ISM Principles of Sustainability and Social Responsibility

with a Guide to Adoption and Implementation
Dear Supply Management and Business Leaders

ISM has a proud history of establishing and advancing global standards for the supply management profession.

In an important continuation of our tradition of professional leadership, the ISM Board of Directors approved important updates to the ISM Principles of Sustainability and Social Responsibility in October 2015. The ISM Committee on Sustainability and Social Responsibility deserves thanks for its commitment and leadership, ensuring the principles and standards represent our modern business environment.

I call your attention to these eleven statements because each day, at least one of these principles is prominently featured in the news. The principles address conditions that are far too prevalent in today’s complex global supply networks, whether the issue is safety, as highlighted by the 2013 collapse of a textile factory in Bangladesh, or environmental protection, including, for example, the consumption of scarce water resources in the supply chain.

As consumers, governments and other organizations focus more attention on these issues in the future, the ISM Principles of Sustainability and Social Responsibility will only grow in importance as a global standard for our profession. With the ISM principles as our foundation, our profession is uniquely positioned to make sure that doing good is also good business.

Sincerely yours,

Thomas W. Derry
CEO
Institute for Supply Management®
ISM PRINCIPLES OF SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Adopted by the ISM Board of Directors, 2015

1. **Anti-corruption**
   Do not tolerate corruption in any form.

2. **Diversity & Inclusion**
   Promote diversity and inclusion throughout the organization and the supply chain.

3. **Environment**
   Support environmental precaution, promote environmental responsibility and encourage environmentally friendly technologies and processes.

4. **Ethics & Business Conduct**
   Behave ethically always and demand ethical conduct within the organization and throughout the supply chain.

5. **Financial Integrity**
   Conduct all financial business dealings and decision-making with integrity.

6. **Global Citizenship**
   Act (in person and virtually) for the benefit of all global citizens, locally and elsewhere, fulfilling ethical and moral obligations.

7. **Health & Safety**
   Protect persons in the supply chain from the risk of injury, danger, failure, error, harm and/or loss of life.

8. **Human Rights**
   Recognize and acknowledge that human beings have universal and natural rights and status regardless of legal jurisdiction and local factors.

9. **Labor Rights**
   Respect, promote and protect an individual’s labor rights as defined by applicable international conventions.

10. **Supply Chain Sustainability**
    Support supplier development of more sustainable business practices, products and services and the embedding of sustainability throughout supply chains.

11. **Transparency**
    Make available full and complete information necessary for collaboration, cooperation and collective decision-making. Require a corresponding level of transparency from suppliers and throughout the supply chain.
ISM Sustainability and Social Responsibility Mission

It is part of the mission of Institute for Supply Management® to foster and drive sustainability and social responsibility excellence across the supply chain through the development and communication of principles and guidance and the sharing of tools, information and best practices.

Definitions of Sustainability, Social Responsibility and Related Principles

**Sustainability:** Sustainability is the ability to meet current needs without hindering the ability to meet the needs of future generations in terms of economic, environmental and social challenges.

**Social Responsibility:** Social responsibility is a commitment by a business to act ethically and create benefit for the workforce, the local community and society.

**ISM Principles of Sustainability and Social Responsibility:** The ISM Principles of Sustainability and Social Responsibility collectively define the scope of issues that are considered within the context of sustainability and social responsibility in the supply chain. The Principles cover anti-corruption, diversity and inclusion, environment, ethics and business conduct, financial integrity, global citizenship, health and safety, human rights, labor rights, supply chain sustainability, and transparency.

The Importance of Supply Management to Sustainability and Social Responsibility

The supply management business function is critical to any organization’s success in implementing policies, processes and practices that improve sustainability and social responsibility. From a legal and risk perspective, the supply management function must ensure that companies within their supply chains are not engaging in illegal, unethical or harmful practices to either people or the environment. This responsibility extends to all tiers of the upstream supply chain, not just immediate suppliers. From a business opportunity perspective, supply managers can positively incentivize suppliers to improve their sustainability and social responsibility, and work with them to improve their capabilities. This can lead to additional business benefits of reduced cost, increased access to markets/buyers, and better recruitment and retention of talent.

