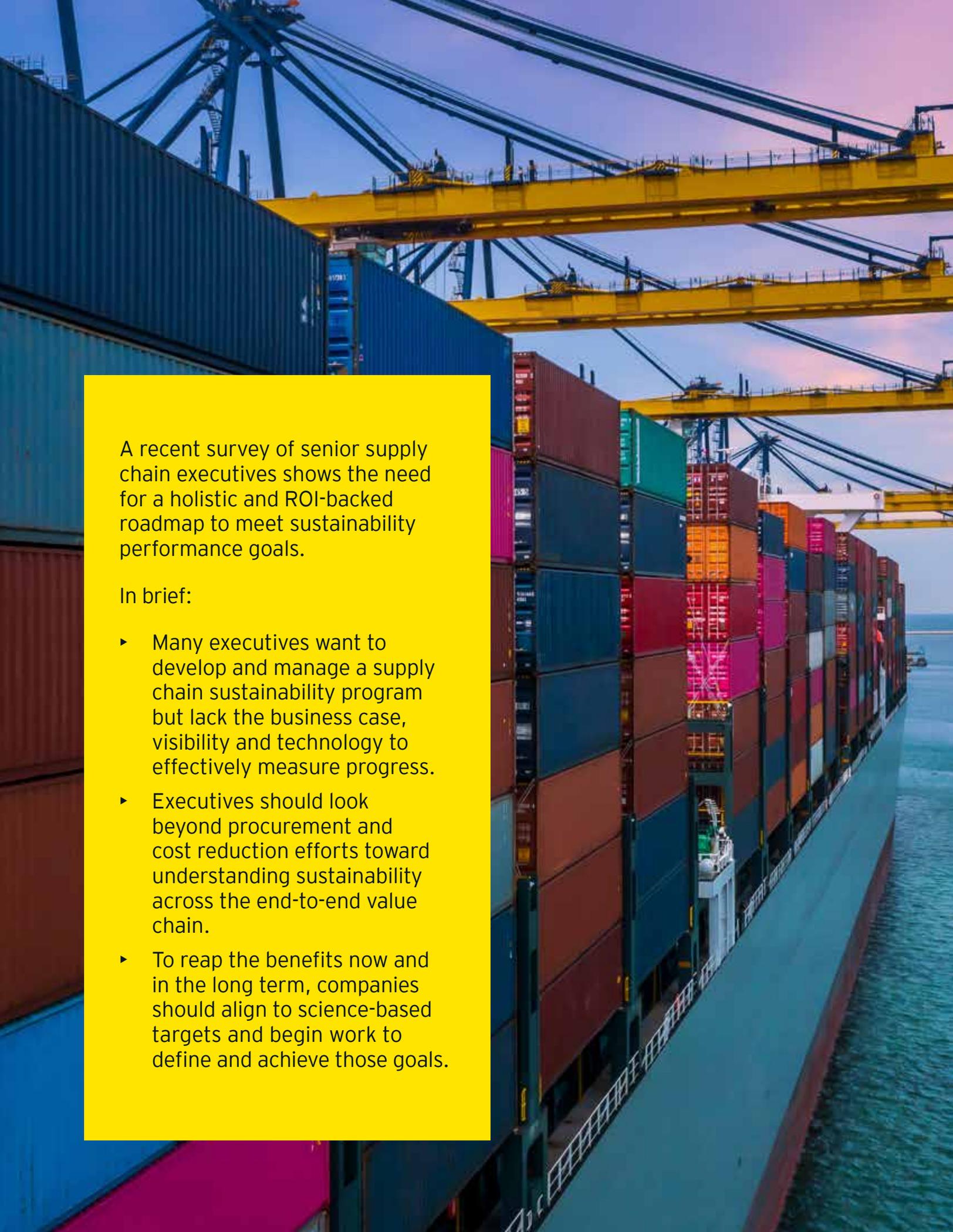


Building supply
chain sustainability
that can drive
revenues and reduce
operational risks

2022





A recent survey of senior supply chain executives shows the need for a holistic and ROI-backed roadmap to meet sustainability performance goals.

In brief:

- ▶ Many executives want to develop and manage a supply chain sustainability program but lack the business case, visibility and technology to effectively measure progress.
- ▶ Executives should look beyond procurement and cost reduction efforts toward understanding sustainability across the end-to-end value chain.
- ▶ To reap the benefits now and in the long term, companies should align to science-based targets and begin work to define and achieve those goals.



What is supply chain sustainability?

It includes efforts to manage environmental, social and governance practices throughout the lifecycles of goods and services. The supply chain can be considered the activator of several key organization-wide sustainability goals and public commitments.

Supply chain sustainability not only considers how much each product costs financially, but also the toll on workers and the environment, in materials, energy and natural resources. As these answers, and many more, become clear, data helps supply chains become more sustainable, resilient and reliable, protecting the organization's growth, its profits and its brand and reputation with the community.

With a majority of global companies increasing their emphasis on sustainability, approaches to supply chains have evolved over the past several years. Supply chains are core activators for organization-wide sustainability goals and commitments. Additionally, companies are investing in new processes and discovering how to use emerging technologies in their sustainable supply chain programs.

To examine trends and the current state of the marketplace, EY teams conducted a survey on sustainable supply chains at 525 large corporations (over US\$500m) across the Western hemisphere. Responses were received from senior supply chain executives in Argentina, Brazil, Canada, Mexico and the United States from sectors that included retail, consumer packaged goods, health providers, life sciences, government, technology, energy, manufacturing, mobility, and food and agriculture.



of companies are emphasizing environmental, social and governance (ESG) and sustainability initiatives.

The research examined how companies are approaching their sustainable supply chain business cases and whether they are taking an end-to-end view of supply chain sustainability as part of a larger strategy. EY teams found that organizations are rethinking their business models and putting their supply chains at the center, with a focus on sustainability and emphasis on eventually getting to net zero carbon emissions. As evidence, 80% of companies are emphasizing environmental, social and governance (ESG) and sustainability initiatives.

