



Skills for Sustainability



Manufacturing Skills Australia

## Managing the supply chain

### What is this all about?

Traditionally businesses maintain a strong focus on factors that have a clear and direct effect on their economic performance, predominantly looking at financial measures such as costs, sales and profit margins.

Many enterprises are moving towards sustainability by taking a broader view of their performance including their relationship to the environment and the community. This is not just for the ‘feel good’ factor. It enables them to fully assess the potential and actual impact to their business – both costs and benefits – from their interactions with the local and broader community and with the physical environment.

These concepts are embedded in terms like the triple bottom line, people-planet-profit and social, economic and environmental sustainability.

### What’s it got to do with the supply chain?

Managing your supply chain can have a significant impact on social, environmental and economic sustainability. Your overall sustainability performance will be affected by the materials, resources and services that contribute to running your business. Improving your energy efficiency or using energy and materials from renewable sources will improve your carbon footprint. Employing contractors with a record of accidents or exploiting their workers can be a risk to your reputation and may result in legal liability issues.

**Managing the supply chain will be influenced by your approach to:**

- setting criteria for selecting contractors and suppliers
- sourcing local materials/suppliers
- identifying fair trade options and sources of renewable energy and materials
- assessing life cycle impact and full cost of your products

### What can I do?

Your approach will depend on factors such as the size of your business, your immediate needs and long term goals. It will also depend on the nature and size of the supplier market choice, their commitment to sustainability and the availability of information about their activities.

#### Making the decisions

Improving sustainability through the supply chain focuses on including sustainability criteria in selection of suppliers and services. Procurement guidelines, standard selection criteria and standard clauses in contracts can help to ensure that sustainability is taken into account in the supply chain.

**The decision making process may include reviewing and verifying information from prospective suppliers and contractors about their:**

- levels of embedded carbon and how it is calculated and substantiated
- accountability and reporting for example their sustainability reports, environmental impact assessments, community impact assessments, financial reports, annual reports
- record of complaints, insurance claims or litigation in terms of exploitation of workers, environmental incidents and occupational health and safety
- use of renewable energy and materials
- arrangements for product stewardship, recycling, remanufacture.