Although many companies have attended to sustainability and social responsibility within their own operations, fewer have engaged their supply chain. This leaves many risks and opportunities unaddressed. In fact, for any given company, many and sometimes most of its environmental and social impacts exist upstream, embedded in the products and services purchases and the business practices of its suppliers. This makes it all the more important for a company’s supply management organization to lead efforts that contribute to the company’s broader sustainability and social responsibility objectives. In turn, suppliers should be held accountable for working with their own suppliers towards sustainability improvement, and those second-tier suppliers with their suppliers, and so on. In this manner, the entire supply chain is engaged.
Supply management professionals are challenged with difficult decisions involving sustainability and social responsibility. For example,

- Should a company avoid sourcing from a region where the risk of child labor is high, or should it incur the cost of inspection and certification?
- If packaging material impacts are significant, should packaging weight be reduced at the risk of decreasing product safety during transportation?
- Should a company disclose its list of suppliers, or will this put those suppliers at risk for targeting by activist stakeholders?

There are rarely simple answers, and because of the global nature of supply chains, local regulations, markets and culture must be taken into account. Unlike other areas of business where best practices are universal, the best solution for a sustainability and social responsibility issue may be highly contextual and even change over time.

For that reason, the supply management professional must be grounded in a set of principles that can be applied across many situations and contexts — principles that lead the professional in the direction of making a sound decision.

These principles are also meant to serve as a call to action. Best-in-class organizations in sustainability and social responsibility incorporate specific and measurable practices across their supply chains. In this context, the Sustainable Purchasing Leadership Council, which is a leader in defining aspects of sustainable procurement, suggests purchasing leaders should:

1) Understand the relevant environmental, social and economic impacts of their organization’s purchasing.
2) Take responsibility for the relevant environmental, social and economic impacts of their purchasing by committing to an action plan.
3) Deliver on their commitment to improve the relevant environmental, social and economic impacts of their purchasing.
4) Actively promote internal and external innovation that advances a positive future.
5) Solicit and disclose information that supports a marketplace of innovation.

In moving from awareness to action, supply management professionals need to educate themselves about relevant initiatives, best practices, standards, international and regional business regulations and context, and trends within their own industry. Some useful references are provided at the end of this document.
The ISM Principles of Sustainability and Social Responsibility are designed to enable both individual supply managers and the supply organization as a whole to customize a framework specific to industry and supplier needs. The content provided herein will need to be integrated into existing organizational frameworks for sourcing, procurement and supplier relationship management. Well-managed integration is essential; sustainability and social responsibility should not be seen solely as a “bolt on” to supply management. Statements and content are not all encompassing but provide a solid foundation to express important characteristics of each principle. Often a statement for one principle may be applicable to others.

In this section, each of the eleven Principles is described in four parts:

1) A statement of the general principle.

2) A description of responsibilities of a supply management organization.

3) A description of responsibilities of a supply management professional.

4) A list of possible policies, programs and performance metrics.

The development and implementation of metrics and performance criteria is a critical and best practice to the success of sustainability and social responsibility initiatives. Integrating individual and business goals and objectives with relevant measurements will ensure the ability to track and report progress and determine where additional time and resources are required.

Supply professionals must consider impact, influence, and positioning when selecting and developing metrics to embed throughout (1) the supply organization, (2) the organization and (3) the broader supply base. Metrics will typically be stated in absolute numbers, as a percentage, by employee, in ratios, or in other ways that allow for effective comparison and data management.
1. Anti-corruption

*General Principle*
Do not tolerate corruption in any form.

*Responsibilities of Supply Management Organization*
Establish clear policies for employees, suppliers and the extended supply chain (1) defining corruption and (2) clearly stating the organization's position regarding corruption. Comply — and, whenever possible, exceed compliance — with all local and international anti-corruption laws and protocols. Provide employee training and other organizational support to assist in implementation of anti-corruption practices in the supply chain.

*Responsibilities of Supply Management Professional*
Uniformly communicate organizational policies regarding corruption to all suppliers and throughout the supply chain. Do not engage in any form of corruption. Discontinue business relationships with any supply chain partner that participates in any form of corruption.

*Representative Policies, Programs and Metrics*
  a) Due diligence internally, with suppliers and across the supply chain
  b) Good conduct guidelines
  c) Investigative and audit capabilities
  d) Number or rates of items reported to corporate compliance
  e) Reporting structures in place for assuring compliance
  f) Subscription and/or membership with affiliated organizations (for example, The United Nations Global Compact)
  g) Training completion rates

2. Diversity & Inclusion

*General Principle*
Promote diversity and inclusion throughout the organization and the supply chain.

*Responsibilities of Supply Management Organization*
Foster and engage a diverse group of employees, external partners, suppliers and affiliates. Provide organizational resources and develop and implement practices that identify and develop supply management employees and suppliers from diverse and underrepresented populations.

*Responsibilities of Supply Management Professional*
Accept and welcome employees, external partners, suppliers and affiliates of all backgrounds. Develop and use hiring and supplier selection practices that identify, retain and cultivate diverse employees and suppliers.

