

Sustainability as a Strategic Business Imperative

For more than a decade, the word “sustainability” has been gaining traction in the world of procurement. Sustainability as a supply chain consideration is no longer an option; it is a must for strategic operational effectiveness in the supplier selection. Over the years, many terms have been used to describe supply chain sustainability, including green procurement, sustainability, ethical sourcing, and corporate social responsibility.

Sustainability has also become embedded in the sourcing selection process in many procurement organizations, moving beyond being a just another word to be defined. And sustainability can be an important, impactful function within supply chain operations if managed effectively, considered appropriately, and measured in a way that has meaning. How sustainability should be measured has been written about, debated, discussed, and questioned.

Citigroup's (Citi) sustainability efforts fall within the following areas: Environmental Finance, Environmental and Social Risk, Operations, and Supply Chain. In 2010, Citi adopted the Statement of Supplier Principles, which encourages suppliers to promote social responsibility, ethical business practices, human rights in the workplace, and environmental sustainability as part of their standard business processes. Sustainability is a function of procurement and consistent with supplier diversity, and must tie to overall procurement practices. Sustainability is now considered when evaluating suppliers as a relevant factor in their global practices.

For all intents and purposes, supply chain sustainability is not a matter of “greening” the supply chain. Rather, it is a process that supports a clear evaluation of suppliers within the supply chain, examines the practices and products used by suppliers in support of the corporation, and identifies and measures their impact on the environment, human rights, diversity, and labor law. A supplier that has a sustainable business and business model has moved beyond considering cost savings, scale, and scope as the most important factors to selection. For Citi, a sustainable supplier must also be willing to implement practices that improve the social and environmental impact of its operations.

Over the years, Citi developed a questionnaire about human rights, safety, environmental responsibility, and diversity, and that questionnaire evolved into what is now called the Corporate Responsibility Questionnaire (CRQ). The CRQ, in conjunction with the Statement of Supplier Principles, encourages consistent evaluation of supply chain practices of Citi suppliers with respect to environment, governance, and diversity.

Sustainability (as a function of Citi Procurement Services and similar to supplier diversity) is a process that requires increased awareness and understanding not just by diverse suppliers, but by all suppliers because of its growing importance in the supplier selection process.

The suppliers we value ensure that (1) procurement objectives are met, (2) the products and services provided benefit communities; and (3) the products are not harmful to the environment. We also want to do

business with suppliers who apply the Citi Statement of Supplier Principles whenever applicable; develop policies and procedures needed to comply with all applicable

Sustainable Supplier Practice Guidelines

Suppliers can prepare to do business with corporations who value sustainability as part of their corporate culture by taking the following steps to enhance their sustainable supply chain practices:

- Adopt applicable codes or statements of best practices in the areas of ethical, social, and environmental responsibility;
- Understand that capacity has a meaning beyond size, scale, scope, and price;
- Anticipate, meet, and support customers' sustainability requirements;
- Respond with a greater sense of readiness to corporate scorecards and sustainability requirements;
- Incorporate sustainability into day-to-day business practices;
- Expect reporting requirements as part of the bid process;
- Know what sustainability concerns exist within the company's category or commodity; and
- Comply with principles or policies that support supply chain sustainability practices.

state, federal, and international requirements regarding sustainability; and accept feedback and take action where necessary to improve.

As suppliers continue the evolution of optimizing supply chain performance and effectiveness, the need to understand a firm's commitment to supply chain sustainability remains a constant. Suppliers must understand the global impact of their products and/or services to the environment, contemplate human rights and labor law considerations globally, and have clarity around

the role of diversity in supply chain operations. At the end of the day, the supplier who is able to maintain or secure a position as a supplier will be the one who can effectively manage the potential risks associated with environmental, social, and governance concerns.

As a supplier, you should know the sustainability concerns that exist within your category or commodity. In addition, you should understand the procurement strategy, supplier diversity, and sustainability concerns of your prospective customers. Ask and understand how sustainability metrics will be determined, and what standard performance metrics or tools need to be considered. Finally, have clarity about how sustainability will be evaluated as part of the procurement process.

Remember, capacity has a new meaning beyond size, scale, scope, and price. Create a vision that includes your company's sustainability goal or mission. And also remember, that this is not a solo journey—tap into key resources, including other suppliers. When suppliers incorporate sustainability into day-to-day business operations and practices and understand the benefits of sustainability to customers and themselves, the result is the enhancement of brand and business. ♦

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Minority Business Entrepreneur

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