

Sustainable Supply Chain Management
GUIDE FOR PROCUREMENT LEADERS



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EXECUTIVE SUMMARY

The supply chain has become increasingly integral to the corporate responsibility and sustainability practices of an organization as a whole. Similarly, the role of procurement as a key lever for sustainable supply chain management, engagement and transformation is growing.

This publication provides a new approach to help the World Business Council for Sustainable Development (WBCSD) Cement Sustainability Initiative (CSI) companies manage their supply chains in a sustainable way as they face challenges and criticalities. This Guide has been created in response to the increasing awareness of the roadblocks that companies face in dealing with suppliers. Beyond sustainability, the objective is to preserve companies' reputations, avoid supply disruption and foster business innovation.

The audience for this Guide is:

- Company procurement leaders— to provide guidance to their team in order to manage suppliers in a sustainable and proactive way.
- Anyone in the company acting as a procurement leader and dealing with suppliers.

The Guide offers a robust approach to a subject that, due to the variety of stakeholders and their expectations, has a pressing need for guidance and assistance.

This CSI Guide aims to enable the global business community to create a sustainable future for business, society and the environment. The level of engagement with staff (meaning managers and their teams) is crucial to the success of sustainable supply chain management. The idea is to facilitate the adoption of sustainability principles throughout the supply chain. The transparent exchange of information and shared commitments is primordial in achieving this.

This Guide has been developed in line with the Ten Principles of the United Nations Global Compact and is related to human and labor rights, the environment and anti-corruption issues.

This Guide does not aim to set a new standard for sustainability in the supply chain. Instead, it gives guidance on the application to the cement sector of standards that have been developed by other international organizations.

INTRODUCTION

Sustainable supply chain management means managing and minimizing the negative economic, social and environmental impacts associated with the sourcing of goods and services while maximizing the positive effects in terms of efficiency, performance, environmental protection, the reduction of injuries, and the reduction of the risk of exposure to non-ethical behavior. Sustainable supply chain management represents a win-win solution because companies and their suppliers enter a continuous improvement process.

Sustainable supply chain management requires the integration of three main approaches: risk management, efficiency management and, at a later stage, business innovation. All three work in unison, with risk control serving as the foundation, thereby placing efficiency improvement as the ultimate goal while

allowing business innovation to provide the direction.

Visible leadership at the supplier and contractor level is crucial to properly positioning any issue related to sustainable development in sub-supply chain management and to achieving ambitious targets and objectives. No management approach can be implemented without visible leadership and accountability— they are the necessary foundation to achieve any lasting result.

Figure 1 provides a view of the wall structure necessary to properly manage sustainability in the supply chain as proposed in this Guide.

Individual bricks are described in the following chapters.



Figure 1: Wall structure

*Within relevant competition laws

VISIBLE LEADERSHIP AND ACCOUNTABILITY, COLLABORATIVE APPROACH

The implementation of visible leadership is required to properly position any issue related to sustainable supply chain management. Therefore, visible leadership is crucial at both company and supplier levels.

Sustainability involves a deep culture change that can only be achieved with the strong support of top management so that sustainability principles are embedded in the organization's daily operations. See [Annex 4](#) for guidelines on how to implement visible leadership.

Along with leadership, accountability is needed. Accountability means being held answerable for the accomplishment of a goal or assignment.

Within the framework of sustainable supply chain management, it is strongly recommended that CSI member company managers be able to:



Engage suppliers in **setting** clear, challenging yet achievable **goals and objectives**, and set conditions to accomplish them.



Encourage suppliers to ensure that their workers receive **appropriate training** in order to perform their job to the best of their ability.



Monitor progress towards goals and provide feedback that includes credible, useful performance measures.



Recognize suppliers for good performance.

The ambition of engaging suppliers is to move from legal compliance to proactive continuous improvement of performance. Ultimately, this will have positive sustainability and economic impacts for all stakeholders involved.

Finally, the three leverages to effectively demonstrate leadership and accountability are:

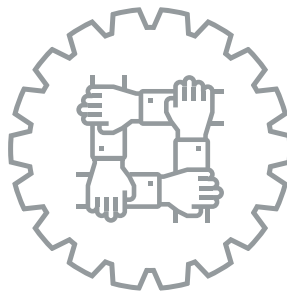


Traceability and transparency

Ensuring that the components of materials and sourcing relationships are clearly understood and that risks in the supply chain have been identified.

