

THE ROLE OF SUPPLY CHAIN SUSTAINABILITY IN A CORPORATE SOCIAL RESPONSIBILITY STRATEGY

Supply chain sustainability is increasingly recognized as a key component of corporate sustainability. In addition to being the right thing to do, managing the social, environmental and economic impacts of supply chains and combating corruption makes good business sense. However, supply chains consist of continuously evolving markets and relationships. To navigate this complex terrain, it is needed to offer a few baseline definitions and to identify practical steps that companies can take toward progress, using the United Nations Global Compact principles as the basis to work toward supply chain sustainability.

Supply chain sustainability is the management of environmental, social and economic impacts and the encouragement of good governance practices, throughout the lifecycles of goods and services. The objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market. For many Ukrainian enterprises, the problem of ensuring the sustainability of supply chains is quite acute in connection with the upcoming tightening of environmental and social requirements for business, arising from the association agreement with the EU, and with the need to reorient its business activity to European markets.

The aim of the paper to trace the link between supply chain sustainability and corporate social responsibility and to ways for incorporate several measures of supply chain sustainability into a CSR strategy.

As environmental, social, and governance issues have become ever more important influencers of customer and employee expectations, organizations have tightened their embrace of the sustainability programs that address those issues. According to the latest McKinsey Global Survey on the topic [1] companies are increasingly formalizing the way they govern sustainability programs, as well as elevating the importance of diversity and inclusion [2]. And a larger share of corporations CEOs than ever before is reflecting the top reason for implementing a sustainability agenda is better alignment between an organization's practices and its goals, missions, or values [3, p. 29].

By integrating the UN Global Compact Ten Principles into supply chain relationships, companies can advance corporate sustainability and promote broader sustainable development objectives [4]. Evidence that the supply chain pressures towards corporate social responsibility (CSR) are becoming the reality is increasing. The European Commission note that CSR-related

threats and opportunities are now extending beyond larger players to entire firm networks and supply chains [5].

Sustainability of the supply chains is important because they are the engines for today's global economy, serving to deliver goods and services around the world, connecting businesses and the individuals who work for them across geographic, industry, cultural and regulatory boundaries [6, p. 23]. Supply chain sustainability provides that companies will continue to meet their needs in the future, in economic, social, ethical and environmental terms and are requiring such behaviour from its suppliers [7]. It ensures compliance with laws and regulations as well as adherence to and support of international principles for sustainable business conduct. In addition, companies are increasingly taking actions that result in better social, economic and environmental impacts because society expects this and because there are business benefits in doing so.

Supply chains management as a corporate governance function is fulfilled usually under uncertainty. Essentially, in a supply chain context, if there are some sources of uncertainty such as demand uncertainty and supply uncertainty, the performance of the supply chain will also be affected and become uncertain. As a result, risk emerges and supply chain agents need to make decisions under risk [8, p. 490; 9, p. 2]. In the operational research literature, the classical approach for exploring supply chain risk is to employ an expected measure approach [10; 11, p. 655].

By managing and seeking to improve environmental, social and economic performance and good governance throughout supply chains, companies act in their own interest, the interests of their stakeholders and the interests of society at large. By implementing supply chain sustainability programmes, companies engage with both direct and sub-tier suppliers, mainstreaming values and actions down to raw material producers and maximizing the overall social, environmental and ethical impact [12].

The implementation of CSR practices has long been considered the realm of large companies and globally operating multinational corporations (MNCs), which responded to a "pull effect", i.e. pressures by governments and consumers to address pollution and environmental degradation, inadequate working conditions in production, sourcing and delivery processes, or human rights abuses. Nevertheless, there is a growing interest and need to look at the entire value chain from primary production to consumption and disposal and

specifically to those small and medium-sized enterprises (SMEs) which are supplying raw materials, semi-processed or consumer goods and services to many large enterprises and MNCs.

As a result of the exponential increase of energy and materials consumption rates of energy and materials globally, sustainable development arise as an urgent issue and new approach to supply chain management is required to incorporate environmental and economic concerns in the design of supply chains. This approach is called green supply chain, which has been proposed to deal with the trade-offs between environmental and financial issues in order to reduce negative impacts on the environment caused by the increasing levels of industrialization (see: [13 – 17]).

