

Sustainability business insights

Supply chain



Introduction

Many businesses, including large corporate customers and national retailers, have introduced formal programmes with their suppliers to maximise sustainability throughout their value chains.

A significant proportion of a company's carbon footprint comes from its supply chain. This includes the embedded carbon in the products, materials or ingredients it uses to make end products, and in its upstream and downstream transport and distribution network.

Your business is part of a larger value chain and your key customers, including other businesses and consumers, might want to assess the sustainability of your business as well as your supply chain. Working with your suppliers to focus on sustainability and identifying low carbon products, inputs and processes, will help validate and verify your company's own full carbon footprint assessment and may also give you market advantage. This means that working with your supply chain to identify low carbon solutions and choosing ethical suppliers is one of the largest factors in determining the overall sustainability of your company. It also helps ensure that your business can be a force for good.

Embedded carbon in the supply chain

A company's full carbon footprint includes scope 1, 2 and 3 emissions.

Scope 1 and 2 emissions include the company's use of electricity and fuel onsite and through the vehicles it owns.

Scope 3 emissions include purchased goods and services, business travel and employee commuting, transport and distribution, use of sold goods, waste disposal, investment and leased assets.

Some organisations have reported that over 80% of their emissions are scope 3 (Edie, 2020).

Working with your supply chain

Here are some key points on working with your supply chain to maximise sustainability:

- **Involve your procurement and finance teams** in your sustainability drive. This is crucial because these teams must be completely aligned with your sustainability objectives and targets. Purchasing supplies must be based on a range of factors, not just lowest cost.
- **Prioritise your efforts based on impact.** If your business has several suppliers, but limited time and resource, focus first on those suppliers who have the largest impact on your carbon footprint.

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- **Supplier assessment and selection.** Check your suppliers' working practices, policies and standards. Do they have a formal environmental policy or certification, such as ISO 14001?
- **Communication.** Be open with your suppliers about your sustainability objectives and the role they can play in achieving these.
- **Collaboration.** Work with your suppliers to help them implement their own sustainability initiatives. Collaborate with them to find sustainable solutions for your materials, products and packaging. Can they develop products with lower embedded carbon, or introduce more recycled content? Can they reduce packaging or take back packaging?
- **Build long-term relations** based on this open communication and collaboration.
- **Verify sustainability claims in your key markets.** Are your suppliers' products also certified to specific standards? Or, where materials are certified as recyclable, check that these are also widely recycled in your main geographic markets.
- **Manage supply chain risks.** Identify your main raw materials or inputs. Are there any hazardous materials? Are there any issues in their manufacture? What are the issues with end of life disposal? Are there any impacts on biodiversity? How does your supplier source these raw materials? What are the risks of interruption of supply, for example severe weather events or climate change impacts with agricultural products?

