



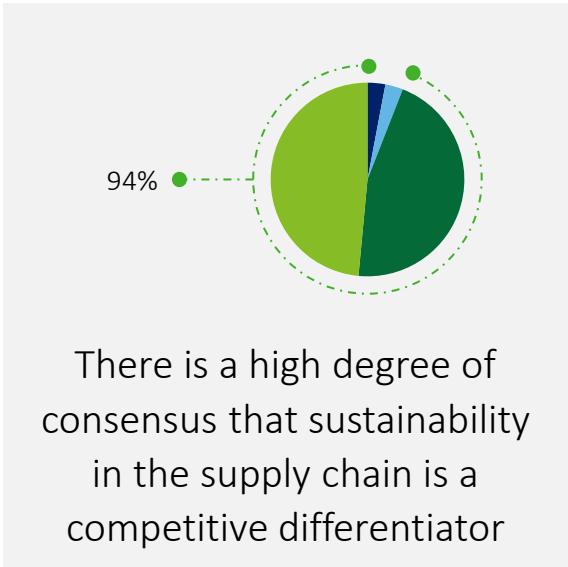
Commercializing supply chain sustainability

This report sheds light on sustainability in the supply chain,
and how this can be commercialized

Based on data from Deloitte's Supply Chain Panel in June 2023



Key takeaways



Compliance currently drives the main agenda; however, some companies go beyond and start seeing sustainability in supply chains as an enabler for growth and competitiveness

Most respondents observe a growing demand for sustainability for their company, and the majority have initiatives in motion

Commercialization of your supply chain sustainability can be improved through a 3-step approach



A vertical bar chart with a white background and a grey y-axis. There are ten green bars of decreasing height from left to right, representing a decreasing trend.

Complexity of supply chain traceability and transparency is seen as the biggest obstacle when commercializing supply chain sustainability

1 of 5 respondent companies have established a separate sustainability function.

Four tips from the survey respondent: Identify demand, get management support, align interests, and create a plan



Key takeaways

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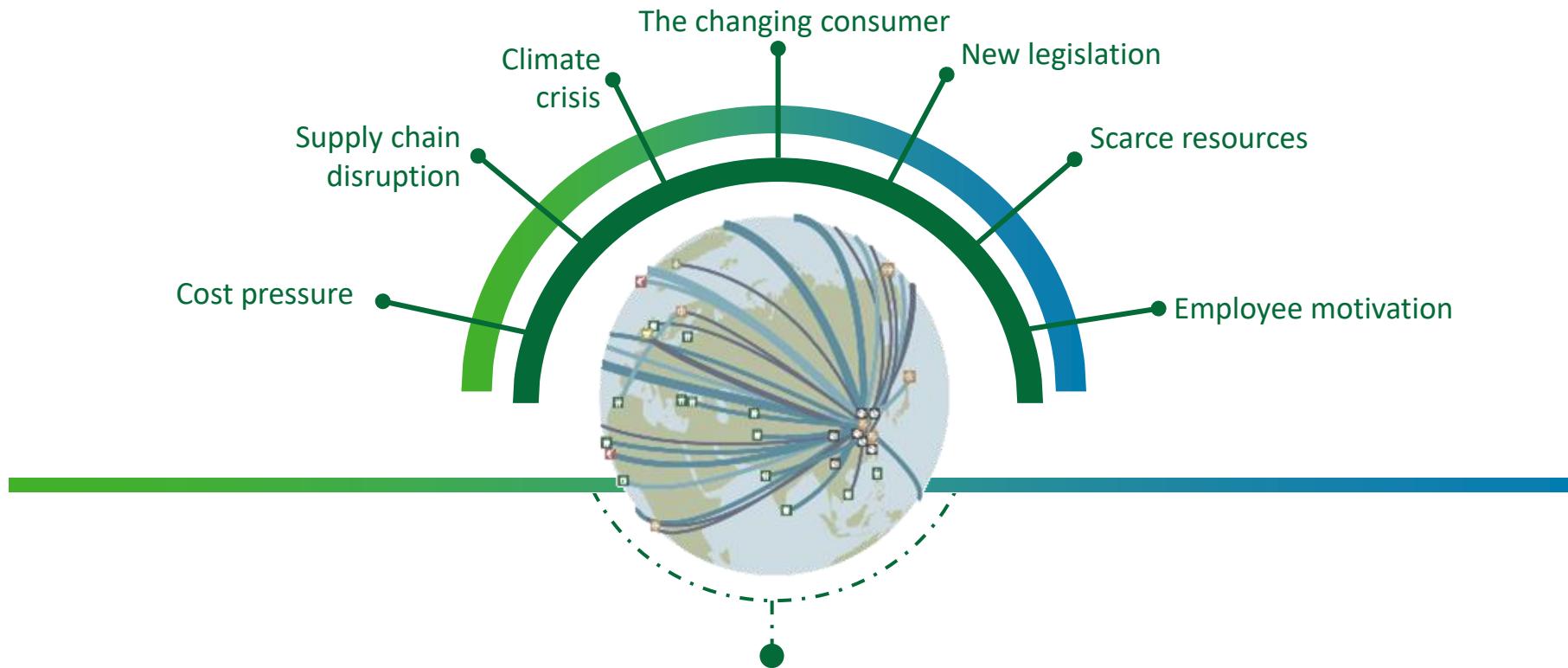
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Commercialization of sustainability in the supply chain means **incorporating eco-friendly and socially responsible practices into business operations** to ensure profitability, increase customer value and secure growth, while minimizing harm to the environment and society.

The world is changing | Sustainability is becoming top priority

Global forces are directly affecting supply chains – which as a response embed sustainability in their operations!



