



Sustainable supply chains

Proactively shaping sustainability communications as a supplier

Note: This work guide was primarily created for businesses that operate as suppliers for companies, as increasing numbers of companies are required to satisfy documentation and reporting requirements, not just within their own company, but also along the entire supply chain. As a result, customer demands are likewise increasing, involving questions such as whether a company can provide information on its carbon footprint or whether a supplier has conducted a risk analysis for human rights. This work guide aims to help companies gain an overview of various customer-related information requirements and formats and check whether sustainability communications within the company can gradually be transferred to a comprehensive report.

1 What do suppliers need to pay attention to when communicating sustainability in accordance with the Supply Chain Due Diligence Act?

The new Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG) requires the companies it addresses to publish information on compliance with due diligence requirements. In terms of the supplier, this will likely result in customers requiring more information on their indirect and, in some cases, direct suppliers to obtain information on human rights and environmental risks or measures, among other aspects.

Information is included in the public documentation and reports on the fulfilment of due diligence requirements required by law (Section 10 (1) and (2) LkSG). In addition to informing customers, information required from suppliers can also be used for the risk analyses required by law or in supplier evaluations, e.g. to check the extent to which a supplier complies with the Code of Conduct required by the customer. It also allows potential customers to include sustainability information in their criteria when selecting suppliers. In order to optimally fulfil and anticipate customer sustainability requirements, it can often be conducive from a suppliers' perspective to proactively communicate and report on sustainability issues.

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2 What benefits do suppliers stand to gain by proactively communicating sustainability issues?

Customer demands in terms of sustainability can often provide small and mid-sized companies the opportunity to establish their own sustainability reports. This offers the following advantages:

- Information is systematically gathered and prepared, making it **easily available**.
- Merging sustainability information benefits from **synergy effects** by simultaneously covering various demands from different customers and stakeholders.
- Proactive sustainability communications can help to provide a stronger informational basis for both operational risk management and **gaining a competitive edge**.
- Along with customers, **other stakeholders can simultaneously receive information** (e.g. employees, potential applicants, the local community, consumers, banks, investors).
- Companies can also expect disclosure obligations to continue to increase in the future. For instance, on 21 April 2021, the European Commission presented a proposal for a 'Corporate Sustainability Reporting Directive (CSRD)', which would result in a significant increase in the scope of existing sustainability reporting requirements mandated by law.
- Systematically collecting sustainability data and information can also **support the establishment of sustainability management** within a company. It likewise improves the basis of information used to make decisions that affect the **future viability** of a company.

3 Which information do customers require?

In principle, information required by customers can cover a wide range of social, environmental and economic issues. Information required by law constitutes the minimum requirement in this regard.

Criteria for social responsibility can be taken from the [ILO Declaration on Fundamental Principles and Rights at Work](#) or the [Ten Principles of the UN Global Compact](#). Key requirements in relation to environmental responsibility can be found in the certifiable environmental managements standards [EMAS](#) and [ISO 14001](#). Standards for reporting sustainability (e.g. the [German Sustainability Code](#) and the [Global Reporting Initiative](#)) can also act as a guide for various issues.

Information requirements from customers may pertain to both the supplier's own activities and the supplier's supply chain. For example, companies addressed in the LkSG may have an interest in receiving sustainability information for the entire supply chain, meaning direct suppliers would need to request information along their supply chain.

4 How can customers request sustainability information?

Companies may opt to develop their own system to request sustainability information from suppliers. This could take the form of surveys sent to suppliers, or an online platform developed in-house that requires suppliers to enter certain information. Some companies may also conduct interviews with suppliers to address sustainability issues.

Other companies use platforms provided by specialist third-party providers (e.g. Amfori-BSCI, Sedex, Ecovadis) to collect sustainability information from suppliers. Customers that use the platform can then view the sustainability information entered by suppliers on the platform and use it for supplier evaluations.

The self-assessments, either collected by the customers themselves or by third-party providers, can be followed by other measures, including audits also organised on platforms, for instance.

Companies that use suppliers can benefit from looking into the various formats and platforms available. Those who have a good overview will ideally be able to bundle customer requests for information.