Ukrainian companies, especially large ones, should encourage their suppliers to elaborate their own sustainability strategy. One way is to encourage them to join and participate actively in the Global Compact and Local Networks around the world. Joining the Global Compact is a sign that the supplier is taking sustainability issues seriously and trying to become a competitive player on global markets.

Over the past decade, the Metinvest Group has made sustained investments in meeting the highest standards in health, safety and environment (HSE) worldwide and the results have been significant. HSE is part of Metinvest's philosophy. The Group believes that its goal of becoming a leading European steelmaker requires it to meet the highest international standards in this area. To that end, Metinvest has invested substantially in new technology for its mines and mills that is cleaner and safer. Metinvest has also instituted a robust HSE system designed to improve oversight and drive results. In total, over the last 10 years, Metinvest spent around US\$4.2 billion on HSE, including US\$3.3 bil-

lion on environment protection and US\$0.9 billion on health and safety [18].

As part of its commitment to reinforcing a safety-first culture at facilities, the Group has introduced standards to cover every type of activity. Most operating facilities have been certified as complying with the OHSAS 18001 international occupational health and safety standard, among other similar ones. Metinvest has implemented 15 corporate health and safety standards. There is a Group-wide training system, which has helped to further the knowledge of over 96,000 people. The company has also set up a risk assessment system covering all business aspects. Each year, the company conduct over 130,000 safety audits at facilities to identify areas bearing the greatest risk to our people.

Metinvest has prioritized safety issues since day one, seeking to implement standards based on global best practices throughout. This approach has delivered commendable results. From 2012 to 2016 alone, the lost-time injury frequency rate decreased from 1.164 to 0.829, while the fatality frequency rate fell from 0.097 to 0.054. One of the Group's most successful occupational health programs has focused on cardiac health, which is among the greatest risks facing many employees in terms of both safety and personal health.

New technology has also been crucial in reducing pollution and associated risks, as have targeted environmental investments. By replacing outdated technologies, decommissioning obsolete equipment and upgrading production machinery and processes, Metinvest has slashed emissions. The company is committed to meeting international environmental standards and working with its local communities to create a better quality of life. Table 1 presents the activities of the Metinvest Group aimed at reducing pollution in the environment.

Table 1

Work group Metinvest, aimed at reducing the emission of harmful substances into the environment [18]

Period	Activities
2011-2014 Closure of open hearths at Mariupol steelmakers	Open-hearth furnaces are less efficient and dirtier than newer crude steel production methods, such as converter technology. As part of a long-term modernization strategy, Metinvest decommissioned its last open-hearth furnaces at Azovstal in 2011 and Ilyich Steel in 2014. This has significantly reduced gross emissions and improved steel production efficiency
2012 Closure of Azovstal's sinter plant	In response to the environmental situation in Mariupol, the Group took the step of closing a sinter plant and three obsolete coke batteries at Azovstal in 2012. These costly measures helped to reduce pollution in surrounding communities substantially. Sinter production was transferred to Ilyich Steel.
From 2012 Reconstruction of Ilyich Steel's sinter plant	Metinvest is reconstructing the sinter plant at Ilyich Steel, due for completion around 2020, in one of the largest environmental projects in the history of independent Ukraine. When complete, the plant will achieve international standards in terms of dust and sulphur oxide discharges.
2014-2016 Worker safety and communities in Ukraine	In 2014, Metinvest adopted a five-year HSE plan for its plants and communities. The conflict in Eastern Ukraine has required prompt action to safeguard employees and their families, and we have responded accordingly. The group has worked with its largest shareholder to help those affected, providing humanitarian aid and other support.

Developing its logistics system, the company must be guided by three key principles – clear management, transparency of operations and long-term support.

Cooperating with suppliers, the company encourages them to implement their own standards of responsible activities and simultaneously adhere to the requirements of the company itself. By developing a responsible supply chain management system (SCMS), logisticians and purchasers should evaluate not only the short-term financial benefits that they themselves can obtain, but also build such relationships with suppliers that will help create long-term value for the entire chain. And this requires integrating the principles of sustainable development into procurement practices.

By creating a supply chain management system, each company must make a lot of effort to structure its

work and get the result that will bring it the most benefit. The general plan for implementing the program consists of several stages. Each of them must be adapted to the specifics of the work of the company itself and its suppliers.