Deloitte research shows that consumers are **increasingly** making conscious decisions with **sustainability** and the environment in mind

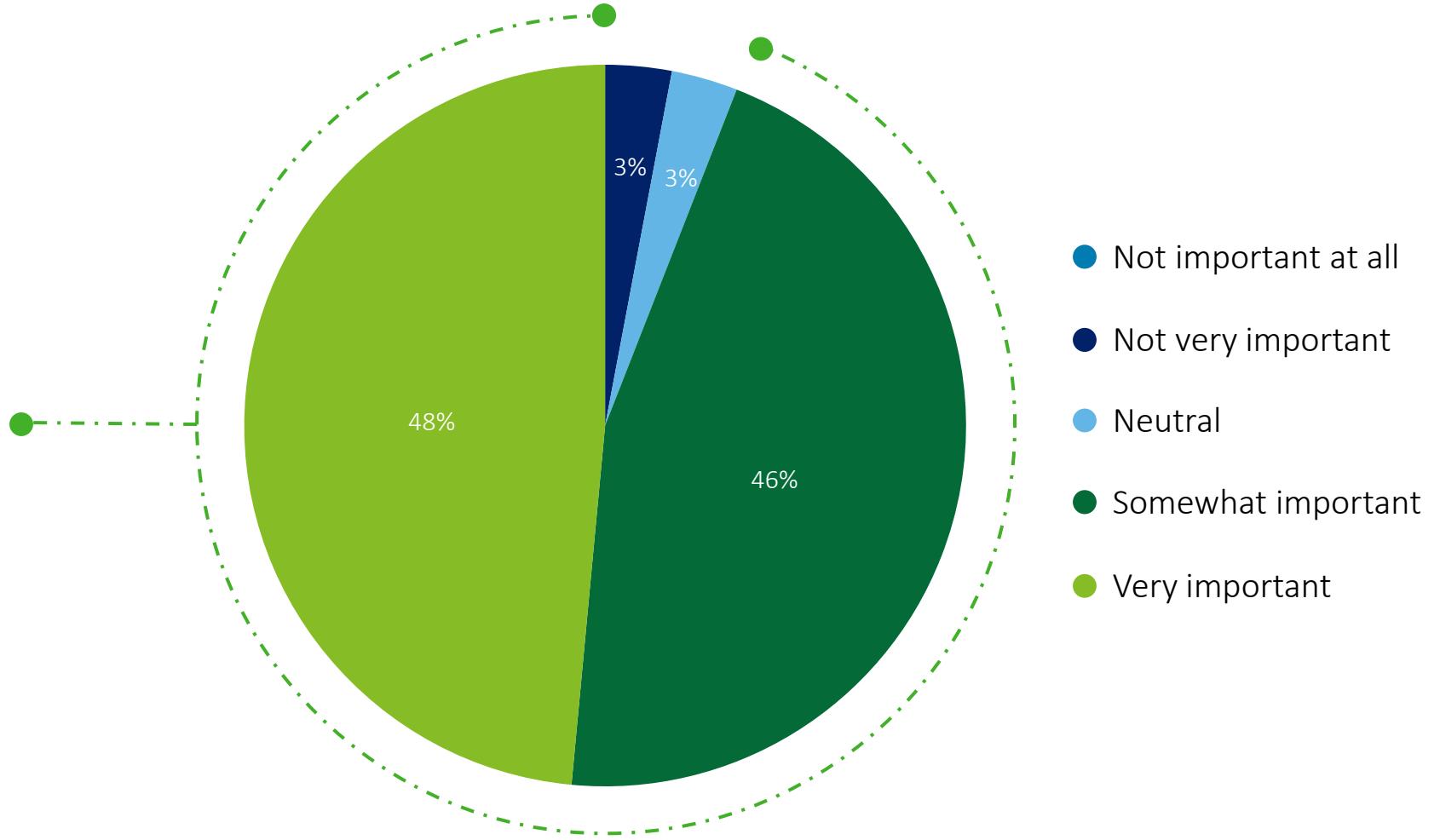
Sustainability in the supply chain as an important competitive differentiator

Survey respondents were asked to which extent they agree to the following statement:

"How would you rate the importance of a sustainable supply chain as a competitive differentiator for your organization?"

Very important or important (94%)

Close to all participants rate that sustainability in their supply chain is an important competitive differentiator

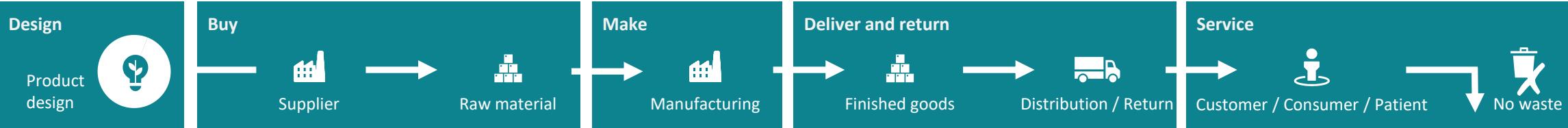


Sustainability improvement opportunities exist everywhere in the end-to-end supply chain...

