



**GreenBiz<sup>18</sup>**

**SUPPLY CHAIN**  
**TRANSPARENCY**  
**CHALLENGE**

# **SUPPLY CHAIN TRANSPARENCY CHALLENGE**

*The goal: identify best practices for establishing transparency and embedding sustainability across an extended supply chain.*

The GreenBiz 18 Supply Chain Transparency Challenge was a half-day, invitation-only working session bringing together practitioners from business, government, trade associations, NGOs, and technology providers. The goal: identify best practices and challenge participants to identify and document the elements required to create a best-in-class approach for establishing transparency and embedding sustainability across an extended supply chain.

The event was conducted under the Chatham House Rule, meaning that the content of the meeting could be shared, but participants cannot be identified. Where they are named in this report-out, it is with their permission.

## **CHALLENGE GOALS AND PROCESS**

Building on the collaboration established during GreenBiz 17 (see [here](#)), the focus for this year's convening was to identify the challenges associated with incorporating sustainability practices in sourcing and procurement, and learn from organizations that have established industry-leading programs.

One goal of the challenge was to identify barriers to achieving greater supply-chain transparency and to create actions that can be carried out by attendees and their organizations. To this end, the day provided a mix of expert panels and small-group discussions. The expert panels addressed the following:

- **Issue-Specific Collaboration Models:** how business, NGO and government collaborate to address specific issues within supply chains.
- **Best Practices in Sustainable Procurement:** how companies and organizations have established sustainability roles within the procurement organization to train buyers, and how they established their programs and what has (and hasn't) worked.
- **The Future Role of Technology:** how blockchain, Internet of Things and mobile phones are increasing transparency across supply chains.

### **FRAMING THE CHALLENGE**

The event began with a call to action by Sam Hummel, CEO of the Sustainable Purchasing Leadership Council (SPLC), encouraging attendees to, “build our collective capacity with a movement-building mentality.” In defining the scale of the opportunity, Hummel noted that while U.S. household spending exceeds \$10 trillion, only a quarter of that is spent directly on goods. The remaining \$7.5 trillion is spent on services, meaning that products associated with those services are all purchased by a professional. For Hummel, this means that procurement and supply-chain professionals are the largest demand-signal driving the economy.



***Procurement and supply-chain professionals are the largest demand signal driving the economy.***





The SPLC mission is to support and recognize purchasing leadership that accelerates the transition to a prosperous and sustainable future. To support this mission, it has established a set of five principles where an organization can demonstrate leadership in sustainable purchasing:

- **Understanding.** Understanding the relevant environmental, social and economic impacts of its purchasing.
- **Commitment.** Taking responsibility for the relevant environmental, social and economic impacts of its purchasing by committing to an action plan.
- **Results.** Delivering on its commitment to improve the relevant environmental, social and economic impacts of its purchasing.

- **Innovation.** Actively promoting internal and external innovation that advances a positive future.
- **Transparency.** Soliciting and disclosing information that supports further innovation.

A fuller version of the principles with case studies and examples can be found [here](#).

### MODELS OF COLLABORATION

There is a broad spectrum of efforts by companies to make supply-chain operations more sustainable, ranging from supplier surveys to site visits, audits and other initiatives. The degree to which companies have established more sustainable supply chains also varies broadly. One area that demonstrates these different efforts is in the purchasing of key commodities. During the challenge, one panel described three very different initiatives developed to address the procurement of natural rubber, palm oil and conflict minerals.

***The degree to which companies have established more sustainable supply chains varies broadly.***



**Natural Rubber.** The natural rubber value chain is complex, with risks such as deforestation, human rights violations and a lack of transparency and traceability. According to the World Wildlife Fund (WWF), tire manufacture represents 75 percent of the natural rubber market, which means tire manufacturers and automakers have an important role to play.

**Palm Oil.** According to the WWF, palm oil makes up almost 40 percent of all vegetable oil used globally. From margarine to lipstick, biscuits to candles, chocolate to laundry detergent, palm oil is found in an incredible range of everyday products. But clearing land to create palm oil plantations has led to widespread destruction of rainforests, most significantly in Indonesia and Malaysia, and the industry is often characterized by poor working conditions and labor rights violations

***A key to the success of gaining greater transparency across extended supply chains is the development of a multi-stakeholder initiative.***



**Conflict Minerals** Section 1502 of the U.S. law known as the Dodd-Frank Act includes a requirement that companies using gold, tin, tungsten and tantalum make efforts to determine if those materials came from the Democratic Republic of Congo (DRC) or an adjoining conflict zone and, if so, to carry out a "due diligence" review of the company's supply chain to determine whether its mineral purchases are funding armed militias in eastern DRC.

