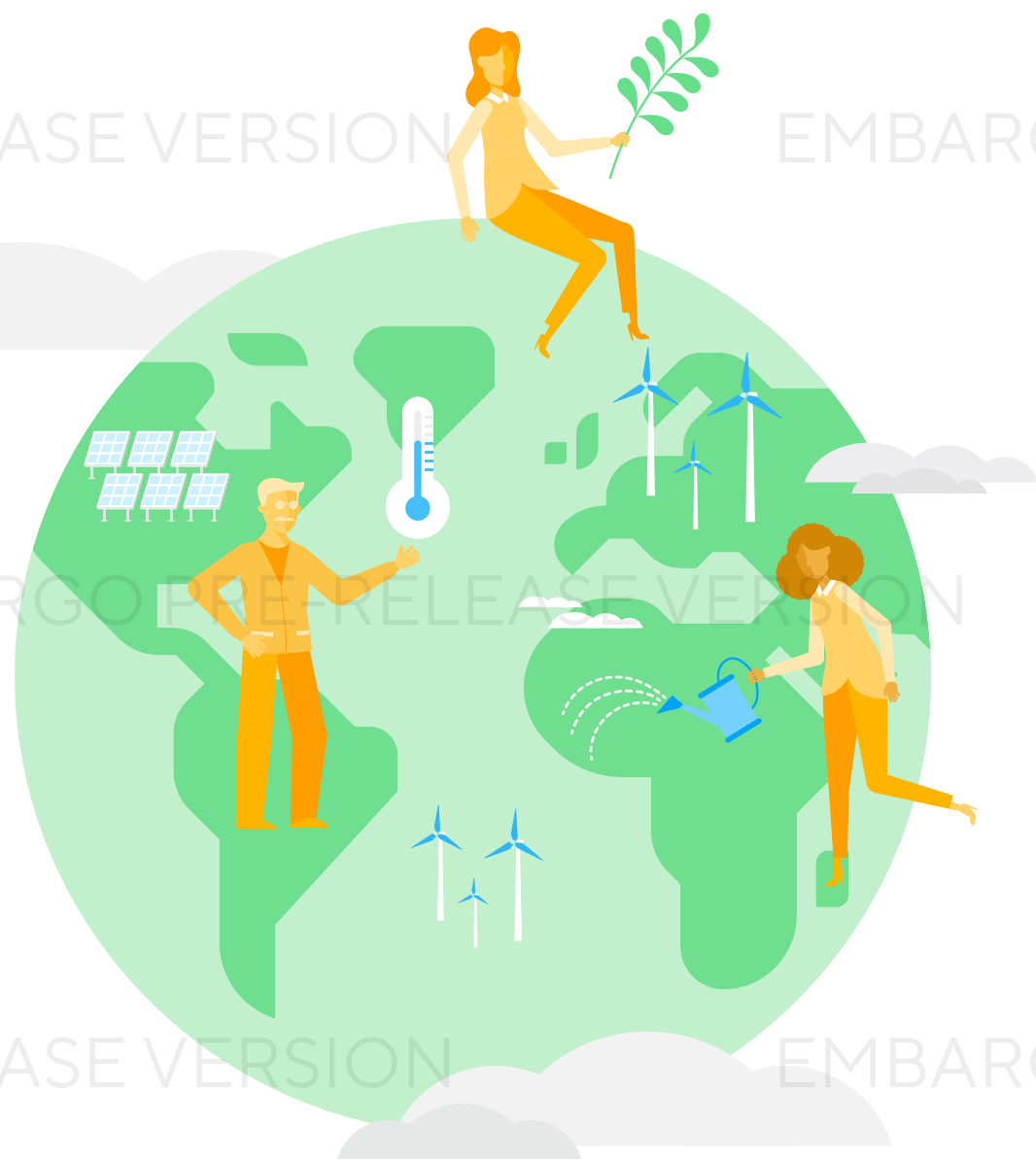
Reporting on GHG emissions



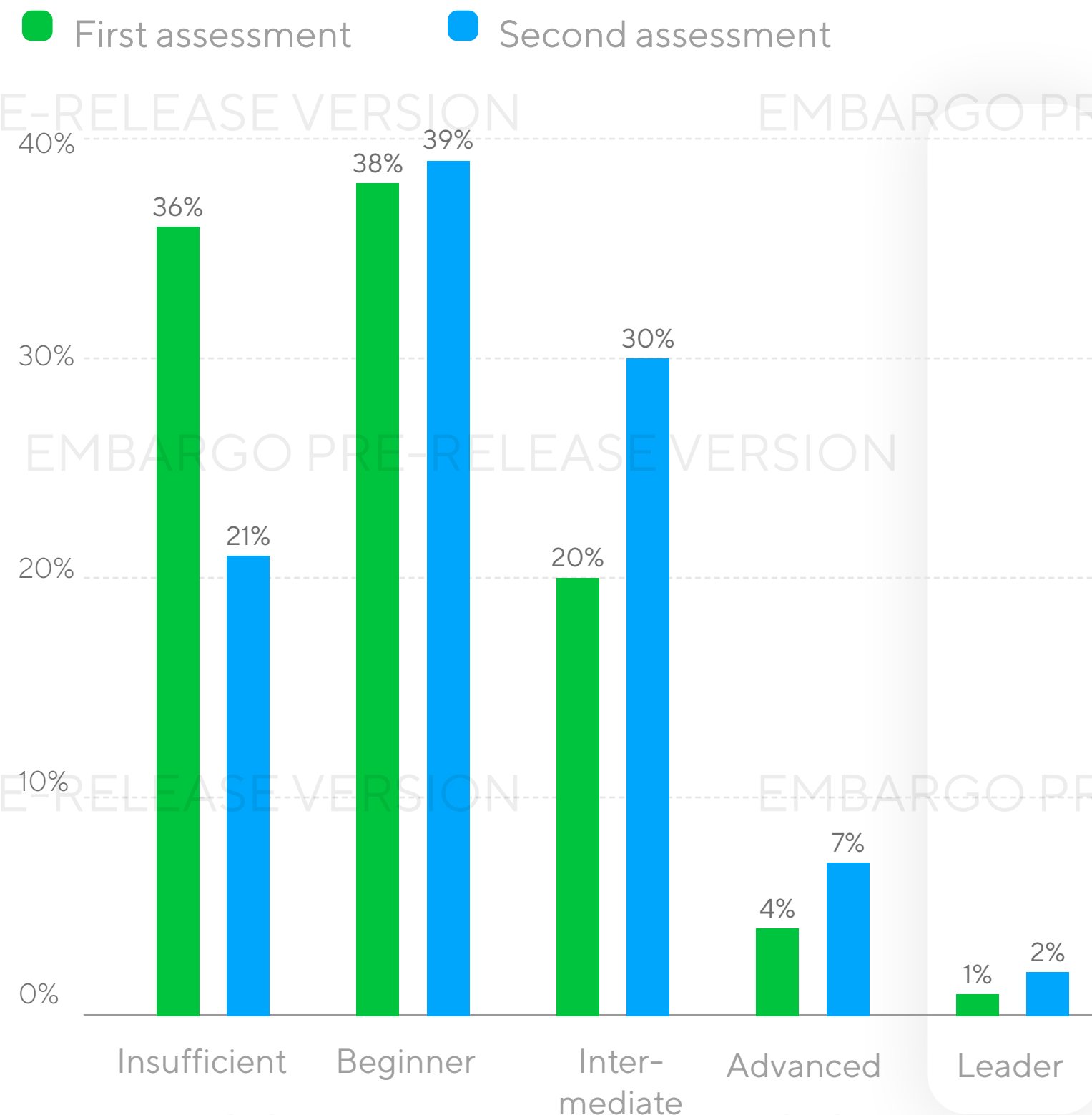
*Tracking for this KPI started in January 2022.

Spotlight on Carbon Maturity

The Carbon Action Module gives requesting organizations an in-depth understanding of their trading partners' carbon management practices and enables them to take action on supply chain emissions. It also gives rated companies the tools and support they need to drive their decarbonization efforts. Two years on from its launch and more than 23,000 scorecards later, we are seeing companies across our network build maturity on carbon management topics, set more science-based targets and measure their emissions.