...and supports both competitiveness, growth, and profit while delivering to the basic compliance requirements

Sustainable supply chain strategy

End-to-end planning



Circularity & waste

Circularity is a key enabler for customer value

Recycle / Repurpose

Recycle

Refurbish / Remanufacturing



Repair / Share

Reuse / Share

Return logistics, reusable packaging

...supported by multiple compliance value levers

ESG / S&C assessment, reporting & reg. compliance

E2E aligned KPI model & steering

Value chain risk management (TPRM)

Product lifecycle, transparency and traceability



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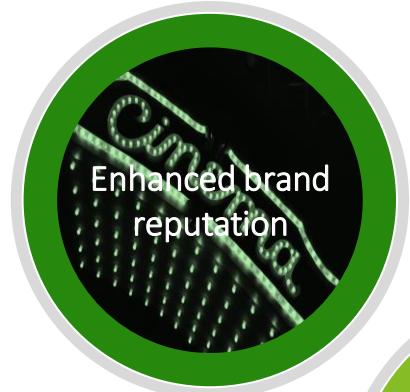
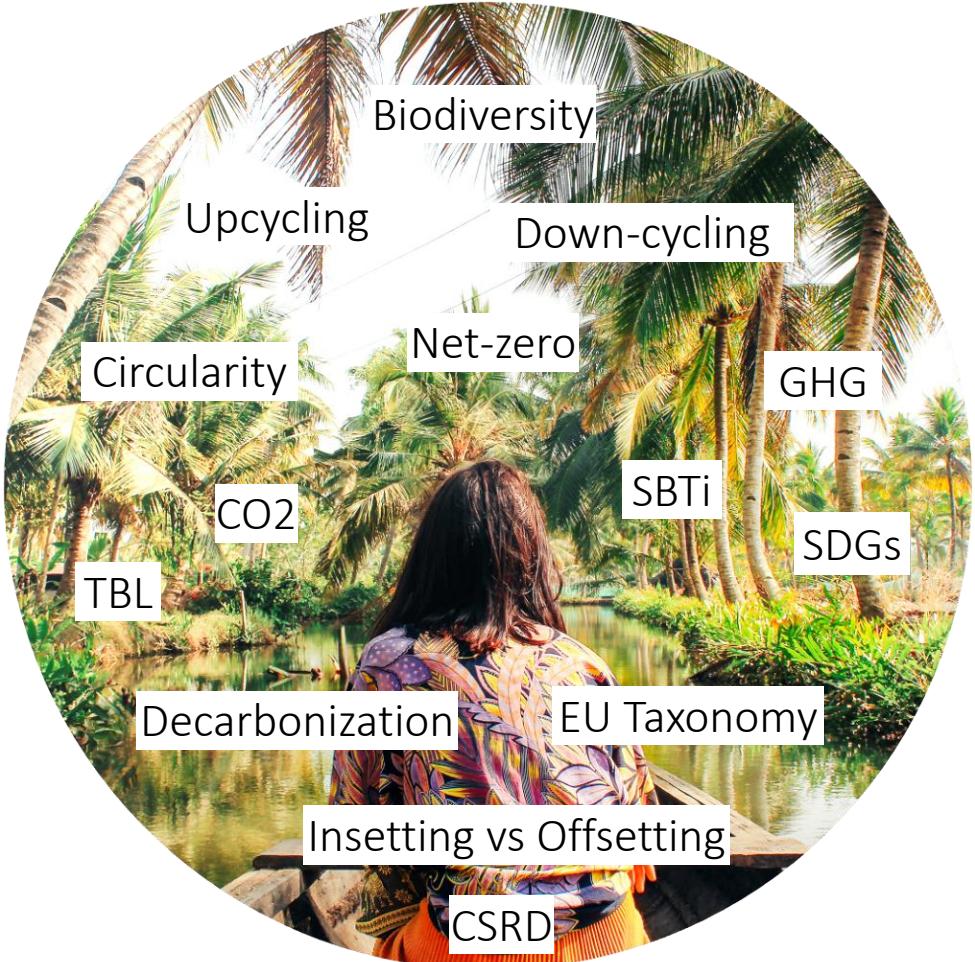


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Navigating sustainability in supply chains can be a jungle...

... and looking beyond compliance can be a challenge, yet needed, to create value



Six sustainability trends drive new focuses when commercializing the sustainable supply chain...

...and sustainability in supply chains is constantly on the move offering customer and stakeholder value everywhere



Circularity

Circularity is based on three principles, driven by design: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature.

Climate accounts

Climate accounts are essential for companies to understand their CO2 impact and to reduce emissions, develop mitigation actions as well as reporting.

Green products

Consumers are focusing more and more on purchasing green products e.g., products with lower environmental impacts such as biodegradable products, recycled or reused

Biodiversity

Biodiversity fundamentally underpins the benefits that business derive from natural capital and supports the key ecosystem functions that ensure the delivery of business operations and productivity.

Responsible value chains

Consumers have more and more focus on products and services to be ethically sourced and produced. This means that company's need to ensure ethical working standards in their own operations and in the supply chain.