Measuring the impact

Developing tools and approaches to measure supply chain sustainability performance over time.



Engagement and collaboration

Working with suppliers and stakeholders collaboratively to embed sustainable sourcing practices.

Why is a collaborative approach necessary?

One effective way to increase and enhance a sector's real and positive impact is through the use of a collaborative approach because it:

- Brings efficiency in the effort to advocate and measure sustainability compliance in the supply chain for companies and suppliers (for example, a supplier / contractor qualified at sector level can be considered qualified for all companies within the sector). Furthermore, sharing results within participating CSI companies avoids multiple audits¹.
- Can have a real impact on society by developing broad projects that could mobilize an entire sector and help mitigate risks and improve competitiveness.
- Will allow the cement sector to speak with a common voice, notably through the development of common tools for evaluation, standardized supplier assessment, and verification of the respective compliance against a set of principles or a code of conduct.
- Helps establish partnerships with suppliers to maximize profit (pre-qualification, training, use of self-assessment tools, etc.) and ensure business continuity.
- Induces changes more quickly and has a positive impact on the external environment when fostering the adoption of sustainability practices, such as in the context of the WBCSD's Action 2020 initiative.
- Increases reliability and trust and proactively anticipates the expectations of CSI company customers.

There are many examples of collaborative approaches in other sectors. Please refer to [Annex 5](#) for more details.

Additional information is available at <http://www.wbcd.org/Overview/About-us/Action2020>

1. Within applicable anti-trust laws.

Part 1

Why?

The supply chain is becoming increasingly global and interconnected. Acting in a sustainable and responsible way throughout the entire value chain is pivotal to the way the cement sector is positioned and the way individual companies and suppliers conduct their own business.

Why are we addressing sustainability in the supply chain?

Companies and suppliers should develop and adopt supply chain sustainability strategies in order to:



1. **Lower business risks** upstream and downstream (for example, regulatory, reputational, hours of labor, human rights, security and quality of supply and litigation risks, risk premiums, economic risks, environmental risks, climate change, natural disasters, supply of materials that do not meet minimum environmental requirements, goodwill, etc.) that may provoke the disruption of both the supply chain and company / brand reputation.



2. **Enhance image and corporate reputation for the cement sector and its customers in the marketplace** (for example, brand, image, reputation, talent attraction and retention, satisfied and loyal customers, revenue growth, market share, profit and cash flow).



3. **Generate cost savings and efficiencies** in the long run (by focusing on total life-cycle costs when sourcing goods and services rather than simply the price itself).



4. **Seek new business opportunities** to integrate supply chains, share common platforms, mobilize and develop suppliers, contribute to improving customer relations, deploy sustainability best practices, develop partnerships (for example, governments, non-governmental organizations (NGOs), academia, etc.), engage other cross-sector initiatives and enhance positive impacts by influencing the behavior of others.



5. **Be compliant with and address legal and regulatory requirements and anticipate future regulations and legislation related to sustainability.**



6. **Adapt to changes in the market.**



7. **Drive innovation** (in terms of the development of new, quality products and services that are more sustainable and socially responsible).

Part 2

What?

Providing an industry framework for sustainable supply chain (SSC) management



1. Occupational health and safety, and security

a. Occupational health and safety

Suppliers shall provide a safe and healthy workplace for their employees and contractors. Suppliers must be compliant with local and national laws and regulations on occupational health and safety and have the required permits, licenses and permissions granted by local and national authorities. Suppliers must have documented health and safety policies and/or procedures in place together with appropriate safety infrastructure and equipment. Suppliers identified as being moderate to high risk for occupational health and safety violations shall take action and bring proof of continuous improvement towards implementing and applying a recognized occupational health and safety management system. When on company sites, suppliers must comply fully with applicable company policies and directives.

The following Principles have been identified as material in promoting and implementing sustainable supply chain management in the cement sector.

The Principles are based on relevant [International Labour Organization \(ILO\)](#) conventions and the Ten Principles of the United Nations Global Compact ([Annex 2](#)), with the ambition of raising the level of supplier and company performance (economic, social and environment).

Any supplier code of conduct should cover these Principles.

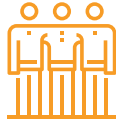
b. Security

Suppliers shall ensure that all necessary security arrangements are in place to protect their employees, contractors performing work at their sites, as well as the suppliers' own assets, especially in areas of conflict. In particular, suppliers are expected to have an actionable crisis management policy in place aimed at responding to emergencies in a timely and efficient manner.