Percentage of Companies at Each Carbon Maturity Level



Key Takeaways From the Companies Reassessed Under the Carbon Action Module:

- ✓ 1,549 companies reassessed as of the end of 2022.
- ✓ 40% of companies rated at an Insufficient level during their first assessment improved at least one level.
- ✓ The number of companies at the Advanced and Leader levels increased by 75%.
- ✓ The number of companies with publicly announced GHG reduction targets increased by 45%.
- ✓ The number of companies that committed to or set science-based targets increased by 71%.
- ✓ The number of companies measuring their GHG emissions at least once a year increased by 41%.

Metrics: Measuring the Output of Best Practices

Measuring and reporting the quantitative output of these best practices is essential to enhancing transparency and accelerating progress. We are helping companies do this by enabling them to report on up to 38 sustainability metrics – tailored to their industry and company size – directly on the EcoVadis platform. Alongside scorecard results, this data gives companies and their trading partners the ability to develop baselines, track progress over time and benchmark performance against network peers.

This edition represents the first time we have reported on metrics disclosure across our network. With this initial baseline, we are building the foundation for future reporting on the progress our network is making across these metrics and more. In 2022, more than 13,000 companies disclosed at least one carbon-related metric on the platform. Going forward, EcoVadis will continue to enhance its efforts to foster the disclosure of these metrics – and many more – by improving and scaling solutions like the Metrics Workflow, which enables requesters to ask rated companies to report on specific metrics. We are also finding new ways to incentivize companies to disclose and raise our network’s awareness of the benefits of doing so.

Top 16 Sustainability Metrics Disclosed by Companies on the EcoVadis Platform:

- | | | |
|---|--|---|
| 1. Average hours of training per employee | 7. Total weight of non-hazardous waste emitted | 12. Total gross Scope 2 GHG emissions |
| 2. Total energy consumption | 8. Percentage of women in executive positions | 13. LTI frequency for temporary workers |
| 3. Percentage of women employed in the organization | 9. Total weight of hazardous waste emitted | 14. Total renewable energy consumed |
| 4. Total water withdrawal | 10. Total gross Scope 1 GHG emissions | 15. Percentage of women on the board |
| 5. Lost time injury (LTI) frequency | 11. Total weight of waste recovered | 16. LTI severity for temporary workers |
| 6. LTI severity | | |