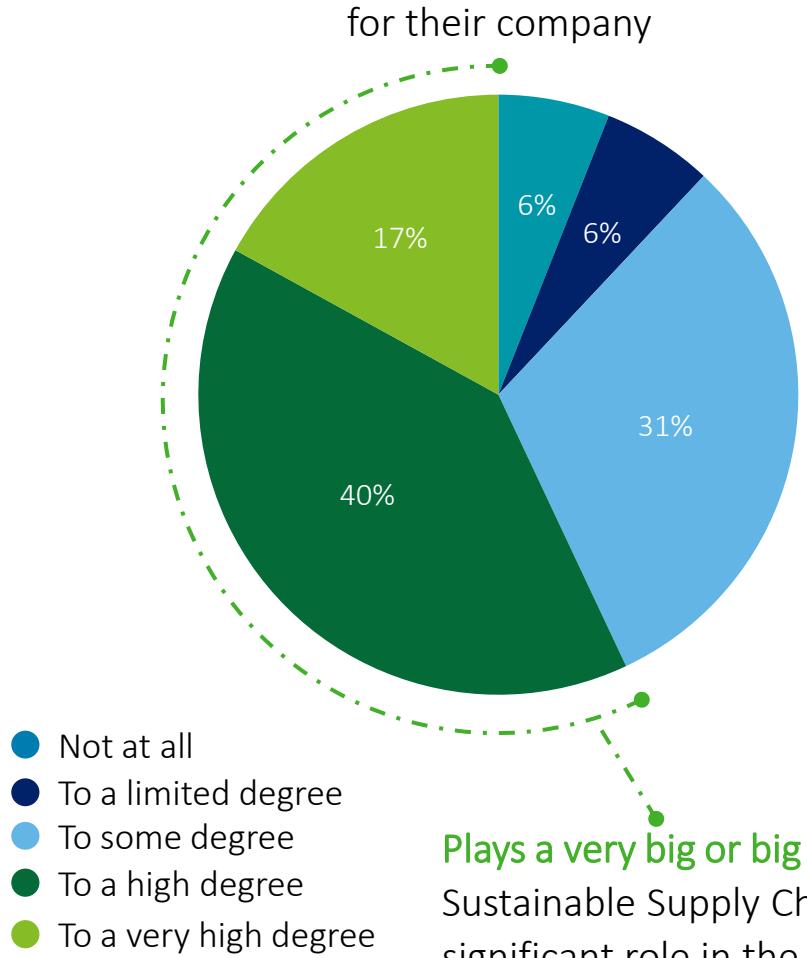
Legislation

There are more and more legislation coming from EU and locally in Denmark with the focus on ensuring a greener future and minimizing emissions.

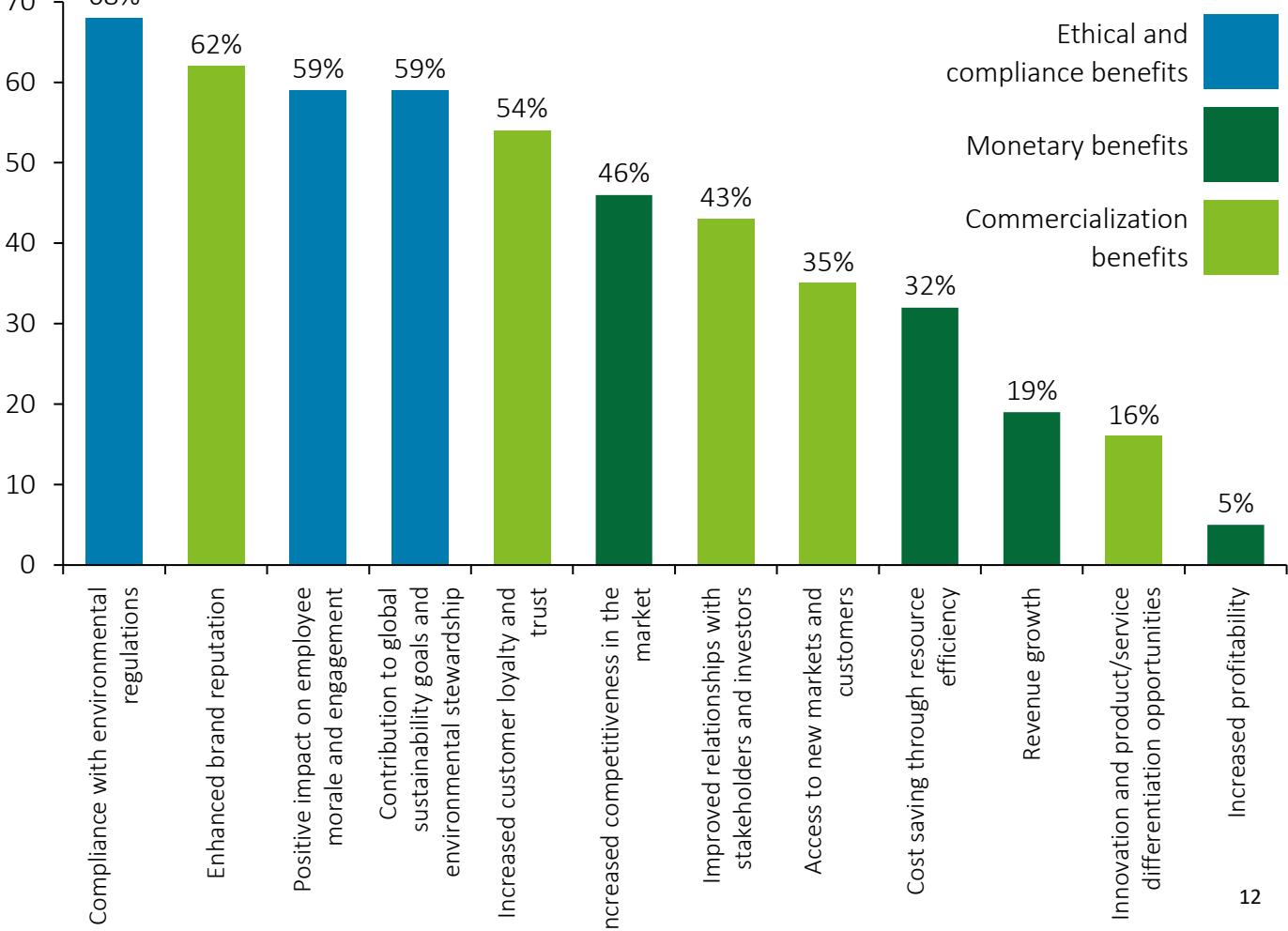
Sustainability in supply chains plays a commercial role...