Executives want to increase their end-to-end supply chain visibility and resilience and are moving sustainability goals higher up the priority list. However, while many senior supply chain leaders have a long-term (e.g., 5-10 years) supply chain sustainability strategy, few have comprehensive ways to measure their progress. They are looking to use data from myriad sources to chart a new path forward.

Our top findings include:

1. Despite a long-term vision, organizations struggle to embark on a sustainability journey due to lack of visibility and ROI-backed portfolio of initiatives.
2. A holistic supply chain sustainability roadmap should look beyond procurement and cost reduction toward end-to-end value chain (e.g., logistics, architecture, product design) and intangible impacts (e.g., brand, people, etc.).
3. Companies should play the long game but start their initiatives now through determining how supply chains fit into their organizational-wide commitments and goals, improving supply chain visibility and capturing tax incentives.

Supply chains are sustainability's new frontier

Geopolitical conflicts, port delays, power outages and weather events have kept supply chains in the news. Manufacturers faced silicon chip shortages. Parents could not find baby formula. Hospitals ran out of respirators and personal protective equipment. An ongoing labor shortage, reports about unsafe working conditions and unsanitary food production facilities – the list goes on. In addition, consumers, employees, investors, activists and even suppliers are asking tougher questions about the environmental and social implications left in the wake of how products are produced and consumed. Were supplies sustainably sourced and were the labor conditions fair and ethical? Was the product designed to be durable, and has the manufacturer provided for its recycling or safe disposal? What are companies' plans to reach net zero carbon emissions? Are their operational practices driving inclusion and sustainability? These questions point to the need for holistic change, forcing executives to re-examine their operations and giving them the opportunity to look for efficiency and holistic sustainability.



58%

say companies should be transparent about social impact.

A focus on supply chain sustainability makes a significant contribution toward helping an organization achieve its ESG goals. From data captured from previous EY engagements, it is estimated that supply chains account for some 50% to 70% of an enterprise's operating costs (including sourcing of materials, manufacturing, warehousing and transportation). Supply chains account for more than 90% of an organization's greenhouse gas emissions (GHG), according to the U.S. Environmental Protection Agency.¹

Because they make up such a large part of operations, supply chains are where an organization's commitments to minimize harm, maximize utility and contribute to a better community are moved from ambition to action. Supply chain is where the rubber meets the road.

Today:

- ▶ Customers want to know how the products they buy are made and how raw materials are sourced. Forty percent of consumers will make all purchasing decisions to support a more sustainable future. And 58 % say companies should be transparent about social impact.²
- ▶ Many employees want to work for organizations that do good, and supply chain sustainability is an important factor for winning the race for talent.
- ▶ Investors, public groups and regulators press for disclosures and transparency to assess the risk and impact of businesses on the environment and society.
- ▶ Supply chain executives want end-to-end visibility, product traceability and improved information-sharing capabilities with their suppliers.

All these factors require organizations to make smarter use of resources and make a conscious and deliberate effort toward a more sustainable future. Our comprehensive research into sustainable supply chain programs highlighted three significant findings, which are detailed in this report.

¹ "Supply chain guidance – information for organizations interested in reducing their supply chain emissions," US Environmental Protection Agency, February 4, 2022.

² "US Future Consumer Index 7: how to satisfy the sustainable consumer," Kathy Gramling, EY, June 28, 2021. https://www.ey.com/en_us/consumer-products-retail/us-future-consumer-index-7-how-to-satisfy-the-sustainable-consumer

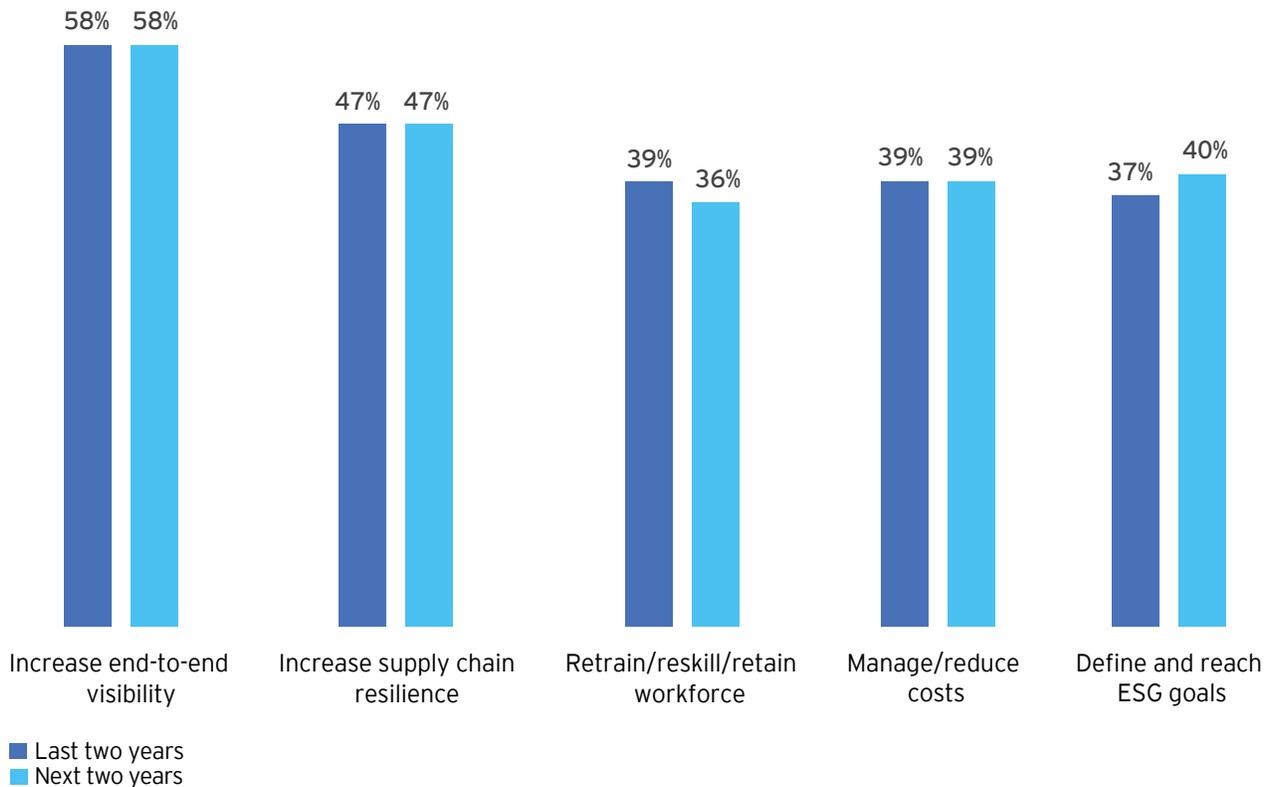
Finding 1:

