

# CEOs *for* SUSTAINABILITY

## Get Started with Supply Chain Sustainability

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CEOs for Sustainability | Sustainable Pittsburgh



# Supply chains can enhance – or tarnish – reputations and bottom lines

## Coca-Cola just achieved a major environmental goal for its water use

By Chelsea Harvey August 30



## How Intel Eliminated War From Its Supply Chain

For years, the gold and tin used in everyday electronics was funding violence in the Democratic Republic of Congo.

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Alexander C. Kaufman   
Senior Business Editor, The Huffington Post



## How Walmart Model Wins With "Everyday Low Prices"

By Rachael Hyde | January 18, 2015 — 2:00 PM EST

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Walmart's (WMT) success is the stuff of legend. But there is no mystique at the core of its mammoth success. Walmart's ability to provide customers with "everyday low prices" and its presence as an economic and political force of gigantic size and influence, is the result of a process that was built on some core principles and procedures. Looking at Walmart's history and present operations helps investors understand the methodology that enables this sizeable chain to do what it's known to do

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BUSINESS

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By Richard Bilton  
BBC Panorama

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# Why practice sustainable supply chain management?

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**Supply chain sustainability** is the management of environmental, social and economic impacts, and the encouragement of good governance practices, throughout the lifecycles of goods and services.

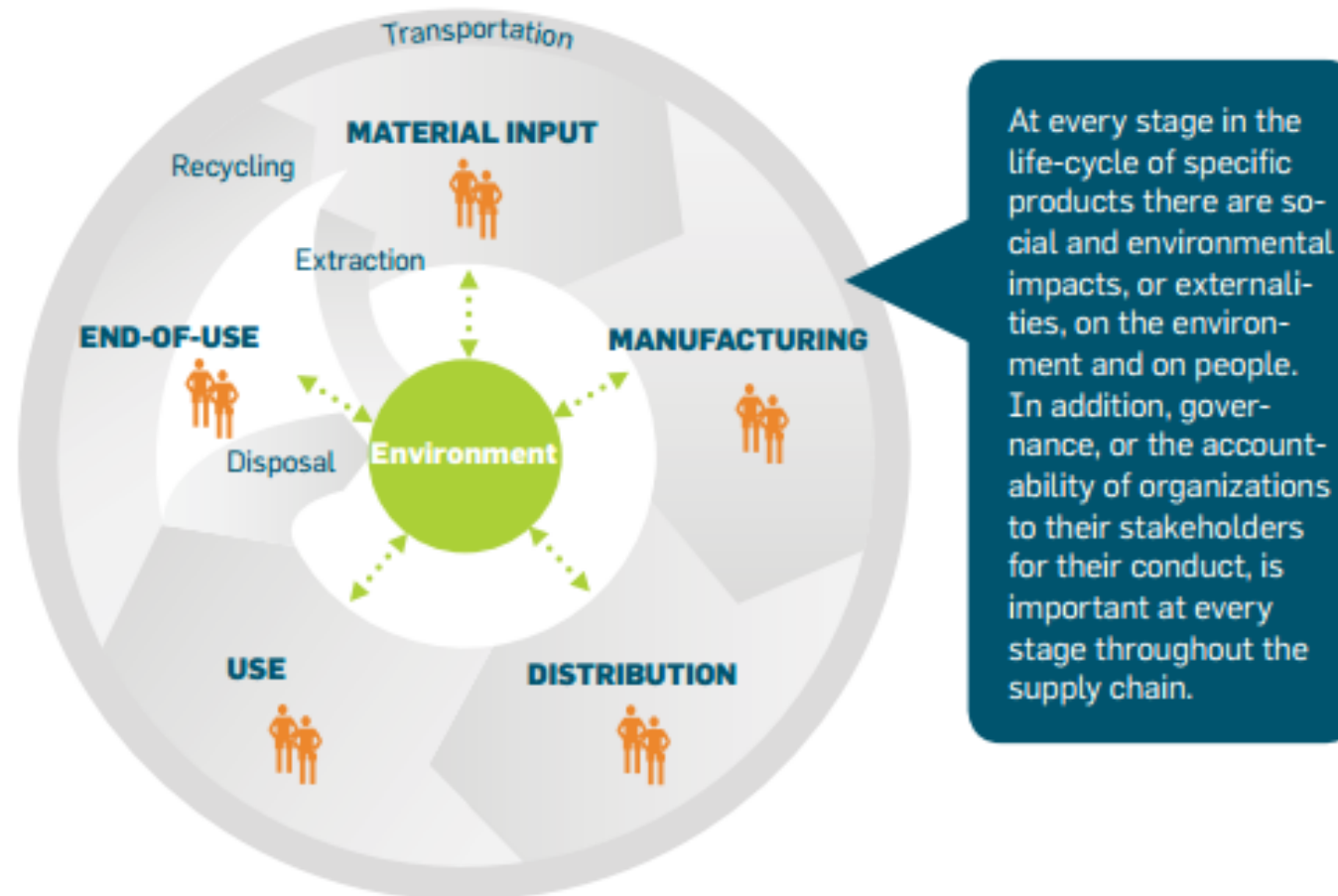
## Reasons to pursue:

- Manage legal, regulatory and reputational risks
- Conserve resources, optimize processes, uncover product innovations, save costs, increase productivity and promote corporate values
- Create more inclusive markets
- Advance sustainable development and the UN Sustainable Development Goals
- Protect the long-term viability of the business and of its social license to operate

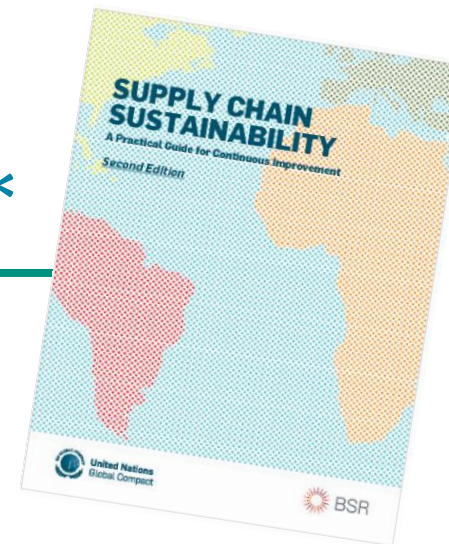
***In short, to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market*** (BSR-UN Global Compact report, "Supply Chain

Sustainability: A Practical Guide for Continuous Improvement", 2<sup>nd</sup> Ed.)

# Environmental, social and economic impacts exist throughout every stage of supply chains



# Achieving supply chain sustainability: UN Global Compact Management Model\*



These steps are not linear

Three principles are essential to every step of the model:

- Governance
- Transparency
- Engagement

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Image from BSR-UN Global Compact report, "Supply Chain Sustainability: A Practical Guide for Continuous Improvement," 2<sup>nd</sup> Ed.

# COMMIT: Build the case and establish a vision

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## **Build the business case for your company**

- Depends on your industry sector, supply chain footprint, stakeholder expectations, business strategy and organizational culture
- Most common business drivers detailed on next slide

