



# Supply Chain Sustainability Shift

Embedding sustainability into supply chain management

the 1990s, the number of people in the UK who are aged 65 and over has increased from 10.5 million to 13.5 million, and the number of people aged 75 and over has increased from 4.5 million to 6.5 million (Office for National Statistics 2000).

There is a growing awareness of the need to address the needs of older people in the UK. The Department of Health (2000) has published a strategy for older people, which sets out a vision for the future of health care for older people. The strategy is based on the following principles: older people should be able to live independently, safely and with dignity; older people should be able to access the services they need; and older people should be able to participate in decisions about their care.

The strategy also sets out a number of key objectives for the future of health care for older people. These include: to improve the quality of care for older people; to ensure that older people have access to the services they need; to ensure that older people are able to live independently, safely and with dignity; and to ensure that older people are able to participate in decisions about their care.

The strategy also sets out a number of key actions to be taken to achieve these objectives. These include: to improve the quality of care for older people; to ensure that older people have access to the services they need; to ensure that older people are able to live independently, safely and with dignity; and to ensure that older people are able to participate in decisions about their care.

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# Executive summary

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The supply chain has become increasingly integral to how we view the corporate responsibility and sustainability practices of an organisation as a whole. Similarly, the role of procurement as a key lever for sustainable supply chain management, engagement and transformation is growing.

As a global sustainability consultancy, Corporate Citizenship has worked with a number of clients and their suppliers to improve co-ordination, risk management and environmental, social and governance (ESG) performance in the supply chain.

In this paper, entitled Supply Chain Sustainability Shift, we set out three key challenges that companies face as they begin to integrate sustainability aspects in their procurement practices:

- 1 Traceability and transparency.** Ensuring that the origin of materials and sourcing relationships in the supply chain are clearly understood and that risks in the supply chain have been identified.
- 2 Measuring the impact.** Developing tools and approaches to measure supply chain sustainability performance over time.
- 3 Engagement and collaboration.** Working with suppliers and stakeholders collaboratively to embed sustainable sourcing practices.

Then, we introduce two factors driving the supply chain sustainability shift that we observed over the last few years working with clients across the globe:

- A growing convergence of core business and wider value chain considerations; and as such between the role and responsibilities of the Chief Sustainability Officer (CSO) and that of the Chief Procurement Officer (CPO).
- A shift in the main business driver behind integrating sustainability considerations in the supply chain. Purchasing organisations are evolving from focussing mostly on ESG compliance to driving environmental and social performance improvement and innovation in the supply chain.

We also identify a number of examples of company initiatives in this area and reflect on what this will mean for the structure of sustainability governance within large purchasing organisations going forward.

We hope you find our insights both practical and helpful.

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*The supply chain has become increasingly integral to how we view corporate responsibility.*

# Introduction

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For over a decade or more, organisations have struggled to come to terms with the mounting social, environmental, ethical and economic challenges associated with their supply chains. There have been significant, albeit patchy, steps made along the way to address hot-button topics like fair trade, supply chain labour standards, forest certification, conflict minerals and so forth. However, it could be argued that these advances have been confined to a few contentious issues in a handful of high risk sectors, rather than being indicative of a much broader and deeper shift.

In 2012, RobecoSAM, the company behind the Dow Jones Sustainability Indices (DJSI), significantly expanded their assessment criteria for evaluating the supply chain management practices of the world's leading companies. The rationale for this expansion, a recognition that increasingly complex global supply chains pose both significant risks and opportunities from a sustainability point of view that must be responsibly managed.

Only months later the 'horse meat' scandal erupted in Europe, engulfing companies that would normally be considered well-managed champions of corporate sustainability and responsible business practices. Although costly for those implicated, this case of 'food fraud' clearly illustrated that standards and practices that exist in a company's supply chain are as critical to the reputation, management and performance of the business as what takes place in direct operations.

This is perhaps the central difference between where we are today and where we were ten years ago.

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*Increasingly complex global supply chains pose both significant risks and opportunities from a sustainability point of view.*

## Box 1 Supply Chain Sustainability

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### What is supply chain sustainability?

By supply chain sustainability we are referring to an approach to supply chain management that seeks to actively manage and minimise the negative economic, social or environmental impacts associated with the sourcing of goods and services, while maximising the positive impacts where feasible.