Despite long-term visions, organizations struggle with a lack of visibility and ROI-backed sustainability initiatives.

Supply chain strategies call for visibility across a broad network of space and time – past, present and future.³ Without abundant transparency, mapping and traceability, supply chain executives can't gauge the early warning signs of trouble, improve long-term value or plan for the ripple effects if a disruption were to occur.

Our survey results show increasing visibility throughout the supply chain is the top priority for supply chain executives through 2024. While visibility is a wide undertaking, a holistic end-to-end view of the supply chain helps companies prepare for changes in demand, monitor disruptions – and even better, to predict and avoid them.

Increasing end-to-end visibility and resilience are the top two priorities for supply chain leaders now and in the future.



³ "How end-to-end visibility is key to ending supply chain disruption," December 20, 2021. Regenia Sanders. EY.com. https://www.ey.com/en_us/supply-chain/how-end-to-end-visibility-is-the-key-to-ending-supply-chain-disruption

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Consider the interconnected society we now live in with the sensorization of everything, growth of the cloud, edge computing and modern supply chain software. All of these advancements now help companies to gain the end-to-end visibility they have always been after.

Glenn Steinberg, EY Global Supply Chain and Operations leader



“Supply chain disruptions as a result of the pandemic made evident that many companies didn't have the insight into their full supply network – and therefore didn't have the level of visibility and resiliency – they thought they did,” said Sumit Dutta, co-leader EY Americas Supply Chain and Operations. “Some organizations discovered that their distributors used the same suppliers and their business continuity plans would not materialize.”

While increased end-to-end supply chain visibility is a top priority, it remains a work in progress. Only 37% of respondents have seen increasing visibility. Visibility has been ranked within the top two priorities of our supply chain sustainability surveys since 2019,⁴ but the constant stream of disruptions has kept many organizations playing catch-up and defense, and progress is still limited.

37% of respondents have seen increasing visibility.

⁴ “How COVID-19 impacted supply chains and what comes next,” February 18, 2021. Sean Harapko. EY.com. https://www.ey.com/en_us/supply-chain/how-covid-19-impacted-supply-chains-and-what-comes-next

Visibility: sector viewpoint

The life sciences sector, more than any other included in our survey, places increasing visibility as its top goal. Twenty-five percent of respondents from life sciences report they have digitally networked supply chains today to increase information sharing and collaboration, among the most of any industry.

From a sustainability lens, end-to-end supply chain visibility enables enterprises to track materials and supplies, understand supplier working conditions and collect data to measure the progress they have made toward their public-facing and internal sustainable supply chain goals. If a company cannot track its own use of raw materials, production and distribution processes, much less those of its suppliers, along with their sustainable and human rights/ethical impacts, it is extremely difficult to measure sustainable supply chain program effectiveness, and implementing technology alone will not suffice.

Companies want transparency into the sustainability of the supplier network, but they struggle with key questions:

- ▶ What data do consumers, investors and regulators want to see, and how can we obtain and offer access?
- ▶ How do we manage confidentiality and data accuracy?
- ▶ What kind of tools, dashboards and metrics are needed to manage key performance indicators (KPIs)?



33%

of companies lack
a business case
for sustainable
supply chains.



Companies struggle to measure sustainability progress

Our research found that for many companies, their digital maturity and sustainability efforts tend to move in lockstep. Without the appropriate technology in place to collect and analyze data from multiple sources, performance metrics tend to be less advanced and based on qualitative and not quantitative data. Our survey shows that only 50% of companies report basic KPIs on supply chain sustainability and risks. This makes business objectives difficult to reach.

As companies increase their digital connections throughout the supply chain, collaboration among suppliers becomes easier. Investments in digital tools, data analytics and information sharing are necessary to capture metrics, develop supplier scorecards, set benchmarks against KPIs and establish governance. Technology offerings, such as control towers, digital twins and cloud-based supplier sustainability applications can also identify and help discover ways to improve efficiencies in operations and how resources are used. When an organization leads in these areas, it can champion the development of an ecosystem of suppliers who will help to develop additional sustainable products and practices.

One surprising finding from our supply chain sustainability research shows 33% of companies lack a business case for sustainable supply chains. Around one in five do not have a sustainability strategy or know where to begin.

