

GreenBiz¹⁹

SUPPLY CHAIN

TRANSPARENCY

SUMMIT

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The GreenBiz 19 Supply Chain Transparency Summit was a half-day, invitation-only working session bringing together practitioners from business, government, trade associations, NGOs and technology providers.

This was the third year in which GreenBiz convened a Supply Chain Transparency Summit. The first Summit focused on specific industry initiatives and highlighted how various supply-chain actors from certification agencies, NGOs, investors, suppliers and others can help to increase transparency. The second Summit focused more specifically on the role of sourcing and procurement and the potential for technology to increase product transparency.

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to achieve the same goal.***

This year, the focus was on what it will take for supply chains to ensure human rights, fair labor practices and greater diversity and inclusion. The event was conducted under the Chatham House Rule, meaning that the content of the meeting can be shared, but participants cannot be identified. Where they are named in this report-out, it is with their permission.

This is a complex topic and our goal was not to solve it all in four and a half hours. The agenda was designed to bring together a diverse group of leaders who can be effective allies and potential partners. In addition to a foundational panel that explored opportunities and challenges to increase social responsibility across supply chains, the summit convened smaller groups to discuss two key questions in a World Café setting, followed by larger group discussions that addressed specific issue areas. Topics discussed included:

- What initiatives is your company or organization currently engaged in to monitor and ensure compliance with your code of conduct? What are you doing beyond audits and your top tier suppliers?
- Who are you working with outside of your company, in terms of NGOs, government agencies, community services and technology providers to ensure responsibility in your supply chain?
- What are the most promising opportunities to scale efforts to increase transparency for smallholder farmers, child and forced labor, women's empowerment, certifications, civil society organizations and sourcing from diverse suppliers?





FRAMING THE CHALLENGE

GreenBiz organized a foundational panel to kick off the summit and frame the morning-long conversation. The panel was comprised of a large chemical company, a business trade organization focused on transparency in the electronics supply chain, a technology company that provides tools and services for supply chain data collection and analysis, and a smaller chocolate company established primarily to help end slavery in the cocoa supply chain.

During a wide-ranging discussion, the panelists identified how different organizations can contribute to increasing the social responsibility of supply-chain activities. Some of their insights are presented here.

- **Audits are one of many useful tools.** Audits can be used in many different ways, such as reducing supply-chain risk and improving supplier capacity. Several panelists noted that audits should be a part of a suite of tools for continuous improvement as it can take a couple years to help suppliers meet standards set by customers.
- **Supplier engagement and capacity building are critical.** Supply-chain initiatives such as the work on conflict minerals supported by the Responsible Business Alliance are important for many industries. Cross-sectoral supply-chain initiatives are proving to be successful because they provide the benefits of knowledge and resource sharing to engage with suppliers and communicate what's expected from them. That education needs to inform internal stakeholders as well.
- **Government and NGOs are helpful on-the-ground partners.** NGOs should not simply be viewed as watchdogs. Companies can benefit from educating suppliers, labor agencies and NGO partners to build on-the-ground management of supply-chain issues. Engaging government representatives in education about critical supply-chain issues can help to create policies that improve the lives of workers.
- **Data is increasingly important.** Third-party data providers are helping companies to share information for collective monitoring and action. NGOs also conduct research and can provide ratings and rankings that reflect what is happening on the ground.

WORLD CAFÉ: INITIATIVES AND PARTNERS

A World Café is a structured conversational process for knowledge sharing. For the Supply Chain Transparency Summit, attendees gathered in groups of four to discuss two focal questions. Highlights of those discussions are presented here.

Focal Question #1: What initiatives is your company or organization currently engaged in to monitor and ensure compliance with your code of conduct? What are you doing beyond audits and your top-tier suppliers?

Several of the small groups echoed what was shared during the foundational panel in terms of engaging and educating supplier partners, working with industry groups on collective action and utilizing third-party platforms that have access to regulations and data. In reinforcing the foundational panel, several groups noted that companies shouldn't audit until capacity has been built. There were many other good suggestions described below

- **Rewards and Recognition.** Beyond scorecards and codes of conduct, it's important to reward good actors with recognition and other programs to celebrate achievements. This should not be limited to suppliers but should also include human rights champions in different regions to highlight examples of the change desired. Many companies cannot directly enforce changes to supplier practices and must work more through influence. That requires a combination of mandating and motivating. One key to creating influence is to make public commitments that require achievement at the same or even greater level than suppliers.
- **Continuous Improvement.** Regularly update the Supplier Code of Conduct to reflect changing goals. Where possible, it is important to develop a common platform within an industry so all actors are speaking a common language. There are a number of frameworks that can help inform these efforts. The Sustainable Development Goals are a good cross-sector framework that address a number of human and labor rights issues and can inform company policy. Companies can also require Tier 1 suppliers to publish CSR or sustainability reports based upon the Global Reporting Initiative or B Corps criteria.