### Why is supply chain sustainability important?

Supply chains are becoming increasingly global and interconnected. Companies adopt supply chain sustainability strategies in order to:

- **Lower business risk** (including reputational, regulatory, security and quality of supply and litigation risks).
- **Generate cost savings** (by focusing on total life-cycle costs when sourcing goods and services rather than simply price).
- **Enhance corporate/brand reputation** in the marketplace.

- **Drive innovation** (in terms of the development of new products and services that are more sustainable and socially responsible).

For most organisations, the primary driver for embedding supply chain sustainability practices within their procurement function is to address a perceived exposure to growing risks within the supply chain.

There are a number of prominent examples of how this heightened exposure to risk within the supply chain has played in recent times.

However, in addition to the historical precedents, the underlying factors and trends that drive risk within the supply chain are becoming increasingly pronounced and damaging. The realisation that businesses are not immune to these trends has led many companies to consider the implications for their own corporate strategies as well as for their supply chains.

# Top supply chain sustainability challenges

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Below we identify what we believe to be the three most important challenges facing businesses and other organisations when it comes to effectively addressing supply chain sustainability concerns. These are:

**1 Traceability and transparency.** Ensuring that the origin of materials and sourcing relationships in the supply chain are clearly understood and that risks in the supply chain have been identified.

**2 Measuring the impact.** Developing tools and approaches to measure supply chain sustainability performance over time.

**3 Engagement and collaboration.** Working with suppliers and stakeholders collaboratively to embed sustainable sourcing practices.

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## 1 Traceability and transparency

How do we keep track of where all the goods and services we buy come from? And are we confident that all our key suppliers along the supply chain are operating in a responsible manner?

With ever more complex, global and transient supply chains, sourcing teams face the increasingly difficult task of ensuring that suppliers are in fact fully complying with the required legal, environmental and social standards. The ability of organisations to identify their critical suppliers – not just in direct or Tier 1 suppliers – but all the way back to source is crucial to their ability to effectively manage ESG risks that might arise in the supply chain.

The procurement function often has a handle on what takes place among Tier 1 suppliers (possibly also Tier 2). But for a globalised supplier base, with numerous sub-contractors and sub-tier sourcing relationships, supply chains can often be very obscure. Limited visibility over what takes place beyond the first tier can hide potential risks and opportunities further down the chain. Conversely, full visibility and transparency of the value chain can help purchasing organisations to prioritise the issues to be addressed as part of a wider sustainable supply chain

strategy. Mapping the value chain, at least for high risk categories of spend, thus becomes a very important aspect of embedding supply chain sustainability.

Achilles, a leading global provider of integrated supplier management, recently carried out a poll of 131 directors, procurement managers and buyers in the UK and found that nearly 20% of the companies involved held no data on their suppliers' suppliers. The lack of visibility was even more pronounced among small and medium-sized companies with a turnover of less than £25 million, compared to their larger counterparts.<sup>1</sup>

In the wake of incidents such as the Japanese earthquake and tsunami, and the European horse meat scandal (see Box 2), a number of industries are already beginning to respond with a rise in the number of traceability audits conducted and more detailed requests for information around extended sourcing relationships, most notably in the automotive, electronics and meat industries. Other industries, facing similar concerns, are likely to follow suit, as dependencies between supply chain entities increase and changes in the extended supply chain occur more frequently.<sup>2</sup>

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## 2 Measuring the impact

What is the actual impact of my organisation along the value chain, what is the magnitude of the risks facing my supplier base, and where are the opportunities for most improvement? How can the sustainability performance of my supply chain be tracked over time, in a manner that can be credibly communicated to both internal and external audiences?

Although data gathering and analysis of the sustainability performance has developed substantially in recent years, vis-à-vis the proliferation of software platforms and reporting tools that apply to this area, most companies still face a fundamental challenge of measurement when it comes to their supply chains.

The CDP Supply Chain<sup>3</sup> programme is one example of how companies are beginning to gather information on climate impacts, risks and opportunities from key suppliers, as well as water-related impacts, risks and opportunities. Another example is Sedex, the largest collaborative platform for sharing ethical supply chain data.<sup>4</sup>

However, this is still an emerging area and very few companies have mastered the art of identifying and measuring their most material supply chain impacts, whether ethical, social or environmental. Those few organisations that have begun to do so are well on their way to developing strategies that optimise their supply chain sustainability performance, in line with wider commercial or non-commercial goals.

### 3 Engagement and collaboration

How can we work with our suppliers to address common challenges in the supply chain? What are the best ways to foster engagement and incentivise collaborative working practices?