...but the #1 key benefit is still perceived to be ethical and compliance benefits

Survey respondents were asked to which degree sustainability in their supply chains play a commercial role



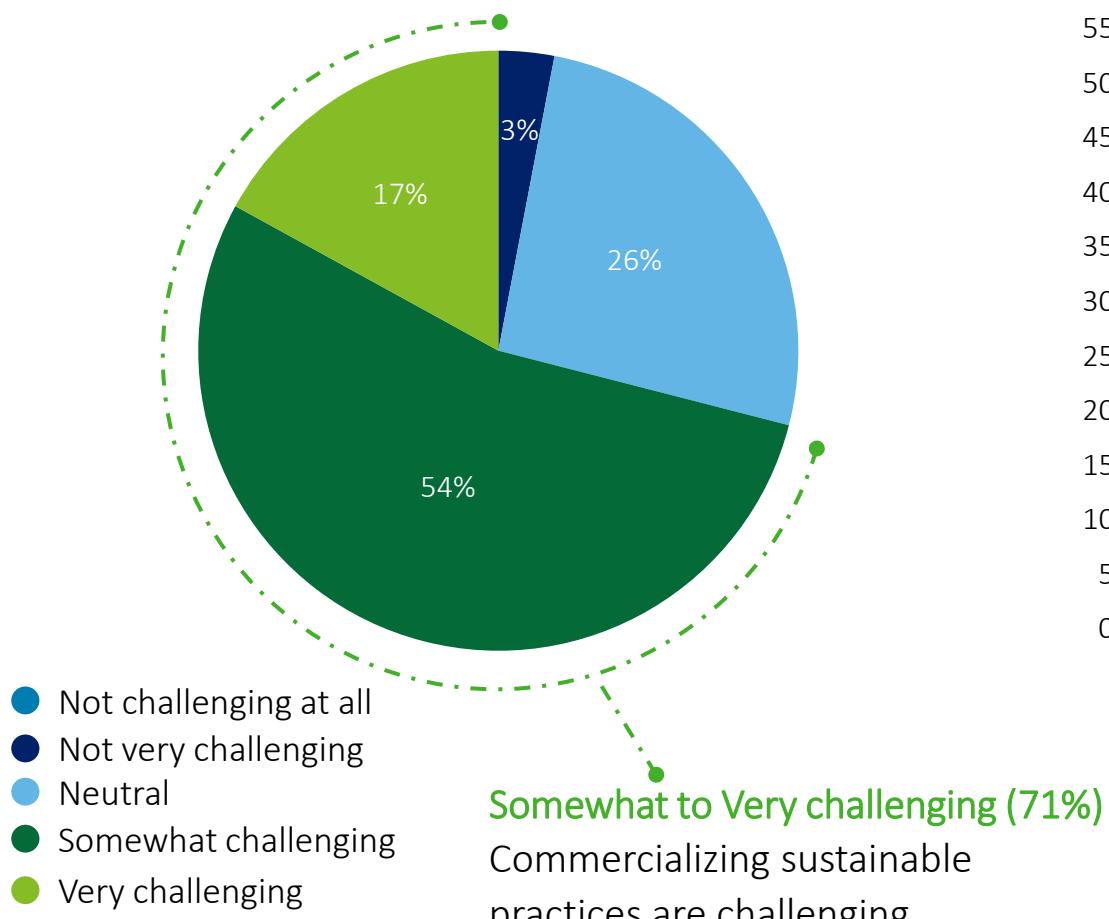
Survey respondents were asked what they see as key benefits of supply chain sustainability



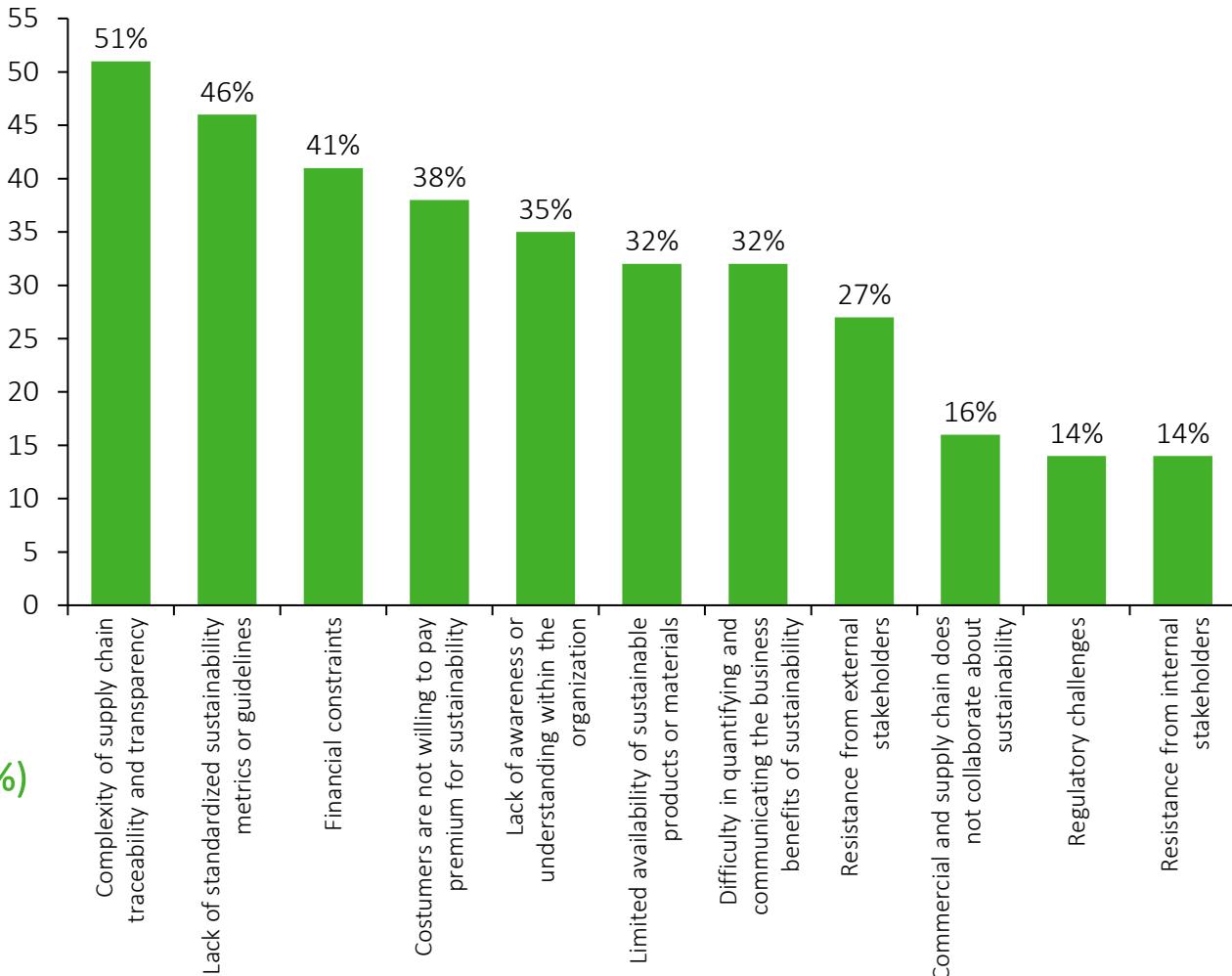
It can be challenging to balance sustainability with commercial interest...