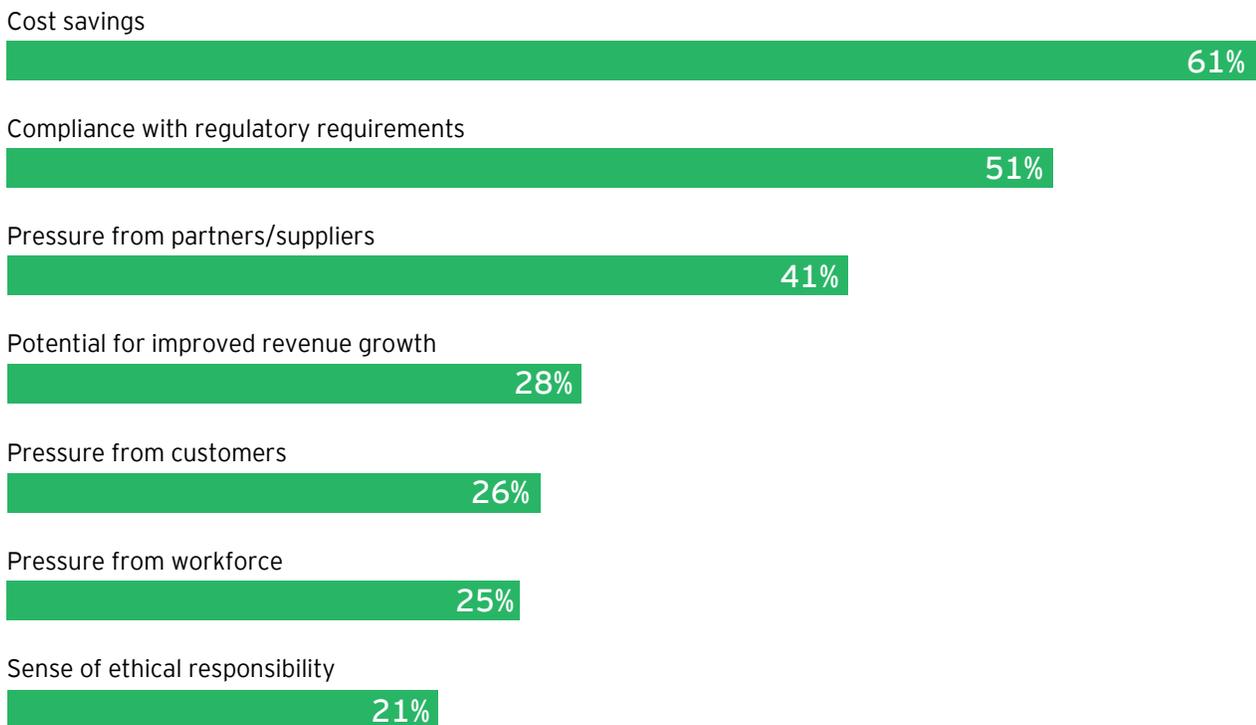
Nearly half of our respondents said their companies are struggling to measure the return on sustainable supply chain activities. This likely stems from their goals not being aligned with their strategic direction, along with a lack of technology in place to measure KPIs. Our research found that 26% of companies are focusing on managing and reporting only on a few high-risk areas.

Finding 2:

A holistic supply chain sustainability roadmap should look beyond procurement and cost reduction toward end-to-end supply chain transformation and intangible impact.

Nearly two-thirds of the executives we surveyed say their top motivator for sustainability efforts is cost savings, including reducing waste, water, electricity and fuel consumption.

Cost savings, regulatory compliance, and pressure from suppliers are the top three motivators for improving supply chain sustainability.



However, cost reduction is not the only target worth measuring. To make the most of all the business benefits, companies require a new definition of return on investment (ROI) for supply chain sustainability. In a *Harvard Business Review* webcast,⁵ Andrew Winston suggests that companies should focus on four components to redefine return on investment for supply chain sustainability:

- ▶ **Cost reduction:** Where can companies reduce material waste and improve efficiency? How can they get a higher-quality product with fewer materials and a smaller environmental footprint?
- ▶ **Revenue growth:** How will a more sustainable supply chain improve market share and stock price? Is it possible to sell more, based on being the most environmentally friendly product? Will consumers pay a premium for this?
- ▶ **Risk management:** Will becoming more sustainable help better manage regulatory and compliance risks? How can companies be more resilient to disruption through sourcing strategies, ecosystems and alliances? What is the best way to gain greater visibility to see what comes next?
- ▶ **Intangibles:** How will these sustainability changes improve customer loyalty, brand reputation, innovation, employee quality of life and talent retention? Is the perception of eco-friendliness a product and brand differentiator?

Cost savings are by far the main motivator for supply chain executives looking at sustainability efforts. Areas of focus include conserving/reducing water in operations, using renewable energy for manufacturing operations, and reducing material waste in production processes.

Sustainability initiatives are prioritized by resource consumption, renewables, and supplier diversity.

Conserve/reduce the water intensity of our operations



Use renewable energy for manufacturing operations



Increase diversity and inclusion of our suppliers



Reduce material waste in production processes



Ensure suppliers are sourcing sustainable materials



Use alternative fuels for vehicle fleets



Address Scope 3 emissions through circular economy strategies



■ N/A
 ■ We are not making this change and have no plans to
 ■ We have plans to make this change over the next three years
 ■ We are in the process of making this change today
 ■ We made this change in the last two years

Note: Percentages may not total 100 percent due to rounding.

⁵ Andrew Winston, "The Business Case for Sustainability," Harvard Business Review Whiteboard Session, 13 September 2017



said they already have or are in the process of confirming that their suppliers meet the company code of conduct and human rights conditions.



of respondents expect increased share price or other indicators of shareholder value.

When looking across the end-to-end supply chain, our 2022 research found that 47% of organizations have spent most of their supply chain sustainability efforts thus far on procurement. In a 2021 article, EY leaders Gustav Mauer and Morag Leopold mention that a comprehensive sustainable sourcing strategy can make a significant contribution to improving an organization's ESG rating. "Integrating value-led sustainability into your procurement processes can open up a rich pipeline of opportunities for your organization."⁶

A 2019 EY survey showed almost half of the companies interviewed (47%) said that supply chain sustainability is owned by their procurement function.⁷ However, there is an opportunity for companies to think beyond procurement and cost savings for their supply chain sustainability strategies. In fact, in the next two years, 27% of companies will look to delivery/logistics to make the most progress in sustainability, and our leader cut (see trailblazers near the end of this report) is more focused on sustainable manufacturing than their peer group.

Cost savings: sector viewpoint

In the retail sector, nearly three-quarters of respondents say cost savings is a top motivator to improving supply chain sustainability. Despite their laser focus on managing and reducing costs, only 27% of retail supply chain executives report significant progress in meeting that goal.