As companies increasingly look to address gaps, manage risks and identify opportunities in their supply chain in order to meet their sustainability commitments, there is increasing pressure on the supplier base to respond to multiple additional and sometimes conflicting vendor requirements.

In order to ensure the supplier base is able to respond to these new requirements and identify solutions that do not result in undue administrative burden or higher costs, leading companies are seeking to engage and collaborate with their suppliers at different stages of the sustainability journey, either independently or as part of a wider industry group.

An array of industry-based collaborative groups have emerged in recent years in response to this challenge of how to effectively engage a common supplier base on sustainability and corporate responsibility concerns (see Box 3 overleaf). There are also a number of examples of companies engaging directly with their supplier base to build capacity and identify solutions. Boeing's partnership with South African Airways to develop and implement a sustainable aviation biofuel supply chain in South Africa is an interesting example of how different participants in the value chain can come together to address a common sustainability challenge. BHP Billiton's award winning supplier programme in Chile which achieved over US\$100 million in cost savings, while supporting projects that reduce environmental impacts, is another example of how companies are moving beyond a compliance-based approach to actively collaborate with critical suppliers (see case studies on page 10).

#### Box 2 Recent instances of major supply chain disruption due to environmental and social factors

##### BP Deepwater Horizon (2010)

The BP Deepwater Horizon drilling rig explosion in April 2010, and subsequent oil spill which lasted several months, leaked approximately 4.9 million barrels of crude oil into the Gulf of Mexico. While BP blamed its contractors Halliburton, the oil and gas equipment company that cemented the well, and Transocean, owner and operator of the oil rig, for the disaster, it was BP itself that suffered the brunt of the clean-up costs and legal liabilities associated with the incident, an estimated US\$40 billion. BP also suffered significant reputational damage as a result of the management of spill and accusations of an inadequate safety culture prior to the spill, from which it is perhaps yet to fully recover.<sup>5</sup>

##### Queensland, Australia floods (2010)

The Queensland floods, which began in December 2010, covered an area larger than France and Germany combined. As Queensland supplies 60% of the world's coking coal exports, the global coal industry was most strongly affected and losses in coal

shipments were estimated at US\$2 billion. The waters destroyed an estimated US\$1.5 billion worth of crops, contributing to global wheat shortages.<sup>6</sup>

##### Earthquake and Tsunami in Japan (2011)

In March 2011, Japan's largest earthquake since records began triggered a tsunami which devastated the north east coast of the country. Apart from the massive human toll, the earthquake and tsunami destroyed infrastructure and shut-down factories across vast swathes of the country. Electricity outages limited production capabilities and damage to ports halted exports. Factories were unable to produce high-tech components including computer chips and solar panels. Halts in steel production also threatened ship building in South Korea, which houses the world's top three shipbuilders. Japan accounts for roughly 15% of South Korea's steel supplies.<sup>7</sup>

##### Severe flooding in Thailand (2011)

Beginning in July 2011 and lasting until early December of the same year, Thailand experienced severe flooding.

Flood waters covered a third of the country, causing an estimated US\$46 billion in direct losses and over US\$5 billion in supply chain losses.<sup>8</sup> The auto and electronics industries were hit hardest. Thailand produces a quarter of the world's hard-disk drives and serves as a production hub for five major car companies.<sup>9</sup>

**US drought (2012)**

In 2012, the United States drought affected approximately 80% of the nation's corn crop which accounts for approximately 35% of the world's supply. Corn is used for feedstock, ethanol and consumer packaged goods. The effects of the drought have been felt across the global food system as food prices have risen as a result.<sup>10</sup>

**Mining strikes in South Africa (2012)**

In August 2012, 34 miners on strike at the Lonmin platinum mine in Marikana, South Africa, were killed by police. Many more were injured and arrested. The strike began shortly after Lonmin began a retrenchment process, and triggered copycat strikes and labour stoppages at other major mines in the country belonging to companies such as Gold Fields, Amplats, AngloGold Ashanti, Exxaro Resources.<sup>11</sup> In August 2012, strikes over fair wages at gold mines in South Africa forced 17 of the nation's 23 targeted mines to halt production. The strikes were estimated to have cost the South African economy US\$60 million a day. South Africa is a world leader in mining and minerals, accounting for over 90% of the world's reserves of platinum metals, over 80% of the world's chrome ore, and major deposits of gold, manganese ore, vanadium and titanium.<sup>12,13</sup>