*Representative Policies, Programs and Metrics*
Workforce diversity and inclusion fosters the attraction and retention of a workforce that reasonably represents the customer and communities in which the organization operates; accordingly, the following measures of the process and resulting employee makeup are relevant:

  a) Employee demographic mix across the organization and within organization levels (for example, ethnicity and gender)
  b) Promotion and executive movement
c) Provisions for disabilities and special needs
d) Recruiting results
e) Retention and promotion rates, if applicable.

Attraction and retention of a diverse supply base is the responsibility of each supply professional; the following process measures apply:
a) Adoption of principles advocating value-add beyond diversity (such as hard or soft cost savings, innovation, superior quality and customer service)
b) Compensation of employees linked to achievement of diversity goals
c) Distribution of supplier diversity across varied dimensions (for example, indirect vs. direct, small vs. large, commodity groups)
d) Percent of spend allocated to diverse suppliers
e) Supplier diversity training
f) Supplier diversity policies and measurement programs

3. Environment

General Principle
Support environmental precaution, promote environmental responsibility and encourage environmentally friendly technologies and processes.

Responsibilities of Supply Management Organization
Comply — and, whenever possible, exceed compliance — with all applicable environmental laws, regulations and protocols. Develop and implement environmentally friendly practices throughout the supply chain. Provide employees with the training and resources needed to make environmentally conscious supply management decisions.

Responsibilities of Supply Management Professional
Communicate, deploy and enforce the organizational commitment to environmental responsibility through contractual documentation, supplier relationship management practices and supplier development plans. Engage with supply chain stakeholders in environmental responsibility.

Representative Policies, Programs and Metrics
a) Biodiversity-focused concepts, policies and practices
b) Buildings and construction policy and practices (for example, LEED Certification, Green Globes, Energy Star, etc.)
c) Certifications and awards, use of (for example, ISO 14000, SA8000, International Organization for Standardization, Social Accountability International and American Society for Quality)
d) Certified sources, use of
e) Climate protection initiatives
f) Commodity and raw material consumption (renewable, nonrenewable, bio-based, etc.)
g) Consortia participation (for example, AIAG, EICC, GEMI, TSC, etc.)
h) Deforestation policies and practices
i) Disposal and waste management policies and practices
j) Education and communication initiatives
k) Energy consumption (power, natural gas, electric (including reduction), alternative energy
generation and consumption, in plants, offices, warehouses, etc.)
   • Baseload sources (for example, coal, hydrothermal and nuclear)
   • Intermittent sources (for example, wind and solar)
l) Energy sources (natural gas, coal, oil, wind, geothermal, etc.)
m) Fuel consumption (diesel, gasoline, natural gas and oil)
n) Heat generation
o) IT and print fleet policies and practices (for example, Energy Star and the implementation
   of print lifecycle management software)
p) Land use (sustainable agriculture, etc.), soil erosion management programs
q) Landfill content reduction and/or zero waste initiatives
r) Material toxicity
s) Noise pollution
t) Offset policies and programs
u) Packaging reduction initiatives
   • Design (including size reduction)
   • Eco-friendly materials/biodegradables (glues, inks, papers, etc.)
v) Paper and paper product consumption, reduction, recycling, etc. (for example, Forest
   Stewardship Council, Sustainable Forestry Initiative and the Programme for the
   Endorsement of Forest Certification)
w) Particulate matter (PM) emissions
x) Product design, durability, disassembly, content (including disclosure of materials in
   products and product design)
y) Scopes 1, 2 and 3 greenhouse gas (GHG) emissions inventories
   • Business travel
   • Facility consumption and impacts
   • Logistics consumption and impacts
   • Worker commutes
   • Value chain consumption and impacts
z) Transportation and logistics management programs and practices, including routing
   and consolidation, fleet management (for example, US EPA SmartWay, hybrid trucks,
   truckload utilization and alternate fuels)
aa) Travel policies and data (for example, miles driven, miles flown and nights away from
   home base)
bb) Upcycling programs and practices (for example, product reclamation and reuse)
cc) Water conservation, consumption, recycling, treatment

4. Ethics & Business Conduct

General Principle
Behave ethically always and demand ethical conduct within the organization and throughout
the supply chain.
Responsibilities of Supply Management Organization
Provide employees with ethics and business conduct training and clear conflict-of-interest policy guidelines. Encourage employees to report any policy violations and provide whistleblower protection consistent with best practices for those who come forward.

Responsibilities of Supply Management Professional
Complete ethics and business conduct training. Agree to and abide by policy guidelines, including applicable conflict-of-interest policies. Report any and all suspected policy violations.

