

Rising Interest Rates will make supply chains more sustainable

The world of telecoms is at a pivotal moment. Interest rates are rising while the sector's approach to sustainability is becoming increasingly determined and energetic. Taken together, this means that supply chains are in a position to accelerate their journey to becoming cleaner and 'greener'. That's good news for everyone – and a lesson for other industries grappling with the transition to net zero.

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Financial incentives for sustainable supply chains

Climbing interest rates have thrown light on the financial benefits that companies can gain by greening their supply chains.

Historically, businesses have seen sustainability as a drain on funds; but the financial landscape has developed in such a way so as to make green bonds and ethical investments more attractive. As interest rates rise, so too does the appeal of these investments: the cost of borrowing is typically lower for companies aiming to meet specific climate-related goals. From this happy marriage of finance and sustainability springs a very compelling business case for accelerating the journey to net zero.

Telecom companies are capital intensive, rolling out fibre to the premises and upgrading mobile networks to 5G demands significant investment. In a world of challenging interest rates, telecoms companies can secure

preferential financing terms (as well as contribute to tackling the climate crisis) by accelerating plans to achieve net zero. Given that a typical telecoms company has between 70 - 90 % of their total carbon footprint arising in the supply chain, this means focusing on helping their suppliers achieve net zero. Sustainability, long seen by some as an obligation, moral and (increasingly) legal, is transforming into a smart financial investment.

The role of the EU's CSRD in supply chain sustainability

And what of legal obligations? The European Union's Corporate Sustainability Reporting Directive (CSRD) is a game-changer for industries with complex global supply chains like telecoms. The CSRD mandates rigorous sustainability reporting, which significantly raises the bar in respect of corporate transparency and accountability.

Our team at epi Consulting has helped to guide the main industry alliance in telecoms, the Joint Alliance for CSR (JAC), across these choppy waters, developing a set of best practice guidelines that put telecoms companies in a better position to keep to these stringent new standards. The CSRD requires companies to disclose a great deal of information about their impact, environmental and social, which compels them to take a much harder, closer look at their climate footprint and adopt tougher sustainability measures.

For the telecoms sector, this amounts to a thorough overhaul of regular supply chain practices. By adhering to the CSRD, companies not only ensure compliance but also improve their ability to manage risk. Transparent reporting and robust sustainability practices help to mitigate risks distributed across the supply chain, protect the reputation of the brand, and meet the growing demands of climate-conscious consumers and investors.

Supply chain risk

And risk is one of the biggest hurdles that supply chain sustainability action has to overcome. Suppliers are often based in places with weaker environmental and social regulations. Rigorous procurement practices and compliance checks are therefore essential.

More specifically, companies have to perform thorough due diligence on their suppliers to make sure they meet high climate and social standards. This necessarily includes regular audits and assessments. Audits and assessments are only the start of the journey, to deliver against sustainability goals, companies must engage in proactive supplier development – in other words, provide the training and resources suppliers need to become more sustainable.

The upshot of these actions is both a meaningful reduction in risks around environmental violations or labour problems, as well as acceleration of progress towards sustainability targets in areas such as carbon reduction.

Broader implications for the telecoms sector

There are challenges as well as opportunities lying in wait for companies in telecoms. Yes – companies that proactively embrace sustainable practices can gain a competitive edge by securing lower financing costs, reducing risks, and meeting changing regulatory requirements. But it can also be hard work, and indeed overwhelming for any companies that have thus far sought to avoid making the kind of fundamental changes necessary for real supply chain sustainability action. Working with companies in similar positions and trusted sustainability partners can make a real difference here.

But the fact is that making your supply chain more sustainable is no longer optional. It's essential. And as interest rates rise and regulation

becomes more stringent, the financial and strategic benefits of sustainability will only become more obvious. The time to act is now: to ride these waves of change and start building more resilient, responsible, and financially sound supply chains that also reap the rewards in areas such as lower cost of capital.



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