



Social Sustainability

Sustainability in Value Chains

SRH Fernhochschule – The Mobile University

Nachhaltigkeitskongress 2023: Management for Sustainability

Prof. Dr. Julia Hartmann, 22 April 2023



What are your plans for the weekend?





We tend to blend out what most of us are aware of.





Agenda

Why sustainable value chains matter.

How to develop sustainable value chains.

What the impact of sustainable value chains is.



Why?



Value chains are managed by businesses, and their obligation is to work to protect human rights.



Risk to Business

- Liability, fines, and penalties
- Loss or reputation and creditworthiness
- Production downtimes, delivery delays
- Financial loss

Risk to People

- Impact on health and wellbeing
- Loss of access to education
- Limited access to favorable working conditions
- Loss of life and security of the family



Caring for human rights move from voluntary 'nice-to-have' to mandatory 'must-have'.





Supply chain due diligence moves from soft law to hard law.

	Supply Chain Due Diligence Act (DE)	Supply Chain Due Diligence Act (EU)
 When will it enter into force?	FY2023	TBD
 To which firms will it apply?	Companies with more than 3,000 FTE (2023) Companies with more than 1,000 FTE (2024) ~ 4,500 companies in Germany	Large EU limited liability companies (~500 FTE) Smaller limited liability companies operating in specified high impact sectors (~250 FTE) ~ 17,000 companies in the EU
 What do firms need to comply with?	Human rights preservation Minamata Convention on Mercury; Stockholm Convention on persistent organic pollutants Extension to tier-n if necessary	Human rights preservation Pollution prevention Alignment with Paris Agreement Across entire supply chain
 What are consequences for non-compliance?	Fines (painful) Exclusion from public tenders	Fines Criminal liability Exclusion from public tenders



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How?