Representative Policies, Programs and Metrics
a) Adoption of the ISM Principles and Standards of Ethical Supply Management Conduct
b) Anti-influence-peddling policies and training
c) Audit and accounting issues, practices for identifying and remediating
d) Business conduct inquiries (by employees, suppliers and others)
e) Conduct provisions in supplier contracts and subsequent monitoring
f) Employee and supplier training completion or participation rates
g) Ethical sourcing and practices defined
h) Ethics and conduct actively explored during job interviews/hiring
i) Ethics hotline and other reporting channels used (for example, audits, etc.)
j) Executive-level ethics/governance committee
k) Process for addressing allegations of impropriety
l) Regular communication with suppliers regarding ethical business conduct expectations and performance
m) Sourcing decisions documented
n) Suppliers required to formally sign ethical sourcing and practice policy
o) Types and numbers of disciplinary actions taken (counseled, oral warning, written warning, termination, resignation)
p) Written code of conduct established in place and communicated

5. Financial Integrity
General Principle
Conduct all financial business dealings and decision-making with integrity.

Responsibilities of Supply Management Organization
Safeguard financial information against internal and external threats. Document all transactions according to best practices for financial reporting and data security.

Responsibilities of Supply Management Professional
Ensure protection of supplier and internal financial information and data. Comply with appropriate policies, laws and regulations.

Representative Policies, Programs and Metrics
a) Adherence to accounting principles and standards issued by governance and governmental entities
b) Adoption of risk management practices
   • Business continuity planning
   • Disaster recovery measures
   • Alternate supply sources identified
c) Alignment with UN Principles for Responsible Investment
d) Publication of internal policies and guidelines
e) Supplier financial health

6. Global Citizenship

General Principle
Act for the benefit of all global citizens, locally and elsewhere, fulfilling ethical and moral obligations.

Responsibilities of Supply Management Organization
Strive to add value to society by investing in and supporting local communities and community-focused initiatives where supply chain activities take place.

Responsibilities of Supply Management Professional
Participate in community initiatives on behalf of the company. Cultivate and share opportunities for community involvement.

Representative Policies, Programs and Metrics
a) Corporate and/or foundation donations of products and services
b) Employee financial contributions
c) Employee volunteerism
   • Organization-sponsored employee leave-of-absence programs to volunteer outside of local community
   • Hours or personal days provided to employees for community initiatives
d) Evaluation of business decisions in context of community impact
e) Funding of citizen-based initiatives
f) Indigenous programs and support
g) In-kind contributions
h) Number and types of programs in place, including philanthropy and foundation resources/giving

7. Health & Safety

General Principle
Protect persons in the supply chain from the risk of injury, danger, failure, error, harm and/or loss of life.

Responsibilities of Supply Management Organization
Provide employees with a safe and healthy environment. Prioritize safety throughout the supply chain. Meet or exceed applicable health and safety laws and regulations.
Responsibilities of Supply Management Professional

Work to continuously improve the safety of processes being used and products and services being offered or under development. Communicate organizational health and safety expectations to suppliers and throughout the supply chain.

Representative Policies, Programs and Metrics
a) Accidents and injury rates
b) Audit non-conformance rates related to health and safety
c) Cafeteria compliance with safety and health regulations
d) Employee housing safety and structural compliance
e) Health and wellness initiatives and programs
f) Illness prevention measures
g) Product safety accomplishments and recognition
h) Provision of safety and ergonomic equipment (for example, eyewear, ear plugs, gloves, and hard hats)
i) Published supplier code of conduct
j) Working conditions (for example, air conditioning, heat, lighting and ventilation)
k) Written safety procedures, documented audits

8. Human Rights

General Principle
Recognize and acknowledge that human beings have universal and natural rights and status regardless of legal jurisdiction and local factors.

Responsibilities of Supply Management Organization
Support and uphold human rights both domestically and abroad. Abide by applicable human rights protocols. Create and articulate clear policies and expectations regarding the protection of human rights throughout the supply chain.

Responsibilities of Supply Management Professional
Treat all people with dignity and respect. Communicate organizational human rights policies and expectations to suppliers and throughout the supply chain. Be vigilant as to possible human rights violations in the supply chain. Implement appropriate organizational policies and procedures upon learning of suspected abuse.

