DESKTOP ASSESSMENTS

RISK MANAGEMENT PROGRAM

A Source Intelligence Case Study

SOURCE INTELLIGENCE ®

A global manufacturer uses Desktop Assessments to ensure supply chain practices that reflect their 4 pillars of CSR.

Forward

Supplier Desktop Assessments have a wide variety of supply chain due diligence applications. For example, our clients have implemented the Desktop Assessment solution to cost-effectively gather information for social/ethical, environmental, safety and quality risk indicators. In addition, clients have developed customized assessments to collect specific information oriented around their supply chain goals.

The following case study involves a Fortune 2,000 company with global distribution. They operate in a highly scrutinized sector - apparel manufacturing - and consider ethical sourcing one of their highest corporate social responsibility priorities.

Note - for client privacy reasons, this case study is anonymized.

About the Company

The subject of this case study is a publicly traded (NASDAQ) company with a portfolio of over 20 globally recognized subsidiaries.

Over the last 50 years the company's corporate social responsibility (CSR) program has evolved to include a range of international and industry standards and best practises. It focuses on 4 pillars:

4 Pillars of CSR

✓ **Ethical Labor Standards**

The company wanted to ensure their supply chain abides by workplace standards that are outlined in various global labor standard frameworks.

✓ **Supplier Diversity**

The company wanted to include small businesses and minority owned businesses that were unique and came to them with new and fresh ideas.

✓ **Sustainable Sourcing**

Beyond labor, the company wanted to make sure that their suppliers were mindful of their environmental and social impacts.

✓ **Local Economy Inclusion**

The company wanted to work with suppliers who were like-minded and did their best to support their local economies.

The Background

Apparel manufacturing is one of the most scrutinized industries in regards to supply chain sustainability. NGO's and other special interest groups have tarnished many brands' reputations with reports of significant supply chain ethical sourcing violations. As an industry leader, the company needed to ensure their supply chain practices reflected their 4 pillars of CSR.

The company had been working with Source Intelligence on several material sourcing compliance programs and were interested in expanding their programs to include their risk management initiative. The supplier Desktop Assessment program was a good fit for their needs and quickly received C-Suite attention.

The Challenge

The challenge the client faced was to find a cost-effective solution that could ensure their 4 pillars of CSR were being implemented. Prior to this initiative, the majority of their evaluations and assessments had been done by traditional field audit processes. However, the cost of this global initiative using field audits as the data collection approach, was becoming far exceeding budgetary requirements.

The Business Requirements

The Desktop Assessment had to fulfill a very specific set of requirements for the company:

01 **Assessment Design**

Develop a custom ethical sourcing assessment consistent with widely accepted international frameworks including; The Ethical Trade Initiative (ETI), Walk Free Foundation, The International Labor Organization (ILO), and the Ethical Recruiter.

02 **Multi-Risk Analysis**

Assess supplier risk on both internal factors (daily operations, treatment of workers, facility standards) and external factors (location, outsourcing practices, years of existence).

03 **Data Validation**

Gather key compliance data and substantiate self-reported responses with supporting documentation through collaborative access and internal and/or third-party review.

04 **Dynamic Reporting Analysis**

Ensure supplier performance and supplier business practices were in accordance with the company's vendor code.

05 **Recommend Next-Level Action**

Conclude with a clear recommendation for each suppplier based on their overall risk in order to optimize the deployment of their field audit resources.

Technical Analysis

Need	Solution
Flexible technology-based system for data collection	Platform-based self-assessments that conditionally launch questions based on previous responses and performed on a facility-by-facility basis.
Validation by professionalally trained assessors in local lanuguages and local cultures	Platform allows for third-party collaboration desktop review of suppliers' systems, policies, processes and other critical documents.
Easy to use platform functionality to ensure minimum fatigue placed on suppliers	Desktop Assessment program was built with the intention of creating an intuitive experience for all users.
User-centric platform design with custom assessment functionality.	Custom functionality allows user to define company-specific assessment questions during the configuration stage.
Data normalization capabilities (aligning data with internationally recognized standards)	Standardized data metrics based on key performance translate to internatioal standard benchmarking, allowing for data-driven approach to risk management
Data accessibility for all required client stakeholders (e.g., legal, procurement, compliance)	Centralized compliance documentation storage and management that allows for unlimited internal user-base to collaborate on collection and review efforts.
Data filtering and translation into actionable insights for audit optimization.	Dynamic reporting functionality that allows users to build reports from scratch and quickly gather insights into high risk vs. low risk suppliers for audit optimization measurements.

Our Mission:

It's quite simple - our mission is to bring transparency and visibility to the supply chains of companies around the world. Our goal is to provide an environment through platform technology where suppliers, partners, vendors, small businesses, and global brands have the ability to proactively address their compliance and transparency needs.