- **Identify Risks and Opportunities.** Companies are beginning to conduct risk readiness assessments and map out supply-chain hot spots by geography, hot topics and more. In addition, it may be necessary to redefine how businesses determine long-term value. One participant noted that in the past, 80 percent of business value came from tangible assets, but now the tables have turned: 80 percent of long-term value is intangible or more difficult to quantify. When measuring returns, a quarterly approach may be too limiting and annual trending may be more indicative of whether progress is being made.
- **Challenges.** Several groups noted challenges, such as how to collect "the worker's voice" with limited technology and language barriers. Another challenge noted was getting past checking the box by requiring greater documentation and proof points of progress.

Focal Question #2: Who are you working with outside of your company, in terms of NGOs, government agencies, community services and technology providers to ensure responsibility in your supply chain?

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There are a large number of partners that summit participants are working with and the following identifies various categories of those partners.

- Customers, working directly to benchmark and collaborate.
- Advocacy groups, supporting specific topics and initiatives
- Consortia and other industry groups
- Government, including country, state and local
- NGOs, both large and small, global and in-country
- Academia
- Banks, to help them understand the issues when farmers and small companies apply for loans
- Competitors, in an attempt to raise the floor

IDENTIFYING THE OPPORTUNITIES

The final portion of the summit was dedicated to bringing together larger groups to discuss what is needed to advance supply-chain transparency within specific issue areas. Here's what they had to say:

- **Smallholder Farmers.** It's important to engage with smallholder farmers to understand their capabilities before creating standards. Smallholder farmers don't intend to degrade the environment, they're just trying to make a living. One suggestion was to simplify standards and use a tiered approach using credits (33 percent of benefit in year one, 66 percent in year two, etc.) to reward participation. Smallholder farmers often cannot afford extensive audits and traceability compliance so some companies are looking to allocate a partnership fund to support technology adoption. Others suggested working with local NGOs on a "train the trainers" program that is given away. While engaging with smallholder farmers was discussed as more art than science, it is still important to communicate the ROI for participating in transparency programs.
- **Child and Forced Labor.** One of the key strategies for ending child and forced labor is based on the utility and value of long-term contracts and deeper relationships with suppliers. It is also important to align government policies and regulations to minimize duplication of efforts. Ending labor abuses should be

a pre-competitive effort and collaboration on establishing baselines, measuring progress and employing means to incorporate worker voices should be encouraged. Companies can reinforce the importance of the issue by using social media influencers in emerging markets to make the topic more understandable to the average consumer.

- **Women's Empowerment.** Women's empowerment should start at your own company first, taking a top-down approach where organizations first look inside to see what is being done before engaging suppliers on the topic. Once engaging outside the organization, apply approaches that have been successful when addressing health and safety and other supplier engagement initiatives. For global organizations, it's important to engage with local NGOs that have cultural information about initiatives within the community.
- **Certifications.** There are a number of challenges with certification schemes, not the least of which is differences between the language used among certifications even though they may be measuring the same things. While participants acknowledged the potential for greenwashing via weaker certifications, they also pointed to new forthcoming technologies such as blockchain, that can increase the accuracy and reduce the costs associated with certifications. The caution is to make sure the actual problem has been well defined before developing the certification scheme. This can best be done by collaborating with NGOs and industry peers, and by looking at certifications in other industries.
- **Civil Society Organizations.** Engaging with civil society organizations can communicate what's happening on the ground and can provide businesses with expertise they don't



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have in-house, especially as it relates to local conditions and cultural norms. Another benefit of working with these types of organizations is their ability gather impact stories about your products and services which can enhance a brand's image.

- **Sourcing from Diverse Suppliers.** The biggest takeaway from this group was how sourcing from diverse suppliers lends the power of business to close opportunity gaps for vulnerable communities made up of women, people of color and others. A more diversified supply chain is more resilient, sustainable and often more innovative. The best opportunity to scale these efforts will be to engage more financiers and investors to support diverse suppliers and this can be done by large businesses creating greater demand from these suppliers.
- **Labor Transparency.** The primary tools to achieve labor transparency are assessments, audits and workers' voice technology. Audits can be costly while desktop assessments

and employing technology to capture worker input can be cost-effective, though not always as accurate if workers don't feel that they're able to speak freely. Applying all three approaches can result in reliable verification of conditions and worker treatment. The results of these efforts can be shared with buyers and C-suite executives as well as with the supplier community to understand where they stand, educate on leading practices, and improve overall performance.

- **Business for Social Good.** Tony's Chocolonely is an example of how business can be leveraged as a platform for social good. The company was founded to make 100 percent slave-free the norm in the chocolate supply chain and employs key sourcing principles to achieve this. These include increasing traceability, paying a fair price, establishing long-term relationships, and helping to improve product quality and farmer productivity. Participants also discussed how cultures outside the United States leverage business for social good and explored how our country's past encouraged this as well.

FINAL REMARKS

In order to improve the social responsibility of supply chains to ensure human rights, fair labor practices and greater diversity and inclusion, sustainability professionals need to work more closely with sourcing, procurement and other supply-chain professionals. The third Supply Chain Transparency Summit identified some of the challenges in improving human rights in the supply chain but, more importantly, identified a number of solutions that can be implemented moving forward.

Mitch Toomey, Director of Sustainability for BASF summed up the morning as follows, "There are many starting points, but only one destination. One company cannot do it all and we all have to help and work to achieve the same goal."

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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 GreenBiz²⁰

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 20 February 4-6, 2020