Representative Policies, Programs and Metrics
a) Child labor, slavery and human trafficking policies and practices
b) Commitment to implement UN Guiding Principles on Business and Human Rights
c) Compensation and wage policies (for example, local and living wage concept)
d) Compliance with relevant local laws and regulations
e) Conduct human rights risk assessments on company operations, suppliers by key geographies or product lines
f) Freedom of association policies and practices
g) Indigenous people policies and practices
h) Published human rights policy
i) Signatory to United Nations Global Compact
9. Labor Rights

**General Principle**
Respect, promote and protect an individual’s labor rights as defined by applicable international conventions.

**Responsibilities of Supply Management Organization**
Support freedom of association and right to collective bargaining. Reject forced labor and child labor. Create clear policies regarding labor rights applicable to suppliers and throughout the supply chain.

**Responsibilities of Supply Management Professional**
Do not discriminate with respect to occupation or employment. Communicate organizational labor rights policies and expectations to suppliers and throughout the supply chain. Be vigilant as to possible labor rights violations. Implement appropriate organizational policies and procedures upon learning of suspected violation.

**Representative Policies, Programs and Metrics**

a) Representative policies, programs and metrics in adherence to International Labor Organization principles and guidelines
b) Audit non-conformance rates by key labor categories
c) Child labor policies and practices
d) Compensation and wage policies and practices (for example, local and living wage concept)
e) Compliance with relevant local laws and regulations
f) Description of supplier monitoring and evaluation processes and programs
g) Freedom of association policies and practices
h) Published supplier code of conduct
i) Signatory to United Nations Global Compact
j) Supplier training and development
k) Working hours

10. Supply Chain Sustainability

**General Principle**
Support supplier development of more sustainable business practices, products and services and the embedding of sustainability throughout supply chains.

**Responsibilities of Supply Management Organization**
Develop supplier-facing sustainability goals that address environmental, social and financial performance in the supply chain context. Work with partners throughout the supply chain to develop and deploy consistent and complementary sustainability goals.
Responsibilities of Supply Management Professional
Communicate organizational sustainability policies and expectations to suppliers and throughout the supply chain. Hold suppliers accountable to sustainability goals and track their progress and performance. Encourage and (whenever possible) assist suppliers to develop their own sustainability goals.

Representative Policies, Programs and Metrics
a) Contact information for chief sustainability officer (or equivalent) publicly available
b) Creation and measurement of supplier sustainability goals
c) Inclusion of the following topics in metrics: responsible sourcing, recycling, end-of-life management, transparency of supply chain, disclosure of substances of concern, risk management
d) Incorporation of sustainability commitments in purchasing documents (for example, purchase order, general terms and conditions, and request for quote)
e) Published supplier code of conduct
f) Results of supplier sustainability assessments and audits
g) Supplier engagement mechanisms, such as supplier advisory councils and sustainability work teams
h) Supplier sustainability training

11. Transparency

General Principle
Make available full and complete information necessary for collaboration, cooperation and collective decision-making. Require a corresponding level of transparency from suppliers and throughout the supply chain.

Responsibilities of Supply Management Organization
While taking into account proprietary considerations, develop and deploy policies and practices that are open and transparent to relevant internal and supply chain stakeholders. Whenever practicable, measure and publicly report relevant targets, timelines and progress toward organizational goals.

Responsibilities of Supply Management Professional
Communicate organizational policies and expectations regarding transparency in supply chain relationships and business dealings to suppliers and throughout the supply chain. Promote supplier adoption of transparent supply chain management and business practices.

Representative Metrics
a) Disclosure of supply chain-related risks to investors and other stakeholders
b) Disclosure of supplier locations
c) Knowledge of growing or sourcing regions for raw materials
d) Public corporate sustainability reporting policies and practices
e) Release of third-party audits and certification
FOR FURTHER READING

Business and Sustainability

Cradle to Cradle: Remaking the Way We Make Things

Green Giants: How Smart Companies Turn Sustainability into a Billion Dollar Business
E.F. Williams (2015), AMACOM.

Natural Capitalism: Creating the Next Industrial Revolution

General Sustainability References

Transforming Our World: the 2030 Agenda for Sustainable Development

The UN Sustainable Development Goals (SDGs) are the most broadly adopted such set within the global business community.
United Nations Environment Program (UNEP)

United Nations Global Compact (UNGC)
United Nations, http://www.unep.org/. UNGC is “a call to companies to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and take actions that advance societal goals.”

Sustainable Performance Standards

Environmental, Health, and Safety Guidelines
International Finance Corporation/World Bank,
http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/ehsguidelines
The EH&S Guidelines from IFC/World Bank identify general and sector-specific standards for performance.