Supplier diversity programs are not a new effort for supply chain professionals. However, since the early months of the global pandemic, supplier diversity has been under intense focus with the rise of social justice movements and corporate diversity, equity and inclusiveness (DEI) initiatives. A diverse supplier is one that at least 51% owned, operated and controlled by a minority, woman, LGBTQ+, veteran, service-disabled veteran, person with a disability, indigenous person or as defined by the local country. These efforts can have a powerful impact: "Diverse sourcing programs are both a social and business imperative that can help drive supply chain resiliency as well as ESG goals," say⁸ EY leaders Theresa Harrison and Cate Mork.

⁶ "How to unlock the benefits of a sustainable sourcing strategy" by Gustav Mauer and Morag Leopoldt. EY.com. September 6, 2021. https://www.ey.com/en_uk/supply-chain/how-to-unlock-the-benefits-of-a-sustainable-sourcing-strategy

⁷ "Eight ways to boost sustainability in your supply chain" by EY Americas. EY.com. February 1, 2019. https://www.ey.com/en_us/assurance/how-to-build-responsible-and-resilient-supply-chains

⁸ "How diverse sourcing can create more resilient supply chains" by Theresa Harrison and Cate Mork. EY.com. October 22, 2021. https://www.ey.com/en_us/supply-chain/how-diverse-sourcing-can-create-more-resilient-supply-chains



have seen or expect to see increased revenue from sustainable supply chains.



of respondents expect increased customer loyalty.

Our research shows supply chain executives are looking to reduce risks through supplier diversity and vendor due diligence. For instance, 63% said they already have or are in the process of confirming that their suppliers meet the company code of conduct and human rights conditions; almost all say they will meet that mark in the next three years. Many companies are also making good progress in determining that their suppliers source sustainable materials. For 55%, that work is in progress, and another 38% will address it by mid-decade.

As a result of their ESG initiatives, supply chain executives say they expect to see a boost in growth. An astonishing 70% have already seen or expect to see in the next three years increased revenue because of their initiatives. And in three to five years, 54% of respondents expect increased share price or other indicators of shareholder value.

Our survey results show that 55% of supply chain executives say they expect to see better management of operational risks within the next one to three years, adding to the 20% who have already seen these reductions. And 41% expect an increased ability to anticipate supply chain disruptions over the next three years.

Beyond these business case factors, companies also expect to benefit from the following nonfinancial metrics in the next 1-3 years:



The sustainable and autonomous supply chain

Some executives picture a future with fully autonomous supply chain operations and lights-out planning, with artificial intelligence (AI) throughout (connected, intelligent and coordinated) and little waste. But this goal is, surprisingly, further away than once thought.

An EY survey in 2019 found that 52% of senior and executive vice presidents expected mostly autonomous supply chains by 2025.⁹ These results were mostly fueled by automotive, industrial products, retailers and consumer products firms.

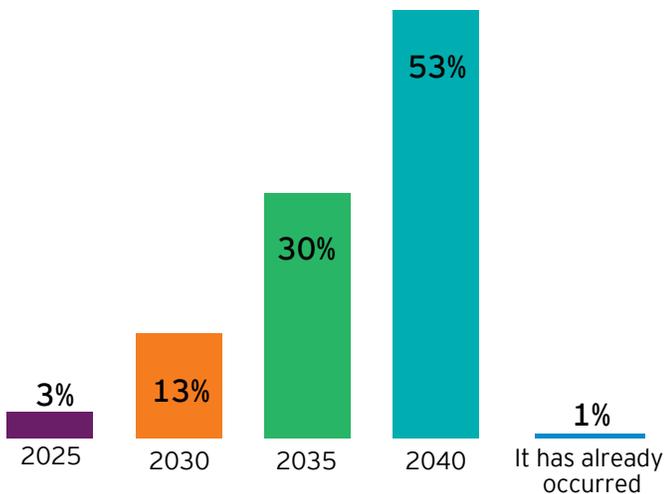
⁹“How reinventing the supply chain can lead to an autonomous future” by Glenn Steinberg. EY.com. June 14, 2019. https://www.ey.com/en_us/consulting/how-reinventing-the-supply-chain-can-lead-to-an-autonomous-future

However, for our 2022 survey, only 13% of senior executives say mostly autonomous supply chains will happen by 2030, and 53% fully push the timeline out to 2040. Our “trailblazers” are more bullish; 29% of the supply chain sustainability leaders are looking to mostly autonomous supply chains by 2030.

Possible reasons for the timeline extension for autonomous supply chains include disruption from COVID-19, geopolitical turmoil, demand and supply shocks, and the great employee resignation.

It is also possible that enterprises shifted their focus to resilience and responsiveness instead of advancing toward autonomous supply chains, and they are still developing and testing digital capabilities and digital transformation strategies.

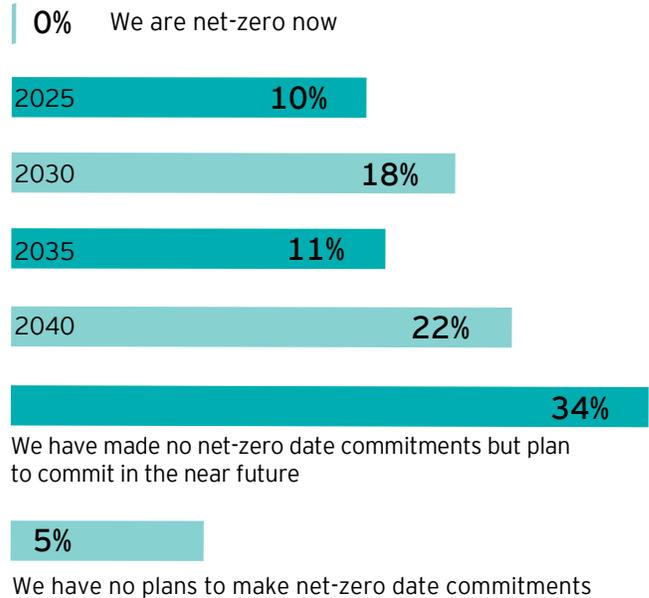
By 2035, forty-five percent of supply chains are expected to be mostly autonomous.