Stages of the development and implementation of the program of QMSS:

I. To support the decision to implement the program;

II. Carry out an analysis of the supply chain of the company and determine a plan for the implementation of the SCMS program;

III. Implement the program of the SCMS;

IV. Evaluate the progress of suppliers;

V. Report on the results of the implementation of the program of SCMS (Table 2).

Table 2

Stages of the development and implementation of the program of SCMS

Stages of the development	Implementation of the program of SCMS
1. Supporting	- to make a decision on conducting socially responsible work with suppliers; - to define business goals, expectations and benefits from the introduction of a CRMS
2. Analyze	Analyze: - assess the risks of the supply chain; - analyze the necessary efforts to improve the activities of the logistics chain or prevent the occurrence of risks; Identify: - determine the degree of implementation of the responsible supply chain management program; - to approve an action plan to introduce
3. Implantation	- Ensure coordination of efforts between company departments; - clearly implement the programs according to the plan in close cooperation with suppliers - ensure data transmission and information on the need for correction in the middle
4. Estimation	Track the progress of implementation of responsible principles of activity on the part of suppliers
5. Report	Implement external reporting

The stage of support for the implementation of the program. This stage includes:

- decision-making on conducting socially responsible work with suppliers;
- Definition of the business purpose and advantages from the introduction of the CRM.

To successfully carry out socially responsible work with suppliers, such a decision should be initiated and supported by the top management and owners of the company, and the SCMS and senior managers of all units that directly work with supply chains should be able to express their views, suggestions and recommendations.

For the development of the program CRMS company:

1. Analyzes the approaches of competitors and approaches in developed markets.
2. Defines business goals, expectations and benefits from the implementation of the program.
3. Forms the vision of the program of the SCMS.
4. Associates with the company's strategy.

5. Defines the business model of working with suppliers.

In order to clearly develop its own SCMS system, company managers should analyze how such a program is implemented by its competitors, namely:

- business model of sustainable development of supply chains;
- Understanding of risks related to human rights, labor, environment and cooperation with authorities,
- internal structure of supply chain management;
- codes of ethics and issues that are addressed in these codes;
- the processes of introducing codes of ethics into the real activity of a competing company;
- approaches and programs of cooperation with suppliers;
- indicators for assessing the success of the program;
- reporting practices.

Determination of business goals, expectations and benefits from the implementation of the program.

A clear vision and goals of the company's sustainable development program will help the company determine its strategy and obligations to its suppliers.

Since the new criteria of work concern both parties – the company and its suppliers, respectively, each of them sets its expectations and its goals of work. Having a vision of sustainable development of the company's supply chains, wording of the business impact objectives should not be difficult. These goals can include meeting the expectations of customers and other groups of influence, reducing costs and entering new markets. It is important to establish social and environmental goals, to which the program of sustainable development of supply chains directs efforts.

Some of the company's influence groups tend to understand the processes by which the company fulfills its obligations to implement the responsible supply chain program, while others are more concerned about the benefits, in particular suppliers are trying to understand the benefits that they can get for their business as a result of customer requirements.

In some cases, companies can expect the supplier to introduce their own sustainable development management system, determine the impact on the environment (greenhouse gas emissions, use of agricultural land, etc.), workers (work-related injuries, wages, working conditions, training); society (contribution to the development of infrastructure, the number of jobs created).

In order for the set goals to be realistic, and therefore, perceived in the company, their wording should occur with the participation of all units of the company, especially the purchasing department. Thus, the objec-

tives of the activities of suppliers should take into account the expectations of the company and include such specific areas as human rights, labor, environment, ethics, the development of supplier management systems.

The goals that the company sets itself can differ significantly and be:

- strategic – support of the company's long-term value;

- operational – reducing total costs due to reduced energy and material costs;

- reputational – the desire to change the opinion of interested parties about the company;

- The objectives related to the regulatory field – ensuring compliance and the company's activities with all laws and regulations;

- Preventive – the desire to avoid undesirable scenarios of events unfavorable for the company.

Expectations from groups of influence, and therefore, the criteria for selecting suppliers, the standards of their work, the quality of their work, the conditions for carrying out activities, the effectiveness, effectiveness and benefits that such cooperation will bring for the buyer company, on the one hand, and the obligations and principles of the company- the buyer, on the other hand, must be formalized by the company and available to potential and existing suppliers.