During the Supply Chain Transparency Challenge, we heard executives from the Roundtable on Sustainable Palm Oil (RSPO), General Motors and Google describe how their industries are approaching sustainable supply chains. All three described how companies are coming together to participate in pre-competitive collaborations.

Although these initiatives are at different levels of maturity, complementary lessons can be learned from each. In all cases, the initiatives started with a small group of companies getting together to address the issue. The RSPO started as four members and has grown to more than 37,000. The Responsible Business Association (RBA, formerly the EICC) was founded in 2004 by a small group of electronics companies seeking to create an industry-wide standard on social, environmental and ethical issues in the electronics supply chain and is now comprised of more than 110 electronics, retail, auto and toy companies.

A key to the success of these efforts is the development of a multi-stakeholder initiative. GM is working with tire suppliers,



governments, rubber industry associations and environmental NGOs to drive alignment and reduce supply-chain complexity. The RSPO engages with eight various stakeholder groups, from NGOs to traders. One important stakeholder group it is now engaging is product design teams who determine the ingredients that go into their products. The negative impacts associated with the use of palm oil are partly attributed to companies not foreseeing the unintended consequences of their ingredient choices.

The topic of unintended consequences was further discussed by the panel in the context of chain-of-custody and certification efforts that include smallholder farmers and artisanal mines. The speakers concluded that their focus is on capacity building to help these stakeholders become more productive. Increasing transparency can provide them with better information to help these supply-chain partners understand the positive impacts of their efforts and to drive toward greater success.

### KEY ISSUES DISCUSSION

A working session followed where small groups were asked to identify “What key issues requiring greater supply chain transparency is my company facing and how do we address those challenges?” Common issues identified were:

**Supply-chain complexity.** Several of the groups highlighted the complexity, breadth and depth of an organization’s supply chain, and the challenge of gaining visibility from beginning to end.



**Data quality.** There was a general consensus that collected data quality can be poor, especially when one looks beyond Tier 1 suppliers. Acknowledging a proliferation of certifications, labels and seals, many still feel there is a lack of quality in the data they collect. Several called for greater standardization of data collection efforts.

**Culture change.** Related to the data quality issue, several groups questioned if collecting all this data can effect change without a major culture shift within organizations where sustainability metrics are an important part of the purchasing criteria. Discussions also revolved around the need for pre-competitive collaboration without violating anti-trust laws.





## PROCUREMENT AND PURCHASING STRATEGIES

The challenge included sustainability executives embedded in corporate procurement departments at BASF, General Motors, Campbell Soup and Intel. While noting that all companies “buy on quality and cost,” each shared their strategies for embedding sustainability strategy in the supply chain.

With thousands of suppliers, large corporations can’t expect the same focus from all of them. One panelist shared the segmentation process used to drive sustainability and responsible practices among suppliers. The supply base comprises four categories:

- **Leaders.** Large suppliers that have a trusted and established relationship with the firm. These companies are “at the top of the pack” and are asked to do more every year.
- **Development.** A similar echelon of suppliers as the Leaders, but which are on a different part of their sustainability journey, either new to

***Scorecards help buyers understand the proper metrics and category strategies.***





sustainability or experiencing challenges. These challenges are typically location-based and may be related to work hours or dormitory conditions. These suppliers are more actively managed and have a different set of deliverables and frequent follow-up.

- **Engagement.** Similar to the Leaders, although at lower volumes or price points, these tend to be long-term suppliers that are monitored less frequently.
- **New suppliers.** Companies just entering the program and require motivation and guidance.

Collaboration was a major theme of the panel. One company conducts supplier surveys and audits and engages in third-party interactions with NGOs and members of various groups and consortia. It uses these channels to gather information to present to its purchasing group. This

information is used to calculate risk and provide an analysis to the internal buying community.

Another form of collaboration is an industry-specific initiative, much like RSPO or RBA but focused on a specific industry rather than a specific commodity. BASF and twenty other companies formed the Together for Sustainability initiative to develop and implement a global audit program to assess and improve sustainability practices within the supply chains of the chemical industry. The goal is to not only standardize supplier assessments but to foster a culture of continuous improvement. Others on the panel concurred that they are also participating in similar organizations in an effort to leverage “power in numbers.”

Education is another important function of sustainability leaders embedded in procurement organizations. Scorecards have been developed by several of the panelists to help buyers understand the proper metrics and provide them with category strategies. This helps them understand risks in categories and also goal-setting, which improves the performance of the supply-chain organization.

