Criteria for Evaluating the Supply Chain

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Significance of Supply Chain Evaluation

- Company/products only as good as their components
- Final manufacturer often not fully aware of footprint
  - Limited information from supplier
    - Often proprietary: need separate NDA with supplier
  - Too many sources to keep track of
- Necessary to evaluate product and corporate environmental/social performance
- Focus on first-tier suppliers with allowance for highest priority at any level
Value of Criteria from Standard

- Provide systematic, objective, defined criteria
- Can represent leadership in the marketplace (if from a sustainability standard)
- Incorporate stakeholder input and review
- Suppliers, OEMs can use as benchmark or to get certified
Source: GS-C1 for Product Manufacturers

- GS Standard developed 2008-9 for company certification
  - Stakeholder comment in 2010
  - Now in pilot phase
- Supply chain a key evaluator of green company
  - Entire section (3.3) in standard focuses on supply chain management
    - Emphasis on first tier with identification of highest-priority suppliers
  - Other standard criteria on social/environmental policy and performance, life-cycle impacts, and product certification
Key Criteria for Suppliers in GS-C1

- First-Tier Supplier Code of Conduct and Compliance
  - Have in place Code covering:
    - fair labor practices and workplace conditions
    - governance and transparency
    - social and environmental performance and reporting
    - bribery and corruption
    - sub-supplier management
    - legal compliance
  - Manage all first-tier suppliers to Code
    - Document origin of 100% materials/components
    - Ensure new suppliers meet Code
    - Monitor suppliers and resolve issues

Greening the Supply Chain – Session 2
Evaluating the Value Chain

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October 31, 2011
Key Criteria for Suppliers in GS-C1

- Identify Highest-Priority Suppliers and Sub-Suppliers
  - From first, second, or higher tier if needed
  - Based on purchase volume and social/environmental impact
  - Highest-volume suppliers: raw materials, processes, products have significant social/environmental impacts
  - Lower-volume suppliers with especially significant impacts or visibility
Key Criteria for Suppliers in GS-C1

- Management Plan for Highest-Priority Suppliers and Sub-Suppliers
  - Develop, implement plan to reduce social/environmental impacts in priority order
    - Measurable goals, benchmarks, schedules, reports, monitoring
    - Assist highest-priority suppliers in substantially reducing impacts
    - Implement lower-impact sourcing where progress insufficient
Key Criteria for Suppliers in GS-C1

- Documentation of Supply Decisions
  - To ensure Code of Conduct and action plan for highest-priority suppliers incorporated in all supply decisions
  - First-tier suppliers must document compliance with Code
  - Highest-priority suppliers must document compliance with action plan
  - Senior company officer responsible for compliance
  - All purchasers responsible for Code and action plan
  - Annual, public report on supplier management performance
Conclusions

- Supply chain too important to leave to chance
- Standard criteria can help guide greening and evaluation of supply chain
- GS-C1 provides an approach
  - Based on first-tier and highest-priority suppliers
  - Requires clear requirements, management, improvement, documentation
- Use for improving or evaluating supply chain in your field

Thank You!