...and the biggest obstacle is perceived the complexity of traceability and transparency

Survey respondents were asked how challenging they find it to balance commercial interests with sustainable practices in their supply chain?

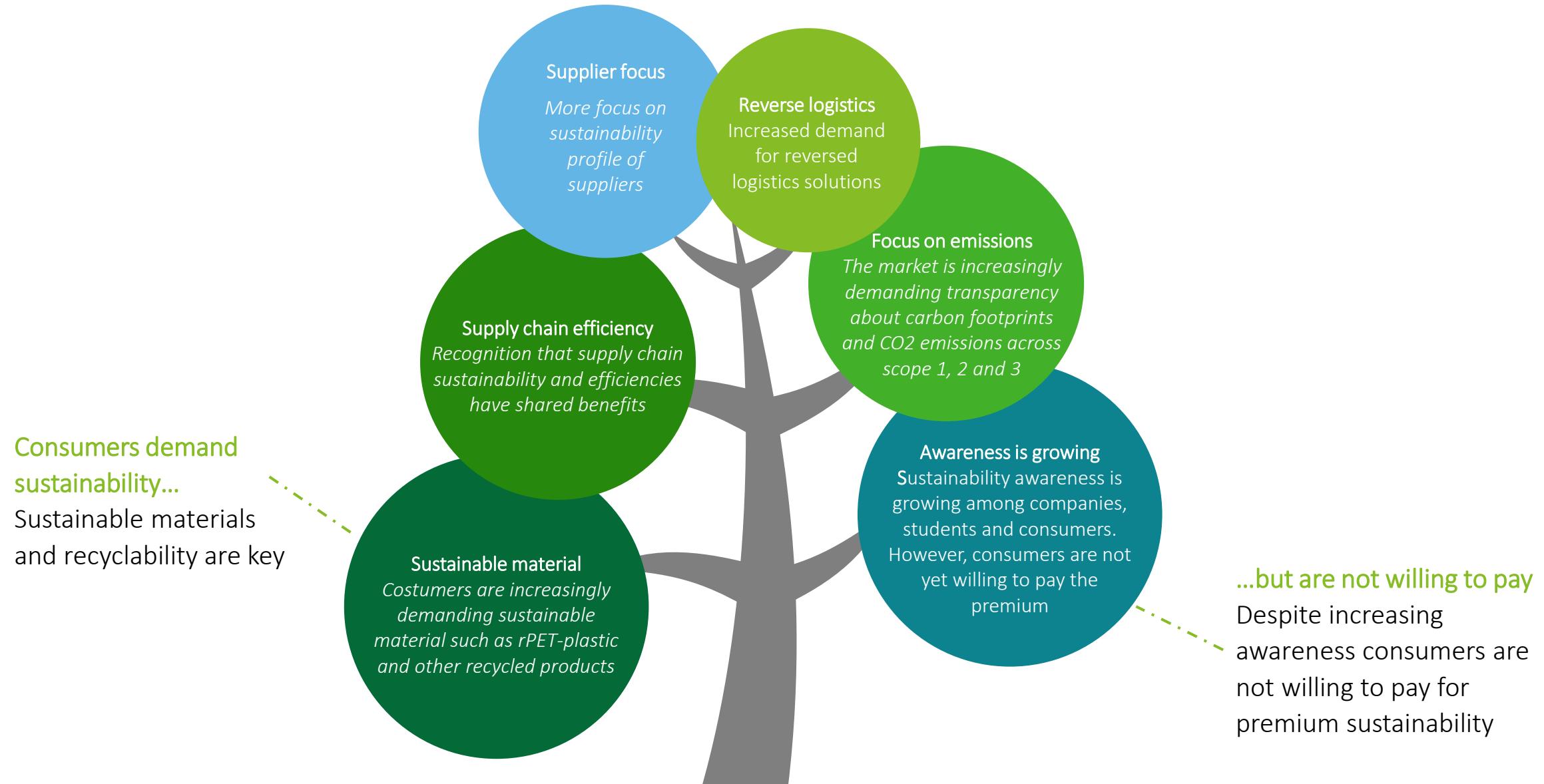


Survey respondents were asked which possible barriers or obstacles they see when commercializing supply chain sustainability



Survey respondents echoed the six sustainability trends in their comments...