International Labour Organization Core Labour Conventions and Standards International Labour Organization (ILO)
ILO conventions and standards cover a wide range of social responsibility issues.
ISO 14001: 2015 - Environmental management systems -- Requirements with guidance for use
International Organization for Standardization,
This standard governs the two-stage assessment of a company's environmental management systems.

ISO 26000: 2010 - Guidance on Social Responsibility
International Organization for Standardization,
http://www.iso.org/iso/discovering_iso_26000.pdf
The standard promotes common understanding in the field of social responsibility and addresses seven core subjects of social responsibility: human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

ITC Standards Map
The ITC Map provides information on 170 sustainability and social responsibility standards, codes of conduct, and audit protocols.

Safer Choice
U.S. Environmental Protection Agency, https://www.epa.gov/saferchoice
The U.S. EPA's Safer Choice program outlines positive steps that manufacturers can take to make safer products.

Sustainable Purchasing
Guidance for Leadership in Sustainable Purchasing v1.0
Sustainable Purchasing Leadership Council,
https://www.sustainablepurchasing.org/guidance/
Provides a framework and step-by-step process for implementing a sustainable purchasing program.

Sustainability Reporting
G4 Global Reporting Initiative Guidelines
GRI, https://www.globalreporting.org/standards/Pages/default.aspx
The G4 Guidelines from GRI provide a standard framework for companies to publicly report social, environmental, and economic performance.


APPENDIX A: ISM Sustainability and Social Responsibility Committee Objectives

The ISM Sustainability and Social Responsibility Committee developed the Principles of Sustainability and Social Responsibility and the accompanying guidance document. The objectives of the Committee are to:

1) Reinforce that supply professionals fulfill a front-line role to lead, drive and influence sustainability and social responsibility initiatives within the organization and throughout the supply chain.

2) Commit resources to support sustainability and social responsibility practices and education.

3) Increase supply management professionals’ awareness of sustainability and social responsibility.

4) Champion the business case for sustainability and social responsibility.

5) Advocate that sustainability and social responsibility initiatives are about more than short-term financial decisions.

6) Educate the supply chain community and others on sustainability and social responsibility subjects.

7) Encourage supply professionals to embed relevant sustainability and social responsibility language in internal strategic sourcing policies and procedures and throughout supplier documents to foster commitment throughout the strategic sourcing process.

8) Reinforce the value of personal commitment and contributions, including how they positively impact sustainability and social responsibility initiatives and outcomes.

9) Collaborate and share strategies, policies, procedures, best practices and other relevant material related to sustainability and social responsibility, both internally and with suppliers.

10) Promote the adoption of these principles throughout the supply chain.

11) Raise the strategic value of supply management through the promotion of sustainability and social responsibility initiatives and results.
APPENDIX B: Glossary

ADAPTATION
The iterative process of designing and implementing policies, practices and behaviors to be able to exist in the face of changing conditions. In the context of climate change, the process of designing and implementing plans at the national, regional, municipal, organizational or individual level to adapt to the consequences of climate change. (Compare definition at MITIGATION.)

CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT
The California Transparency in Supply Chains Act, which went into effect in 2012, requires a business meeting specific conditions to publicly disclose information on its actions to identify and eradicate human trafficking and slave labor in its supply chain.

CDP (formerly CARBON DISCLOSURE PROJECT)
A United Kingdom-based initiative designed to publicly report international corporate greenhouse gas emissions inventory data.

CARBON FOOTPRINT
Total amount of carbon dioxide and other greenhouse gases emitted over the life cycle of a product or service; total amount of carbon dioxide and other greenhouse gases attributable to the actions of an individual or organization over the period of one year.

CORPORATE SOCIAL RESPONSIBILITY (CSR)
A framework of measurable corporate policies and procedures and resulting behavior designed to benefit the workplace and, by extension, the individual, the organization and the community as they relate to diversity and inclusiveness of the supply base, workforce, environment, ethics, financial responsibility, human rights, health and safety, and sustainability.

CORPORATE CITIZENSHIP
Attributes of good corporate citizenship typically include good governance, ethical behavior, transparency and actions that support the concept that the corporation has a role in the well-being of society, including community involvement and environmental concerns.

CORPORATE SUSTAINABILITY REPORT
Entity-level documentation that focuses on performance from a variety of perspectives, including economic, social, governance and environmental. May also be called corporate responsibility report.

CIRCULAR ECONOMY
An industrial economy that produces no waste and pollution, by design or intention, and in which material flows are of two types: (a) biological nutrients, designed to reenter the biosphere safely, and (b) technical nutrients, which are designed to circulate at high quality in the production system without entering the biosphere.
DIVERSITY
Differences or variety in all ways, including ideas, forms and abilities. Human diversity often includes differences in race, gender, age, ethnicity, sexual orientation, gender expression, physical abilities, socioeconomic status, culture, and religious or other beliefs. The concept applies across countries and regions and globally.