## **Understand the external landscape**

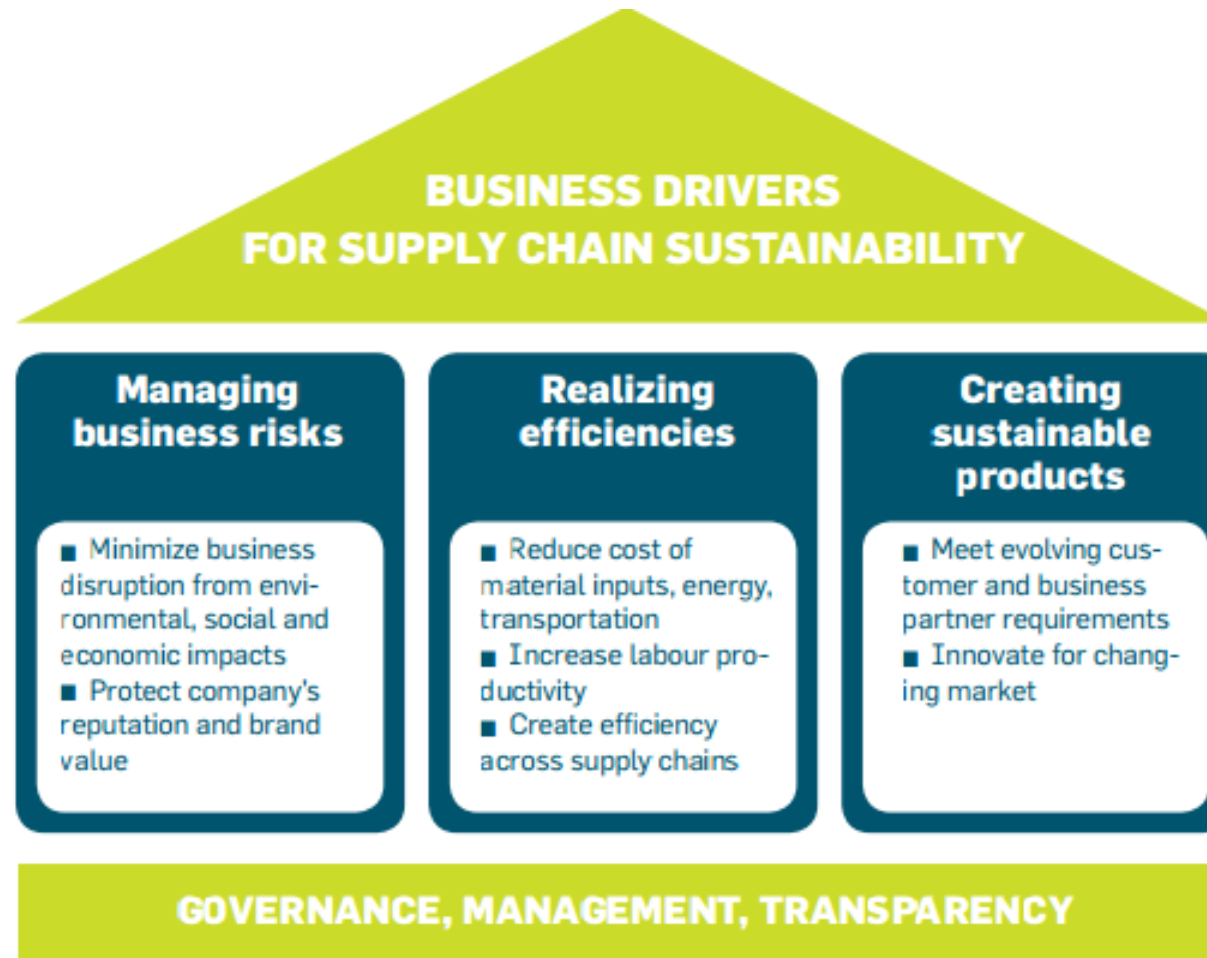
- Benchmark against peers – approach, key performance metrics, reporting practices
- Understand stakeholder expectations
- Understand emerging issues and look for opportunities to partner with stakeholders

## **Establish a clear vision and objectives**

- Should be championed from the top of your company
- Reps from all parts of the business related to the supply chain should weigh in
- Output should be a statement of vision and commitment based on business drivers for your company

# COMMIT: Building the case

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Image from BSR-UN Global Compact report, "Supply Chain Sustainability: A Practical Guide for Continuous Improvement," 2<sup>nd</sup> Ed.

# COMMIT: Establish sustainability expectations

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## Set clear guidelines for suppliers and internal colleagues

- At a minimum, you should expect suppliers to comply with national laws and take proactive measures to avoid social and environmental harm

## Adopt or create a code of conduct

- Establishes and manages expectations for customers and suppliers
- Creates a foundation for procurement pros, suppliers and others to make informed decisions
- When adopting or creating a code:
  - Consult with stakeholders, including cross-functional teams and suppliers
  - Base expectations on international norms, to prevent conflicting expectations for suppliers with multiple buyers
  - Consider requiring suppliers to cascade these expectations to their supplier bases

## Using the code of conduct

- Integrate it into supplier contracts and have suppliers acknowledge it annually
- Review regularly



# ASSESS: Determine the scope

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## Supply chain mapping

- Understand who and where the suppliers are in the supply chain and as much as possible about the extended supply chain beyond the first tier
- Outcome should be a map showing where and how the inputs, raw materials and products and services the company buys are flowing around the world