Number of Companies Disclosing Selected Metrics on the EcoVadis Platform in 2022

Carbon

Total gross Scope 1 GHG emissions:
12,000

Total gross Scope 2 GHG emissions:
10,500

Total gross Scope 3 GHG emissions:
4,000

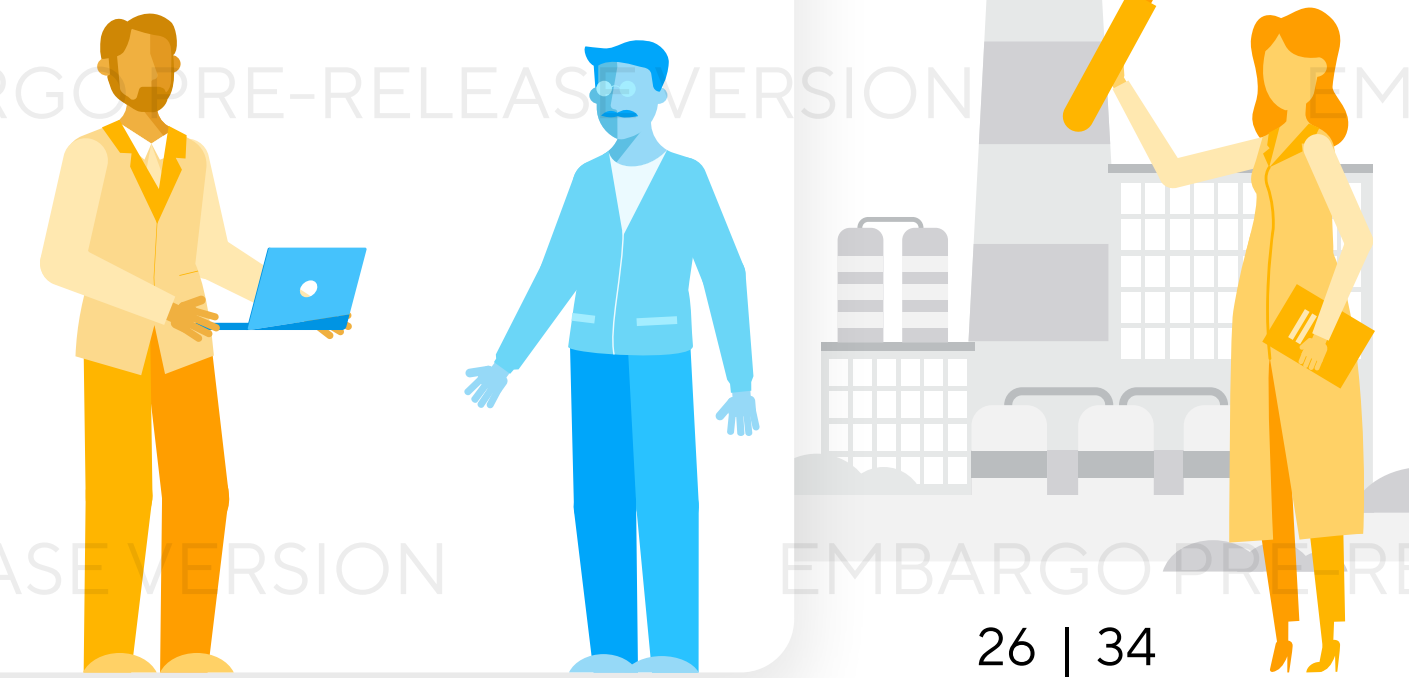
Diversity, Equity & Inclusion

Percentage of women employed across the organization:
12,000

Average unadjusted gender pay gap:
3,000

Percentage of women in top executive positions:
13,000

Percentage of women on the organization’s board:
6,000



The Impact Model in Action: L'Oréal and Its Supplier KCI

L'Oréal is the world's largest cosmetics company, with operations in over 150 countries across Europe, the Americas, Asia, the Middle East and Africa. It has been operating for over a century, building a rich and diverse portfolio of global brands driving long-term sustainable growth.

The Group has been using EcoVadis Ratings since 2014 to assess its own sustainability performance and that of many of its suppliers. L'Oréal's score of 83 in 2022 earned it a Platinum medal, placing it in the top 1% of all companies rated by EcoVadis.



Collaborating With Suppliers

L'Oréal views suppliers as an integral part of its extended ecosystem and social and environmental impact. Suppliers' sustainability strategies and action plans are fully integrated into their relationship with L'Oréal and progress is monitored during strategic meetings. More than 600 such reviews were conducted in 2021. The evaluation of suppliers on sustainability is based primarily on their compliance with social audits, implementation of Solidarity Sourcing projects, results in the "CDP Supply Chain" program for emissions reduction and EcoVadis score. All the suppliers evaluated represent more than 85% of total direct purchases and 10% of indirect purchases. Individual coaching and webinars are organized when needed to help suppliers improve their performance.

In 2021, 767 suppliers had an EcoVadis valid assessment of their social, environmental, ethical and sustainable procurement policies. 331 of them represented 89% of the Group's strategic suppliers. Over the years, 90% of suppliers invited by L'Oréal have been rated more than once, improving their score by an average of 3.6 points.