DIVERSITY AND INCLUSION — SUPPLY BASE
1) Variety in the ownership of organizations. In supply management, diversity typically means an organization’s efforts to include different categories of suppliers in its sourcing process and active supply base and to address the opportunities and challenges that arise from differences and similarities.

2) An aspect of an ISM® Sustainability and Social Responsibility Principle urging organizations to make an effort to engage different categories of suppliers in sourcing processes and decisions, and to encourage members of their supply chain to do likewise.

DIVERSITY AND INCLUSION — WORKFORCE
1) Variety, including variety in the types of people employed in an organization.

2) An aspect of an ISM® Sustainability and Social Responsibility Principle urging organizations to make an effort to attract and retain a workforce that represents the varied backgrounds of the customer and community in which the organization operates and to encourage members of their supply chain to do likewise.

ENVIRONMENT
An ISM® Sustainability and Social Responsibility Principle urging supply management decisions and actions that promote protection and preservation of the health and vitality of the natural environment within which the organization operates. In this regard, environment refers to the earth and its key elements: land, water and air.

ENVIRONMENTAL AUDIT
An objective, systematic and periodic process for identifying and documenting environmental compliance and associated management systems, including gaps and corrective actions.

ENVIRONMENTAL DESIGN
A focus on sustainable design, including “green” building and environmentally-sensitive architecture.

ENVIRONMENTAL JUSTICE
Concept upholding the fair and equitable allocation of risk and benefits of using environmental resources for all people, regardless of race, color, national origin or income. Also called ecological justice.

ENVIRONMENTAL IMPACT
Positive and negative effects that an action (typically a project or change in process) may have on air, water, land, natural resources, flora, fauna, humans and their systemic interactions.
ENVIRONMENTAL RISK ASSESSMENT
A framework used to assess what could go wrong, the likelihood and seriousness of harm occurring (risk), and how to mitigate said risk in the context of agents (physical and chemical), humans and ecological resources.

ENVIRONMENTAL VALUATION
Process of assigning monetary values to environmental benefits and risks when comparing the total impact of alternative scenarios.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA
A set of standards for an organization’s performance that investors use to screen investments, usually based upon environmental and social performance and adoption of best practices in corporate governance.

ENVIRONMENTALLY SUSTAINABLE
A condition that balances the needs of society with the needs of biodiversity, resilience and regeneration of natural ecosystems.

ENVIRONMENTALLY-SUSTAINABLE PROCUREMENT
Practices and policies that employ environmentally-sustainable strategies in sourcing and purchasing goods and services. Typically, environmentally-sustainable procurement involves evaluation of both products/service attributes and the business practices of the organization(s) supplying those goods and services.

ETHICS
1) A system of moral principles or rules of conduct recognized (and prescribed in the case of a company or organization) as essential to a particular class of actions.

2) An ISM® Sustainability and Social Responsibility Principle urging organizations and individuals to recognize that ethical behavior and business conduct is a critical element impacting personal, business (public and private), supplier, and governmental relationships and governance.

GLOBAL CITIZENSHIP
In business, used to express the view that there is accountability and responsibility for environmental, social and economic factors across national borders.

GLOBAL ENVIRONMENT MANAGEMENT INITIATIVE (GEMI)
A non-governmental organization developing insights and creating environmental sustainability solutions for business.

GLOBAL REPORTING INITIATIVE (GRI)
A non-profit organization that creates and manages standards for organizational sustainability reporting. The GRI’s reporting framework is used by businesses to self-report key areas of economic, environmental, social and governance performance.
GREEN
Practices or processes that are environmentally sound and follow the tenets of sustainability. Includes (a) “green building” (the practice of increasing the efficiency with which buildings and their sites use and harvest energy, water and materials, and reducing building impacts on human health and the environment), (b) “green purchasing” (the practice of carefully considering the necessity of a product or service before purchasing it, and placing purchasing priority not only on the price and quality but also on the impact that a product or service has on the environment), (c) “green economics” (focuses on the importance of the health of the biosphere to human well-being) and (d) “green living” (a lifestyle intended to ensure that one’s impact on the environment is as minimal and/or as positive as possible).

GREENHOUSE EFFECT
The trapping of heat within Earth’s atmosphere by greenhouse gases.

GREENHOUSE GASES (GHGs)
Carbon dioxide and at least five additional, specified gases in Earth’s atmosphere that are known to trap the sun’s energy and contribute to the warming of the temperature of Earth’s surface.