2. Working conditions

Suppliers shall uphold fair and decent working conditions. Workers shall be paid at least the minimum wage stipulated by national law and benefit from social security schemes according to national legal standards. Should there be no by national law and benefit from social security schemes according to national legal standards. Should there be no legal minimum wage in the country of operation, fair and decent conditions imply suppliers shall pay their workers taking into consideration the general level of wages in the country, the cost of living, social security benefits, and the relative living standards.



3. **Freedom of association and non-retaliation**

Suppliers shall not interfere with workers' freedom of association. Employee representatives shall not be subject to discrimination or termination of contract in retaliation for exercising employee rights, submitting grievances, participating in union activities, or reporting suspected legal violations.



4. **Forced labor**

Suppliers shall not use any work that is performed under threat of penalty, including forced overtime, human trafficking, debt bondage, forced prison labor, slavery or servitude. Suppliers shall not withhold migrant workers' identification documents.



5. **Child labor**

Suppliers shall not employ children at an age where education is still compulsory. Children under the age of 18 or below the legal minimum age, if higher, shall not be employed.



6. **Non-discrimination**

Employment-related decisions shall be based on relevant and objective criteria. Suppliers shall make no distinction

on grounds including, but not limited to, age, disability, gender, sexual orientation, political or other opinion, ethnic or social origin, or religion. Employment-related decisions include, but are not limited to, hiring, promotion, lay-off and relocation of workers, training and skills development, health and safety, or any policy related to working conditions such as working hours and remuneration.



7. **Environmental regulatory compliance**

Suppliers shall respect and comply with environmental regulatory requirements at all levels (local, national and international). In all their activities, they shall be covered by required environmental permits and licenses, and support a precautionary approach to environmental challenges.



8. **Management of environmental impacts**

Suppliers shall systematically manage their environmental impacts with respect to, but not limited to, energy, materials and climate change-related issues, water, waste, chemicals, air pollution and biodiversity, and set objectives and targets to reduce such impacts. Suppliers identified as having a high environmental impact shall take action and demonstrate proof of continuous improvement towards implementing and applying a recognized environmental management system.



9. Bribery and corruption – anti-money laundering

Suppliers shall comply with all applicable anti-corruption laws and regulations and, to this effect, have a zero tolerance policy towards any form of bribery, corruption, extortion and embezzlement. In particular, suppliers shall not pay bribes or make any other inducement (including kickbacks, facilitation payments, excessive gifts and hospitality, grants or donations) in relation to their business dealings with customers and public officials. Suppliers are expected to perform all business dealings transparently and these dealings shall be accurately reflected on their business books and records. Where required based on a reasonable risk assessment, suppliers are expected to perform the know-your-customer checks required under applicable anti-money laundering legislation. Suppliers shall not hire third parties to do something they are not allowed to do themselves.

Suppliers shall not use bribery and corruption in conducting business. Suppliers shall not offer or provide, either directly or indirectly, or request, agree to receive or accept any undue pecuniary or other advantage for the purpose of obtaining, retaining, directing or securing any commercial, contractual, regulatory or personal advantage. This includes any financial or other advantage given or requested for the improper performance of a public function or business activity.



