



Confederation of Indian Industry



**CII-ITC Centre of Excellence
for Sustainable Development**

Sustainable Value Chains (SVC) Initiative

Concept Note

Context

The world has become extremely interconnected and interdependent. This is more driven by Global Value Chains, where the despite wide geographical distance, sourcing of materials and distribution and consumption of products is not restricted by borders or distances anymore. This interconnection is increasing and becoming complex.

Complexities are around challenges which companies face due to evolving international regulations around climate change, environment impacts, social inequality and other broad range of issues. In addition to this rising stakeholder voices; from investors interest in integrating ESG factors in their decision making to consumers making informed consumption choices basis use of recycled material, sourcing regions and disposal methods. All these factors are pushing companies to act responsibly in their operations, and in their value chains.

While a lot of companies have their act together around business responsibility in their own operation, much is needed to be done in the value chains. 2020 Carbon Disclosure Project (CDP) global supply chain report indicates that supply chains produce on average over five times the emissions of direct operations. Other than emissions, supply chains are also known to have higher number of violations around human rights and higher cases around health and safety. The downstream side of companies, including transportation, warehouses, retail spaces and consumer also have similar issues around emissions, product packaging, waste handling and management, and consumer safety.

It is with this context CII aims to support companies to work towards integrating sustainability in their value chains. A certification-based approach can help companies to work with their value chain partners in improving the performance on sustainability parameters.

About the program

Sustainable Value Chain (SVC) initiative is a certification-based program where companies which have taken the sustainability agenda beyond their factory gates, to their upstream and downstream business relations and their value chain partners get certified for their sustainability performance in their operations in key focus areas. The program has been developed under the guidance of a Technical Committee (annexure 4) whose technical expertise has helped in shaping up this program.

Objective of the program is to integrate sustainability/ESG criteria in the value chains of companies and improve their sustainability performance. The certificate aims to push companies to move beyond their operations and involve more value chain partners in their sustainability journey.

Sustainability being a wide domain, to gauge the performance of companies and their value chain partners, performance will be assessed on specific focus areas highlighted below:

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- Decarbonization
- Circularity
- Health & Safety
- Human Rights

Details on focus areas are provided in Annexure 1.

Under this initiative, a company, along with minimum number of value chain partners must sign-up for a graded-level certificate. Certificate requirement will define minimum number of value chain partners, and qualification thresholds for specific focus areas. Details on certification methodology and vendor selection are provided in Annexure 2 and 3 respectively.

A company and its value chain partners qualifying the thresholds will be provided certificate based on the grade they have achieved.

Expected benefits

SVC aims to:

- Identify sustainability/ ESG risks in value chains
- Convert risks into opportunities with a strategic approach
- Enable companies towards decarbonization pathways
- Improve the brand image on ESG
- Prepare for evolving global regulatory landscape
- Create a pool of certified vendors for sustainable sourcing
- Improve SME sustainability/ESG performance

Annexure 1: Focus Areas

Focus Areas	Key Parameters under Focus Areas
General	Deployment of vision, policies and strategies
	Sourcing of raw material
	Supply chain tracking and screening criterias
	Addressal of non-compliances and grievance mechanisms
	Assessment of risks and opportunities
Decarbonization	Energy usage and mix
	Emissions during extraction and manufacturing
	Water usage
	Transport vehicles
	Sustainable R&D & product development
Circularity	Raw material usage
	Waste management
	Type of packaging used
	End of life of vehicle
Health & Safety	H&S during operations
	Customer safety
Human Rights	Coverage of employees
	Human rights due diligence
	Wages
	Remedy mechanisms

Annexure 2: Certification Grades & Assessment Methodology

It is a graded certification where company and value chain partners will be provided with a certificate depending upon their maturity. The grades are identified as:

1. **SVC Trailblazer**
The company shall score 75 & above and its value chain 70 & above to get grade A+ certificate
2. **SVC Ambitious**
The company shall score 65 & above and its value chain 60 & above to get grade A certificate
3. **SVC Efficient**
The company shall score 55 & above and its value chain 50 & above to get grade B certificate

Equal weightage is provided to each focus area in the assessment methodology. Cumulative score of all focus areas becomes the total score, out of 100. Company will be provided with an average score including their own score and score of its value chain partners while its partners will be provided with a standalone score and these scores will be used to identify which grade the company and its partners are falling into.

Annexure 3: Partner Selection Approach (example-automobile sector)

The partner selection by OEMs is based on following pillars:

Tier 1 Selection

1. Component selection- OEMs will decide on which components to select basis the guidance provided by CII. Guidance will cover the list of components along with material composition, indicating materials with high environmental and social impacts.

Tier 2 Selection

1. Volume of the subcomponent- the subcomponent which contributes maximum volume to the identified component will be selected. Basis this, the supplier will be screened.
2. Supplier Turnover- the subcomponent supplier with least turnover will be selected.
3. Employee strength- subcomponent suppliers with the maximum number of employees and workers will be selected.

Tier 3 & further upstream partner selection will be discussed one to one with OEM

Downstream selection

OEM can bring along dealers and after sales service stations.

Note: The radial chains of selected tier 1 suppliers will be used to select tier 2, 3 and so on suppliers.

Similar approach can be used for other sectors as well to decide upon the value chain partners.

Annexure 4: Technical Committee List

Name	Organization/Institution	Designation
Abhay Pathak	Ex-Tata Motors	Head Sustainability
Anirban Ghosh	Mahindra Group	Chief sustainability Officer
Anuradha Ganesh	Cummins Inc	Director, Research & Innovation
Avinash Badri	Toyota Kirolskar	Dy. General Manager
Dananjaya Bollur	TVS Motor Company Limited	General Manager- Production Engineer EHS
G Keshav	Toyota Kirolskar	Sustainability Head
Prabhat Khare	Ex-Tata Motors, Honda Cars, Ashok Leyland	Consultant (Automotive, Engineering, Energy, Safety, Facility Creation)

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