GREENWASHING
The practice of promoting an environmentally-friendly product or service with unsubstantiated claims, similar to whitewashing, but within an environmental context.

HAZARDOUS WASTE
Waste that (a) poses substantial or potential threats to public health or the environment, (b) has the potential to cause, or significantly contribute to, an increase in mortality (death) or an increase in serious irreversible or incapacitating reversible illness or (c) poses a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of or otherwise managed at end of life.

INTEGRATED REPORTING
A concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. The integrated reporting framework enables a business to brings these elements together through the concept of “connectivity of information,” to best tell an organization’s value creation story.

ISO 26000
A voluntary, noncertifiable standard developed by the International Standards Organization (ISO) to help organizations effectively assess and address those social responsibilities that are relevant and significant to their mission and vision, operations and processes, customers, employees, communities, and other stakeholders.

INTERNATIONAL LABOUR ORGANIZATION (ILO)
A United Nations agency that promotes human and labor rights through the development of international standards that address work-related issues.
LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)
The U.S. Green Building Council’s third-party certification system designed to encourage and accelerate global adoption of sustainable green building and development practices through the creation and implementation of universally understood and accepted standards, tools and performance criteria.

MATERIALITY
A concept that recognizes that some information ranks higher than other information in terms of relevance to a particular situation, organization, set of circumstances, geographic area and/or time period.

MATERIALITY ASSESSMENT
A defined process used to evaluate the relative importance of impacts and/or issues across two dimensions, most commonly (a) importance to a defined set of organizational stakeholders and (b) importance to organizational success and/or impact. The process most commonly results in a “materiality map,” plotting the impacts and/or issues under evaluation across these dimensions.

MITIGATION
Reduction in impact. In the context of climate change, mitigation refers to the policies, practices and behaviors undertaken at a national, regional, municipal, organizational or individual level to reduce the emission of greenhouse gasses into the atmosphere. (Compare definition at ADAPTATION.)

SAFETY
1) The condition of being protected or free from the occurrence or risk of injury, danger, failure, error, accident, harm or loss.
2) An ISM® Sustainability and Social Responsibility Principle urging organizations to protect the health and safety of their employees and the employees of their suppliers, and to require that members of their supply chain do likewise.

SOCIALLY RESPONSIBLE INVESTING (SRI)
An investment strategy that incorporates both financial return and social good.

SUSTAINABILITY
The ability to meet current needs without hindering the ability to meet the needs of future generations in terms of economic, environmental and social challenges.

SUSTAINABLE DESIGN
Design that focuses on the ideal goal of reducing the need for virgin environmental resources to zero while giving due consideration to related economic and societal impacts. Often focuses on utilization of renewable resources and minimal lifecycle impact on the environment.

SUSTAINABLE DEVELOPMENT
Development that meets today’s needs without negatively impacting the success of future generations in meeting their needs in the areas of ecological, economic, political and cultural sustainability.
TRANSPARENCY
As used in science, engineering, business, the humanities and in other social contexts, implies openness, communication, and accountability.

TRIPLE BOTTOM LINE
A framework that incorporates three dimensions of performance: social, environmental and financial.

UNITED NATIONS GLOBAL COMPACT
A United Nations initiative to encourage businesses worldwide to adopt sustainable and socially-responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating 10 principles in the areas of human rights, labor, the environment and anti-corruption.

UPCYCLING
A process that transforms by-products, waste materials, useless and/or unwanted products into new materials or products of better quality or better environmental value. Also known as creative reuse

ZERO ENVIRONMENTAL FOOTPRINT
Absence of net environmental impact.

ZERO WASTE
The condition of creating “no” waste from industrial or other processes. In practice, “no” waste is defined as diverting at least 95 percent of waste output away from landfills through practices such as waste reduction, recycling, reuse and upcycling.
Institute for Supply Management® gratefully acknowledges the contributions of the 2017 ISM Sustainability Committee in the development of these principles.

<table>
<thead>
<tr>
<th>Contributors</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Robert Kuhn (Chair)</td>
<td>Judy Pines, C.P.M., A.P.P.</td>
</tr>
<tr>
<td>Dr. Kevin J. Dooley</td>
<td>Dan Pleshko</td>
</tr>
<tr>
<td>William L. Hall</td>
<td>Cathy Rodgers</td>
</tr>
<tr>
<td>Emily Mionis</td>
<td>Emily Socha</td>
</tr>
<tr>
<td>Jonathan Newton</td>
<td>Josh Wiener</td>
</tr>
<tr>
<td>Cimarron Nix</td>
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