The minimum expectations that suppliers must comply with are compliance with national legislation and the implementation of all possible measures to prevent environmental and social harm. Table 3 below lists the expectations of the two sides of the supply chain: the supplier and the customer.

Table 3

List of expectations of the two sides of the supply chain: supplier and customer

Expectations of the supplier from the implementation of the responsible principles of the customer	Expectations of the company-customer from the establishment of requirements for the responsible activities of suppliers
Continuation of contracts with the client company	Suppliers conduct their business in a way that does not inflict a negative impact on the reputation of the company-customer
Obtaining assistance from the customer company when developing and implementing principles of responsible activity and non-interference in the part of the company that does not belong to the sphere of influence of the customer	Development of open relations with the supplier
Getting commercial benefits	Getting commercial benefits in the form of reducing the cost of raw materials and materials, etc.
Decrease in staff turnover, training for employees, and, consequently, increasing the ability to retain skilled workers	Timeliness and quality of supplies
Establishing common requirements and rules for the market	The functioning of the supply chain management system in accordance with recognized international standards
Conclusion of a partnership that will help all those involved in conducting responsible activities	Getting a quick and competent response to supplier requests

After determining the reasons for implementing the program, the company must evaluate its logistics chain "from the outside" – how suppliers cooperate with its competitors, expectations of influence groups to competitors and the possibility for suppliers to create partnerships with other organizations.

The process of the formation of CRMS includes the answers to the following questions:

- What does the company expect to achieve with the help of the supply chain management program?

- How to integrate a new supply chain management program into the company's business strategy?

What motivates the company to invest in appropriate supply chain management:

- requirements and requests of customers?
- requests of public organizations and activists on the practice of the supply chain, which affect the brand and reputation of the company?
- the desire of investors to understand how the company manages the risks of supply chains?
- discrepancy to regulatory standards and standards that prevent the company from operating?
- the growth of the company's costs as a result of increased demand and a decrease in the supply of natural resources?

Pressure from competing companies that also define programs for responsible management of influence groups?

- business interest in researching macro issues in the environment and society to ensure long-term sustainable performance?

Understanding the long-term perspective, the company describes the expectations of the supply chain, which will help it achieve its strategic goal.

To determine the business model of working with suppliers, the company is guided by the following main engines for the implementation of the CRMS (Fig. 1).

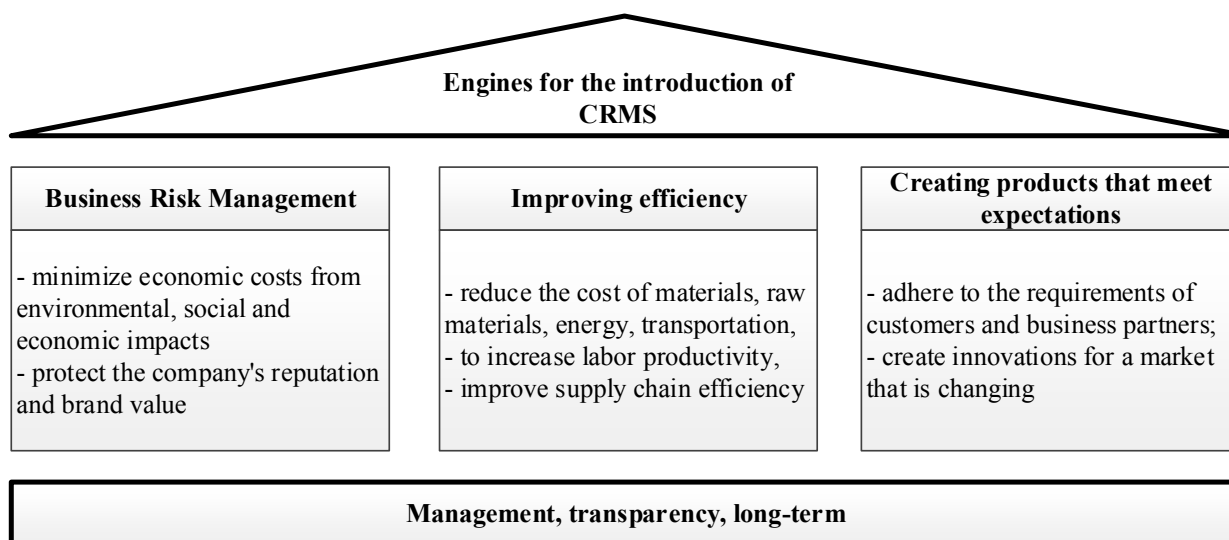


Fig. 1. The main engines for the introduction of CRMS

It is the business model that determines how the company cooperates with customers, suppliers and other groups of influence that creates value for them and who are ready to invest in improving their work to satisfy the client. Having formed a business model of an IMS, the company will be able to increase the efficiency of the use of resources and materials, and also produce products that meet the requirements of customers. Also, one of the main advantages of developing a business model for the company will be the opportunity:

- Implement responsible practices of labor protection and safety, which, in turn, affect the cost-effectiveness and productivity of work;
- Get a clear understanding of the basic processes of supply chains, incl. management of natural resources, logistics and production, which allows the company to better manage resources;
- Effectively organize processes and systems, which will reduce the need for resources and, accordingly, reduce the company's expenses.

The business model of each individual company depends on a number of factors: from the industry, the expectations of influence groups, the company's business strategy and its organizational culture.

Consider the second stage of the development and implementation of the program of CRMS – to analyze and determine.

This stage includes:

- risk assessment of the supply chain;
- analysis of the necessary efforts to improve the operation of the logistics chain or to prevent the occurrence of risks;
- determination of the degree of implementation of the responsible supply chain management program;
- approval of the action plan.

The next step after determining the objectives of the CRMS is the step of analyzing the vendor base. This task is connected with two difficulties: a possible large number of suppliers and various factors of the social responsibility of business, which need to be analyzed. Therefore, at the beginning of their work, many companies decide to focus on the largest or most critical of the impact groups, and these are usually those from which the company directly receives resources, or which accounts for the majority of its expenditure, or whose output is critical for production. Also, in the supply chain, so-called "hot spots" may occur, requiring immediate attention due to a high level of risk (as a result of scandals

or information about significant problems in the supply chain).

To understand the scale of managing sustainable supply chain development, a company must first understand well what the chain is for it. The main activity of

organizations and people involved at all stages of the production of goods - from raw materials to delivery to the market will help the supply chain map, the general scheme of which is depicted in Fig. 2.



Fig. 2. Supply Chain Map

Logical circuit card:

- Definition of the main categories of goods and services that the company receives or provides;
- outline for each category of product or service flow of materials and information;
- collection of all possible information at every stage of the supply chain about observance of human rights, labor protection, ecology and corruption.

After that, the dangerous zones in the supply chain are identified, namely:

1. Identification of risky events that may interfere with the achievement of the set goals.
2. Assessment of the likelihood of occurrence of risky events and the severity of the consequences that may arise in this case.

Choosing a supplier, in addition to determining the price of its products, companies often evaluate a range of other issues, for example, quality and safety, continuity of delivery and speed of delivery, compliance with intellectual property rights.

When raw materials and inputs for production come from low-income countries, an analysis of the costs and benefits of such a supplier should, from the outset, take into account issues of working conditions and respect for the environment. At the same time, the company must remember the context of the activities of this supplier - which in his country has social and environmental legislation, what level of control authorities have in terms of production conditions, etc. It is possible that for such a supplier it will be very difficult to implement the company's requirements and to facilitate its integration of these changes, one of the main tasks for the company should be not only to promote its requirements to the supplier, but also to help and encourage the creation of its own responsible practices.

The essential advantages that the supplier himself receives are primarily related to the commercial benefits that are achieved by improving the quality of products, increasing the efficiency of activities, extending contracts with customers and a measurable reduction in employee turnover.

The purpose of this stage of the company's activities on the way to the introduction of the CRMS program is to identify priority suppliers, given that over time, companies are becoming more experienced and able to manage chains more efficiently, which means that the program limits will be extended. For the segmentation of the supply chain, it is useful to consider risks and areas:

1) risks:

- for society: where in the supply chain are the greatest risks from the point of view of human rights, labor, environment and ethics?

- for business: are the risks in the supply chain of the company likely to affect the company's ability to conduct its business?

2) spheres:

- Costs: which suppliers form the largest expenditure items (direct and indirect) of the company, and therefore potentially have the greatest impact?

- Country: in which countries do the suppliers, products and processes that are most critical to the company operate?

- communication: with which suppliers does the company work directly, and which are subcontractors?