The path to net zero supply chain

Our research shows the goal of a net zero supply chain is also further off for many supply chain leaders. More than one-quarter commit to being net zero by 2030, and 61% say they will arrive there by 2040. Another 34% of executives surveyed have made no net zero commitments but plan to in the future, and 5% have no plans for a net zero timeline.

More than one-quarter of supply chains commit to becoming net zero by 2030.



Supply chains are a natural target for reduced emissions. Knowing what your current carbon footprint looks like, and how much the supply chain plays a role in that, is a first step toward a decarbonization plan. To reach net zero – balancing the amount of greenhouse gases produced and removed from the atmosphere – each organization has to examine its own Scope 1, 2 and 3 emissions. This involves collecting data from partners, suppliers and customers upstream and downstream. While 20 years ago this level of detail was very difficult, today, blockchain and other cloud-based supplier sustainability applications can help manage data across a shared network, while typically maintaining higher levels of security.

Once greenhouse gas inventory is calculated, our research shows organizations approach reduction through four targets: reducing emissions, switching to a sustainable source or operation, innovating efficiencies and, finally, offsetting the rest through buying credits and investing. This reduce-switch-innovate-offset model works for other goals as well, including water conservation, fuel use and material waste reduction.

Net zero: sector viewpoint

Manufacturing, retail, and government and public sectors expect net zero supply chains sooner than their peers. Percent reporting they plan to be net zero by 2025:

Manufacturing
19%

Retail
17%

Government and Public Sector
11%

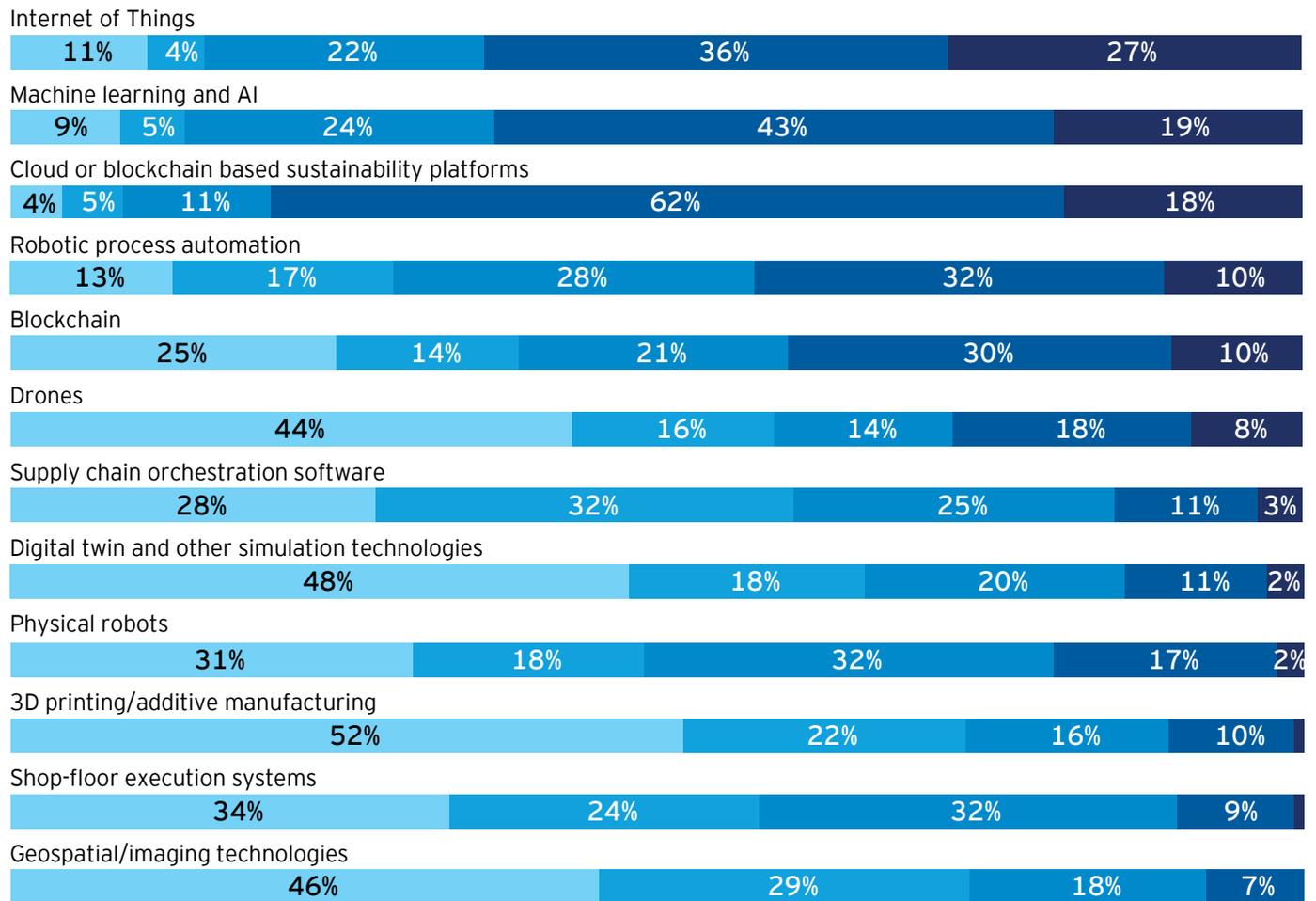


Advanced and emerging technologies

Nearly four in 10 companies are using or piloting supply chain orchestration software also known as control towers. Control towers connect with Internet of Things (IoT) sensors, sensing capabilities such as web analytics services and social media mining, and with a company's enterprise resource planning, transportation and warehouse management systems. They consolidate myriad data points from across the organization's supply chain and the broader ecosystem to provide near-real-time visibility beyond the organization and into suppliers, third-party logistics providers, manufacturing plants and customers. All these technologies can help provide improved end-to-end visibility to overcome supply chain sustainability measurement challenges.

