

FEBRUARY 2018

---

# New Models for Sustainable Procurement

A Working Paper from BSR's Procurement Leadership Group



**BSR**

The Business of a Better World

## About This Working Paper

This working paper was written by Meghan Ryan and Tara Norton with additional insights provided by the members of the BSR Procurement Leadership Group. Any errors that remain are those of the authors. Please direct comments or questions to Meghan Ryan at [mryan@bsr.org](mailto:mryan@bsr.org).

### ACKNOWLEDGMENTS

The authors wish to thank the members of the Procurement Leadership Group from 2014-2017. Over the past three years, members of the group have contributed ideas, good practices, and common challenges that have shaped BSR's views on new models in sustainable procurement.

We offer special thanks to the 2017 PLG members: Judy Pines, Hilton Worldwide; Marie-Claude Rousseau, Hydro Québec; Mikael Hamon, Millicom; Cathy Resler, Ocean Spray Cranberries; Kate Siegele, Starbucks; and Tanja Gabler, Target.

### DISCLAIMER

BSR publishes occasional papers as a contribution to the understanding of the role of business in society and the trends related to corporate social responsibility and responsible business practices. BSR maintains a policy of not acting as a representative of its membership, nor does it endorse specific policies or standards. The views expressed in this publication are those of its authors and do not reflect those of BSR members. Working papers contain preliminary research, analysis, findings, and recommendations. They are circulated to stimulate timely discussion and critical feedback and to influence ongoing debate on emerging issues. Most working papers are eventually published in another form, and their content may be revised.

# Introduction

As a relatively young discipline, sustainable supply chain management is evolving, and new models of sustainable procurement are emerging. While the first two decades of the sustainable procurement field focused on codes of conduct, supplier compliance, and auditing, procurement professionals in the vanguard today are looking to do much more with their sustainable procurement efforts.

As major forces of change, such as climate change and automation, are poised to impact supply chains in uncertain and possibly unprecedented ways, today's sustainable procurement professionals are adapting their programs to have more impact. They are making contributions to science-based targets, global sustainable development goals, and the advancement of human rights, gender equality, and inclusive employment practices.<sup>1</sup>

BSR's Procurement Leadership Group has been a place for a small group of sustainable procurement professionals to explore together how their field is evolving. This paper captures three of the key developments that have been tracked, explored, and discussed by the group in 2017:

1. Supply Chain Transparency
2. Supplier Engagement
3. Responses to Shifts in Trade and Globalization

---

<sup>1</sup> [www.bsr.org/en/our-insights/primers/future-of-supply-chains-2025](http://www.bsr.org/en/our-insights/primers/future-of-supply-chains-2025)

# 1. Supply Chain Transparency

The nature of supply chain transparency is changing, with growing expectations from government, civil society, and other actors; and information flows that are increasingly democratized, real-time, and specific. The push for greater transparency is coming from many stakeholder groups, including investors, regulators, NGOs, and customers. Edelman research shows that 50 percent of global consumers say they buy products based on beliefs about a brand, including social and environmental positions and practices, and several studies have found a correlation between greater transparency and increased consumer trust.<sup>2</sup> Governments have established new regulatory frameworks to mandate greater transparency throughout the supply chain. California, the UK, and France have taken significant steps toward transparency by mandating disclosure of labor practices and supply chain due diligence for companies meeting certain criteria. Other countries are now looking to these regulations as models for disclosure, suggesting that additional regulatory requirements may be on the horizon. Investors are also interested in supply chain disclosures. Ratings and indices, including the Dow Jones Sustainability Index, include supply chain information as part of a company's overall performance rating, and use of sustainability data on the Bloomberg Terminal has more than doubled since 2012.<sup>3</sup> As an example of how this information is used to drive investment analysis and decisions, one investor recently increased its market estimate of revenue growth for an apparel company by 100 basis points after observing improved labor standards among suppliers.<sup>4</sup> Examples of NGO focus on transparency abound. Recent developments include KnowTheChain, a group that publishes benchmarking results of company practices related to forced labor risks in their supply chains, and the Fashion Transparency Index, which evaluates overall transparency levels of top fashion brands.<sup>5</sup> In China, the Corporate Information Transparency Index (CITI) provides an assessment and ranking of brands' environmental management of their supply chains in China, including their levels of supply chain transparency.<sup>6</sup>