**European Horse meat Scandal (2013)**

In January 2013, the Food Safety Authority of Ireland discovered the presence of undeclared horse meat in a range of beef products sold in Irish supermarkets, prompting meat testing across the European Union. Mislabelled processed meat products have so far also been discovered in the UK, France, Norway, Austria, Switzerland, Sweden and Germany. The scandal brought to light the complexity of food supply chains and has resulted in a review of meat sourcing practices, as well as significant reputational and financial damage, among major retailers.<sup>14</sup>

**Bangladesh Rana Plaza Disaster (2013)**

The April 2013 Rana Plaza garment factory collapse in Bangladesh was one of the worst and most widely publicised events of its kind in recent years, claiming over a thousand lives and seriously injuring many more. Over 30 major global brands have been linked to the Rana Plaza garment factory, many of which have had to publicly defend their sourcing practices in response to media and consumer pressure. The total amount of long-term compensation for the injured and deceased workers at Rana has been estimated to be at least US\$71 million. However, this is but one of a number of recent incidents affecting factory workers in Bangladesh and it is anticipated that major brands implicated in these supply chains will be required to contribute to compensation arrangements are agreed.<sup>15,16</sup>

**Box 3 Collaborative and industry-based initiatives**

**AIM-PROGRESS (Programme for Responsible Sourcing)**

AIM-PROGRESS is a forum of consumer goods manufacturers and suppliers. The group aims to enable and promote responsible sourcing practices and sustainable production systems by providing a place to share best practices and audit information, collaborating with peers, promoting common evaluation methods, and supporting responsible sourcing practices.<sup>17</sup>

**Better Cotton Initiative**

The Better Cotton Initiative is a membership group that includes civil society, suppliers and manufacturers, brands and retailers, and producer organisations. The initiative aims to transform cotton production by reducing environmental impacts, improving livelihoods and economic development in cotton producing areas, and improving commitment to Better Cotton across the supply chain. It works to promote measurement and continued improvement across the supply chain.<sup>18</sup>

**Bonsucro**

Bonsucro is a non-profit initiative and membership organisation. The initiative aims to foster the sustainability of the sugarcane sector through a metric-based certification scheme and by supporting continuous improvement for members.<sup>19</sup>

**Electric Utility Industry Sustainable Supply Chain Alliance**

The Electric Utility Industry Sustainable Supply Chain Alliance is a non-profit formed by electric utility companies in the United States. The Alliance aims to develop voluntary standards for the creation of supply chains that are environmentally responsible, efficient, and cost effective, and that positively impact communities. There are currently 15 members with operations in 34 states.<sup>20</sup>



**Ethical Trading Initiative**

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and voluntary organisations. The initiative aims to improve the lives of poor and vulnerable workers across the globe that make or grow consumer goods. Member companies commitment to integrating ethical trading into business decisions, building supplier capacity, identifying problems in the supply chain, and ensuring suppliers take action to improve conditions.<sup>21</sup>

**Global e-Sustainability Initiative**

The Global e-Sustainability Initiative is comprised of over 30 global information and communications technology (ICT) service providers and vendors. The initiative aims to share information, resources and best practices for achieving integrated social and environmental sustainability through ICT, including practices in the area of supply chain management.<sup>22</sup>

**Hospitality Sustainable Purchasing Consortium.**

The Hospitality Sustainable Purchasing Consortium is comprised of organisations involved in the process of supplying and furnishing hotels including, suppliers, architects, designers, brands, and purchasing firms. The group aims to support a standardised solution for measuring and reporting the sustainability performance of suppliers to the hospitality industry and the products they produce based upon globally accepted sustainability standards.<sup>23</sup>

**International Cocoa Initiative**

The International Cocoa Initiative is a charitable foundation that brings together civil society, labour unions and the chocolate industry. The initiative works toward the elimination of child and forced labour from cocoa farming supply chains by working with authorities in coca-producing countries to improve the cocoa supply chain.<sup>24</sup>

**Pharmaceutical Supply Chain Initiative**

The Pharmaceutical Supply Chain Initiative is a group of major pharmaceutical companies that created the Pharmaceutical Industry Principles for Responsible Supply Chain Management. The Initiative aims to help pharmaceutical suppliers operate in a manner consistent with industry expectations around ethics, labour, health and safety, environment and management systems by working to implement principles for responsible supply chain management and building supplier capacity.<sup>25</sup>