L'Oréal's Supplier Scoring

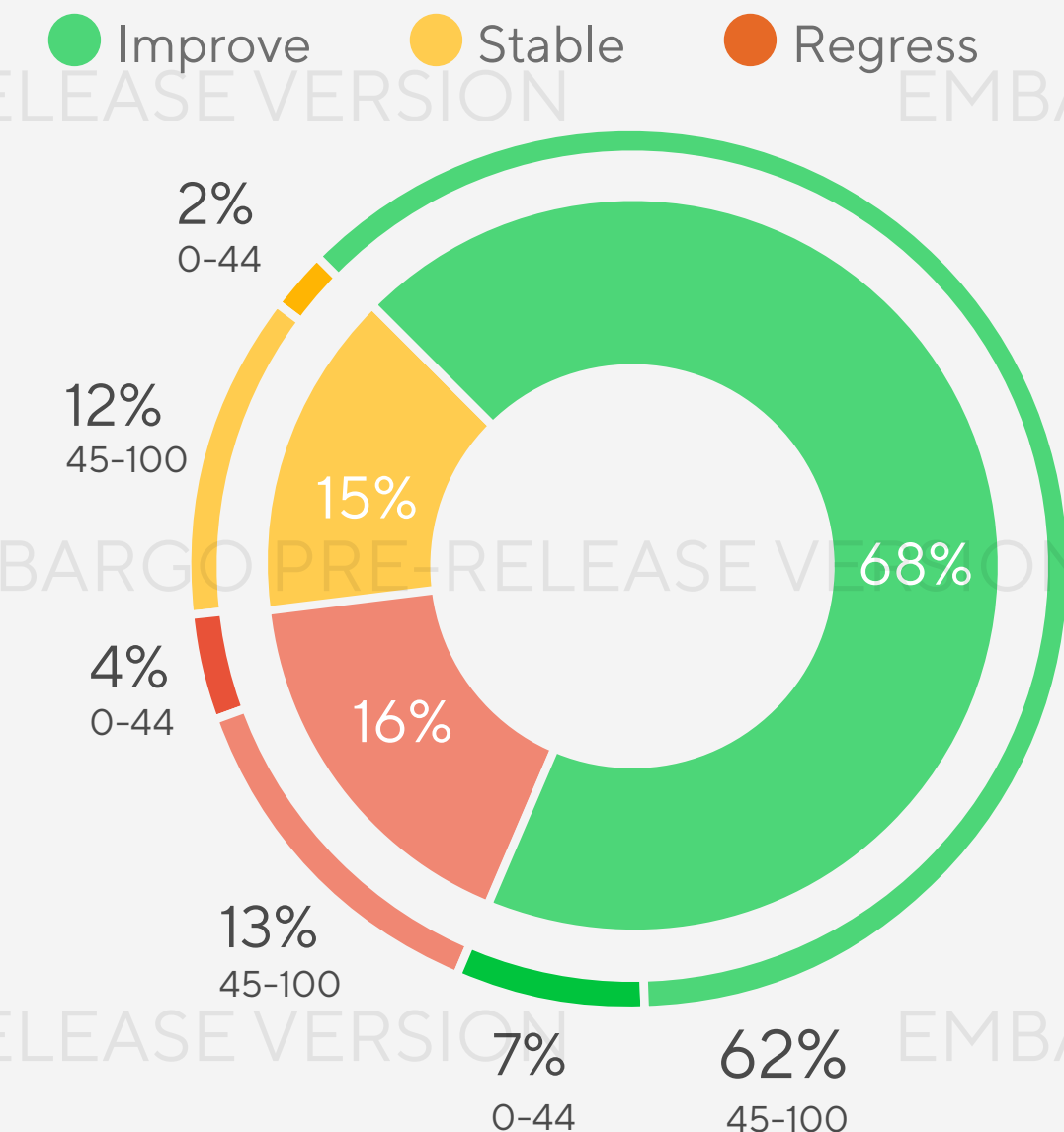
767 suppliers have an EcoVadis valid assessment

90% of suppliers invited by L'Oréal are rated more than once

68% of reassessed suppliers improve

62% of suppliers are scoring 45 or higher

Evolution of Reassessed Suppliers



How L'Oréal's Rated Suppliers Are Performing on Sustainability*

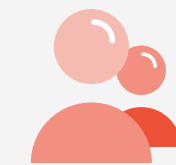


Environment

77%
have implemented actions on energy consumption and GHG emissions

64%
report on energy consumption or GHG emissions

43%
use renewable energy



Labor & Human Rights

64%
have policies on diversity, discrimination and harassment

48%
report on health and safety indicators

39%
report on diversity in executive positions

Looking Forward: "L'Oréal for the Future" Public Commitments for 2030

2025

2030

These commitments aim to reduce both L'Oréal's direct and indirect impacts. The Group is working on supply chain goals and expects to drive tangible positive results.