Supplier and materials choices

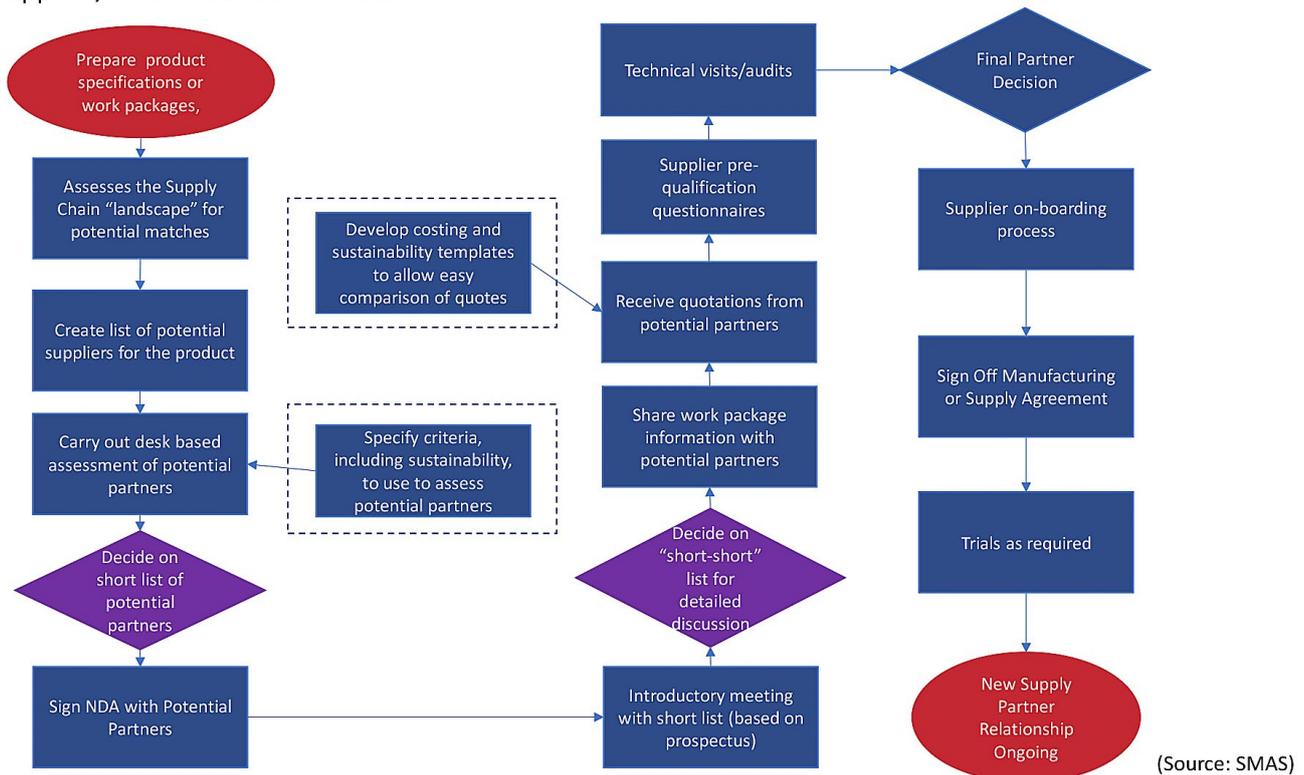
Some key considerations in choosing suppliers and inputs:

Key materials/ products used	How dependent are you on products such as plastics, metal, paper, chemicals and agricultural products?
Key issues in production of these materials	For example, energy or water intensive; embedded carbon; pollution; resource depletion; biodiversity impacts; transport and distribution; sensitivity to climate change.
Alternatives available	Less carbon-intensive; reusable; product-as-service. Could you develop alternatives with suppliers?
Key issues for you to manage in use	Energy/resource requirements; maintenance; packaging; special handling or training; health and safety; special storage conditions; packaging
Key end of life/ disposal issues	For example, widely recycled; reusable; biodegradable/compostable; supplier take back; hazardous; special handling and storage.
Ethical issues	Suppliers' employment conditions; use of child labour; health & safety
Certification/ validation	Examples: ISO 14001, 9001, 50001, 14046; Fair Trade; Certified B Corp; Scottish Business Pledge

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When choosing new suppliers, a systematic selection process is advised. The selection process should build in sustainability and ethical requirements as well as technical requirements as relevant. When assessing costs, make sure you consider Total Acquisition Costs, including transport, handling, storage and end of life disposal costs, and other factors as relevant. A process flow for new supplier selection is outlined below.

Supplier / Partner Selection Process



Collaborating with suppliers

Your suppliers can be the key to identifying low carbon solutions for the products and services your business provides. Having selected a new supplier, or in working with existing suppliers, building ongoing collaborative relationships can have many benefits. Some of the key principles for partnership and collaboration include:

- Trust, openness and regular two-way feedback between your business and your suppliers
- Strategic alignment: sharing goals on sustainability; joint planning, and setting out targets together can have mutual benefits, including quality management, product innovation, and improved environmental impact

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- Incentivising: some businesses reward suppliers for good performance which will encourage further collaboration and improvements and your business may wish to contract with suppliers based on performance
- Paying a fair price for supplies, sharing in value will also incentivise ongoing collaboration
- Don't think solely of cost, think of value



If you are interested in finding out more about the topic of this guide or any other aspect of making your business more sustainable please contact the Scottish Enterprise Sustainability team by emailing sustainability.specialists@scotent.co.uk.