**Responsible Jewellery Council**

The Responsible Jewellery Council is a supply chain standards initiative and membership organisation for the jewellery supply chain, extending from mine to retail. The council aims to encourage participation of organisations at every step in the value chain, with

each member making a commitment to a responsible supply chain management and the implementation of responsible business practices.<sup>26</sup>

**The Roundtable on Sustainable Palm Oil**

The Roundtable on Sustainable Palm Oil is a membership based organisation that includes oil palm growers, palm oil processors and traders, consumer goods and manufacturers, retailers, banks, investors, and social and environmental NGOs. It aims to promote the production and use of sustainable palm oil for people, planet, and prosperity by implementing a certification scheme, sustainable palm oil trademark, and principles for grower certification.<sup>27</sup>

**The Sustainable Agriculture Initiative (SAI) Platform**

SAI Platform is a global organisation created by the food industry to actively support the development of sustainable agriculture through capacity building on sustainable agriculture and communicating about sustainable agriculture to food industries as well as all food chain stakeholders. Founded by Nestlé, Unilever and Danone, the membership now includes over 50 leading global food and beverage brands.<sup>28</sup>

**The Sustainable Apparel Coalition**

The Sustainable Apparel Coalition is an industry-wide group of over 100 leading apparel and footwear brands, retailers, suppliers, non-profits, and NGOs. The focus of the Sustainable Apparel Coalition has been to create and implement an index to measure the environmental and social performance of apparel and footwear products (known as the Higg Index). The Higg Index asks practice-based, qualitative questions to gauge environmental sustainability performance and drive behaviour change.<sup>29</sup>

**The Supply Chain Sustainability School**

The Supply Chain Sustainability School is a membership organisation and education programme in the construction industry. The programme aims to help suppliers and sub-contractors to address both environmental and social sustainability issues by sharing a self-assessment tool, bringing together stakeholders across the construction industry, and offering workshops and training opportunities.<sup>30</sup>

**The Sustainability Consortium**

The Sustainability Consortium is a membership organisation for suppliers, manufacturers and retailers, which includes over 100 businesses, employing over 57 million people and with a combined revenue of over US\$1.5 trillion. The consortium works collaboratively to drive innovation to improve consumer product sustainability by developing transparent methodologies, tools, and strategies to drive a new generation of products and supply chains that address environmental, social, and economic imperatives.<sup>31</sup>

# Factors driving the supply chain sustainability shift

Although the challenges facing companies in terms of supply chain sustainability are significant, there have also been significant improvements in the approach taken by leading companies in response to these challenges. These have in large part been driven by two key factors described below.

## Factor one:

### The growing mandate of the Chief Procurement Officer

The challenges of promoting sustainability and corporate responsibility in the supply chain are forcing companies to embrace and embed more integrated approaches to sustainable sourcing. This is most clearly seen in the extent to which sustainability now features as part of supply chain strategy development, target-setting, and buyer and senior management performance objectives. Among leading companies, the mandate of the Chief Procurement Officer (CPO) and the level of engagement of the wider procurement function with

sustainability issues, now effectively mirrors that of the Chief Sustainability Officer (CSO) and mainstream sustainability teams.

In some organisations, this has resulted in the emergence of dedicated sustainability specialists within procurement, whose role it is to develop initiatives, build capacity and support buyers, contract managers and suppliers, in meeting the organisation's overarching corporate responsibility and sustainability goals.

The movement towards embedding sustainability within the procurement function has also been reflected in the relatively rapid pace of development of measurement and reporting tools to which procurement teams now have access. These go far beyond the traditional pre-qualification screening checks, enabling buyers to actively monitor, manage and report the sustainability performance of key suppliers on an on-going basis.

**Figure 1: The Dynamic Duo – the responsibilities of the Chief Procurement Officer will increasingly mirror those of the Chief Sustainability Officer**