10. Transparency and integrity

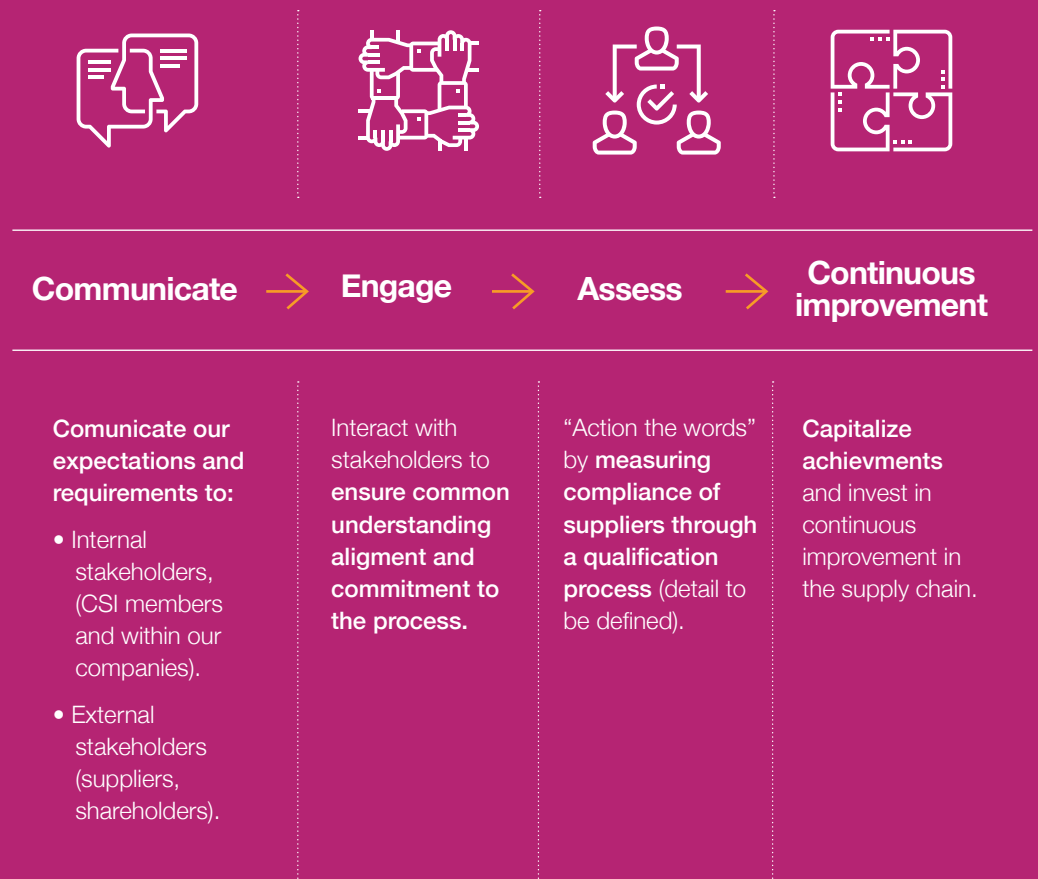
Suppliers are expected to provide relevant information and documentation on the above issues upon request, safeguarding integrity as well as a relationship of mutual trust. While this does not include any commercially sensitive information, all information that suppliers may provide to demonstrate commitment to the sustainable supply chain principles will be treated discretely and with confidentiality, so as to enhance opportunities for further improvements on all fronts.

Part 3

How?

Translating the principles into actions

The figure below shows the process to embed sustainable development principles in the supply chain.



Using the wall structure in [Figure 1](#), the following four steps are recommended to achieve the effective management of supply chain activities.



1. Supplier engagement

- Engage with CSI members in order to share sustainability practices in the supply chain worldwide, covering ethical and sustainability requirements based on the [UN Global Compact's Ten Principles](#) in addition to financial and technical aspects.
- Endorse sector material principles (see [Part 2: What?](#)).
- Embrace a partnership approach when appropriate.



2. Qualification process

- Suppliers should be prepared to provide evidence of compliance with the CSI's minimum requirements. A self-assessment should be used to identify areas of improvement. A harmonized qualification system will be developed and communicated.
- When a supplier does not meet CSI requirements, corrective action plans are to be established within a specified timeframe (depending on the severity of the issue) and progress monitored. CSI members may terminate the relationship with a supplier that repeatedly and knowingly violates the principles in this Guide and refuses to implement improvement plans. Business decisions are made independently by each CSI company without any consensus or sharing of information within the sector.



3. Management and control

- Accept and respect possible contract clauses covering material principles for the cement sector (see [Part 2: What?](#)).
- Carry out regular risk assessments for all activities to be performed.
- Ensure that all direct workers involved are adequately trained and informed to perform the job under the best conditions in terms of safety and efficiency.
- Follow all CSI member site safety and conduct rules.



4. Training activities

- Actively participate in CSI members' training and capacity building activities related to labor and human rights, environmental protection and anti-corruption issues.

