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Article

Your guide to sustainable and ethical sourcing

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Please note this content was curated for SME businesses in the UK

With consumers becoming more discerning about the origins of products and the impact of their choices, small businesses have a unique opportunity to foster a strong connection between their values and their sourcing strategies.

The steps along the supply chain can no longer be a mere transaction. Ethical sourcing involves cultivating relationships that prioritise fair labour practices, environmental sustainability, and social responsibility.

This guide brings together insights from experts on the components of sustainable and ethical sourcing, including some of the potential benefits it could have for your business.

Why worry about making sure your supply chain is sustainable and ethical?

Building a more sustainable and ethical supply chain can also help to bolster your business.

Protect against supply chain shortages: an ethical and sustainable supply chain can be your shield against unexpected disruptions. By forging strong relationships with responsible suppliers, and often also local suppliers, you can better position your business to navigate supply chain shocks, helping your products or services continue to flow even when the market faces challenges.

Boost brand loyalty and differentiation: customers scrutinise not just what you sell, but how you source it, so an ethical and sustainable supply chain can become a unique selling point and foster brand loyalty that goes beyond transactions. Since the pandemic, consumers have become more concerned with ethical sourcing, with 88% of customers prioritising companies who make it clear to them that they source ethically **(1)**.

Mitigate procurement risks and enhance supplier relationships: an ethical and sustainable supply chain isn't just about responsible sourcing; it's about strategic risk management. By partnering with suppliers committed to ethical practices, you can reduce the risk of disruptions, legal issues, and reputational damage. Moreover, fostering strong relationships with responsible suppliers can lead to more dependable and collaborative partnerships that benefit your business's procurement stability and success.

Learn more about how ethical sourcing can benefit businesses with these **7 key levers for ROI from Sustainable Procurement (2).**

Your checklist for sustainable and ethical sourcing

While the below checklist is by no means exhaustive, it provides a place to start and some simple steps you could take to make your sourcing practices more sustainable. Here are some steps you might consider:

Define clear principles: write down specific ethical and sustainability guidelines for your procurement process. This can take the form of a company policy or code of conduct for sourcing and procurement.

Screen suppliers: ask potential suppliers about their labour practices, environmental policies, and community involvement.

- **Traceable supply chain:** choose suppliers who can provide details about where their materials come from and how products are made.
- **Fair labor practices:** prioritise suppliers who confirm fair wages, safe working conditions, and no use of child labour.
- **Environmental impact:** look for suppliers committed to reducing waste, conserving energy, and using eco-friendly materials.
- **Local contribution:** support suppliers that hire locally, engage in community projects, or source materials regionally.

Long-term partnerships: build relationships with suppliers who share your values and are open to ongoing improvement.

Team training: train your procurement team to spot ethical and sustainable supplier traits. You can start by sharing with them some of the screener questions to ask suppliers.

Collaborative approach: discuss with suppliers how you can work together to reduce waste, improve efficiency, or support local causes.

Transparent reporting: share your progress on ethical and sustainable procurement in company reports or communications.

Here is a list of some questions you might choose to ask suppliers:

- Can you provide information about the origins of the materials used in your products?
- How do you trace the source of your materials to prevent the use of unethical sources?
- Do you have policies in place that ensure fair wages, safe working conditions, and no forced or child labour?
- Can you provide information about your employees' working conditions, including working hours and safety measures?
- How do you monitor and enforce ethical labour practices within your organisation and your subcontractors?
- How do you manage waste, emissions, and resource usage in your manufacturing or production processes?
- Can you provide information about your efforts to reduce the environmental impact of your operations?
- How does your company engage with the communities where you operate?
- Do you invest in local community development or support social initiatives?

Getting started

Getting started can be the hardest part, so get your momentum going by starting at the top of the checklist and defining clear principles for your business's ethical and sustainable sourcing. Below are two sample policies that you can adapt for your own business or use as a starting point to write your own.

- **Stop Waste's Sustainable Procurement Policy Template (3)**
- **ACAA Global's Supply Chain Code of Conduct (4)**

If you're interested in reading more these resources are a great place to start:

- Business Climate Hub: **https://www.google.com/url?q=https://businessclimatehub.uk/build-a-greener-supply-chain**
- Planet Mark Procurement Introductory Toolkit: **https://pmportals.powerappsportals.com/procurement-toolkit**
- Sustainable Procurement Tools: **https://www.gov.uk/guidance/sustainable-procurement-tools**

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1 Do consumers care about ethical sourcing?: https://www.forbes.com/sites/stevebanker/2021/10/05/do-consumers-care-about-ethical-sourcing
2 7 key levers for ROI from sustainable procurement: https://spp.earth/challenges/7-key-levers-for-roi-from-sustainable-procurement
3 Stop waste's sustainable procurement policy template: https://www.stopwaste.org/file/9357/download?token=nu2WZi_e
4 ACAA global's supply chain code of conduct: https://www.google.com/url?q=https://www.accaglobal.com/content/dam/ACCA_Global/professional-insights/practical-toolkits-SMEs-SMPs/105643_ACCA_Activation_Toolkit_Supply_Chain_Code_of_conduct.pdf
5 Sustainable procurement: what is it and why does it matter?: https://www.oxfordcollegeofprocurementandsupply.com/sustainable-

procurement-what-is-it-and-why-does-it-matter
6 Business climate hub: https://www.google.com/url?q=https://businessclimatehub.uk/build-a-greener-supply-chain
7 Planet mark procurement introductory toolkit: https://pmportals.powerappsportals.com/procurement-toolkit
8 Sustainable procurement tools: https://www.gov.uk/guidance/sustainable-procurement-tools

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