In tandem with increasing expectations for transparency, technological innovation is increasing opportunities for transparency throughout the supply chain. The emergence of real-time data collection solutions, such as Inspectorio, and worker voice technologies, such as Laborlink, creates new opportunities for companies.<sup>7</sup> With these innovations coming online, procurement leaders can rethink and reframe both the cadence and the approaches used to collect supply chain information to be increasingly dynamic and direct. For example, drones can—and are—being used to collect environmental data, and worker voice tools can bring employee perspectives, ideas, and grievances directly to supplier management and to company buyers without the need for an on-site auditor. Technological advances are also enabling greater scale and scope of supply chain traceability. For example, RFID technology and blockchain both hold the promise of efficient product tracking—and verification of product sustainability attributes—from raw material to the point of purchase and beyond. In recent months, several blockchain pilots involving companies from IBM to Walmart have been announced.<sup>8</sup> In addition, data produced by governments and global entities is increasingly being leveraged by companies as another input into

---

<sup>2</sup> <http://www.edelman.com/trust2017/>; <http://www.labelinsight.com/Transparency-ROI-Study>

<sup>3</sup> <http://www.bloomberg.com/company/announcements/bloomberg-publishes-2016-impact-report/>

<sup>4</sup> <http://www.ethicaltrade.org/blog/workforce-disclosure-initiative-win-win-win-workers-companies-and-investors>

<sup>5</sup> <http://knowthechain.org/>; [www.fashionrevolution.org/about/why-transparency-matters/](http://www.fashionrevolution.org/about/why-transparency-matters/)

<sup>6</sup> <http://www.en.ipe.org.cn/GreenSupplyChain/CITI.aspx?hy=7&tt=&index=0>

<sup>7</sup> <http://www.inspectorio.com/>; <http://www.mylaborlink.org/>

<sup>8</sup> <https://www.forbes.com/sites/rogeraitken/2017/12/14/ibm-walmart-launching-blockchain-food-safety-alliance-in-china-with-fortune-500s-jd-com/>

supply chain management. Examples include trade flow data and deforestation mapping using satellite data.<sup>9</sup>

While there are new tools available to procurement professionals to enable transparency and disclosure and there is mounting interest and pressure from stakeholders for companies to disclose supply chain information, many companies have not yet established clear transparency plans or made such disclosures. As an illustration of this disclosure gap, the 2017 EcoVadis/HEC Procurement Barometer reported that only 55 percent of surveyed companies report externally on supplier performance.<sup>10</sup> In addition, most of the supply chain information that is disclosed represents the activities of Tier 1 suppliers, with only a small number of companies disclosing information about their supply chains beyond Tier 1.

## **BENEFITS AND CHALLENGES**

Supply chain transparency can contribute to a range of reputational and operational benefits for companies. The accepted theory is that transparency and disclosure enable companies to generate positive changes within their supply chains by making more information about the supply chain public and creating positive pressure for sustainable behavior across the value chain. There is also evidence from companies that have published supply chain information that disclosure is in some cases linked to enhanced competitive advantage.<sup>11</sup> In addition, transparency and disclosure can build trust between a company and its stakeholders and help companies to manage supply chain risks. Fundamentally, disclosure helps companies build and maintain stakeholder trust. By building trust with stakeholder groups, companies can credibly communicate on challenging issues that arise in their supply chains and proactively engage to detect potential problems before they occur. This rationale applies not only to communication with NGOs, but also to governments and employees.