RECOMMENDATIONS

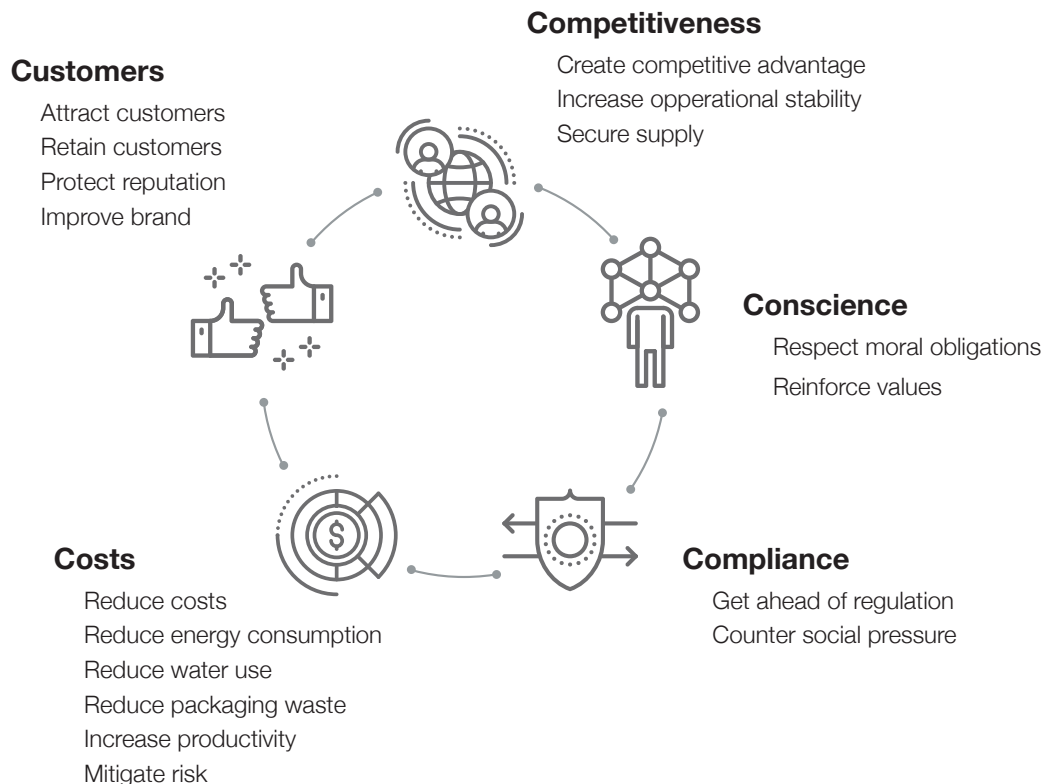
For dealing with global suppliers

- Prioritize critical suppliers (based on [Annex 3](#))
- Share commitment and endorsement
- Set clear priorities and targets
- Engage with suppliers
- Ensure there is a monitoring system in place
- Encourage competition

For dealing with selected local suppliers

- Prioritize critical suppliers
- Share commitment and endorsement
- Set clear priorities and targets
- Foresee training / education for local procurement teams
- Develop training / education for suppliers' workforces
- Engage with suppliers, especially small and medium-sized suppliers
- Ensure there is a monitoring system in place
- Encourage competition
- Track and follow up on progress

... and reap the benefits



GLOSSARY AND DEFINITIONS

Global suppliers: Suppliers are considered global when they provide goods or services around different geographic areas. Most global suppliers work with local suppliers to perform the job, creating a multiple-tier supply chain.

Local suppliers: There is no one appropriate definition for “local” in this context, but for the purpose of this Guide, the expression means based within easy reach of the buyer.

License to operate: Granting of permission to undertake a trade or carry out a business activity, subject to regulation or supervision by the licensing authority. Licenses are granted by state or federal agencies as well as by private concerns, for example when a business authorizes another to use its name as a franchise operator. Licenses granted by a government authority imply professional competence and the ability to meet certain standards set by law or regulation.

Materiality: Material issues threaten a company's ability to operate its business model and execute its strategy (definition according to the WBCSD).

Sphere of influence: A concept which helps companies and suppliers map opportunities to promote sustainable development. While these opportunities may be the greatest in a company's and a supplier's own activities and for their business partners, the ability to act gradually declines as consideration moves outward to communities and beyond.

Stakeholders: All the individuals and groups who see themselves as potentially affected by, or who may affect, the group's operations at local, national or international scale.

Sustainable supply chain: The management of environmental, social and economic impacts and the encouragement of good governance practices throughout the life cycles of goods and services.

United Nations Global Compact (UNGC): The world's leading voluntary corporate citizenship initiative. Companies and organizations participating in the UNGC are asked to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.