Our research shows that 63% of companies are accelerating the use of technologies for sustainability tracking and measurement, including cloud-based platforms (80%), Internet of Things devices and sensors (63%), machine learning and artificial intelligence (62%) and robotic process automation (42%). Further down the priority list, advanced technologies currently in play are digital twin, geospatial and imaging technology, drones and additive manufacturing or 3D printing.

Internet of things, machine learning and cloud are the top technology options to deliver sustainable supply chains.



■ Not planning to use
 ■ Planning to use
 ■ Currently piloting
 ■ Already deployed at scale across our supply chain
 ■ Currently deploying in some areas of our supply chain

Note: Percentages may not total 100 percent due to rounding



“

Companies are becoming more sustainable and more digital, and that's only going to improve over years to come.

They are getting better at resource management, water use, sustainable packaging and circularity. The progress is underway, and that is leading us to a better working world.

Rae Anne Alves
EY Americas Supply Chain Sustainability Leader

Finding 3:

Companies should play the long game but start their supply chain sustainability initiatives now.

From our research thus far, we have seen that many companies want to begin their supply chain journey, but they don't know where to start. Some have not defined their business case, have poor visibility into what their suppliers are doing, and lack the technology and tools to effectively track and measure their sustainability program results. Other companies are investing in supply chain sustainability with compliance or external pressures in mind.

While each company will have its own distinct reasons for embarking on a sustainable supply chain program, we offer five actions to kick-start your journey:

1. Determine how sustainable supply chains fit into your organization-wide commitments (e.g., science-based target (SBT) activation, supplier diversity, etc.) to help prioritize your goals.

Less than 30% of companies commit to being net zero by 2030. Adopting science-based targets means that working to identify and prioritize focus areas for decarbonization and establishing an emission-reduction program must start sooner rather than later. Start with a view of your company's materiality, supplier risk assessments and overall organizational commitment to sustainability. Determine which of these goals your supply chain activates and how it can enable better business outcomes.

2. Improve the visibility and traceability of your supply chain

Supply chain sustainability leaders are more focused on supply chain visibility than their peers. To improve these efforts, deploy technological capabilities that enable Tier-n transparency and communicate with stakeholders through broader data sharing agreements.

3. Expand your ROI measurement to include intangible impacts and sustainability outcomes

Most companies are attempting to tie supply chain sustainability to the business case benefits of cost savings. Consider additional drivers (e.g., increased revenues, market share, reduced risk, customer loyalty) for delivering impact.

4. Move beyond a sourcing/procurement focus to capture benefits across the end-to-end supply chain

Today, most programs revolve around sustainable procurement. However, in the next two years, enterprises will also look to decarbonize logistics and distribution (through alternative fuels for trucking and ocean freight, renewable energy for powering warehouses, better collaboration among logistics companies and autonomous/AI processes) and incorporate circularity. Overall, enterprises should take an end-to-end approach, including planning, sourcing, manufacturing and logistics/distribution.

5. Leverage available tax incentives and grants

Only 11% of companies are looking to tax incentives, grants and rebates to fund their supply chain sustainability programs. This is a significant and missed opportunity. Review sustainability initiatives for available cost benefits and tax impact to find unexpected budget and keep the momentum going.

What can companies learn from the leaders?

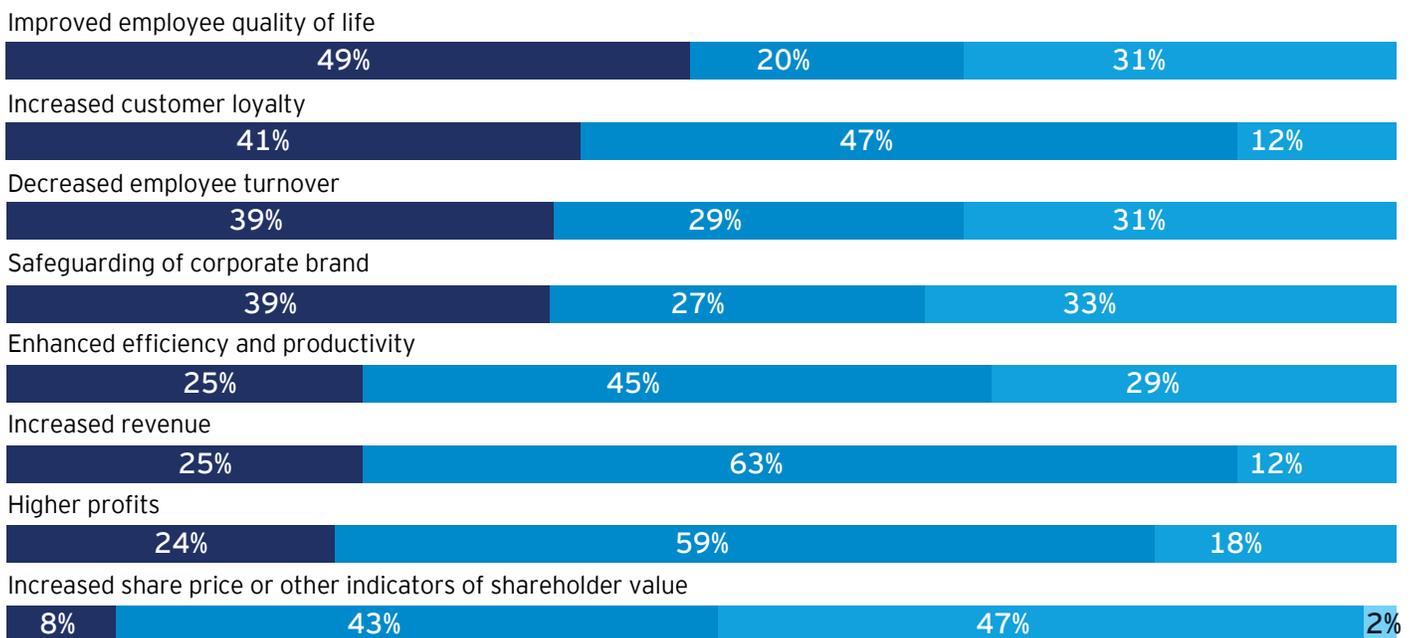
Supply chain executives who are further along in their sustainability efforts can offer additional insights about leading practices. Roughly 10% of our survey respondents stood out as having a mature approach to supply chain sustainability and technology adoption. This trailblazer group consisted of those who report they already have high levels of visibility and transparency, digitally networked or autonomous supply chains, and monitoring beyond Tier 1 suppliers. Nearly two-thirds have some visibility into Tier 3 suppliers.