5 Who else besides major corporations is interested in sustainability information?

In addition to client companies, other stakeholders may have an interest in the sustainability performance of a company, including the local community at the location of your company headquarters, the authorities (for environmental impact assessments, etc.) and, increasingly, banks and investors. Sustainability reporting can also be directed at a company's employees and help to improve motivation and company loyalty. The same applies to potential applicants. Studies suggest that particularly young applicants increasingly care about the sustainability of their potential employer. Publishing sustainability information in places like the company website can consequently help your company improve its standing.

6 How can sustainability information be communicated?

Depending on the objective and purpose behind the information, there are a number of channels available for communicating sustainability information. Possible options include:

- Publishing targeted information on the company website.
- Announcing information in the company newsletter, on the company or employee blogs, or on social media.
- Including information on product packaging.
- Creating brochures for stakeholders (customers, investors, etc.).
- Offering an independent sustainability report (available to download as a PDF).

7 How can I transform my customer-oriented supply chain information into a sustainability report?

Companies that want to introduce proactive and public sustainability reporting often benefit from a clear process that can be used to expand the sustainability information available over the years. Establishing a sustainability reporting process can help to

- effectively adapt content to internal and external informational requirements,
- efficiently update information and
- develop consistent time series for indicators to present developments.

In practice, a company that provides sustainability information for customers as a supplier has already completed the main steps towards implementing sustainability reporting, providing it with a good basis.

- **Which sustainability issues are relevant?** Communicating with customers can help companies understand for which sustainability issues it is responsible (as a supplier) in the customers' view. The same applies to taking a close look at environmental and human rights risks present in your company and along the supply chain.
- **Processes and data:** In order to meet customer disclosure requirements, either in the form of self-assessments, on platforms or as part of an audit, certain processes need to be developed to collect data on sustainability and establish KPIs, if applicable. These processes can be developed as part of comprehensive internal sustainability reporting.

- **Knowledge building and organisation within companies:** Employees who deal with customer sustainability requirements are generally aware of the main sustainability issues in their sector. For example, they are likely to know which information is required on the topic of 'climate protection' or which information needs to be published in relation to 'conflict minerals'. This knowledge can be distributed and enhanced within the company in a targeted manner.

8 Does sustainability reporting in accordance with a particular standard make sense for small companies?

Sustainability reporting standards like the German Sustainability Code or the Global Reporting Initiative can particularly help companies with short capacities to grasp which sustainability information on various topics is of interest to stakeholders.

As a result, it can often be useful to not fully adhere to a standard, but instead use it as a guide for issues you want to report on. These standards can also provide inspiration for KPIs if you plan to address new sustainability issues at your company.

Bear in mind that the European Commission is currently developing individual standards for sustainability reporting in companies.

9 How do you select a suitable standard?

In order to select a suitable reporting standard, a company should answer the following questions:

- Which stakeholders need to be addressed when reporting on sustainability issues?
- Would a domestic or global standard be more suitable for our stakeholders and company?
- To what extent does the standard have the potential to offer guidance on meeting legal reporting requirements?
- How important is the comparability aspect produced by KPIs?

The following criteria can be used to help you come to a decision:

- Which stakeholder(s) need to be particularly addressed: Standards directed at all stakeholders typically tend to focus on the impact the company has on the environment and people. Standards directed at investors typically tend to focus on how sustainability aspects influence the company value and success.
- Which range of issues are covered: Does the content cover subject areas required by law or by stakeholders?
- To what extent the standard is sector- or country-specific, or needs to permit further-reaching comparability.
- Whether the standard permits comparability and an external review of the report content. This primarily applies if reporting guidelines provide specific pointers.

10 Which standards exist?

There are a range of standards and reporting guidelines aimed at increasing transparency among companies to give stakeholders a conclusive picture of sustainability at a company based on the information it reports. In addition, standards aim to invite comparisons: across time series and between companies. They can also facilitate an external audit of information, similarly to financial reporting.

The most popular standard in use around the globe comes from the non-profit multi-stakeholder initiative the **Global Reporting Initiative** (GRI). The majority of sustainability reports published in Germany and other countries is based on the GRI. Smaller companies or firms in Germany with a short value chain or minimal budget are most likely to select the **German Sustainability Code** as their standard, as it requires less complex KPIs.

More information on sustainability reporting for smaller companies can be found on the [Bavarian Environmental Pact website](#).



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