**Factor two:**

**From minimising risk to maximising opportunities**

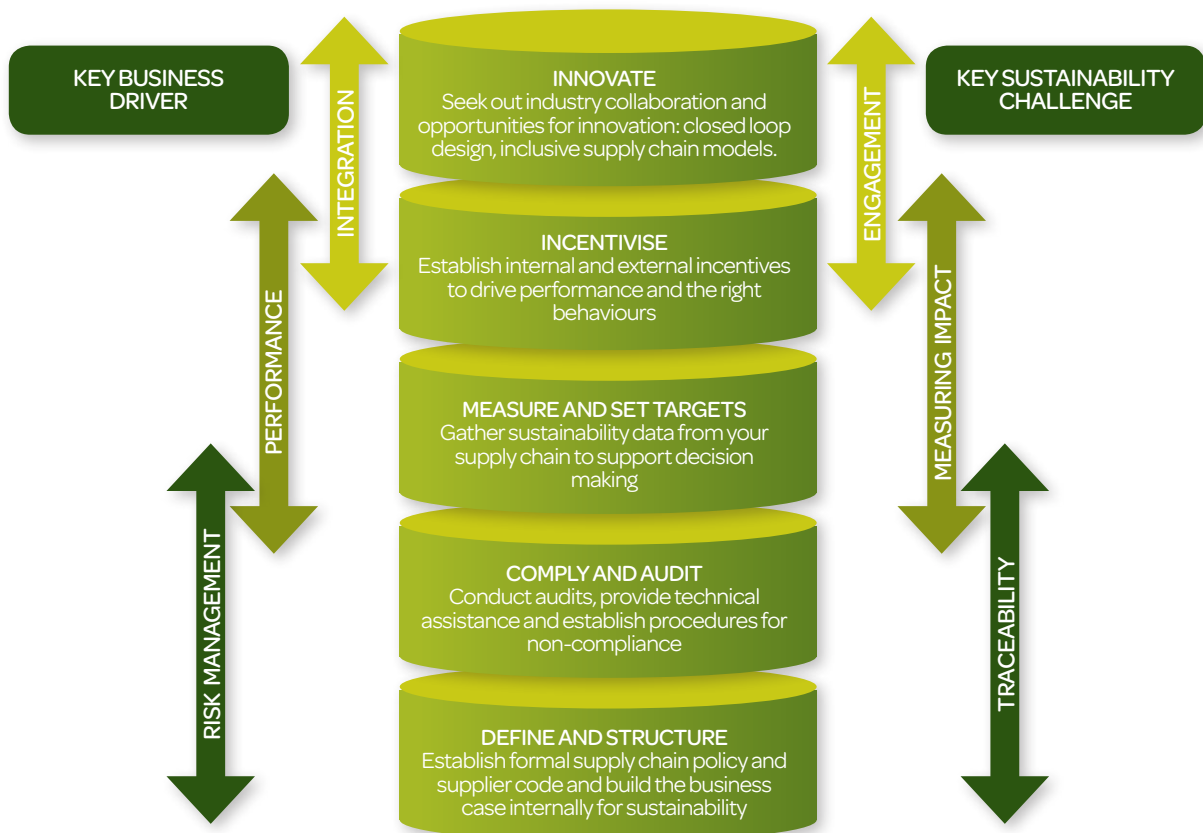
In keeping with the general shift towards embedding sustainability considerations into supply chain management practices, companies are now increasingly looking for ways to incentivise sustainability performance and innovation among key suppliers. This represents a significant step up from a traditional stage gate compliance-based approach towards one that not only weighs sustainability criteria as part of the supplier selection process, but also establishes ESG

performance scorecards for suppliers, as a basis for on-going engagement.

This change of emphasis reflects the gradual evolution of the supply chain sustainability agenda, which has grown up from its early beginnings, primarily focused on minimising risk, to now exploring opportunities for growth and innovation.

Corporate Citizenship uses the following model to describe the evolution of supply chain practices.

**Figure 2: Supply chain sustainability integration model**



**Box 4 Supply chain sustainability integration model explained**

At the most basic level companies are concerned about risk management and compliance with local and international regulation. At this level the objective is to identify key sustainability risks in the supply chain and develop a supplier code of conduct that covers social and environmental concerns, as well as auditing procedures.

Once the basic structures are in place to address non-compliance, purchasing organisations tend to focus more on driving improvement and gathering performance data from their suppliers on key social and environmental criteria.

As sustainable supply chain practices develop further, companies may also seek to get recognition for their efforts by reporting publicly on the social and environmental impacts of their supply chains and providing examples of how they engage with their suppliers on critical issues.

At the higher end of the spectrum, leading companies are now focusing on creating the right incentives that embed sustainable sourcing practices within the procurement function. Internally this could mean linking supply chain sustainability performance to

staff appraisals and remuneration. Externally, a growing number of companies are developing social and environmental improvement targets or scorecards for suppliers tracking ESG performance.

Those companies that are most advanced have developed ways of collaborating with key suppliers to drive innovation and deliver against key sustainability objectives e.g. reducing greenhouse emissions and waste in the value chain or improving the health and safety performance in manufacturing or distribution.

