

The graphic features a background of a network diagram with nodes and connecting lines. A large teal diagonal shape is overlaid on the left side, and an orange diagonal shape is on the right. The text 'SUPPLY CHAIN TRANSPARENCY SUMMIT' is positioned on the left, with 'TRANSPARENCY' in white and the other words in dark grey.

SUPPLY CHAIN TRANSPARENCY SUMMIT

GreenBiz¹⁷

The GreenBiz 17 Supply Chain Transparency Summit occurred as a half-day, invitation-only working session bringing together corporate sustainability and supply-chain leaders to discuss strategies and best practices in building and communicating sustainable, transparent supply chains.

Summit Goals and Process

The goal of GreenBiz Summits is not just to listen to presentations, but to identify barriers to achieving greater supply-chain transparency and create actions that can be carried out by attendees and their organizations. The targeted result of the summit is to establish short-term (within the next 12 months) and longer-term (two to three years) strategies, collaborative initiatives and other efforts aimed at creating greater supply-chain transparency. Toward this end, GreenBiz brought together practitioners from business, government, trade associations, NGOs, investors and technology providers to address the issue.





Framing the Challenge

Ten years ago, the management directive to corporate supply-chain executives was to focus on cost, quality and on-time delivery. Transparency across an organization's extended supply chain has recently emerged as a fourth metric for success. To launch the discussion of what is driving this focus on increased supply-chain transparency, GreenBiz convened a panel of speakers representing the largest companies in their respective industries, including home improvement retail, quick serve restaurants (QSR), automotive manufacturing and chemicals.

We first sought to understand who is asking for more transparency and why it has recently become a key issue for companies. For all panelists, the key driver is the customer, but there were differences in each industry. In the food

industry, retail customers are using smartphone apps to understand where their food comes from and how it is being produced. An inability to provide this information can result in a negative impact on brand trust. The home improvement retailer put a "nutrition" label on products but found that consumers were uninterested. The real interest in supply-chain transparency came initially from NGOs; today it's from business-to-business (B2B) customers.

Automotive manufacturers see the same B2B driver, specifically through the lens of procurement practices by its fleet customers. Starting in 2015, there has been a concerted effort from investors focusing on questions regarding environmental, social and governance issues. Further back in the supply chain – and providing key chemistries for

a multitude of sectors - the chemical industry is faced with a wide range of customer demands, encompassing both environmental and social aspects. Sometimes these demands are even contradictory. For example, business-to-consumer (B2C) customers may want natural ingredients for beauty and personal care products but aren't fully considering sourcing impacts of these ingredients. While consumers are asking cursory questions about product ingredients, manufacturers and retailers are requiring far greater amounts of data. This creates a challenge for suppliers as they seek to provide relevant data that allows customers to be informed while protecting intellectual property, and at the same time refrain from overwhelming them with data that may not be relevant to their interests or needs.





Managing Today's Supply Base

Today's supply-chain extends across multiple tiers but most current transparency work is being done with direct suppliers. While 16 suppliers make up two-thirds of the QSR organization's \$20 billion worth of direct procurement, it is still not possible for the company to dictate practices. It requires forming strategic long-term partnerships that benefit both the company and its suppliers as they work toward greater operational transparency.

Other companies may have far greater numbers of top suppliers, which can require different approaches. For many years, automakers have conducted EHS audits that in the long run have not been effective as much more than an insurance policy against risk. They are now looking at the potential for collaborative audits with competitors and a greater focus on capacity building in their supply base. The home improvement retailer is focusing on specific issues on an industry-by-industry basis rather than taking a one-size-fits-all approach to surveying its suppliers.

Upstream, chemical industry leaders have streamlined environmental, social and governance factors for their supply base. Sixteen chemical companies are currently engaged in the [Together for Sustainability Initiative](#), which strives for a benchmarking standard for companies within the chemical industry supply chain.





Industry Challenges

The summit shifted to an interactive mode as discussion leaders helped guide groups through the process of identifying the specific challenges and barriers to supply-chain transparency in specific industries. There were common themes uncovered across the nine industry discussions:

- Diverse and complex multi-tier supply chains are a key challenge to achieving total supply-chain transparency
- There is a need to prioritize what information is most important and why this information needs to be collected
- Technology has yet to be developed that can achieve accurate data collection and synthesis across all tiers of a supply chain
- Issues surrounding competition and intellectual property must be addressed to encourage greater industry cooperation



There were also challenges specific to individual sectors:

Food and beverage. Investments in new technology will be needed to build credibility with consumers. These efforts may be costly, and the key challenge is to determine the efforts companies should prioritize to make smart investments.