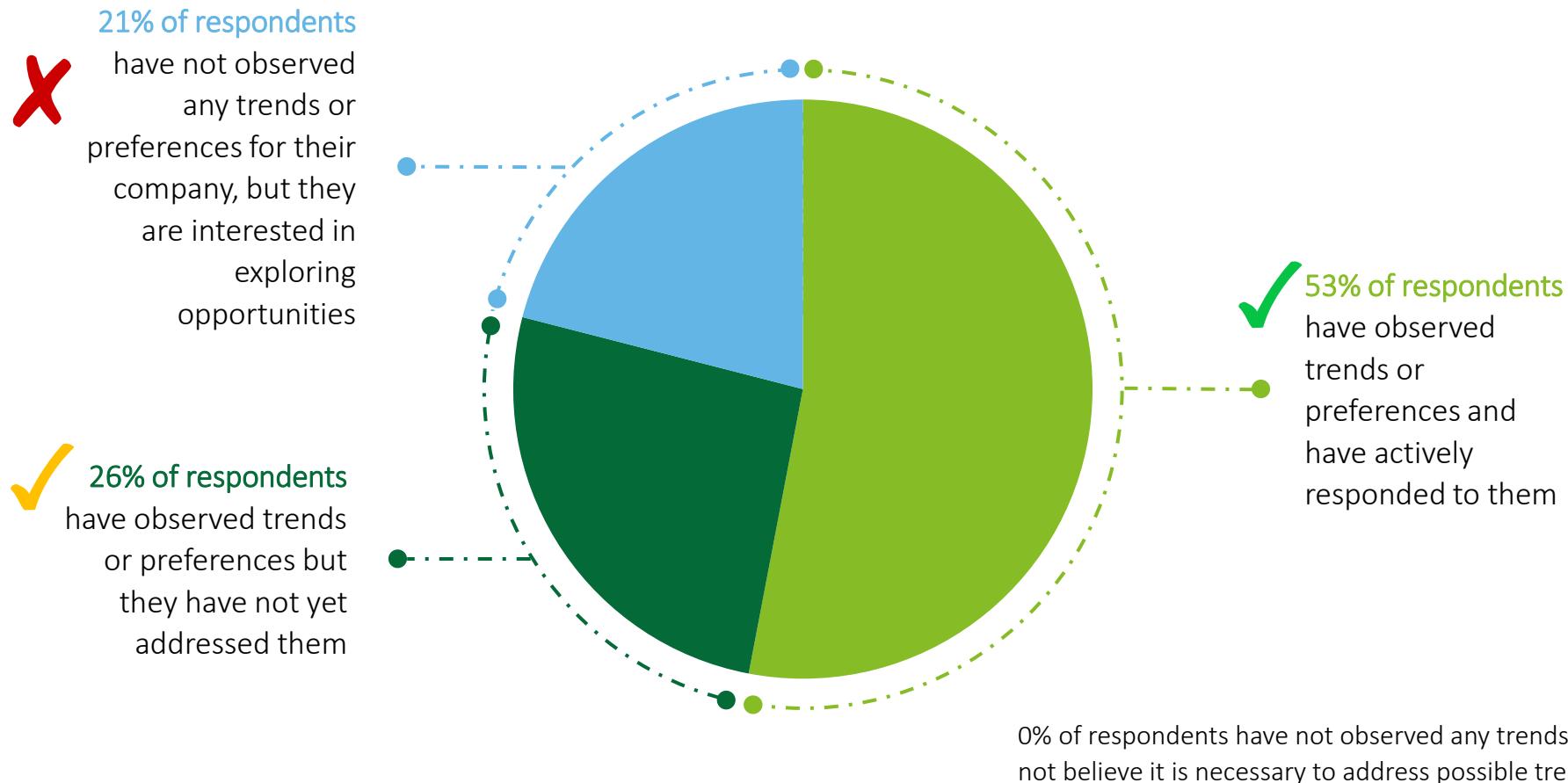
...however; several respondents express the concern that consumers are not yet willing to pay extra for sustainability



Most respondents observe a growing demand for sustainability...

...and majority of them are actually also acting!

Survey respondents were asked if they have observed any **specific customer preferences** or **market trends for their company** that indicate a growing demand for sustainable products, services, or environmentally responsible **supply chains**

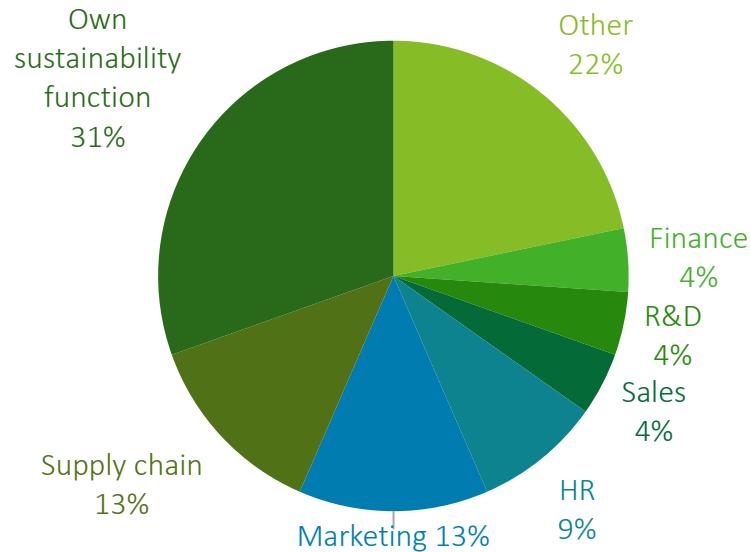


Different practices amongst respondent on where the responsibility for sustainability is placed...