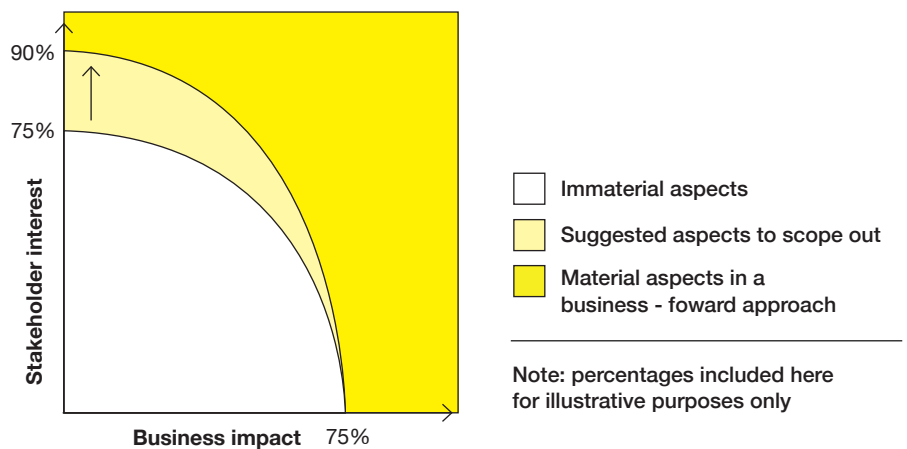
www.unglobalcompact.org

ANNEX 1: MATERIALITY

Materiality is a major sustainability trend. It is about being more concise and tightening the focus on what is important to the business and to stakeholders. By clearly identifying material issues, companies and big suppliers better understand what could positively or negatively influence their own and their suppliers' capacity to deliver on strategy and serve stakeholders. Therefore, material issues threaten the ability to operate business models and execute

strategies for companies and their main suppliers and contractors.

A materiality assessment helps to focus on the most important topics using standardized and aligned metrics that clearly describe the objectives and the performance to stakeholders. The figure below provides an example structure for business-forward materiality (source: the WBCSD's 2014 publication *Journey to Materiality*).



Suppliers are considered as material to a company when they have a key role in:

- Contributing to the company's economic, social and environmental performance in the short, medium and long term.
- Providing information to the company on its management approach and performance.
- Impacting both the global and local geographic scope of a company.

Additional information is available at www.wbcsd.org

ANNEX 2: THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT



The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.



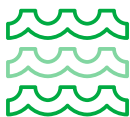
Human rights

1. Business should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.



Labor

3. Businesses should uphold the freedom of association and the effective recognition of the right collective bargaining;
4. The elimination of all forms of forced and compulsory labor;
5. The effective abolition of child labor; and
6. The elimination of discrimination in respect of employment and occupation.



Environment

7. Businesses should support a precautionary approach to environmental changes;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.



Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Additional information is available at www.unglobalcompact.org

ANNEX 3: CATEGORIES OF SUPPLIERS

(Reference table)

Category	Local suppliers	Global suppliers	Aspect			
			Safety	Social	Environmental	Bribery corruption
			H (high impact), M (medium impact), L (low impact)			
Raw materials	✓	✓	H	H	H	H
Fuels (environment, political issues, risk of disruption)	✓	✓	M	H	H	H
Energy	✓	✓			H	
Alternative fuels <ul style="list-style-type: none"> • Biomass: where it comes from, labor issues (e.g. child labor) • Waste: occupational health & safety (OH&S), environment, reputation 	✓		H	H	H	H
Cementitious material providers (labor issues, allocation issues, supply fluctuation) <ul style="list-style-type: none"> • Waste: OH&S, environment, reputation 	✓				H	
Quarrying services	✓		H	H	H	H
Transport services (noise, OH&S, harassment)	✓		H	H	H	H
Maintenance and installation (labor issues, quality, OH&S, environment)	✓	✓	H	H	M	
Cleaning services / facility management	✓			H	M	
Packaging materials		✓			H	H

ANNEX 4: HOW TO IMPLEMENT A SUSTAINABLE CULTURE IN SUPPLY CHAIN MANAGEMENT

Different levels of action are needed to implement visible leadership. In particular, the following totems, rituals, taboos and status are used in everyday supply chain management and help suppliers demonstrate their active commitment

to move from business as usual to sustainable business. They also help suppliers to better manage and engage their own supply chains (meaning a sub-contracted workforce).

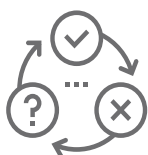
Totems, rituals, taboos and status are described as follows:



Totems

Any external sign, object or attitude which represents the culture it belongs to (e.g. a shared culture of sustainable supply chain management in this case).