However, realizing the benefits of supply chain transparency and disclosure is not easy, because several barriers and risks deter companies from adopting transparent practices.

At the strategic level, there is often a core concern that transparency will make companies more vulnerable to criticism. This is reasonable, particularly in instances where legal violations are concerned. However, while some companies worry that transparency may increase the potential for activism and damage to the brand, many have found that greater transparency increases trust, reduces adversarial campaigns, and supports transformational collaboration and models of shared responsibility. Moreover, the risks associated with not disclosing supply chain information are high, as brands that have been linked to labor violations or product safety or quality issues can attest. Not disclosing supply chain information allows other actors to shape the narrative about a company, often depicting the company as aloof, unconcerned, and unable to manage challenging supply chain issues, which can lead to reputational damage.

A secondary but important strategic concern raised by companies relates to competitive risks and intellectual property protections. Some companies fear that releasing supplier and supply chain information may expose them to competitive risks by giving valuable information to competitors. Other companies suggest that there is little competitive advantage in concealing information that stakeholders

---

<sup>9</sup> <http://trase.earth>; <http://www.openforis.org/tools/collect-earth.html>; <http://www.globalforestwatch.org/>

<sup>10</sup> [www2.ecovadis.com/sustainable-procurement-barometer-2017](http://www2.ecovadis.com/sustainable-procurement-barometer-2017)

<sup>11</sup> [http://endsecrecy.eu/files/2016\\_07\\_Impact\\_of\\_Public\\_Reporting-final.pdf](http://endsecrecy.eu/files/2016_07_Impact_of_Public_Reporting-final.pdf)

most want to know, and that is increasingly being used by investors and customers as a measure of overall business performance.

At the tactical level, companies describe significant transparency barriers related to the nature and complexity of supply chain relationships. Most large companies manage supply bases in the thousands of suppliers, face regular churn in the supplier population to at least some degree, and work with suppliers representing a spectrum of maturity in sustainability practices and data collection. These dynamics make data collection, standardization, and accuracy a challenge. Related to this set of structural barriers, companies also raise concerns about the internal resources and capabilities required to maintain the data gathering and disclosure cadence, as well as the opportunity cost of allocating valuable staff time and budgets toward disclosure efforts. Finally, companies highlight the patchwork of stakeholder needs and interests on supply chain practices as a third tactical challenge. The supply chain information sought by investors and NGOs is significantly different than the details that many consumers prioritize, and each of these key stakeholder groups is looking for information to be provided through different channels—from an SEC filing to a response to an NGO benchmarking study to a soundbite that can fit into 280 characters. These disparate information needs, coupled with supply chain complexity and limited internal resources, create real challenges even for companies that are convinced of the importance of supply chain transparency and disclosure as a strategic priority.

## BEST PRACTICE EXAMPLES

Many companies are beginning to face these challenges head on, and to test and adopt new models of supply chain transparency and disclosure. The following examples provide a sense of the range of activities that are taking place in the supply chain transparency space:

- **Proactive communications when issues are identified:** After media reports identified forced labor in Nestle’s supply chains, the company launched a year-long investigation that identified slave labor in the Fancy Feast supply chain. Nestle commissioned a third-party group to conduct an in-depth assessment on the complete supply chain.<sup>12</sup> The assessment identified forced labor and unsafe working conditions, among other issues. The assessment was made public and Nestle won praise from NGO leaders, including the heads of Freedom House, Freedom Fund, and Unseen UK, on the company’s transparent approach.<sup>13</sup>
- **Supplier-level maps and information:** A small number of leaders in the apparel, food, and tech industries are publicly disclosing supplier details and sustainability performance information, including C&A, Nike, Marks and Spencer, Apple, Disney, and Microsoft. Marks and Spencer’s online supplier map is interactive and provides an easy-to-use window into their clothing and food supply chains, as well as supplier-level details on workforce composition and other sustainability attributes.<sup>14</sup> Hershey has also published compelling supply chain visualizations that allow website visitors to track the flow of ingredients into key Hershey products and learn about sustainability efforts across the supply chain.<sup>15</sup>