- type of transactions: what is the impact of the supplier's participation in the supply chain - is the supplier's activity transparent, or vice versa, reducing openness?

Consider the third stage - implementation.

Implementation assumes:

- ensuring coordination of efforts between company departments;

- a clear implementation of the program for the plan in close engagement of suppliers;

- ensuring the transfer of data and information about the need for correction within the company.

Successful introduction of programs for responsible supply chain management involves the involvement of employees of the company in the activity of 3 levels:

1) Senior management;

2) Purchasing managers;

3) Heads of the company's divisions, which will deal with the work with suppliers.

Elements of the internal system of responsibility for sustainable development of the supply chain: senior management – long-term perspective, supervision and support, procurement managers – implementation, managers – coordination between units.

The top management of the company sets the direction of the responsible supply chain management program and determines the key principles of its operation. The manager should clearly speak out the company's vision (vision), management approaches, key indicators and milestones. For effective work with suppliers, the key stage is the coordination of cooperation within the company – between its divisions, which in the future will directly cooperate with suppliers.

The greatest responsibility for this is assigned to purchasing managers who must voice the company's expectations from suppliers, to say new terms of cooperation and to integrate the program of sustainable development of the supply chain into decisions that will be taken to select new suppliers. At the same time, it is necessary to convince existing suppliers to work in accordance with the requirements defined by the company.

The management of the company should clearly see the process of introducing the program of the QMSS not as a one-sided process, where the company only establishes its requirements to the supplier, but as a bilateral one, whose goal is to form a common understanding on the sustainable development, vision, strategy and activities of the company, and to establish closer cooperation over joint projects.

To help understand and accept the customer's requirements to suppliers, it is often easier to work in partnership with colleagues (sometimes in partnership with competitors), creating and developing joint initiatives. Realizing that the requirements of responsible business are put forward not only to one particular supplier, but to all participants of the market as a whole, it is easier for suppliers to work out a common policy of implementing the principles of social responsibility and draw up a plan of action for necessary changes within organizations.

In addition, joint efforts allow fewer companies with less resources to participate and contribute to the continued sustainable development of the supply chain. The main risks and opportunities for sectoral cooperation are given in the table 4.

Table 4

Opportunities and risks of sectoral cooperation for the company-customer

Capabilities	Risks
Advantages when working with suppliers: When customers create partnerships, the requirements will be discussed and heard, and hence the "voice" of the company becomes stronger.	Internal understanding Participation in partnerships can be a big challenge for some companies, especially if potential partners are competitors in the market and are at different stages of implementation and understanding of responsible supply chains.
Demonstration of awareness when working with groups of influence. Participating in industry associations, the company can show that it understands the challenges that form before the supply chain and is ready to discuss and solve them. Work in associations will help resolve conflicting issues with groups of suppliers, which are not always convenient to negotiate when meeting with the supplier.	Loss of resources Sectoral cooperation requires considerable resources, which can not always bring the expected results.
Exchange of resources It is known that suppliers often have to introduce significant changes in their work to fulfill the requirements, and this requires considerable resources - financial, temporary, human. This issue is especially acute for small producers. Participation in partnerships allows customers to allocate resources to help suppliers more easily adapt to new requirements.	Unwillingness to change policy It is likely that the changes already agreed upon by several companies that are involved in the partnership will not be accepted by the new participants.

Usually, there are 2 types of cooperation of the company with customers:

- 1) Sharing best practice practices
- 2) Development and implementation of common standards

To work with supply chains, companies can also attract other influence groups. Many of them are sufficiently knowledgeable in the issues of sustainable development and can become useful partners not only in sharing experience and advice, but also in jointly solving the challenges of supply chains. They can help suppliers understand the context of the requirements that the

company puts forward, help find answers to "painful" questions and, finally, work as local partners in implementing the principles of responsible activity.

Let's consider the fourth stage of the implementation of the TSMS - evaluation. At this stage, progress is being tracked in the implementation of responsible principles of activity on the part of suppliers.

When the principles of cooperation between the supplier and the customer are proclaimed, negotiated and signed contracts with the new conditions, suppliers understand that the control over their activities has significantly increased, and the prospects for long-term co-

operation with the customer in the majority depend on the ability and desire to fulfill the new obligations undertaken.

For its part, the company – customer seeks to track the work that it pays and which, possibly, is a significant part of its costs, and assess the compliance of agreements with its business partners, and, consequently, the prospects for further cooperation.