* Figures for 2021.

By 2025, L'Oréal will achieve carbon neutrality in all of L'Oréal sites, by improving energy efficiency and using 100% renewable energy.

By 2025, 100% of the plastic packaging will be reusable, recyclable or compostable.

By 2030, all of L'Oréal's strategic suppliers will use water sustainably in the areas where they operate.

By 2030, 100% of the biobased ingredients for formulas and packaging materials will be traceable and will come from sustainable sources – none of them will be linked to deforestation.

By 2030, L'Oréal will hold flat the total land occupancy vital to the sourcing of ingredients, compared to 2019.

By 2030, 100% of L'Oréal's strategic suppliers' employees will be paid at least a living wage covering their basic needs and those of their dependents, calculated in line with best practices.

By 2030, L'Oréal will help an incremental 100,000 people from disadvantaged communities gain access to employment.

By 2030, L'Oréal's strategic suppliers will reduce their direct emissions (Scopes 1 and 2), by 50% in absolute terms, compared to 2016.

"We view the activities of our suppliers as an essential part of L'Oréal's social and environmental footprint. This is why we involve our strategic suppliers, whose added value is significant for the Group by contributing to L'Oréal's strategy on a long-term basis. We need to engage them to amplify our impact within our extended ecosystem."

Séverine They-Cavé
CPO for Direct Sourcing
L'Oréal

Audrey Izard
CPO for Indirect Sourcing
L'Oréal

Read the full case study here.



Founded in 1985 under its original name Kunchang Chemical, KCI is a South Korea-based Samyang subsidiary and a manufacturer of ingredients for cosmetics and personal care products. It supplies world-leading companies, including L'Oréal. KCI has long been an innovator in the cosmetics ingredient sector and continues to leverage its R&D capabilities to develop new products for its customers.

€62 (\$66)
million
in revenue

167
employees

70
products supplied

124
clients in 37 countries

”
We had no experience when we were first asked to do sustainability ratings. We initially worked with an external consulting agency to help with the process and, as of 2022, we have an internal ESG team managed directly by our CEO. We take a big-picture approach to sustainability, which includes working with EcoVadis and CDP, and defines our model for operation.

James Lee
Global Account Director, KCI



2015
Score:
30

First Assessment and Tough Beginnings

Following a request from L'Oréal, KCI underwent its first assessment in 2015. The scorecard identified a number of high-priority improvement areas, including inconclusive documentation on environmental and labor & human rights policies and a lack of documentation on health & safety and water management issues.

2016
Score:
57

Early Progress: Silver Medal

The following year, KCI underwent two assessments. The second assessment identified key strengths including reporting on carbon emissions and electricity consumption, reduction in energy consumption through process optimization, standard policies on ethics and labor & human rights issues, and provision of protective equipment.

2019
Score:
49

Learning a New Lesson

By its fourth assessment, KCI had obtained RSPO certification and had implemented measures on the Ethics and Sustainable Procurement assessment themes. However, its rating declined because its environmental and labor & human rights policies had become outdated.



Partnership Is Key to Implementing Sustainability at Scale

KCI is strongly focused on cooperation with suppliers, who are evaluated in terms of their environmental, labor, and health and safety performance. Special incentives are granted to those that have EcoVadis Ratings, are UNGC signatories or hold ISO 14001/45001/37001 certifications. Suppliers that fall short of sustainability requirements are subject to review for contract termination or other changes.