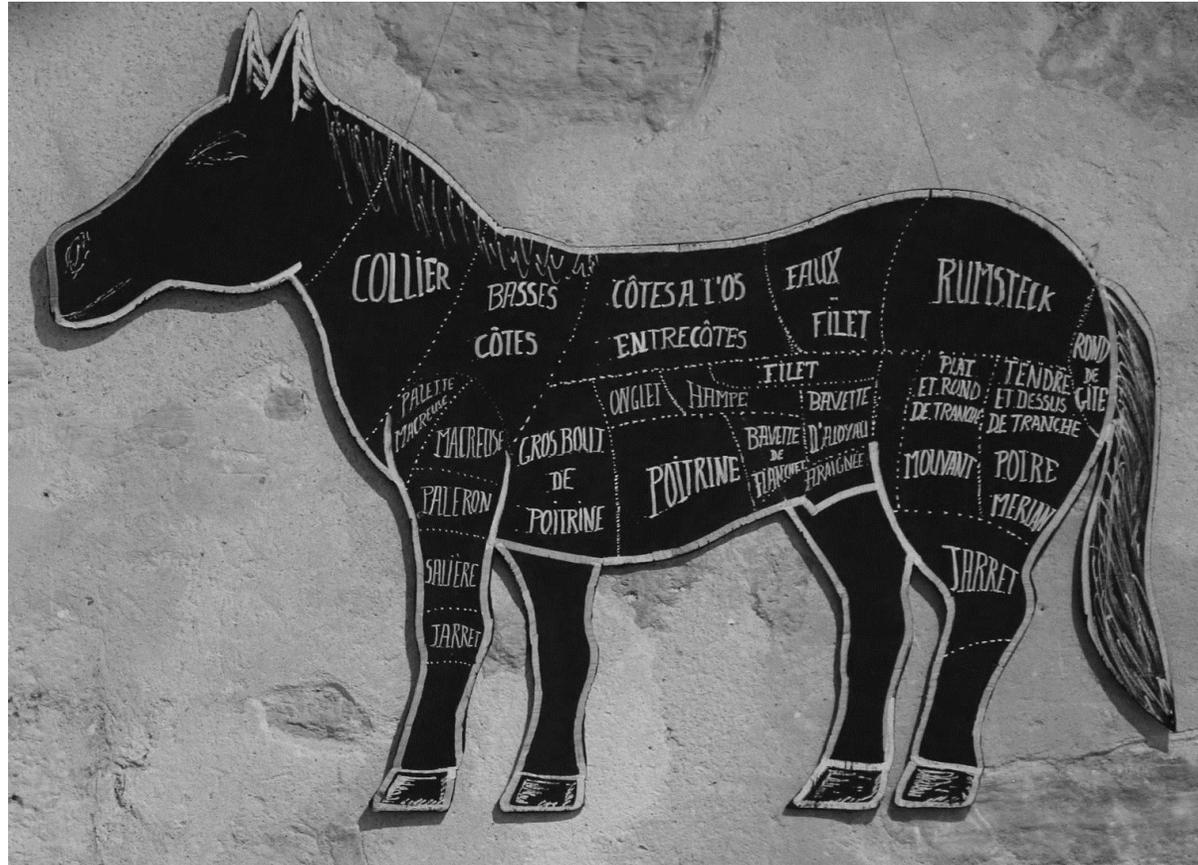


Starting with the bill of materials, businesses gain transparency over their supply chains.





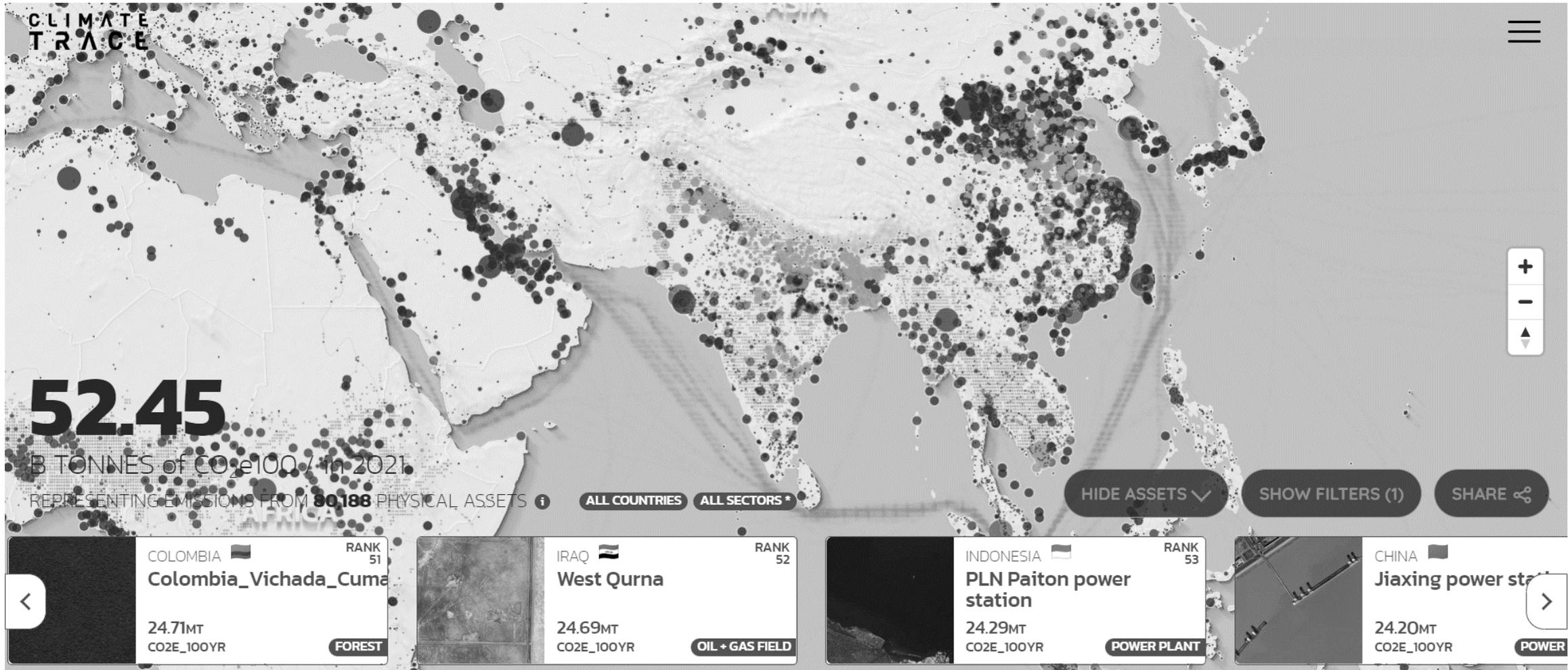
As businesses make their supply chains transparent, inefficiencies are uncovered.



