

# Sustainability of supply

Posted by [Stephen Gardner](#) [1] on Sep 25, 2012

Working with suppliers to minimise impact and increase sustainability is simply good business

Supply chains pose a major challenge to sustainably-minded companies. The greatest problems can often be found at the furthest reaches of the supply network, where the risks are hardest to control. Puma, for example, in its pioneering environmental profit and loss account, found that 94% of its environmental impact came from its supply chain. The impact increased the further down the supply chain the company looked.

Tier 4 suppliers – those providing the raw materials, including cotton and leather that go into Puma products – were the most environmentally-intensive, accounting for 57% of the impact.

Companies that want to be sustainable are therefore potentially at the mercy of their suppliers. Unless they can convince suppliers of the benefits of sustainability, their sustainability strategies can be compromised, with a risk of exposure and trashed reputations – especially in the era of the social network and the internet-savvy consumer.

## Deep dive

“The elephant in the room is the multi-tier supply chain,” says Tom Smith, head of marketing and development for Sedex, an exchange platform on supply chain sustainability. “Unless companies can get all the way down, they are never going to find the risks.”

Sedex was established in 2004 by Marks & Spencer, Tesco and other retailers to pool information on suppliers and to share the results of audits, like a TripAdvisor for multinational corporations.

It now covers about 500 brands and retailers, 26,000 suppliers and 150 countries, and is in demand by both suppliers and purchasers. Good suppliers can demonstrate their sustainability credentials, and purchasers can assess suppliers based on the information uploaded to the platform.

## Identify the weak points

Sedex is an example of a smart supply chain management initiative. Similar initiatives include the Fair Factories Clearinghouse. Such tools can help companies identify sustainability weak points, says Kevin Franklin of consultants Maplecroft, which supplies a risk assessment methodology to Sedex.

A smart approach is needed because blunter tools, such as audits, can be sidestepped, or may only encourage audit fraud. In any case, auditing is “a cost-intensive way of doing things”, Franklin says. Convincing suppliers of the benefits of sustainability is likely to be more productive in the long term.

A number of companies are now pursuing a more collaborative approach, which relies on dialogue and training to raise supplier standards, and which has the ultimate goal of producing streamlined, stable supply chains that are cost-efficient precisely because they have prioritised sustainability.

## Long-term engagement

US computer giant IBM, for example, seeks to help its 28,000 suppliers understand that sustainability figures in its purchasing decisions – for example, that it is more likely to buy from companies that minimise water use, or have systems in place for product end-of-life waste management.

The goal is to “help suppliers build and enhance their capability to manage their responsibilities effectively, systematically, and sustainability over the long-term,” says IBM vice-president for global engagement Cathy Rodgers.

This is a work in progress for many companies, but the end result should be more trust between suppliers and purchasers. Some companies are even taking the next step and going for vertical integration – investing in or buying up their suppliers. Starbucks has bought Chinese coffee farms, for example. Truly sustainable companies realise both that they must take responsibility for their supply chains, and that they will ultimately benefit through lower costs and longer-term viability.

Diageo, the CDP, B&Q and Golden Agri-Ressources will all be sharing best practice on how to collaborate/work with suppliers to minimise impact at Ethical Corp's 7th Annual Sustainable Supply Chain Summit on October 22-23rd in London. For full details, go here: [www.ethicalcorp.com/supplychain](http://www.ethicalcorp.com/supplychain) [2]

**Links:**

[1] <http://www.ethicalcorp.com/users/stephen-gardner>

[2] <http://events.ethicalcorp.com/supplychain/conference-agenda.php>