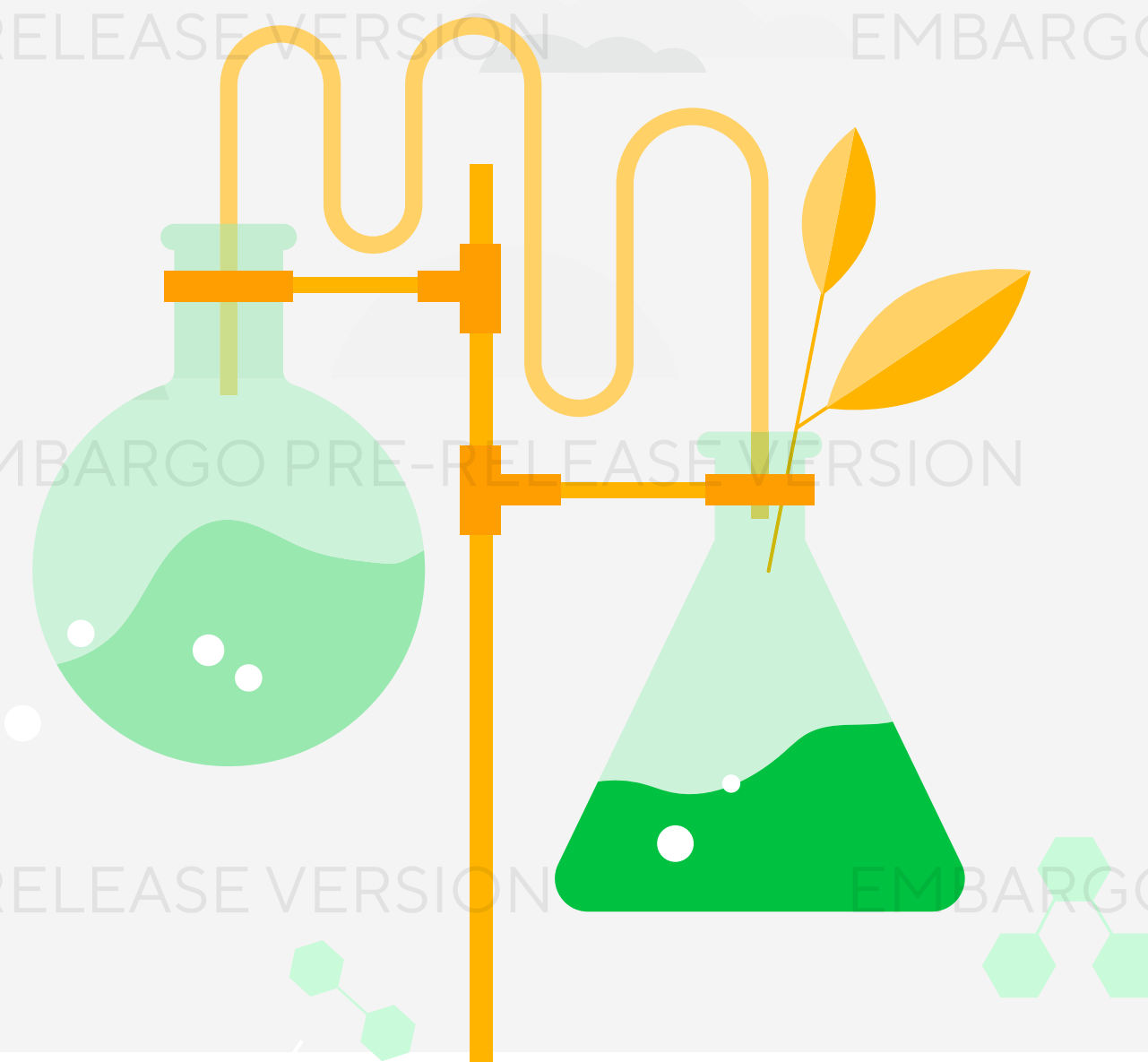
Focus on Carbon

KCI is mapping out its mid- to long-term roadmap to achieve net zero by 2050 in line with South Korea's Nationally Determined Contribution targets. Having extended its emissions reduction efforts to Scope 3 in 2022, KCI currently manages the supply chain emissions of its multinational suppliers and is looking to expand this to its entire supply base. The company is currently working on an incentive program for the companies achieving the highest emission reductions.