Christian Hartmann, Reuters

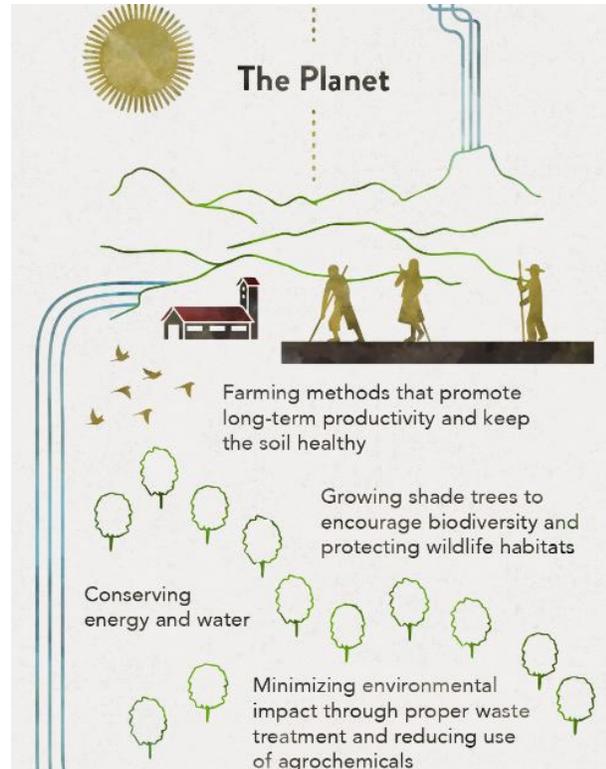
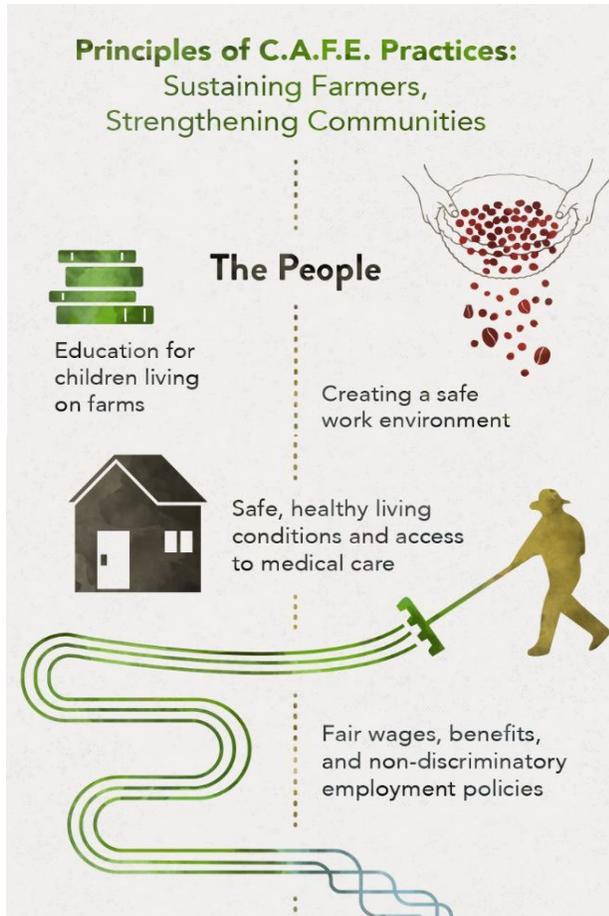


Supply chain transparency unearths additional optimization opportunities.