Trailblazers are reaping the intangible benefits of sustainable supply chains:

- ▶ 49% of trailblazers have already seen improved employee quality of life (compared with 37% of all companies).
- ▶ They have seen improved customer loyalty and decreased employee turnover.
- ▶ They are most likely to use sustainable supply chains to safeguard their corporate brand (39% compared with 14% of the group overall).

Compared with the whole, trailblazers are less focused on cost savings as a motivator for supply chain sustainability. However, 25% have already seen increased revenue because of their supply chain sustainability efforts. Over the next one to three years, 63% expect to see higher revenue and 59% expect higher profits over the next five years, 43% expect increased share price in the next one to three years.

Improved employee quality of life, customer loyalty and decrease employee turnover are top sustainable supply chain benefits.



n=51

- Have already seen
- Expect to see in the short term (next 1 to 3 years)
- Expect to see in the longer term (next 3 to 5 years)
- Do not expect to see

Note: Percentages may not total 100 percent due to rounding



Additional research findings:

Retail and consumer packaged goods (CPG)

- ▶ EY research shows retailers are as laser-focused on managing or reducing supply chain costs over the next two years (62%) as they were over the past two years (64%). However, only 27% report significant progress in meeting that goal. Nearly three-quarters say cost savings is a top motivator for improving supply chain sustainability.
- ▶ CPG respondents' top priority for their supply chain sustainability strategy is improving efficiency (66%, more than any other industry group) – but nearly three-quarters of those respondents expect that work to take more than three years to pay off.
- ▶ Due to CPG's global impact and scale, companies are concentrating on reducing waste and using water, raw materials and energy more effectively.

Advanced manufacturing and mobility

- ▶ The results from manufacturing respondents tend to stick very close to the total survey population. Of note, just over half of companies make industry-leading sustainability criteria mandatory when selecting suppliers.
- ▶ The mobility sector was the most advanced in terms of digitally networked supply chains (35% vs. 16% in other industries), which respondents expect will increase to 46% in two years. This industry is bullish on mostly autonomous supply chains – 27% expect them by 2030.

Energy

- ▶ Energy industry respondents' sustainability strategies are most likely to be motivated by a desire to reduce carbon emissions (65% vs. 49% of total respondents). However, 44% of those respondents expect that work to take more than five years.
- ▶ They also have a unique set of challenges when it comes to increasing sustainability compared with other respondents. These include a lack of a clear business case (41% vs. 33% total) and executive buy-in – 26% of sector respondents cite this as a challenge versus 19% of all sectors.

Health sciences and wellness

- ▶ Health providers are making supply chain sustainability progress but still have a long way to go. This industry is among the most likely to rank defining and reaching ESG goals as a top priority for their supply chains. Although due to the pandemic impacts to the sector, only 20% have made substantial progress over the past two years.
- ▶ Life science companies are supply chain sustainability leaders. This industry's top goal is increasing visibility, both over the past two years (68% more than any other industry) and going forward (66%). However, only a third report significant progress in this area.
- ▶ More than half (57%) say their top supply chain sustainability priority is to ensure diverse and sustainable sourcing.

Government and public sector (GPS)

- ▶ Government and public sector entities are beginning to prioritize supply chain sustainability. GPS respondents' top goal for their supply chains is to define and reach ESG goals, both over the past two years (55%, more than any other industry) and over the next two years (49%). However, only 38% report progress in this area.
- ▶ More than a quarter (28%) say the lack of a sustainability strategy is a top barrier to increasing supply chain sustainability.

Technology

- ▶ Technology companies are adopting sustainability initiatives in their supply chain, taking innovative approaches and invoking long-term thinking to drive benefits. For example, 58% say a priority for their supply chain sustainability strategy is identifying new business models (vs. 27% total). Fifty-nine percent have accomplished or made significant progress in defining and reaching ESG goals vs. other industries (35% total). These goals include reducing waste and emissions, increasing workforce and supplier diversity and inclusion, enhancing employee wellbeing) vs. other industries.
- ▶ Technology respondents also report more successful use of technologies in their supply chains, including cloud, IoT and blockchain, to increase supply chain sustainability.

Summary

Knowing where goods are and when they will arrive at their destination is just one supply chain obligation. Understanding the environmental footprint left throughout the complete product lifecycle is quite another – and one that is increasingly important as companies aim to mitigate their environmental damage and ensure suppliers are in alignment with human rights and company code of conduct, and engage only fair-trade practices. Efforts such as improved transparency into Tier-n suppliers, building the supply chain sustainability business case and tracking/measuring program results are proving more difficult for companies than previously imagined. However, there are positive signals for companies who take a value-led sustainability approach. Nonfinancial benefits – improved employee quality of life, increased customer loyalty, decreased employee turnover and safeguarding of the corporate brand – are in reach. Further down the road, companies expect their initiatives to result in increased revenue, higher profits and increased ability to anticipate disruptions.

While the work for sustainable supply chains is plentiful, there is a temptation to put off the difficult things for tomorrow, when in fact, the opposite is true; to reach the goals of the future, it is necessary to start your programs with earnest and haste today.



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