For example: sustainable supply chain policies and commitments, use of personal protective equipment, respect of company site rules.



Rituals

Actions regularly repeated (at a fixed date or interval) proving compliance through habits with “temporal rallying points” that are characteristic of a culture.

For example: monthly sub-contracted workforce meeting / engagement.



Taboos

Unacceptable behaviors and / or situations demonstrating non-respect of fundamental principles and potentially resulting in disciplinary actions.

For example: working conditions not in line with principles material for the cement sector. (see [Part 2: What?](#))



Status

Acknowledgment of an individual contribution to sustainable supply chain management culture and performance.

For example: distinction of a team / person for sustainable supply chain achievements.

ANNEX 5: EXISTING APPROACHES SUPPORTING SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Many CSI members and other companies in different sectors are already developing their own systems and initiatives and / or adhering to existing platforms.

Some examples are:

- **BSCI (Business Social Compliance Initiative)** is a non-profit initiative that promotes sustainability in the supply chain. The participants are mainly producers and distributors in the “non-food” industry, but membership is open to any company.
<http://www.bsci-intl.org/>
- **Bettercoal** is a not-for-profit initiative established by a group of major utilities to promote the continuous improvement of corporate responsibility in the coal supply chain, with a specific focus on the mines themselves.
<http://bettercoal.org/>
- **Electronic Industry Citizenship Coalition (EICC)** has developed a code of conduct for accountability in the supply chain in the electronics sector. EICC also provides auditing and reporting tools.
<http://www.eiccoalition.org/>
- **Ethical Trading Initiative (ETI)** is an alliance of companies, trade unions and NGOs that are committed to working together in order to identify and promote good practices, including the introduction of a code, follow-up actions and audits.
<http://www.ethicaltrade.org/>
- **Fair Labor Association (FLA)** aims to improve working conditions in factories worldwide. The affiliated companies sign the code and the group has established monitoring, training and control procedures.
<http://www.fairlabor.org/>
- **Fair Wear Foundation (FWF)** has a code of conduct for the clothing industry. FWF is also responsible for controls.
<http://www.fairwear.org/>
- **Forest Stewardship Council (FSC)** is a brand for responsible forestry management, similar to PEFC (see below). Suppliers of wood and paper products can join the campaign.
<https://ic.fsc.org/en>
- **Global Social Compliance Programme (GSCP)** stimulates the exchange of good practices in order to deliver a global and common continuous improvement approach with regard to working conditions and the environment.
<http://www.theconsumergoodsforum.com/gscp-home>
- **Marine Stewardship Council (MSC)** is a certification standard for fisheries.
<https://www.msc.org/>
- **Mineral Products Association (MPA) National Contractor Database** provides critical data on sector performance to MPA. Suppliers join the database and qualify for the clients they work with / aspire to work with.
<http://www.picsauditing.com/>
- **Programme for the Endorsement of Forest Certification (PEFC)** is a brand for responsible forestry management, similar to FSC (see above). Suppliers of wood and paper products can join the campaign.
<http://www.pefc.org/>
- **Sedex** is a non-profit organization aiming to promote responsible and ethical improvements to existing practices within supply chains. This collaborative platform enables the sharing of data in four main areas: labor standards, health and safety, the environment, and business ethics.
<http://www.sedexglobal.com/>
- **Together for Sustainability** was founded by six multinational chemical companies. Its purpose is to develop and implement a global audit program to assess and improve sustainability practices within the supply chains of the chemical industry.
<http://www.tfs-initiative.com/>



About the Cement Sustainability Initiative (CSI)

The Cement Sustainability Initiative is a global effort by 24 leading cement producers, with operations in more than 100 countries. Collectively these companies account for around 30% of the world's cement production and range in size from very large multinationals to smaller local producers. All CSI members have integrated sustainable development into their business strategy and operations, as they seek strong financial performance with an equally strong commitment to social and environmental responsibility. The CSI is an initiative of the World Business Council for Sustainable Development (WBCSD).

www.wbcscement.org

About the World Business Council for Sustainable Development (WBCSD)

WBCSD is a global, CEO-led organization of over 200 leading businesses and partners working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability: united by our vision of a world where more than 9 billion people are all living well and within the boundaries of our planet, by 2050.

www.wbcscd.org

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