

Assessment Resource Guide:
*Evaluating Suppliers & Distributors’
Social & Environmental Practices*

What’s in this Guide?

- I. Definition: Incorporating Environmental and Social Sustainability in the Supply Chain
- II. Why Select Mission-Aligned Suppliers/Distributors/Retailers?
- III. How to Integrate Social and Environmental Criteria?
- IV. Managing Your Distribution Impact
- V. Internationally recognized product certification
- VI. Additional resources

I. Definition: Incorporating Environmental and Social Sustainability in the Supply Chain

The supply chain refers to the material and informational interchanges in the lifecycle of goods and services stretching from acquisition of raw materials to delivery of finished products to the end user. All vendors, service providers and customers are links in the supply chain.¹

Supply chain sustainability is the management of environmental, social and economic impacts, and the encouragement of good governance practices, throughout the lifecycles of goods and services. The objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market.²

II. Why Select Mission-Aligned Suppliers/Distributors/Retailers?

As the lifecycles of goods and services includes many stakeholders, it becomes necessary for a company to ensure that its suppliers and its distribution channels take into account the social and environmental impacts of their policies and practices. Having a sustainable supply chain can reduce potential risks (environmental, reputational, and financial) and eventually increase profits for all stakeholders.

Mission-aligned suppliers and distributors are those that employ positive social and environmental practices, such as fair labor and monitoring of energy, water, waste, and emissions.

¹ Council of Supply Chain Management Professionals, www.cscmp.org/digital/glossary/glossary.asp

² http://www.unglobalcompact.org/docs/issues_doc/supply_chain/SupplyChainRep_spread.pdf

Evaluating Suppliers & Distributors' *Social & Environmental Practices*

Here are some of the reasons and benefits of having mission-aligned suppliers, distributors, and retailers:³

- **Ensure compliance with laws and regulations:** If suppliers and distributors comply with human rights, labor, governance and environmental practices, the risks of supply chain interruptions are minimized. This is especially important if a company depends on a single supplier.
- **Realize efficiencies:** A company can often reduce supply costs while also reducing its environmental footprint.
- **Product differentiation:** Creating sustainable products can be a differentiating factor that leads to increased sales.
- **Protect reputation and brand value:** The discovery of an environmental or human rights violation at a supplier or distributor's site can damage a company's brand.

III. How to Integrate Social and Environmental Criteria?

To integrate social and environmental considerations when managing relationships with suppliers and distributors, a company can use the following:⁴

1. Positive and negative screens:

You can use positive screens and choose prospective suppliers that qualify for independent certification of conformity with recognized social and environmental standards (see section V for examples). At a minimum, check basic facts about the social and environmental legislation and the level of enforcement in the country of production, to assess potential production risks. These include negative screens on labor and environmental practices.

2. Set clear expectations on compliance with the law:

Make it known that you expect your business partners to comply with all national laws and regulations, which may sometimes go beyond local legislation. To ease the compliance burden on suppliers, which may be small and medium-sized enterprises, a company may consider partnering with a sectoral association that has developed an industry-wide supplier code of conduct. (For more information on implementing a supplier code of conduct, refer to the GIIRS EM Resource Guide: Creating a Supplier Code of Conduct)

³ Ibid

⁴ ICC guide to responsible sourcing,

<http://www.iccwbo.org/uploadedFiles/ICC/policy/biosociety/Statements/ResponsibleSourcing%20Brochure%20final.pdf>

Evaluating Suppliers & Distributors’ Social & Environmental Practices

3. Assessment of suppliers and distributors/retailers’ practices and tracking compliance:

Carry out assessments of suppliers’ facilities and practices, by organizing onsite visits and worker interviews for local suppliers or through independent monitoring (using external consultants), where appropriate.

4. Manage stakeholder expectations and reporting:

To build customer trust, companies can collect information on supplier performance across markets, and publish it in an annual report or other publicly-available format. Reporting efforts should be used to measure performance and flag areas for improvement.

Some companies also choose to validate their first or second-party monitoring (audits conducted by the company or on behalf of a company by another organization) by third-party monitoring (conducted by independent bodies). A company’s strategy in this area will often be shaped by the way it manages its broader stakeholder relationships, for example its relations with consumers and local communities.

Supply chain impact for SMEs:

As a small business, it may be difficult to have significant influence over suppliers. Here are a few simple ways you can influence your suppliers’ social and environmental practices:

1. Talk about social and environmental practices as early as possible when you engage with suppliers;
2. Visit the suppliers’ sites when possible;
3. Keep the questions simple: focus first on qualitative questions to assess whether a supplier implements and measures social and environmental impact.

