



Sustainable supply chain

Suggested measures to design and optimise a sustainable supply chain

Note on usage: For smaller businesses in particular, the question of how they can exercise an influence over their suppliers arises – regarding their direct suppliers and also regarding those with which they do not have any direct or contractual relationship. The following list offers an **overview of practical measures to design and optimize a sustainable supply chain.**

Experience shows that companies select among **five fundamental fields of action** when they are implementing measures for sustainable supply chain management.

1. **Reviewing and adjusting core business processes in the company**
The company reviews which existing measures and processes within the company can already be used for sustainable supply chain management, and which of them must be adjusted or newly implemented. This step is important for laying the internal groundwork for sustainable supply chain management.
2. **Informing suppliers and determining requirements**
The company communicates its requirements to suppliers. Requirements for suppliers are made binding.
3. **Examining suppliers' performance on sustainability**
The company checks whether its requirements are being fulfilled by the suppliers. Here it can draw on a variety of approaches.
4. **Providing further development to suppliers**
Building on this, the company carries out trainings and other measures with suppliers as necessary in order to sensitise them to sustainability issues and thereby to improve their performance on sustainability.
5. **Disclosing information**
To make internal and external exchange with stakeholder groups possible and to foster transparency, the company reports on its sustainable supply chain management.

Field of action 1: Reviewing and adjusting core business processes in the company –			
<i>Gather and generate information; develop teams</i>			
Measure	Goal(s)	Responsible person(s)	Factors determining success
Analysis of existing processes and structures in the company in relation to sustainable supply chain management	<ul style="list-style-type: none"> Identify opportunities to establish sustainable supply chain management within the company's organisation and processes Make optimal use of established processes and existing knowledge 	<ul style="list-style-type: none"> Sustainability manager 	<ul style="list-style-type: none"> Bringing in specialist departments at an early stage to prevent resistance
Checking on the level of knowledge and existing competencies on the subject of "sustainable supply chain management" in different departments of the company	<ul style="list-style-type: none"> Find potential areas of improvement within departments in terms of sustainable supply chain management Make optimal use of existing knowledge 	<ul style="list-style-type: none"> Sustainability manager 	<ul style="list-style-type: none"> Giving reasons why it is relevant for the company to engage more with sustainability in the supply chain
Taking stock of the level of sustainability in the supply chain and conducting a risk analysis of it	<ul style="list-style-type: none"> Gain a better understanding of the risks (and opportunities) that presently exist (without sustainable supply chain management) Work out key topics 	<ul style="list-style-type: none"> Sustainability manager Inclusion of all relevant employees 	<ul style="list-style-type: none"> Using existing knowledge (publications, industry-specific knowledge, etc.) You can also refer to the LfU Starter Kit here
Assign responsibilities for the issue at the management level	<ul style="list-style-type: none"> Ensure and express the importance of the issue within the company Establish oversight role 	<ul style="list-style-type: none"> Management board Sustainability manager 	<ul style="list-style-type: none"> Directly involving the management
Incorporate elements related to sustainability into the information process in risk management	<ul style="list-style-type: none"> Implement sustainability topics within risk analysis 	<ul style="list-style-type: none"> Sustainability manager Procurement/purchasing 	<ul style="list-style-type: none"> Treating sustainability issues on an equal footing with other issues
Form a team for sustainable supply chain management	<ul style="list-style-type: none"> Encourage cooperation among different specialist departments on sustainable supply chain management Pool expertise from different areas 	<ul style="list-style-type: none"> Management Business development and product development Procurement/purchasing Logistics Sustainability manager 	<ul style="list-style-type: none"> Assigning roles to those involved and working out their importance in designing the sustainable supply chain

Field of action 1: Reviewing and adjusting core business processes in the company –*Gather and generate information; develop teams*

Train specialist departments and product group purchasers on sustainable supply chain management issues	<ul style="list-style-type: none"> • Sensitise employees to the issue • Assign roles 	<ul style="list-style-type: none"> • Sustainability manager • Human resources • External coaches 	<ul style="list-style-type: none"> • Impart knowledge in such a way that connections to the departments' work become clear
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Field of action 1: Reviewing and adjusting core business processes in the company –*Adjusting internal organisation and processes*

