

Sustainable supply chain

Brief introductory information about sustainable supply chain management

1 What is sustainable supply chain management?

Sustainable supply chain management takes an integrated and systematic view of all the steps in the supply chain – from direct suppliers in the region to resource extraction in Asia or Africa. Sustainable supply chain management lays the groundwork for avoiding negative environmental impacts and human rights violations and contributing to sustainable development. Companies take responsibility for their social impact and contribute to achieving by 2030 the 17 Sustainable Development Goals (SDGs) that the United Nations adopted in 2015.

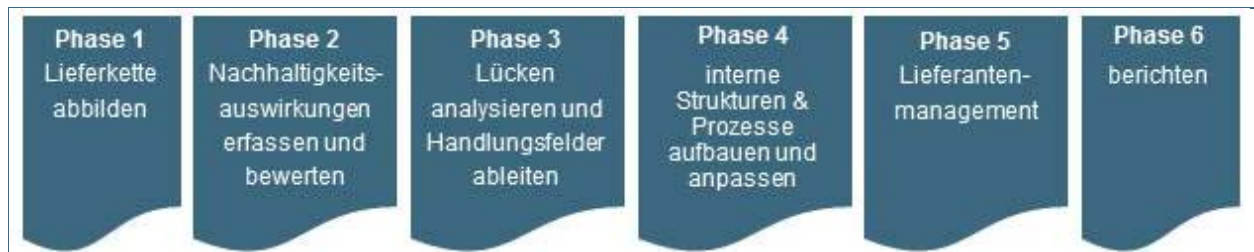
Sustainable supply chain management deals with established areas of action of social responsibility: economic, environmental and social issues. The economic dimension of sustainable supply chain management aims for fair operational and business practices as well as the responsible design of a company's products, services and supplier relationships. Environmental responsibility prioritises environmental protection in every activity along the supply chain. This encompasses the reduction of greenhouse gas emissions and the protection of biodiversity, among other things. The social dimension is about contributing to the fair and responsible treatment of suppliers' employees.

2 Why is sustainable supply chain management important?

When direct suppliers or subcontractors are affected by water scarcity or stricter environmental regulations, this can provoke price increases or even disruptions in supply, which can suddenly and directly affect your own business. Inhumane working conditions at suppliers or the use of "conflict minerals" can severely damage your company's reputation.

However, sustainable supply chain management is about more than the company's risks and reputation. It is about the positive contribution to sustainable development that the company can make through its actions by designing and optimizing its supply chain in a sustainable way. Because the majority of impacts on people and the environment along the supply chain can occur locally, there is major potential for improvement here. There is also an opportunity to improve the company's sustainability performance beyond its own offices and factory floors. Sustainable supply chain management is a fundamental part of a forward-looking enterprise. It is also a key competitive advantage. If the company works together with suppliers to establish more efficient processes, the need for materials can be reduced, which in turn reduces manufacturing costs. Sustainable supply chain management fosters long-term thinking. Innovation – for example, in new production process or in transport – can be advanced on the basis of long-term, trust-based supplier relationships. Together with suppliers, the company can develop sustainable products and open up new business areas.

3 What are the phases of sustainable supply chain management?



TRANSLATION OF GRAPHIC: Phase 1 Map out supply chain, Phase 2 Identify and evaluate sustainability impacts, Phase 3 Analyse gaps and derive areas of action, Phase 4 Develop and adjust internal structures and processes, Phase 5 Supplier management, Phase 6 Reporting

Fig. 1: Phases in the process of sustainable supply chain management

Sustainable supply chain management can be divided into a six-phase process:

In the first phase, the company surveys the supply chain from a sustainability perspective, gaining an overview of the structure of the supply chain and suppliers' production processes – from the direct supplier level to the level of raw material extraction. In the second phase, the company identifies sustainability topics from the three dimensions of economic, environmental and social issues. The company can evaluate and prioritize sustainability risks on this basis. In the third phase, the company gains an overview of what already available information of existing processes in the company can be used to shape a more sustainable supply chain. From this knowledge the company can derive areas of action that it can use to develop and optimize its supply chain from a sustainability perspective. In the fourth phase, the company adjusts its internal processes and structures, and provides resources for effectively embedding sustainable supply chain management in the company and approaching it systematically. In the fifth phase, the company addresses suppliers, formulates concrete requirements for sustainable processes along the supply chain, and makes these binding. Building on this, the company can evaluate suppliers' sustainability performance and help them develop capabilities. In the sixth and final phase, the company discloses information about sustainable supply chain management and communicates with stakeholders.

4 What should be kept in mind when shaping a sustainable supply chain?

It is important, especially in the beginning, to reduce complexity to make the supply chain more sustainable. This is all the more important if the supply chain is particularly extensive and interconnected. In many sectors such as mechanical engineering and retail trade, supply chains can be understood more

as complex networks of suppliers with innumerable branches than as chains. It is important to focus on the most essential sustainability impacts.

Different departments have to work together to entrench attention to sustainability within companies. Commitment on the part of the company management provides the foundation for successful integration of the issue into the company. If possible, the company should start with its product design. The employees working on product development can check whether substitutes can be found for raw materials and whether their use can be reduced. The company's purchasing department is an essential factor in successfully improving sustainable supply chain management. Beyond this, quality management should also be involved in sustainable supply chain management. The quality management specialists know how suppliers can be incorporated into the company's own quality management. The company should take experience into account in sustainable supply chain management. In cooperation with suppliers, short-term corrective action should go hand-in-hand with medium- and long-term capacity building for suppliers. Trade-offs between sustainable and "traditional" purchasing criteria should be weighed carefully, and the solution should be set down in binding manner. And the responsibility for a sustainable supply chain is a shared one: direct suppliers should absolutely be given a share of responsibility, and the company and suppliers should seek to shape sustainable supply chains together.

5 Where can the company find further information?

Publisher of information	Informational website
Infozentrum UmweltWirtschaft (Information Centre for the Environment and Economy, IZU) of the Bavarian State Office for the Environment	The IZU's online sustainability management tool for SMEs offers helpful materials that can be downloaded or ordered. www.izu.bayern.de/nachhaltigkeitsmanagement/
Bavarian State Ministry of Labour and Social Affairs, Family and Integration (StMAS)	Together with the Association of Bavarian Chambers of Commerce and Industry (BIHK), the StMAS has developed a guide and an interactive web presence with an online tool about CSR for small and medium-sized enterprises. www.csr.bayern.de
Chambers of Commerce and Industry in Bavaria	The websites of the Association of Bavarian Chambers of Commerce and Industry (BIHK) www.bihk.de and the websites of regional Chambers of Commerce and Industry in Bavaria offer information about CSR and present the role model of the "honourable merchant".
Corporate values – CSR Made in Germany	Website of the Federal Ministry of Labour and Social Affairs (BMAS); includes promotion of CSR practical training days www.csr-in-deutschland.de
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)	Through its publications "Step-by-Step Guide to Sustainable Supply Chain Management" and "Umwelatlas Lieferkette" (Environmental Atlas: Supply Chains), the BMU offers extensive information on sustainable supply chain management. www.bmu.de
Global Compact Network Germany (DGCN)	The DGCN offers a broad variety of support, including for smaller enterprises. www.globalcompact.de

Publisher of information	Informational website
Siegelklarheit	Siegelklarheit (“Clearly labelled”) is a website (in German) that the German Federal Government has created to provide a better overview of environmental and social product labels. www.siegelklarheit.de/



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