---

<sup>12</sup> [www.verite.org/wp-content/uploads/2016/11/NestleReport-ThaiShrimp\\_prepared-by-Verite.pdf](http://www.verite.org/wp-content/uploads/2016/11/NestleReport-ThaiShrimp_prepared-by-Verite.pdf)

<sup>13</sup> [www.ap.org/explore/seafood-from-slaves/nestle-confirms-labor-abuse-among-its-thai-seafood-suppliers.html](http://www.ap.org/explore/seafood-from-slaves/nestle-confirms-labor-abuse-among-its-thai-seafood-suppliers.html)

<sup>14</sup> <http://interactivemap.marksandspencer.com>

<sup>15</sup> [www.thehersheycompany.com/en\\_us/news-center/blog/where-ingredients-come-from.html](http://www.thehersheycompany.com/en_us/news-center/blog/where-ingredients-come-from.html);  
<http://open.sourcemap.com/maps/589e10c1e4bac0b357bc3d5f>

- **Accessible information for a wide variety of stakeholders:** Patagonia’s website and hangtags provide product-level supply chain transparency by identifying information about textile mills, manufacturing sites, and sustainability certifications. In addition, Patagonia gives consumers a broad picture of the company’s supply chain through its Footprint Chronicles webpage, which provides maps of factories, mills, and farms, as well as a discussion of the pros and cons of chemical treatments for clothing.<sup>16</sup>
- **Industry efforts to create a transparency ecosystem:** The apparel industry is working in coalition to consolidate and publicize the sources of supply chain data—across companies, NGOs, governments, media, and multilateral organizations. Several efforts are underway. The International Corporate Accountability Roundtable (ICAR) released the first version of a free data directory that shows which organizations are generating public information related to working conditions in the apparel industry. The first release of the directory includes 33 organizations and is available for public download.<sup>17</sup> Another example is a project in Bangladesh called the Digital RMG Factory Mapping, which seeks to develop a digital mapping of the end-to-end garment sector in the country.<sup>18</sup> A third example is captured in the case study below.

#### CASE STUDY

## Institute of Public & Environmental Affairs (IPE) and Natural Resources Defense Council (NRDC):

Green Supply Chain Map Links Supplier Environmental Performance Data to Global Buyers

### The Challenge:

There are myriad data sources that capture environmental impacts relevant to supply chains, including government data on air pollution emissions and wastewater discharge for individual manufacturing facilities. However, until recently, there was no platform to link these available data to the supply chains of specific global brands. A range of stakeholders, including environmental experts, investors, customers, and global buyers, are interested in this level of disclosure of supplier environmental performance.

### The Approach:

The Institute of Public & Environmental Affairs (IPE) in China is instrumental in pushing for enhanced disclosures among suppliers in China and their buyers. In early 2018, in partnership with NRDC, IPE launched a new mapping tool, the IPE Green Supply Chain Map, to openly link supplier environmental performance data—collected from government sources—to global buyers that do business with each supplier. Target and New Balance are among the first companies participating in this transparency effort, which has generated an interactive map of supplier sites in China.<sup>19</sup>

<sup>16</sup> [www.patagonia.com/footprint.html](http://www.patagonia.com/footprint.html)

<sup>17</sup> [www.icar.ngo/news/2017/3/29/apparel-data-directory](http://www.icar.ngo/news/2017/3/29/apparel-data-directory)

<sup>18</sup> <http://www.candafoundation.org/impact/news/bangladesh-lead-garment-industry-transparency/>

<sup>19</sup> [www.sustainablebrands.com/news\\_and\\_views/marketing\\_comms/sustainable\\_brands/new\\_mapping\\_tool\\_aims\\_strengthen\\_supplier\\_environment](http://www.sustainablebrands.com/news_and_views/marketing_comms/sustainable_brands/new_mapping_tool_aims_strengthen_supplier_environment)

