

Sustainable Supply Chain Management
GUIDE FOR SUPPLIERS



CONTENTS

- 02 Executive summary
- 03 Introduction
- 04 Visible leadership and accountability, collaborative approach
- 07 Part 1: Why?
- 08 Part 2: What?
- 11 Part 3: How?
- 12 Glossary and definitions
- 13 Annex 1: The ten principles of the UN Global Compact
- 14 Annex 2: How to implement a sustainable culture
in supply chain management

EXECUTIVE SUMMARY

The supply chain has become increasingly integral to the corporate responsibility and sustainability practices of companies seeking to engage in long-term relationships with suppliers committed to sustainable development. Therefore, the importance of procurement practices as key levers for sustainable supply chain management, engagement and transformation is gaining relevance.

This Guide provides a new approach to help suppliers dealing with Cement Sustainability Initiative (CSI) companies manage business and relationships in a sustainable way, pulling through challenges and criticalities and avoiding potential pitfalls. Particularly, CSI members have established minimum requirements for suppliers in the cement sector and developed a common supplier engagement program to assess suppliers and improve sustainability practices in the supply chain. Beyond sustainability, the objective is to preserve company reputations and avoid supply disruptions.

The audience for this Guide is:

- Suppliers dealing with CSI companies.
- Suppliers aiming to manage their own sub-supply chain in the same sustainable and proactive way.

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

It aims to enable the global business community to create a sustainable future for business, society and the environment. The idea is to facilitate the adoption of sustainability principles throughout the supply chain. In order to achieve this, the transparent exchange of information and shared commitments are key.

This Guide has been developed in line with the Ten Principles of the United Nations Global Compact (see [Annex 1](#)) related to human and labor rights, the environment and anti-corruption issues. It applies to all CSI members' suppliers and it is communicated to potential and existing suppliers.

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

INTRODUCTION

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

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.

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

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 company and supplier levels.

Sustainability involves deep culture change, which can only be achieved with the strong support of top management so that sustainability principles are embedded in the daily operations of the organization. See [Annex 2](#) 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:



Carry out **risk assessment** considering impacts on suppliers' supply chains



Ensure that all workers involved **are aware** and **follow** CSI companies' **production site rules**



Ensure **appropriate training** for the workforce of all suppliers involved



Monitor progress towards goals and provide evidence of continuous improvement

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.

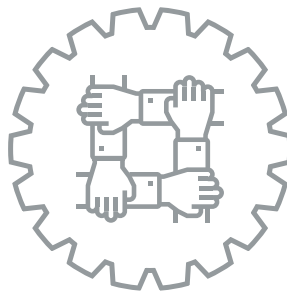
Measuring the impact

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.

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

1. Within applicable anti-trust laws.

Part 1

Why?

Why are we addressing sustainability in the supply chain?

In addition to the intrinsic benefits of sustainable supply chains, the three key drivers for the cement industry as outlined below are:



1. Risk

A healthy and sustainable supply chain decreases risk in terms of regulatory compliance, reputational impacts and associated supply chain disruption.



2. Efficiency

Driving sustainability in the supply chain can generate cost savings and efficiencies in the medium to long run (for example, by focusing on total life-cycle costs when sourcing goods and services rather than simply current price and by using resources more efficiently).



3. Business innovation

Sustainability can drive innovation (for example, the development of new products and services that are more sustainable and socially responsible) and brings added value to local economies, inspiring respect for international norms and practices while encouraging long-term collaboration.

Part 2

What?

Minimum requirements expected for suppliers in the cement sector

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

They are based on relevant International Labour Organization (ILO) conventions and the Ten Principles of the United Nations Global Compact ([Annex 1](#)),

Suppliers and their sub-supply chain shall follow and respect these principles in day-to-day operations and relationships with CSI companies.



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.

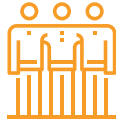
b. Security

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 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

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.

GLOSSARY AND DEFINITIONS

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.

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.

Supplier: A person or organization providing goods or services.

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: 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.



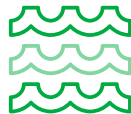
Human rights

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.



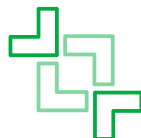
Labor

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 2: 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).

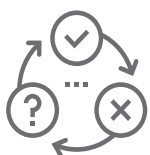
Totems, rituals, taboos and status are described as follows:



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.



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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