The most effective way to achieve sustained improvement over time is by developing a long-term collaborative approach between companies and their suppliers and distributors, through the involvement of local management and employees in the shaping of social and environmental performance objectives.

IV. Managing Your Distribution Impact

A company’s overall environmental impact includes emissions from transportation and distribution of products and supplies.

Here are some ways a company can reduce its distribution environmental impact:

Evaluating Suppliers & Distributors' *Social & Environmental Practices*

1. Low emissions vehicles:

Using low emissions vehicles (vehicles that emit significantly less greenhouse gases than conventional ones) can reduce a company's environmental footprint, as well as decrease dependence on fluctuating gas prices. One example is hybrid vehicles, which combine features of internal combustion engines and electric motors. They are best for stop-start driving conditions: when you brake, the energy normally lost as heat is converted into electrical energy that is stored for later use.⁵

2. Driving techniques:

Fuel efficient techniques in driving can also decrease your environmental impact. Such techniques include:⁶

- Anticipating traffic flow: with an appropriate distance between vehicles, you can optimize the options to balance speed fluctuations in traffic flow – enabling steady driving with constant speed;
- Maintaining a steady speed at low RPM (revolutions per minute), shifting gears up early (for manual transmission);
- Checking tire pressure regularly, decreasing energy required to move a vehicle and decreasing safety risk.

3. Shipping methods:⁷

- Route optimization: by assessing product transportation patterns, you can combine routes, optimize space truck loads, and increase fuel efficiency.
- Mode of transportation: air is the most expensive and carbon-intensive transportation method, followed by trucking, and then rail.

4. Packaging:⁸

Inefficient packaging increases transportation costs and waste, and also impacts warehouse and store inventory capacity. Two ways to implement “smart packaging” methods are packaging size and materials choice.

Using more efficient packaging techniques reduces costs, emissions, and material use.

Materials selection can significantly reduce your environmental impact: lighter, safer, lower impact and recyclable materials are preferable. Examples include replacing PVC (polyvinyl chloride) and other plastics with recyclable materials, using non-solvent coatings and organic inks.

⁵ <http://www.greenwheels.com.au/whatislev>

⁶ <http://www.ecodrive.org/en/what-is-ecodriving-/the-golden-rules-of-ecodriving/>

⁷ <http://www.rila.org/sustainability/sustreport/productjourney/Pages/Transportation.aspx>

⁸ <http://www.rila.org/sustainability/sustreport/productjourney/Pages/Packaging.aspx>

Evaluating Suppliers & Distributors' *Social & Environmental Practices*

V. Internationally Recognized Certifications

ISO standards:⁹

The ISO is the world largest standard developing organization. Among the more than 19,000 International Standards it has developed, the best known are those providing requirements or advice on good management practice. Here are some of these standards:

- **ISO 14001** – Environmental management: ISO 14001 can be used for certification. It gives the requirements for environmental management systems, confirms its global relevance for organizations wishing to operate in an environmentally sustainable manner.
- **ISO 50001** – Energy management: ISO 5000 can be used for certification. It establishes a framework to manage energy for industrial plants; commercial, institutional, or governmental facilities; or entire organizations.
- **ISO 26000** – Social responsibility: ISO 26000 is a voluntary standard (it is not a certification standard) that is intended to assist organizations in contributing to sustainable development.

SA 8000:¹⁰

The Social Accountability 8000 standard is a global certification standard for managing human rights in the workplace. It is based on conventions of the ILO (the International Labor Organization), the UN and national laws. The main components of the SA8000® certification focus on labor rules (no use or support of child labor, forced labor) and other elements of proper work conditions for workers (a safe and healthy workplace, freedom of association and right of collective bargaining, working hours compliant with laws and industry standards, right to living wage).

VI. Additional Resources

For more information on monitoring energy and water use, please refer to “GIIRS EM Resource Guide: Monitoring Energy Use” and “GIIRS EM Resource Guide: Monitoring Water Use.”

For additional information on the ISO certifications and standard, visit the International Organization for Standardization’s website: <http://www.iso.org>

For additional information on the SA8000 standard, visit Social Accountability International’s website: <http://www.sa-intl.org>. The accreditation process for SA8000® certification is managed by Social Accountability Accreditation Services (SAAS) (<http://www.saasaccreditation.org/>)

⁹ International Organization for Standardization, <http://www.iso.org>

¹⁰ Social Accountability International, <http://www.sa-intl.org/>