Some examples of how companies are encouraging growth and innovation within their supply chains are provided in the case studies below.

#### CASE STUDY

##### **Walmart supplier scorecards**

In 2009 Walmart worked with the Sustainability Consortium and other industry leaders to develop a Sustainability Index measurement and reporting toolkit for assessing product sustainability. Walmart's product buyers have begun using this toolkit, which includes scorecards and other metrics to evaluate product and supplier sustainability. Since late 2012, Walmart has begun to roll out its supplier sustainability index to thousands of suppliers globally, asking them specific questions about their operations and their own supply chains. By the end of 2017, Walmart will buy 70% of the goods it sells in US stores and US Sam's Clubs from suppliers who use The Sustainability Index to evaluate and share the sustainability of products. As part of the integration of this into the buying process, the company's aim is that every buyer will have sustainability goals as part of their performance objectives, and the company will use the Index to measure progress against those goals. Already, 5% of buyers' performance objectives are linked to sustainable suppliers.<sup>32,33</sup>

#### CASE STUDY

##### **Boeing and South African Airways develop biofuel supply chains**

Boeing and South African Airways (SAA) recently announced that they are now working together to develop and implement a sustainable aviation biofuel supply chain in South Africa. Boeing and SAA said that their collaboration comes as part of a wider effort to support environmental sustainability for the airlines' operations and the commercial aviation industry overall, while also advancing South Africa's social and economic development. The World Wildlife Fund-South Africa will monitor compliance to sustainability principles to ensure that fuel is sustainable and will lead to genuine carbon reductions. The partnership builds on Boeing's work with airlines, research institutions, governments and other stakeholders to develop road maps for biofuel supply chains in several countries and regions, including the US, China, Australia and Brazil.<sup>34</sup>

#### CASE STUDY

##### **BHP Billiton invests in environmental impact reduction of South American suppliers**

BHP Billiton is investing \$50 million over four years to create 250 world-class suppliers in Chile by 2020. The company defines world-class suppliers as those that sell more than 30% of their product internationally, have standards equal to the industry leader and add a high level of value to their customers. Specifically, the programme engages local suppliers to develop innovative solutions to manage at least one aspect of mining identified as critical to BHP Billiton's operations – such as water, energy, human capital, maintenance, dust control, acid mist control or leaching. Launched in January 2009, the programme saved the company \$121 million in inputs, goods, and services by December 2012, while reducing the environmental impact of its suppliers through innovation and collaboration. There have also been additional benefits for the company in terms of improved public perception, as well as co-operation from the Chilean government to shape the details of the programme and to build on existing policies for its development. Working with Fundación Chile, a non-profit technology transfer institute, the company has developed a guidance manual to promote the programme's principles amongst other mining companies.<sup>35,36</sup>

#### CASE STUDY

##### **SC Johnson builds capacity and promotes best practice among Rwandan farmers**

SC Johnson has partnered with USAID and the US based Borlaug Institute for International Agriculture to help Rwandan Pyrethrum farmers increase their incomes while creating an environmentally and economically sustainable source of raw materials. The Rwanda Pyrethrum Programme, which began in 2009, focuses on increasing the production and quality of Pyrethrum, as well as strengthening and expanding the capacity of the cooperative organisations that market the crops. Producers can access best practices as well as the results of research and development being conducted in areas such as soil fertility management, improved weeding techniques and pest management protocol.<sup>37</sup>

#### CASE STUDY

### General Mills

General Mills has committed to sustainably source 100% of its top ten priority ingredients by 2020. These ingredients represent 50% of the company's total raw material purchases. The move is part of its long-term sustainable sourcing strategy which covers a broad range of raw materials including oats, wheat, corn, dairy, fiber packaging, cocoa, vanilla, palm oil, sugar cane and sugar beets. The opportunities for improvement are unique to each priority ingredient and geographically specific, which require the company to pursue a range of sustainable approaches including certification, verification, continuous improvement and origin-direct investment. Specific commitments by ingredient include:<sup>38</sup>

1. **Oats** 100% of the company's oats will be sourced from growing regions that demonstrate continuous improvement against industry-based environmental metrics.
2. **Wheat** 100% of General Mills' U.S. wheat will be sourced from growing regions that demonstrate continuous improvement against the Field-to-Market framework or comparable environmental metrics.
3. **Corn** 100% of the company's dry milled corn will be sourced from growing regions that demonstrate continuous improvement against the Field-to-Market framework or comparable environmental metrics.
4. **Dairy** 100% of General Mills' directly sourced fluid milk

will originate from producing regions that demonstrate continuous improvement as measured by the Dairy Sustainability Framework (US) or other comparable environmental metrics (globally).