One key piece of advice from these professionals is to make sure to reward success. As one panelist noted, “We moved them to 90 percent of their target and we obsess over that last 10 percent, but sometimes you just need to step back and celebrate success.”

## ADDITIONAL APPROACHES

For the group's second working session, we asked attendees to identify the most promising approaches to embed sustainability into their organization's purchasing and procurement. Among the responses:

- **Connect work to other initiatives.** One approach is connecting sustainability drivers to external initiatives such as ISO standards, UN Global Compact and others that make it easier for suppliers to support a pre-competitive initiative.
- **Engage designers.** Working with product design groups to incorporate sustainability concerns before selecting suppliers can help buyers by involving them earlier in new product development. Adopt a collaborative stage-gate process.
- **Engage and train suppliers.** Training can be beneficial for both suppliers and buyers to give them perspective as well as the tools they need. Training on supplier scorecards can help both buyers and suppliers to understand common goals.
- **Share success stories.** Create a platform to share supplier success stories across the supply base, promoting best practices and innovative approaches.
- **Ask not.** To paraphrase a famous president, ask not what procurement can do for you but how you can make procurement more successful.
- **Use clear language.** Communicate sustainability principles in language that audiences understand. For procurement, avoid talking about life-cycle assessments and instead talk about sustainability hot spots.



## ENABLING TECHNOLOGY

To wrap up the day, we convened a panel of technologists involved in providing sustainable supply-chain solutions. Executives from EcoVadis, SupplyShift and BASF shared perspectives on the current state of supply-chain sustainability tools and future trends.

EcoVadis operates a collaborative platform providing ratings and scorecards covering 21 CSR indicators, 150 commodities and 110 countries. The firm's methodology evaluates criteria across four themes: environment, fair labor practices, ethics/fair business practices and supply chains. A complementary service, SupplyShift, utilizes cloud-based technology to streamline data collection, management and analysis with an emphasis on increasing upstream supplier visibility and traceability by managing all supply-chain responsible sourcing information in a single platform.

SupplyShift's COO Jamie Barsimantov described a focus from several industries on collaborative networks that can capture, analyze and share supply-chain information at any tier. This type of shared platform can track certifications, chain of custody and product components. Ecovadis Co-CEO Pierre-Francois Thaler also sees the growth of collaborative networks and the promise of not just understanding what suppliers are doing but the ability to drive change in their practices.

One of the important issues addressed by the panel was the need for reliable data. Thaler shared that procurement teams may have tools but often lack the means to verify the data entered by suppliers. Ecovadis currently employs a team of analysts who scour more than 2,000 data sources but Thaler sees the next leap forward will be to employ AI to automate these processes and analyze an exponentially greater number of data sources ranging from news reports to satellite imagery of emissions from factories.

Alexa Beaver, Digital Innovation Manager at BASF, is focused on demonstrating the value of digital solutions at the global chemistry company. She sees enabling technology such as the blockchain as a platform that can enhance current technology solutions. One area that she is investigating is the blockchain's ability to securely tie together disparate data sources. She points to industries where an asset (such as a pallet used to ship or store a product) can be uniquely tagged and tracked. Data such as weight or temperature can be uniquely associated with each asset at different stages along the value chain.

## WRAPPING UP

Charlene Wall-Warren, BASF's Director of Sustainability, summed up the half-day Supply Chain Transparency Challenge by identifying a number of common themes. These included the complexity of supply-chain issues and the difficulty of seeing beyond the next tier and collecting data.

It was particularly interesting for participants to hear how many companies are making progress by working with allies outside of their organizations as well as inside. In addition to identifying several of the helpful best practices surfaced throughout the session, one of the biggest take-aways was the need to translate the language of sustainability into the language of others both within and outside the company walls.

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## About GreenBiz group

GreenBiz Group is a media and events company that views climate change and other global environmental challenges as existential threats to business and society, as well as significant opportunities. We help our audiences understand both, including how to navigate the emerging technologies, business practices, policies and societal expectations that companies, cities and others need to know to succeed. We achieve this through media, events, research and a membership network of corporate sustainability professionals.

## About GreenBiz forums

GreenBiz is the premier annual event for sustainable business leaders. The annual forum convenes more than 1,000 of the world's most influential sustainability executives to explore the pressing challenges, emerging trends and biggest opportunities in sustainable business today — and tomorrow.

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# GreenBiz<sup>19</sup>

February 26-29, 2019

JW Marriott Desert Ridge, Phoenix, AZ