Our supplier engagement team works 24/7/365 to engage your suppliers in their local time zone and language. We use multi-channel engagement to ensure you get the data you need.

Special
Initiative

Lastly, the company was looking to achieve high labor standards globally, beginning with a main focus on their suppliers in high-risk countries.

The Vendor Code strictly prohibits child and forced labor, harassment, abuse and discrimination. Key standards included;

✓ Maintain a healthy and safe working environment.

✓ Manage environmental stewardship consistent with industry standards for sustainability.

Using these criteria as the priority, a risk-scoring system was optimized for the Company using a "criticality" methodology.
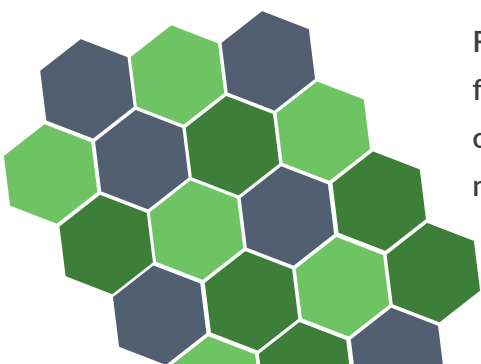
What is criticality?

Criticality is a practice that assigns weights to different areas of the assessment based on their relation to a particular insight or objective. Scoring using the criticality method allows you to get a deeper understanding of risk.

Using this methodology, the company was able to not only develop unique supplier risk profiles and secure relevant supplier risk, but also get needed insight around the specific objective of ensuring suppliers were abiding by their Vendor Code.

The Outcome

Through the Desktop Assessment program, the company was able to deploy a cost-effective and scalable due diligence program that ultimately gave Sr. executives insight into their supply chain risk exposure.

Four weeks after launch, the company had received a 100% response rate from the suppliers in their program and received summary reports with clearly defined categories of risk and a recommendation of the immediate next action.

Program Success Factors

Upon completion of the Desktop Assessment initiative, the company highlighted a few factors that led to the success of the program:

- ✓ Automated Supplier Engagement

- ✓ Dedicated Program Management

- ✓ Platform Data Consolidation

- ✓ Dynamic Response Insight

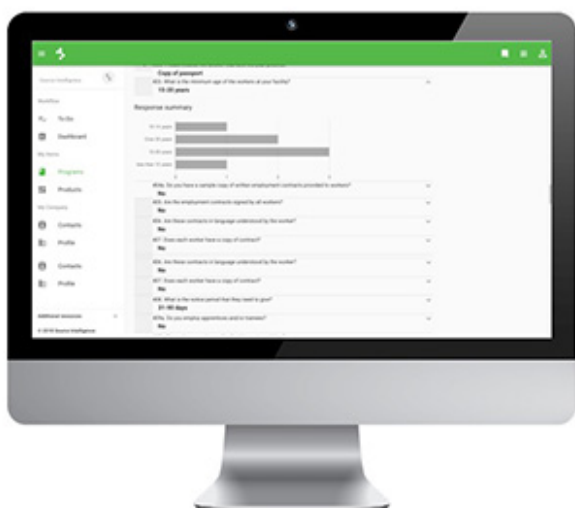- ✓ Comprehensive data and document collection / verification.

Realized Benefits

Since completion of the initial Desktop Assessment, the company has seen both short-term, and long-term benefits:

- ✓ Improvement in supplier quality performance

- ✓ Data-driven insight that led to risk protection

- ✓ Reduction in overall audit costs due to risk categorization and optimizing audit strategy

- ✓ Reduced on-site disruption for suppliers.

Summary

The technology-driven Desktop Assessment approach centralized documentation and standardized scoring to provide the company's management with dashboards for risk management and internal supplier benchmarking. The program is auditable, reportable and supports the CSR key points of interest for the client through due diligence and associated transparency in factory labor practices.

People.

Process.

Technology.

Supplier Desktop Assessment

This solution allows clients to engage with their suppliers to optimize deployment of their field audit resources. The turnkey solution effectively tracks, monitors, and substantiates supplier claims with locally reviewed substantiating documentation. Suppliers are scored using a proprietary scoring mechanism and ranked for risk. Recommendations for next steps such as annual field audits are based on a rigorous risk-based approach. Overall the solution delivers a cost-effective approach to assessing supplier conformance with CSR requirements to minimize risk and protect our clients' most important asset - their reputation.

SOURCE INTELLIGENCE ®

Source Intelligence ® (SI) is a global network of businesses linked together to expedite the exchange and validation of compliance information. SI's cloud-based SaaS platform helps customers make informed decisions about business partners to offer products that meet legal, ethical, and environmental standards. The company's information and analytics platform provides customers with visibility into supply chains in order to comply with the law, minimize operational and brand risk, and improve efficiency.

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