

Profiling supplier environmental awareness: What have we learnt?

Massmart recognises the effect its operations have on the environment and understands that the biggest impact that the group can have is through supplier advocacy. In an effort to advocate environmental responsibility, the company conducts regular surveys regarding the environmental practices of its suppliers.

The aim of the surveys is to examine supplier's operations and assess their approach to various environmental innovations such as eco-friendly product packaging, eco-friendly product design and greenhouse gas emissions management.

The 2011 survey was conducted online and required suppliers to answer nine compulsory questions. The survey differed from previous years in that it included a question regarding biodiversity and ecosystems and an improved scoring system.

The survey covered questions about market opportunity, environmental sanctions/censure, product packaging, product labelling/disclosure, manufacture and distribution, supply chain monitoring, climate change, water usage and biodiversity.

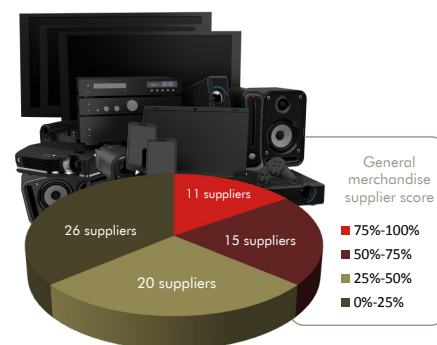
The 2011 results showed that the majority of top environmental performers in the general merchandise and food categories are international companies. This may be due to the fact that they are more aware of the reputational risks associated with irresponsible environmental practices and experience additional pressure from foreign markets to meet strict environmental standards. It could also be because of their size that they are better able to offset

the operating costs commonly associated with more environmentally responsible operations.

Smaller suppliers, by contrast, indicate that they recognise the importance of adopting responsible environmental practices in their businesses but find it difficult to handle the added costs associated with these practices. The majority of suppliers identify market opportunities associated with responsible environmental practices but few have been able to effectively implement initiatives. The majority of suppliers surveyed (64%) have not engaged in climate change reducing practices and, for the most part, have failed to take action in addressing environmental threats.

The high scores achieved by some companies do, however, provide a clear indication that high levels of environmental performance are achievable, even in large-scale operations.

Massmart has identified the need for more frequent assessments of supplier practices and the provision of assistance to high-risk suppliers. It is well-placed to facilitate possible discussions between these suppliers to introduce sharing of best practices. Its efforts also include educational programmes to increase awareness and



understanding of the impact of supplier environmental practices.

There also exists significant opportunity for Massmart to leverage Walmart's presence in this area. This could be via increased pressure on shared multi-national suppliers that may not have performed well in the survey. Walmart is certainly able to share knowledge and learnings in all aspects covered in the survey. ■

Who was surveyed?

In total 250 suppliers from the general merchandise and the food and groceries categories received the survey and 117 responses were received and analysed. This represents 67% of general merchandise suppliers and 33% of food and groceries suppliers.