

# Sustainable Supply Chain Practices are Here to Stay



**A look at the current state of environmental, social and governance in the supply chain and the role that procurement plays in helping to advance their organizations' ESG efforts.**

Even as the pandemic continues to interrupt supply chain operations worldwide, companies are rolling out more environmental, social and governance (ESG) strategies. What started as a set of criteria that socially-conscious investors used to screen potential investments has since spilled over into the broader business world, where consumers want to know that the companies they're buying from are making strides with their ESG strategies.

“More and more consumers are practicing ethical consumerism,” Anil Ganjoo writes in *Forbes*. “They vote with their wallets by buying ethically made products that support small-scale manufacturers and local artisans and protect the environment, while refusing to purchase non-sustainable products.”

Pointing to a recent *EY* survey of supply chain executives, Ganjoo says that 85% of them are more focused on ESG goals right now. “It may be safe to assume that because of COVID-19, companies put their sustainability goals on hold in order to manage through the pandemic,” *EY* points out in its report.

“With investors seeking information on a company’s ESG performance, employees wanting to work for companies with sustainability built into their mission statements, increased customer expectations for sustainability and increasing regulation from various countries,” it adds, “sustainable supply chain practices no doubt are here to stay.”

## What Does Sustainability Mean to You?

Under increased pressure to invest in sustainability initiatives, companies are responding with increased transparency on their impact and commitments to support these growing concerns. As requirements and expectations change, organizations are also facing the challenge of reporting not only on the impact of their own operations, but also on the impact from their supply chains, Gartner’s Miguel Cossio writes in *Supply Chain Management Review*.

Acknowledging that the development and orchestration of a new ESG strategy is never easy, Cossio says companies can start by asking themselves this simple question: What does sustainability mean for our organization? Responses will vary, he notes, with some people assuming only environmental issues, while others taking a broader approach to include social and governance aspects, or ESG issues in short.

“From there, consideration should be given to what outcomes your organization is looking to achieve with your strategy,” Cossio points out. For example, Gartner’s research reveals that the key outcomes are generally focused on compliance (ensuring the supply base operates in accordance with local and global regulations), market differentiation (how the company wants to position itself) and/or ecosystem enablement (pairing with partners to address a common issue).

According to Cossio, the various ways procurement can play an important role in these target outcomes include building deeper relationships with suppliers, using supplier development programs, embedding sustainability objectives in decision-making processes and utilizing performance indicators for both internal staff and suppliers alike.

### **Better and More Sustainable**

Procurement professionals are in a perfect position to help their organizations advance their ESG goals in 2022 (and beyond). *In Building a Better, More Sustainable Supply Chain*, Flex's chief procurement and supply chain officer Lynn Torrel discusses the role of goal-setting in the ESG space, where she says the fastest way to lose momentum for a sustainability program is to go "too big, too quickly."

With this in mind, she says businesses should align sustainability initiatives with their business objectives, and that supply chain professionals should strive for "small wins" along the path toward a larger plan that teams can celebrate. For best results, Torrel tells manufacturers to make sure the companies they're buying from understand that their partnership is about more than just designing and manufacturing products that improve people's lives.

It's also about contributing to a cleaner, healthier future. This is where training, education and support come into the picture. "To help suppliers start developing their respective goals," Torrel writes, "provide training for disclosing performance and shared best practices gathered when setting your own emission reduction targets."