Electronics. The complex bills of material for electronic products make it difficult to get accurate information across multiple tiers of the supply chain. Labor and human rights issues will continue to be a challenge. The wide variety of customers and stakeholders with specialized surveys and information requests greatly increases the amount of information that needs to be collected.

Apparel. The multiple tiers of suppliers and manufacturers and other managing entities result in complex supply chains. There is a lack of standardization and data integrity when it comes to technology solutions and, in some countries, few means to deploy technology. There is an acknowledgment of a need to make the business case for greater transparency, but there are mixed signals as to whether retailers or consumers care.

Consumer Packaged Goods (CPG). B2B and B2C customers have different ideas when it comes to transparency, and this creates a challenge for companies in terms of how they communicate with different audiences. CPG supply chains are diverse and many suppliers are not ready to respond to calls for transparency. This is compounded by a lack of clarity on the goals for collecting information from suppliers and a clear understanding of how and whether it will actually be used.

Retail. Current audit-based systems do not clearly identify supply-chain risks. With a large supply base, retailers need technology that provides accurate information but delivered in a way that doesn't violate a supplier's intellectual property or cause retailers to drown in data. There is a need to agree upon a small set of issues that can move the needle in terms of real-world changes. Perhaps most challenging is to identify the value proposition that gets merchants to shift their perspective.

Building Products. Accurate data collection is necessary to help identify product health issues (such as toxicity) so acceptable substitutes can be developed. On the demand side, there is a need for tools and frameworks to help architects and builders make better decisions about which materials to use.

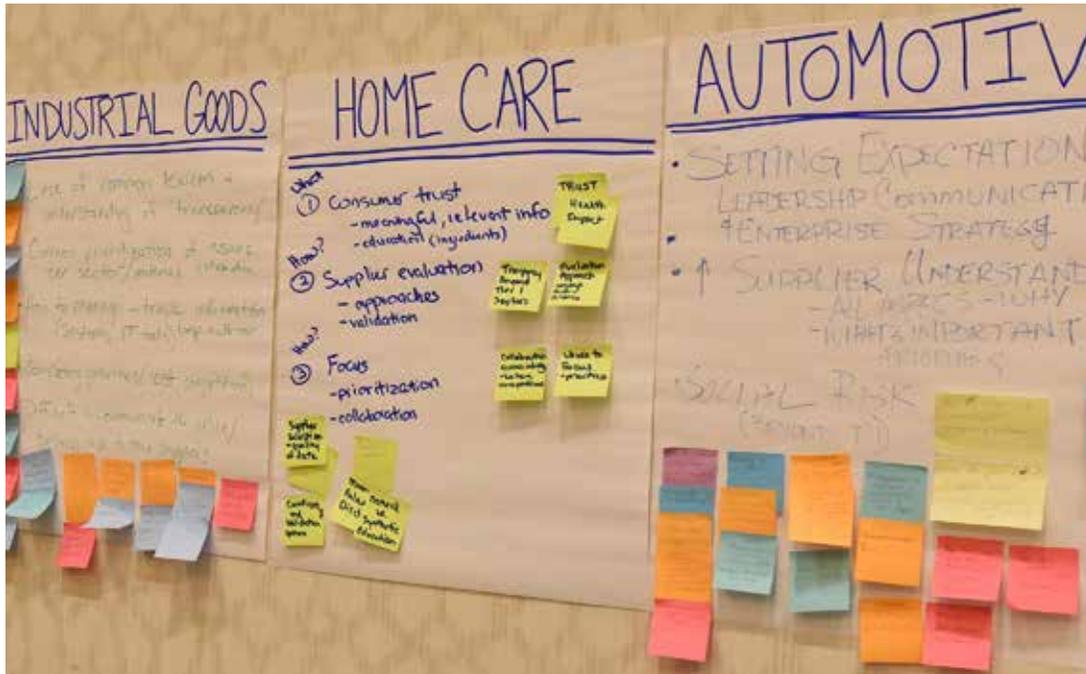
Industrial Goods. There is a lack of a common lexicon in terms of what transparency means and no common prioritization of issues. There needs to be a standardization of requirements that allows for robust competition while protecting

confidentiality and intellectual property, complemented by IT systems to track and manage information. It is still difficult to communicate the value of the business case to suppliers and help them understand what's in it for them.

Home Care. As a consumer-facing market, the challenge is to build trust and prioritize meaningful and relevant information. There is also a need to identify transparency needs beyond the first tier of suppliers, and to create greater collaboration across the industry to address challenges collectively rather than competing on individual approaches.