In order to measure the performance of suppliers on the way to achieving the goals set by the company, the latter will have to collect and analyze a large number of indicators from time to time. To do this, the company should begin by analyzing all existing indicators and data. The next step will be the standardization of indicators so as to obtain unified data from different parts of the company, for example, by the volume of use of water resources by different enterprises belonging to the group of companies, and so on.

The collection of information can be a real challenge for the company, given the number of suppliers, the variety of countries in which they operate, and the number of sources from which this information will flow. It should also be realistic to look at the openness of suppliers to providing their performance indicators to other companies, even if they are their customers. Not understanding what specific information will be used without being confident of its confidentiality, due to various circumstances, there may be a lack of confidence in any external influence groups that will not contribute to the customer company's goal of realizing the supply chain.

There are a large number of external platforms for data exchange between companies that will help collect, group and further manage the information received. Also, with sufficient resources, a company can develop its own internal information platform. The monitoring system carried out by the contracting company (the buyer company) enables it to obtain information on compliance with the requirements specified in the contracts and codes and to justify its expectations. The monitoring process in each case will depend on each individual supplier.

Often companies prefer to order an appropriate audit of the supplier's activities in an external company - or created specifically for conducting social audits or audit companies that provide a full range of services - both financial and social audit. In this case, it is the external organization that will be responsible for the quality and reliability of the information collected and analyzed and, in accordance with this, the provided conclusions.

The effectiveness of audits in supply chains depends on many subjective and objective factors, among which it is common to identify the main (by the example of production):

1. Preparation for the inspection and familiarization with the activities of the enterprise by employees before the beginning of the visit.

2. Independence from the management of the company – the supplier, which will help gain the trust of employees.

3. Conducting a random sample of employees to conduct interviews at all stages of the evaluation.

4. Conduct informal conversations with employees during and on the spot, where they feel comfortable and safe.

5. Collect information that will enable us to understand the conditions of production.

6. Documenting information and assessing the trust of the supplier's employees to the auditor.

7. Verification of information provided by employees in other sources.

8. Observance of confidentiality and safety of employees.

After some period of cooperation (usually from half a year to a year), the company must decide whether its supply chain is sufficient to meet production requirements, quality management and social responsibility criteria established by it. Accordingly, the following steps should be:

1. Providing incentives to those suppliers that adhere to the arrangements.

2. Termination of contracts with those suppliers who have not fulfilled their agreements.

In order to avoid possible misunderstandings between the company - the customer and the supplier company - it is recommended that the contract between the parties contain information about the control actions that the customer will perform. In the event that as a result of one of the inspections revealed violations and decided to terminate the contract, the contract can become a legal confirmation of the legitimacy of the customer's act.

There are three standards: ISO14001, SA8000, OHSAS18001. The ISO14001 standard defines the requirements for the company's environmental risk management system and aims to facilitate organizations to develop and implement environmental policies and goals consistent with government regulations. The standard refers to those environmental aspects that the organization defines as those that can be controlled and influenced, but does not establish any special environmental criteria. The standard certifies the type of management, rather than the company's products.

The international voluntary social standard SA8000, which allows companies to measure the effectiveness of their activities and carry out responsible supply chain management.

The standard, based on the conventions of the International Labor Organization, the Declaration of Human Rights and the UN Convention on the Rights of the Child. The standard assesses the following elements: child labor, forced labor, labor protection, freedom of association and the right to collective agreements, discrimination, discipline, hours of work, remuneration, management systems.

OHSAS18001 is a voluntary standard for assessing the OSH management system in the enterprise. The standard helps to reduce risks in the workplace, occupational diseases and accidents and establishes requirements for compliance with a safe work environment.

The International Reporting Initiative (GRI) also contains indicators related to supply chains, shown in Table 5.

Table 5

Responsible supply chain management and GRI

GRI indicator	Description
General information 3.6	Report boundaries (for example, countries, divisions, branches, leased equipment, joint ventures, suppliers)
General Information 4.14	List of influence groups of the organization, for example, suppliers
EC6	Policies, practices and share of costs for local suppliers in key regions of operation
NP2	The percentage of significant suppliers and contractors that have been evaluated from a human rights perspective and the activities undertaken as a result of this assessment

Social audit is one of the ways to measure and report on the effectiveness of the company in social and ethical aspects. The purpose of such an audit is to accelerate social and environmental change, as well as to build the capacity to cope with the supply chain.