Measure	Goal(s)	Responsible person(s)	Factors determining success
Develop and write down a vision/policy for sustainable supply chain management	<ul style="list-style-type: none"> • Provide orientation for company management, employees and suppliers with respect to the value of sustainable supply chain management 	<ul style="list-style-type: none"> • Management • Sustainability manager 	<ul style="list-style-type: none"> • Integration into the company's existing mission statement (if one exists) • Communication with employees and other stakeholder groups
Integrate sustainability criteria into product development processes	<ul style="list-style-type: none"> • Take sustainability criteria into account already at the product development stage • Use more sustainable product components (avoid certain raw materials, use complementary products, recycled material, etc.) 	<ul style="list-style-type: none"> • Product development • Procurement/purchasing • Sustainability manager • Production department 	<ul style="list-style-type: none"> • Making alternatives for product components and materials available. • Including the product development department
Link sustainability goals with existing compensation and incentive systems	<ul style="list-style-type: none"> • Achieve more sustainable behaviour by employees 	<ul style="list-style-type: none"> • Sustainability manager • Human resources • Controlling 	<ul style="list-style-type: none"> • Establishing measurable and comprehensible indicators
Participate in supply chain-specific sustainability and CSR competitions	<ul style="list-style-type: none"> • Foster motivation among the employees through recognition of their achievements 	<ul style="list-style-type: none"> • Sustainability manager • Marketing 	<ul style="list-style-type: none"> • Checking which competitions are relevant/productive

Field of action 2: Informing suppliers and determining requirements			
Measure	Goal(s)	Responsible person(s)	Factors determining success
Formulate Code of Conduct for suppliers	<ul style="list-style-type: none"> • Provide orientation for company management, employees and especially suppliers • Clarify the company's sustainability requirements to suppliers 	<ul style="list-style-type: none"> • Management • Sustainability manager • Purchasing department 	<ul style="list-style-type: none"> • Making Code of Conduct ambitious and attainable • Making requirements binding and having consequences for non-fulfilment of them
Integrate sustainability criteria into the procurement process	<ul style="list-style-type: none"> • Greater transparency in terms of the origin of materials and existing environmental standards, in order to implement targeted measures on site to improve environmental performance • Conflict-free and low-risk procurement 	<ul style="list-style-type: none"> • Management • Procurement/purchasing • Sustainability manager • Production department 	<ul style="list-style-type: none"> • Disclosing conflicting goals (price vs. sustainability) with company management and discussing approach • Referring to LfU guidelines for supplier evaluation
Include sustainability issues in the supplier contract	<ul style="list-style-type: none"> • Make sustainability obligatory 	<ul style="list-style-type: none"> • Contract management 	<ul style="list-style-type: none"> • Using the Code of Conduct (as a contractually valid annex or through the incorporation of core elements into it) • See for example the Code of Conduct template

Field of action 3: Examining suppliers' performance on sustainability			
Measure	Goal(s)	Responsible person(s)	Factors determining success
Obtain self-disclosure from suppliers	<ul style="list-style-type: none"> • Receive information about how sustainable suppliers are and how they deal with risks (and whether potential steps to improve their performance or further review processes are to be established) • Suppliers reflect on their own situation and possibly already initiate improvement measures 	<ul style="list-style-type: none"> • Sustainability manager • Purchasing department 	<ul style="list-style-type: none"> • Establishing internal processes that make analysis of information possible • Comparing with results of company's own stocktaking • See also: Starter Kit