Challenges Along the Way

Like many other SMEs, KCI found it difficult to find the resources needed to build an effective sustainability management system. The company sought help from an external consultancy to establish its system through certifications such as ISO 14001 and ISO 45001 and define key processes.



2020

Score: 57

● New Efforts Pay Off with a Silver Medal Rating

Two assessments in one year saw KCI increase its ratings above the Silver Medal threshold. The scorecard identified key strengths including environmental reporting, policies on corruption and measures to detect and eliminate accidental water contamination. KCI also obtained ISO 14001 and ISO 45001 certifications.

2021

Score: 69

● Continued Commitment Results in a Gold Medal Rating

KCI's seventh EcoVadis Rating identified reinforced reporting across all sustainability themes, implementation of GRI reporting standards and third-party reporting verification. The company also improved its sustainable procurement management system.

2023

Score: 73

● Where They Are Now: Gold Medal Rating

The latest scorecard identified further key strengths. KCI became a United Nations Global Compact signatory and joined the Responsible Care initiative in South Korea. It also implemented exceptional reporting mechanisms on environmental issues and comprehensive reporting on other sustainability topics. However, there is still scope for the company to improve its environmental policies and targets.

Next Steps to Accelerate Our Network's Impact



As the data in this report highlights, a tremendous amount of progress is being made across the network toward driving impact at scale. Buyers are increasing the proportion of suppliers they cover with EcoVadis Ratings and are leveraging the resulting insights to further enhance collaboration and build the maturity of their sustainable procurement programs. PE firms are using ESG insights to embed sustainability into their strategies and help portfolio companies improve, unlocking value for investors in the process. And rated companies are implementing more sustainability best practices and increasing their disclosure on key metrics, particularly around carbon and diversity, equity and inclusion.

Despite this progress, we are still in the early stages of our network impact journey. We must continually evolve to ensure we are enabling as many companies as possible to generate, accelerate, quantify and report their positive impact. Some next steps that will help us work toward this include:

✓ **Bringing more companies into our network:** 34% of companies invited to undergo an EcoVadis assessment for the first time currently accept. To increase this percentage and bring even more companies into the network, we are enhancing our efforts around demonstrating and communicating the many benefits of getting rated and engaging with the solutions on our platform.

✓ **Accelerating network improvement:** While the average improvement rate between a company's first and most recent assessment continues to increase (+8.3 points in 2022 versus 7.9 in 2021), 36% of companies rated in 2022 are still considered at risk (scoring below 45). Helping companies ramp up their efforts is critical. We are doing this, for example through the EcoVadis Academy, which provides e-learning courses to help trading partners build capacity on the improvement areas identified. As solutions like this scale and engage more companies, we expect to see an uptick in average improvement.

✓ **Facilitating wider metrics disclosure and sharing:** Metrics disclosure on the EcoVadis platform remains low across the network: For example, only 13% of companies are disclosing on carbon and less than 4% make these data points visible to their partners. Encouraging more companies to disclose their metrics on the platform – and share them with customers and trading partners – will be a focus area for this year.

In 2022, we built a solid foundation that we will use to significantly expand the scope of our reporting in coming years. This momentum, which will be accelerated by our efforts around purpose in 2023, is moving us ever closer to being able to report on the tangible positive impact being generated by the committed companies across our network.

How EcoVadis Helps: From Risk Mitigation to Performance & 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 176 countries. The EcoVadis Intelligence Suite covers:

Risk Mapping

EcoVadis IQ and IQ Plus maps your entire supply base or portfolio 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 that scans external inputs (e.g. trade unions, NGOs, watchlists, news, etc.) yield reliable ratings on a 0-to-100 scale that integrate easily into procurement or investment strategy and other business decisions.

Engagement and Improvement Tools

Detailed scorecards provide feedback and guidance for improvements. The Carbon Action Module engages companies deeper on measuring, reporting and reducing their GHG emissions. The Corrective Action Plan enables collaboration between purchasers and suppliers, investors and portfolio companies. The EcoVadis Academy provides e-learning courses to help companies build knowledge and capacity on 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 both requesting and rated companies.