5. **Fibre Packaging** 100% of the company's fibre packaging will be from recycled material or from virgin wood fibre regions that are known to not be contributing to deforestation. Any high-risk regions will be independently verified.
6. **Cocoa** 100% of General Mills' cocoa will be sourced through origin-direct investment, which will improve the incomes of smallholder farmers and the quality of ingredients.
7. **Vanilla** 100% of the company's vanilla will be sourced through origin direct investment, which will improve the incomes of smallholder farmers and the quality of ingredients.
8. **Palm Oil** 100% of the company's palm oil will be sourced from responsible and sustainable sources in 2015.
9. **Sugar (Cane)** 100% of General Mills' sugar cane will be sourced from responsible and sustainable sources.
10. **Sugar (Beets)** 100% of the company's US beet sugar will be sourced from growing regions that demonstrate continuous improvement against the Field-To-Market framework or comparable environmental metrics.

## Conclusion

As sustainability challenges within supply chains intensify, we can expect to see a growing number of organisations in an increasing variety of sectors develop sustainable sourcing strategies that reflect their unique priorities. More often than not, risk mitigation, innovation, and enhancing corporate reputation will feature as key imperatives in developing a supply chain sustainability strategy. Such strategies will be driven by the growing mandate of the CPO to embed sustainability considerations within supply chain management practices, as well as a growing appetite within purchasing organisations not just to minimise risk but also to maximise supply chain opportunities for performance improvement, reputational benefit and business growth.

The development and implementation of such strategies will require a clear and on-going appreciation of the complexities of a company's supply chain as well as a commitment to developing the necessary processes and procedures to deliver results, including greater engagement and collaboration with key suppliers.

Senior-level buy-in and pro-active support will be essential in order for this to successfully occur.

Although formidable challenges remain in embedding sustainability into supply chain management, we do believe there has been a shift in the overall approach being adopted by leading companies. The growing convergence of core commercial and wider sustainability considerations will only serve to embed that change further and lead to greater alignment between the roles and responsibilities of the Chief Sustainability Officer and the Chief Procurement Officer.

*We do believe there has been a step-change in the overall approach being adopted by leading companies.*

# References

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For further information about the report and our services, please contact:

### Yohan Hill

*Associate Director*

yohan.hill@corporate-citizenship.com

### Maggie Law

*Marketing and New Business Executive*

maggie.law@corporate-citizenship.com

## About the authors



**Yohan Hill** is an Associate Director and has more than 10 years of experience in corporate responsibility and sustainability. His expertise lies in environment and supply chain, as well as corporate responsibility

reporting and assurance. Yohan has worked across a range of industrial and commercial sectors on sustainability issues. His clients have included National Grid, Johnson Matthey, Jaguar Land Rover, Pearson, Molson Coors, and Unilever, among others. He has co-authored a number of publications on environmental and supply chain issues such as our recent thought leadership report *Water Means Business: Corporate perspectives on Water*. He is also a regular contributor to the Corporate Citizenship Briefing. Yohan holds an MSc in Environmental Technology from Imperial College London and a BSc in Chemical Engineering.



**Esther Toth** is a Consultant with a background in corporate responsibility and sustainability strategy development, stakeholder engagement and corporate communications. Throughout her career

she worked with clients on various aspects of their supply chain sustainability performance primarily in the retail, manufacturing and property sectors. Previously, Esther has worked at Business in the Community, where she played a key role in delivering the annual cycle of the Corporate Responsibility (CR) Index, the UK's leading voluntary benchmark in corporate responsibility. Esther is a trained economist and holds an MSc from the University of London in Corporate Governance and Ethics.



### UK office:

5th Floor  
Holborn Gate  
26 Southampton Buildings  
London WC2A 1PQ

**T:** +44(0)20 7861 1616

**E:** mail@corporate-citizenship.com

**W:** www.corporate-citizenship.com

### Singapore Office:

c/o StratAgile Pte Ltd  
10 Anson Road #39-07  
International Plaza  
Singapore 079903

**T:** +65 6836 9098

### US office:

241 Centre Street  
4th Floor  
New York  
NY 10013

**T:** 1-212-226-3702

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