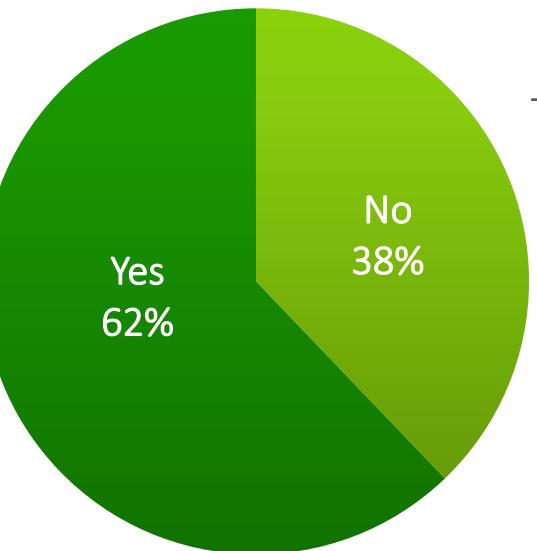
...however; 1 in 5 respondents have established a separate sustainability function

Survey respondents were asked if their company have **ONE person with the overall responsibility** for sustainability?

...in which function does that ONE person report?

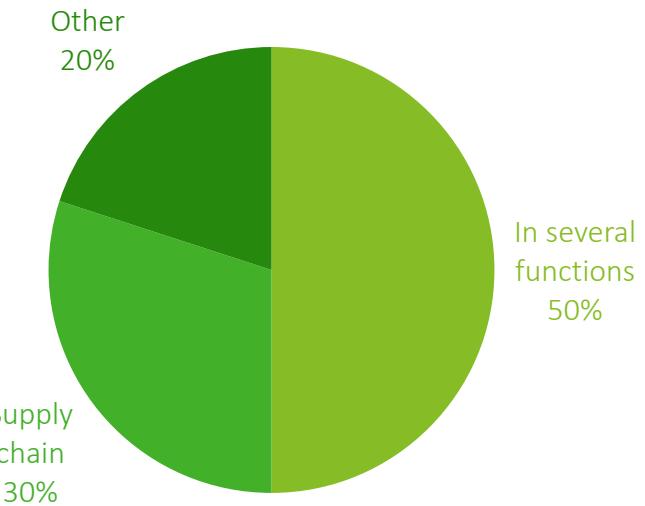


31% of the “yes” are organized in their **own sustainability function**



62% of respondents have **ONE person** overall responsible for sustainability

...in which functions does sustainability lay?



50% of the “no” have initiatives in **several functions**



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Three levers drive valuable commercialization of sustainability in the supply chain

Survey respondents were asked which actions can be taken to enhance the commercialization of sustainable supply chains

1. Measuring practices



Set up measurement practices to get a clear idea of the impact of your supply chain. Measure both scope 1, 2, and 3, and consider not only emissions but also other factors such as chemical usage, water consumption and social factors.

Then identify and calculate the benefits obtained by your sustainability initiatives. How much did your water consumption decrease? Will consumer use less energy? Is waste going down? Make sure to get the numbers right.

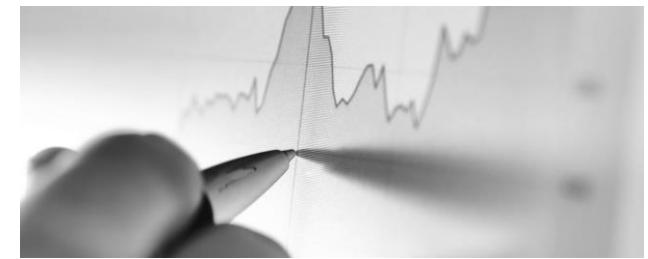
2. Communicate the benefits



Once a clear understanding of the situation is obtained, most relevant consumer / customer values must be clearly articulated and communicated. Focus on convenience, ESG impact and perceived value increase.

The objective here is to make the customer / customer understand the value creation from the sustainability perspective and incentivize them to pay a premium and / or change behavior, e.g. by starting to recycle, upgrade or even move into a new business models like for example 'Equipment as a Service'.

3. Manage cost



Increasing sustainability may lead to a higher cost. Although you may potentially succeed in creating an incentive for the consumer / customer to pay a premium, keeping price and cost as low as possible will inevitably help you stay competitive in the long run.

View the investment required in a bigger picture of securing future markets resulting in revenue growth, increased profit and new more sustainable products and services.

Typically, the compliance and increased sustainability in supply chain also helps you to lower own cost.

Survey respondents' four tips on getting started

The survey participants were asked to give advice on how to get started with the commercialization of your sustainable supply chain. These have been grouped into four main enablers

1. Identify demand

Analyze consumer / customer needs and engage them in an open dialogue on how to improve your products and offerings in a sustainable manner



2. Get management support

To ensure a successful engagement, make sure to get top management support on your journey. Without top management support, you are unlikely to succeed with the commercialization of your sustainable supply chain



3. Align interests

Make sure that supply chain interests and commercial interests are internally aligned with common or aligned KPIs



4. Create a plan

Think long term when creating a plan for the initiatives. Make sure that the plan aligns with the corporate strategy – preferable included herein – and break it down into must-win-battles



Deloitte.

This report is the work of Supply Chain & Network Operations, Deloitte Consulting, Deloitte Denmark.
The results are based on a survey distributed to participants of Deloitte's supply chain panel in June 2023.

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