Automotive. The automotive industry is multi-tiered but there is difficulty in gaining visibility beyond the first tier. Suppliers are unclear about the value of providing greater transparency and of requesting it of their suppliers, and there is a need for the large automakers to enlist senior leadership in communicating with suppliers. There are still social risks across the supply chain that are not being adequately addressed.





Solutions for the Short and Long Term

There are many actors across the supply chain that can work to improve transparency, ranging from technology providers to NGOs, brands and certification agencies. For each of these supply-chain actors, attendees were asked to focus on two key questions to improve supply-chain transparency:

- What can we do now (present to one-year timeframe)?
- What are longer-term opportunities (3-5+ year timeframe)?

No supply-chain actor operates as an island. While each of the following summaries highlight the potential for particular organizations, they also identify the interdependence of these activities.

Government. Government has an important role to play as both an enabler of growth and job creation and by creating and enforcing regulations. Career politicians often don't understand the complexity of manufacturing and supply-chain issues so it is important for business to educate officials and get involved early in the development of new regulations. For their part, government agencies can act as conveners of a wide range of stakeholders. Longer term, governments can work to harmonize national and international regulations and streamline bureaucracy.





Certification agencies. Certification efforts face a challenging landscape as producers and agencies establish different priorities for data collected and its use. An important short-term opportunity is to improve the accuracy of the data currently collected and standardize the data in a way that can be reused by multiple other parties. Longer term, as the multitude of competing certifications confuses purchasers, harmonization of standards will be critical. There is an opportunity for umbrella organizations such as the Sustainable Apparel Coalition and The Sustainability Consortium to create industry-wide consensus for a single data collection and reporting standard.

Non-governmental organizations. NGOs play an important role in helping organizations set priorities around specific issues and can help companies create consensus within management and the supply base. Such organizations can

be effective conveners in pre-competitive environments to help drive industry target-setting. Longer term, NGOs can help with standardization around questionnaires and frameworks that will help achieve greater supply-chain transparency.

Investors. Investors currently need greater awareness of supply-chain transparency and sustainability issues, which can be provided initially through training and exposure to industry initiatives. Investors can play a longer-term role by elevating the visibility of supply-chain metrics to the same level of financial metrics. This could result in preferential financing toward projects that enable sustainability-focused innovations and R&D.

Channel masters and brand holders. Brands should take a leadership position in terms of supply-chain transparency and will need to take full responsibility across the entire value chain.

With their understanding of consumer insights, brands can educate across multiple supply-chain tiers. This education and engagement must also occur at the C-suite and board levels as well. Longer term, brands should invest in new technologies like the blockchain to help solve these issues.

Suppliers. Suppliers need to ensure that relevant information is available for customers and is presented in a beneficial manner. To achieve this, suppliers can collaborate with customers to identify what information is salient and should be prioritized. Suppliers can also engage in capacity building across their supply chain in a way that helps develop the business case for supply-chain transparency. Longer-term, suppliers can engage with partners across the supply chain to develop the systems and strategies to meet future needs.

Industry associations. Industry associations are uniquely positioned to speak collectively for the industry they represent. These associations can provide a valuable communication channel to C-suite executives to ensure supply-chain transparency is normalized and made an expectation of members. One immediate activity that can be undertaken is to gather best practices from members in order to create a roadmap for small and mid-sized companies to understand the path forward. Beyond that horizon, associations can work toward harmonization of efforts across organizations and NGOs.

Technology providers. Technology solutions need to have clearly defined requirements to create systems that provide measurable results. Too often, complex technology can create a money pit that does not solve the intended problems. Technology solutions will require greater standardization of data and processes to achieve the promise of their products and services. Eventually, holistic lifecycle assessments should be developed that take into account the networked nature of today's complex supply chains.

Public relations and communications. Effective communication is critical to successful programs. It is important to have a robust plan that identifies externalities and internal priorities and that is tailored to individual audiences such as suppliers, investors, NGOs and other key stakeholders. Stories should not just be about successes; talking about challenges also helps build credibility. Communicators need to conduct an annual review of externalities and not assume audiences are static. They should keep communications consistent, concise and credible.







Moving Forward

The Supply Chain Transparency Summit represents the launch of ongoing efforts by GreenBiz to dig deeper into the challenges for all organizations seeking greater supply chain transparency and to highlight emerging strategies for tackling this important topic. GreenBiz will be publishing articles, conducting webcasts, and hosting workshops at VERGE and GreenBiz 18 to help advance greater supply chain transparency. Let us know if you have a story or ideas for us to cover.