Field of action 3: Examining suppliers' performance on sustainability			
Carry out sustainability audits of suppliers	<ul style="list-style-type: none"> Gain a meaningful overview of suppliers' sustainability performance Determine exact approaches for areas of potential improvement 	<ul style="list-style-type: none"> Sustainability manager Purchasing department Auditors (possibly external) 	<ul style="list-style-type: none"> Taking the results of stocktaking into account in deciding which suppliers are to be audited (possibly focusing on "high-risk" suppliers) See also: Starter Kit
Collaborate on/ make use of industry-specific initiatives	<ul style="list-style-type: none"> Review suppliers in a central way through an industry-specific initiative 	<ul style="list-style-type: none"> Sustainability manager Purchasing department The company's representatives to industry initiatives 	<ul style="list-style-type: none"> Having an available industry initiative that covers this performance

Field of action 4: Providing further development to suppliers			
Measure	Goal(s)	Responsible person(s)	Factors determining success
Informational events on the topic of sustainability for suppliers	<ul style="list-style-type: none"> Introduce suppliers to the theme 	<ul style="list-style-type: none"> Management board Sustainability manager External coaches 	<ul style="list-style-type: none"> Support from the company management
Development of a plan for corrective measures for and with suppliers	<ul style="list-style-type: none"> Improve sustainability performance on the basis of the identified areas of potential 	<ul style="list-style-type: none"> Sustainability manager Procurement/ purchasing External coaches 	<ul style="list-style-type: none"> Ability to influence supplier (e.g. on the basis of procurement volume)
Conduct materiality analyses together with suppliers	<ul style="list-style-type: none"> Determine risks in the supply chain beyond the level of direct suppliers 	<ul style="list-style-type: none"> Sustainability manager External coaches 	<ul style="list-style-type: none"> Pragmatic approach Good contact with suppliers
Technologically support the optimisation of processes (e.g. emissions reduction, implementation of product-specific standards such as those for paper or wood)	<ul style="list-style-type: none"> Achieve concrete successes through pilot projects 	<ul style="list-style-type: none"> Sustainability manager External coaches 	<ul style="list-style-type: none"> Initiatives should lead to measurable successes (e.g. improved energy efficiency)

Field of action 4: Providing further development to suppliers			
Train suppliers (e.g. on sustainability standards)	<ul style="list-style-type: none"> Build up suppliers' capacity so that they can improve their sustainability performance independently 	<ul style="list-style-type: none"> Sustainability manager External coaches 	<ul style="list-style-type: none"> Developing appealing formats Cooperation with suppliers in a spirit of partnership

Field of action 5: Disclosing information			
Measure	Goal(s)	Responsible person(s)	Factors determining success
Develop set of key performance indicators (KPIs)	<ul style="list-style-type: none"> Measure the success of sustainable supply chain management 	<ul style="list-style-type: none"> Sustainability manager Procurement/purchasing 	<ul style="list-style-type: none"> Selecting both company-internal and supplier-specific key figures Consistent analysis of all dimensions (environmental, social, ethical)
Implement internal communication measures (e.g. via a newsletter or the internet)	<ul style="list-style-type: none"> Increase awareness of the issue within the company Highlight milestones that have been reached 	<ul style="list-style-type: none"> Sustainability manager Human resources Communications department 	<ul style="list-style-type: none"> Involving the company management Communicating concrete successes
Including key figures in product declarations and descriptions	<ul style="list-style-type: none"> Create public transparency about the sustainability of products 	<ul style="list-style-type: none"> Sustainability manager Sales 	<ul style="list-style-type: none"> Using valid data
Sustainability reports with information on: <ul style="list-style-type: none"> Sustainability impacts and risks along the supply chain Risk analysis processes Supplier evaluation Implementation measures 	<ul style="list-style-type: none"> Create transparency about sustainability engagement in the supply chain Identify additional starting points for measures Position oneself as a sustainable company that takes an integrated approach to the issue 	<ul style="list-style-type: none"> Sustainability manager Procurement/purchasing in cooperation with marketing 	<ul style="list-style-type: none"> Determining the target group precisely Using established reporting systems
Traceability system for products, e.g. QR code	<ul style="list-style-type: none"> Transparency about the supply chain for customers 	<ul style="list-style-type: none"> Procurement/purchasing Sales Marketing 	<ul style="list-style-type: none"> Using valid data



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