

Sustainable Supply Chain



Stakeholders are increasingly demanding responsible business practices to ensure human rights, strengthen climate action and protect the natural environment. This is underlined by multiple global laws along the supply chain, impacting trade flows, requiring more comprehensive risk management, responsible sourcing and decoupling strategies and measures.^{1, 2} Companies must therefore incorporate these demands into sustainable supply chain management practices to improve the resilience and flexibility of their

organisations, foster innovation, increase efficiency and save costs through compliance. Most importantly, the product life cycle and product design will have to adapt, increasing circular economy flows with more stringent requirements with regard to waste, disposal and packaging management. This will eventually lead to an adjustment of the operations footprint. To maintain competitiveness, effective sales and operations planning processes must address these new challenges.

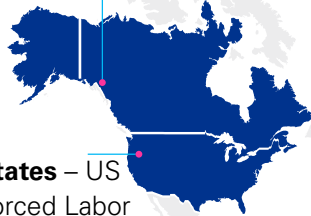
Common challenges of supply chain acts

- Lack of understanding about which supply chain regulations are applicable
- Lack of clarity about **penalties** for non-compliance
- Uncertainty about gaps between **current state** and compliance
- Unsure which **actions** to take if non-compliant
- Increasing **complexity** and costs for suppliers and supplier management
- Increasing **information requests** from customers, shareholders and other interest groups



Supply Chain regulations are expanding worldwide with different due diligences and consequences, requiring a global view

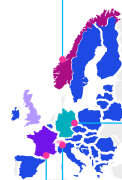
Canada – Modern Slavery Act (Bill S-211)



United States – US Uyghur Forced Labor Prevention Act, Transparency in Supply Chain Act

France – French Duty of Vigilance Law

Norway – Norwegian Transparency Act



Switzerland – Swiss Ordinance on Conflict Minerals and Child Labour

Germany – German Supply Chain Due Diligence Act

Japan – Human Rights in Responsible Supply Chains Guideline



Australia – Australian Modern Slavery Act

Source: KPMG in Germany, 2024

Note: ¹ KPMG [The Future of Supply Chain 2023 Study](#), 2023. We reached out to 300 supply chain executives worldwide. ² KPMG [The Future of Procurement Study](#), 2024. Insights are augmented by findings from the KPMG 2023 Global Procurement Survey of 400 senior procurement professionals.

Key EU regulations



Carbon Border Adjustment Mechanism [CBAM]



Deforestation Regulation [EUDR]



Corporate Sustainability Due Diligence Directive [CSDDD]



Battery Regulation [EUBAT]



Ecodesign for Sustainable Products Regulation [ESPR]



Environmental due diligence
Human rights due diligence

Source: KPMG in Germany, 2024

Who is affected?

Any company with supply chains, especially with global trade flows related to manufacturing processes with labor involvement and input of natural resources into their value creation process.

Whom to address?

Chief Procurement Officers, Sustainability and Compliance Officers, Supply Chain Management Officers, Trade Experts, CFOs and CEOs.

Why is this relevant?

The consequences of negligence can range from inability to enter the market due to non-compliance with certain regulations (UFLPA, EUDR); fines of up to 5 % of global revenue and civil liability (CSDDD); cost increase through direct or indirect taxation (CBAM); increase of raw materials prices and supply shortages due to failure to decouple strategic pathways; adjustments to procurement practices and supply chain risk management tools and processes; to loss of reputation.

What are we offering ?

A global solution, across functions and across the KPMG member firms. We support clients in mapping out regulatory requirements and gaps with a functional expert team, globally, and identifying the best-fit technology solution with cost efficient process and organisation design and implementation. We understand and improve global operations and sales and operations planning along product design, industrialisation and product life cycle management and can factor ESG into the operations equations.

What are the benefits?

The first layer of benefits is becoming compliant while reducing complexity, thereby improving performance. As a second layer, organisational change drives cross-functional collaboration in order to overcome ESG challenges in operations, improve governance and reduce costs. It also opens up new client-facing opportunities. The third layer builds into harmonising data and taking the digital journey to the next level. The fourth layer is about improved integration of supplier management, not only for cost avoidance and performance improvement but also better product design.

Sustainable Supply Chain – Key drivers for improvement



Supply Chain Acts

Understand, address and manage the regulation in a cost-efficient, cross-functional, global and holistic manner where affected: EUDR, CSDDD, UFLPA, German Supply Chain Due Diligence Act, CBAM, Product Passport Regulation, Battery Regulation.



ESG Data and Technology

Understand technology drivers, machine learning, AI and data management by adequate right-fit technology solutions, e.g. trade data management, AI ESG use cases, due diligence and scope 3 management and reporting.



Circular Economy

Expand operational processes for disposal, re-logistics and remanufacturing processes, based on product passport, waste and packaging regulations, potentially accessing new revenue streams and markets.



Responsible Sourcing

Adjust strategy, processes and organisation for procurement practices that are not only responsible but also impactful from a total-cost-of-ownership standpoint.



Network Design & Sales and Operation planning

Redesign and adjust supplier and manufacturing footprint, that take ESG and risk requirements into account to improve planning on a strategic, tactical and operational level.



Scope 3 Decarbonization

Ensure high-precision, automated measurement of level scope 3 emissions with supplier integration, identifying and lifting the levers for reduction.

The Sustainable Supply Chain Transformation starts with key questions



KPMG offering in sustainable supply chain management

KPMG is aware of the strong environmental and social pressures on companies in a globalised business world. As one of the world's leading advisors in corporate governance and a frontrunner when it comes to procurement and supply chain consulting, we have already helped numerous companies successfully transform their supply chains for sustainability.

Source: KPMG in Germany, 2024

KPMG offering market-leading solutions

- Our interdisciplinary team (ESG core, Law & Audit, Consulting) combines compliance and performance
- We are one of the leading consulting firms in the areas of procurement and supply chain
- We have gained extensive cross-sector expertise in improving performance as well as embedding new technology and ESG into operations.

Contact us

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