Cooperatives establish strict membership criteria to safeguard all members of the value chain.





What?



Sustainable value chain management reduces carbon emissions.



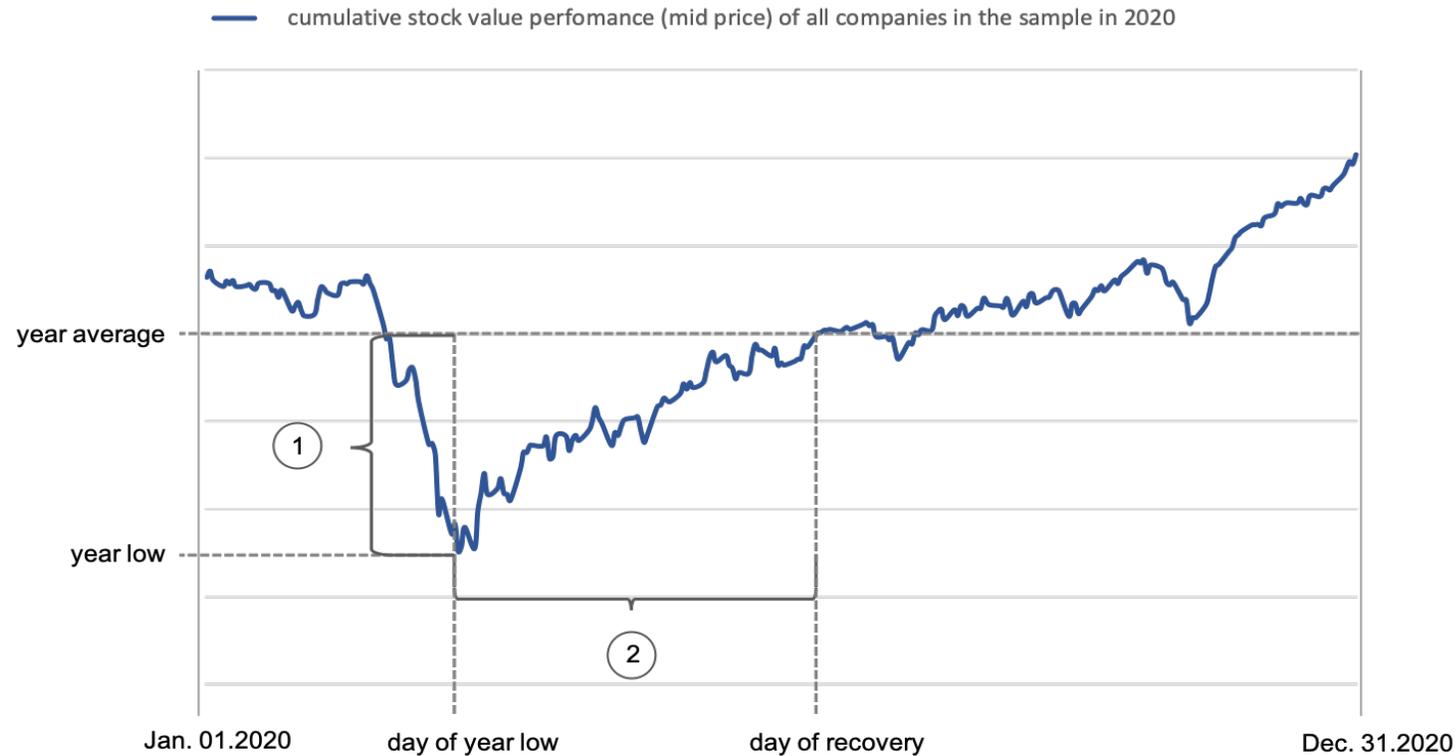
On average, a one unit increase in sustainable supply chain management is associated with

-17%

Scope 3 GHG emissions in the following year.



Businesses with a track record of sustainable supply chain management strategies fared better during the pandemic.



① **extent of the inflicted damage** = $((\text{year average} - \text{year low}) / \text{year average}) * 100$

② **recovery time** = $\text{day of recovery} - \text{day of year low}$

 Thank you for your attention!



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