### GENERIC SUPPLY CHAIN STAGES FROM A RETAILER PERSPECTIVE



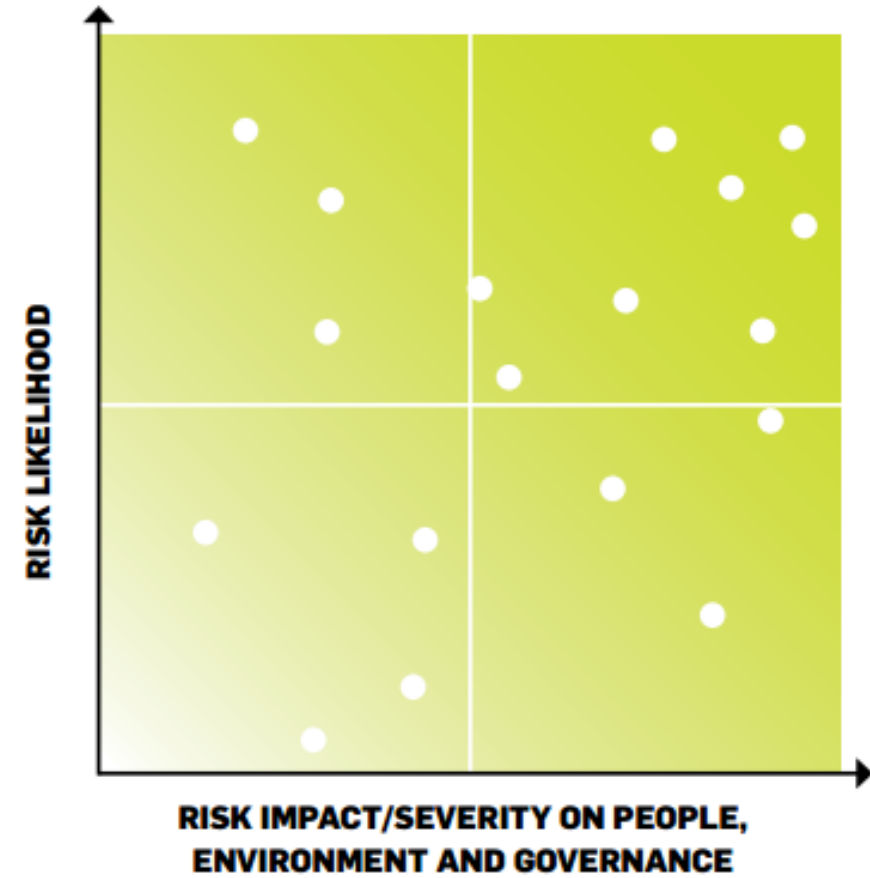
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# ASSESS: Determine the scope

## Supply chain prioritization

- Identify and prioritize where the most problematic areas lie, and focus on areas that present the greatest risk of adverse impact on people, environment and government according to the country, sector, activity or type of relationship with the supplier
- It is likely that the key areas to be addressed are not in the first-tier supply chain