The last stage is the report. At this stage, after the whole process of data collection, the company should clearly understand how it will use the information received:

the data should be grouped and presented at the board meeting - this will help to carry out an internal evaluation of the performance of both the company's own divisions and the activities of suppliers;

the data should be used by the procurement department to identify suppliers, fulfill the requirements, and consequently, with which the customer will continue to cooperate, and with which such cooperation will end;

the data should be used to identify the "Weaknesses" in the company's policy to convey the motives for implementing the responsible chain management program.

Conclusions. Unlike corporate and business levels, there is little research examining corporate social responsibility at the functional level of the firm including supply chain strategy. The results of a firm-level investigation show that supply chain management aimed on sustainability and partnership with suppliers is enhancing corporate social responsibility internal awareness. Also it is reveal that monitoring of environmental practice of suppliers and the sustainability of whole supply chain are positively related to the corporate social responsibility performance. Furthermore, the impact of corporate social responsibility on firm performance is

mediated by the functional behavior of supply chain partnership formation. The study approved the conclusion that including supply chain sustainability management into corporate social responsibility strategy would support for awareness and image of a corporation. The scheme of social audit of supply chain in order to build confidence in its sustainability is presented in the paper.

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Кітріш К. Ю. Роль стійкості ланцюгів постачання у стратегії корпоративної соціальної відповідальності

У статті зроблена спроба узагальнити сучасні підходи до організації управління ланцюгами постачання в контексті забезпечення стійкості бізнесу, яка має на увазі забезпечення балансу між економічними, екологічними і соціальними компонентами функціонування бізнесу. Розглянуто роль і місце зусиль менеджменту щодо забезпечення стійкості ланцюгів постачання в реалізації стратегії корпоративної соціальної відповідальності. Введення сучасної системи управління ланцюгами постачання в ділову практику мають велике значення для промислових підприємств країн з ринковою економікою, зокрема для металургійних компаній України. Гострота цієї потреби для них значно зростає в сучасних умовах, коли вони змушені переорієнтуватися на нові ринки сировини і збуту продукції, забезпечують стійкість бізнесу і тим самим зміцнюють конкурентоспроможність підприємства і його імідж.

Ключові слова: ланцюги постачання, управління, стійкість, вплив на навколишнє середовище, ризик, стратегія, корпоративна соціальна відповідальність.

Кітріш Е. Ю. Роль устойчивости цепей поставок в стратегии корпоративной социальной ответственности

В статье сделана попытка обобщить современные подходы к организации управления цепями поставок в контексте обеспечения устойчивости бизнеса, которая подразумевает обеспечение баланса между экономическими, экологическими и социальными компонентами функционирования бизнеса. Рассмотрена роль и место усилий менеджмента по обеспечению устойчивости цепей поставок в реализации стратегии корпоративной социальной ответственности. Введение современной системы управления цепями поставок в деловую практику имеют большое значение для промышленных предприятий стран с развивающейся рыночной экономикой, в частности для металлургических компаний Украины. Острота этой потребности для них значительно возрастает в современных условиях, когда они вынуждены переориентироваться на новые рынки сырья и сбыта продукции, обеспечивают устойчивость бизнеса и тем самым укрепляют конкурентоспособность предприятия и его имидж.

Ключевые слова: цепи поставок, управление, устойчивость, воздействие на окружающую среду, риск, стратегия, корпоративная социальная ответственность.

Kitrish E. The role of supply chain sustainability in a corporate social responsibility strategy

The paper attempts to generalize modern approaches to the organization of supply chain management in the context of ensuring business sustainability, which implies a balance between economic, environmental and social components of business functioning. The role and place of management efforts to ensure the sustainability of supply chains in the implementation of the strategy of corporate social responsibility is considered. The introduction of a modern supply chain management system into business practice is of great importance for industrial enterprises of countries with developing market economies, in particular for Ukrainian metallurgical companies. The sharpness of this need for them increases significantly in modern conditions, when they are forced to reorient to new markets for raw materials and marketing products, ensure the sustainability of business and thereby strengthen the enterprise's competitiveness and image.

Keywords: supply chain, management, sustainability, environmental impact, risk, strategy, corporate social responsibility.

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