## SUPPLY CHAIN SUSTAINABILITY RISKS:

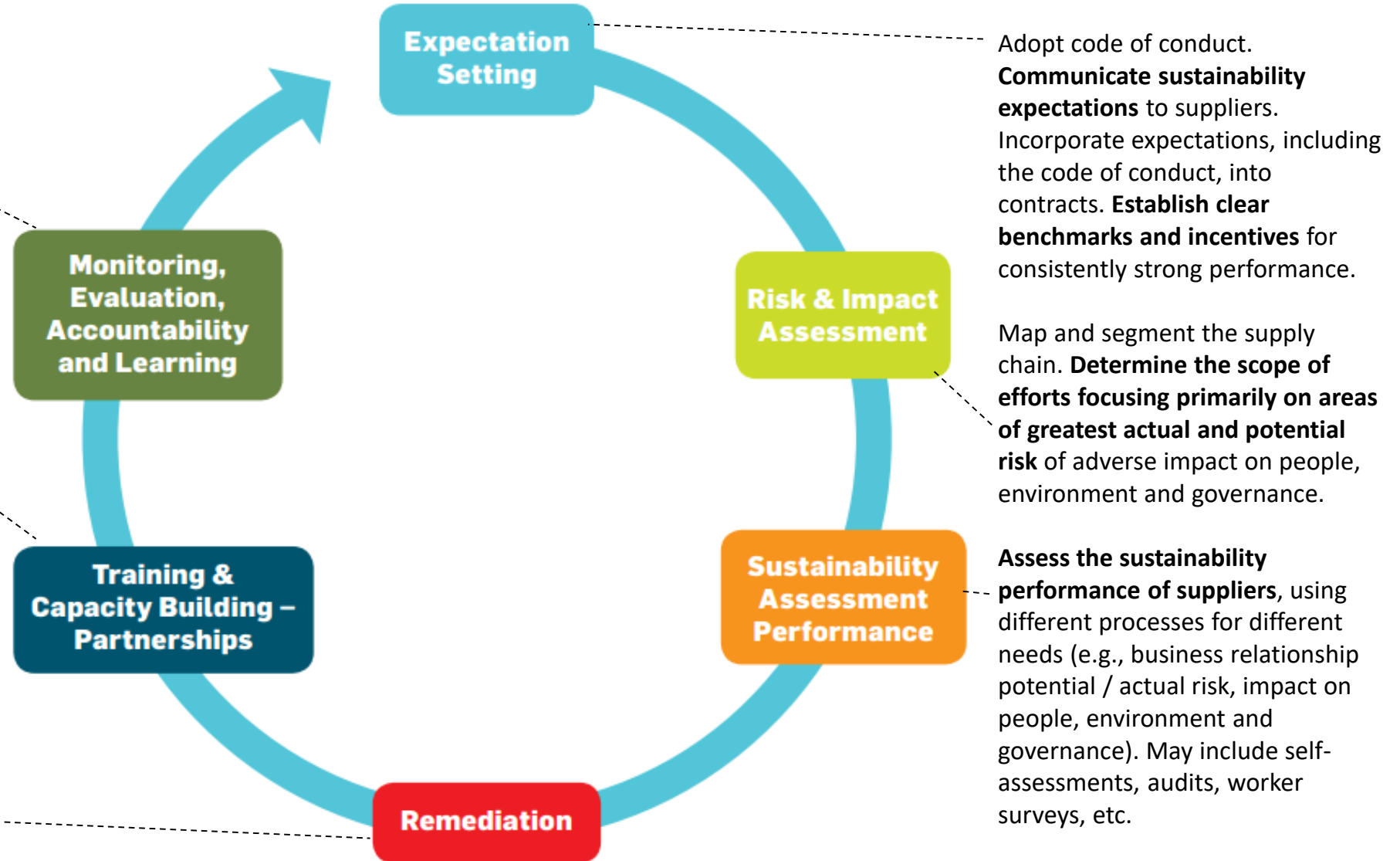


# DEFINE: Engage suppliers for continuous improvement

**Monitor and assess** the effectiveness of program and its impact on people, environment and governance. **Learn** from experiences and **increase accountability** to stakeholders.

**Collaborate** with others to build supplier ownership and understanding to **remediate instances of non-compliance**, as well as invest in management capabilities for continuous improvements. **Support suppliers to address the root causes** of poor performance.

**Collaborate with suppliers** to address issues of poor performance. Define and **incentivize continuous improvement**.



# IMPLEMENT: Ensure alignment and follow up

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## Elements of internal responsibility for supply chain sustainability



## Four primary levers for moving the needle on supply chain sustainability

1. Selecting new suppliers with relatively high sustainability capabilities and practices
2. Working with existing suppliers to set and raise expectations and ensure continuous improvement in performance
3. Incorporating sustainability considerations when consolidating purchases and winding down product lines
4. Creating and communicating incentive processes to encourage suppliers to proactively own their sustainability programs.

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# IMPLEMENT: Enter into collaboration and partnerships

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## Two primary types of collaboration:

- *Best practice sharing* – focus on sharing knowledge and tools
- *Joint standards and implementation* – typically aim to create consistency among companies' expectations and programs within one sector

Opportunities	Risks
Leverage with suppliers	Failure to achieve internal commitment
Credibility with stakeholders	Resource draining
Resource sharing	Unwillingness to change course
	Antitrust violations

# MEASURE: Track performance against goals

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## Establishing goals

Usually designed at a high level for the entire business, goals need to be translated into actionable targets for managers across all functions in an integrated manner

- Goals for impact: e.g., meeting customer and other stakeholder expectations, reducing costs
- Goals for supplier performance: e.g., the number of suppliers completing corrective action plans after audit
- Goals for internal performance: e.g., percentage of the company's spend (or volume) with the highest performing suppliers

## Collecting and tracking performance data over time

- Begin by analyzing the breadth and quality of all existing metrics and data – for both supplier and supply chain professionals' performance
- Standardize metrics and ensure data integrity
- IT and data-sharing platforms can enable comprehensive data collection and management across functional and organizational boundaries.
- Work with cross-functional business managers and suppliers to align systems and input data

# COMMUNICATE: Report progress

## Internally:

- Executive leadership should receive regular updates on progress
- Supply chain professionals will use much of the data on supplier performance in decision making

## Externally:

- Public reporting can be a tool to stimulate and enhance sustainability and transparency in the supply chain. Also demonstrates environmental and social management and good governance
- Sustainability reporting is the most common way to communicate progress with stakeholders
- Communications should be sufficient for stakeholders to evaluate the adequacy of a company's response to address risks, but should not pose risks to affected stakeholders, personnel or legitimate requirements of commercial confidentiality

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As detailed in BSR-UN Global Compact report, "Supply Chain Sustainability: Continuous Improvement," 2<sup>nd</sup> Ed.