**Lessons Learned:**

Though the Green Supply Chain Map is new, IPE's previous supply chain transparency projects are an indicator of the ways in which this effort can drive buyer accountability and incentivize positive performance among suppliers. IPE's Blue Map, which catalogs government-mandated disclosures of factory emissions and wastewater data, provided critical insight to Target in 2017. The company used Blue Map data to identify a supplier with poor wastewater practices and encourage the supplier to take action.<sup>20</sup> In addition to the publicly-available supplier performance data, the factory's response was also published on the IPE's database, for anyone to view. In this way, the Green Supply Chain Map can help to reinforce high expectations for factory environmental performance and recognize well-performing suppliers.

## 2. Supplier Engagement

Supplier engagement is about establishing and pursuing meaningful two-way communication between a company and its suppliers. Procurement professionals have long known that engaging suppliers and establishing strong working relationships with strategic suppliers is key to delivering on top procurement priorities, such as cost, quality, and innovation—as well as sustainability. Companies that want to drive sustainability outcomes through their supply chains must engage their suppliers in the process.

BSR's view is that effective supplier engagement can deliver on business priorities for both the company and its suppliers and simultaneously can support the achievement of the global sustainability agenda. Supplier engagement is highlighted in BSR's Supply Chain Leadership Ladder as one of the four key elements of a robust sustainable supply chain program.<sup>21</sup> Building on this model, the Procurement Leadership Group set out to discuss the benefits, challenges, and good practice examples of supplier engagement—as well as the related topic of supply chain worker engagement.

### **BENEFITS AND CHALLENGES**

Companies that have experience in successful supplier engagement on sustainability topics cite key benefits, including competitive differentiation, enhanced supply chain efficiencies, improved ability to meet stakeholder and regulatory expectations, creation of positive pressure on an industry or region, and improved performance in meeting public commitments, such as emissions reductions goals. Experienced procurement leaders know that innovation often comes from the supply chain, and sustainability is no exception.

However, implementation challenges can limit the scale of companies' efforts, or even deter companies from getting started. For some companies, the sheer size and complexity of the supply chain can make it difficult to know where and how to begin. Other companies cite a lack of deep technical knowledge to help suppliers improve, or uncertainty about what good practice looks like in a different region or industry. Many companies also point to a lack of resources—both in terms of internal teams and budgets—to support supplier engagement on sustainability.

---

<sup>20</sup> <http://www.ipe.org.cn/>

<sup>21</sup> [www.bsr.org/our-insights/report-view/the-supply-chain-leadership-ladder](http://www.bsr.org/our-insights/report-view/the-supply-chain-leadership-ladder)

Among companies that have prioritized supplier engagement on sustainability topics, and especially efforts to engage and support suppliers' workers, scaling has been a consistent challenge. Some companies, especially in industries like apparel, have in place large global supplier development teams whose role it is to engage with suppliers to collectively drive change. These supplier development efforts, including technical capability building and other workplace-based training programs, have achieved qualitative and quantitative benefits, including contributions to positive business and sustainability performance and improvements in worker engagement and well-being. However, companies continue to seek a supplier engagement model that is more efficient and less resource-intensive and that enables suppliers to own and steward their social and environmental priorities.

In addition to the perennial challenges of scale and durability of supplier engagement efforts, companies and their suppliers can also struggle to identify and act on the underlying issues that inhibit progress on sustainability. Many supplier engagement efforts are well intentioned but may not be sufficiently tailored to address an individual supplier's core needs. Some are designed to address obvious challenges or non-compliances but do not tackle the root cause of supplier challenges—underlying issues such as access to capital, gaps in suppliers' human resources systems, or structural discrimination in the workplace.

## BEST PRACTICE EXAMPLES

New models of supplier engagement are designed to address underlying supplier challenges and broader barriers to progress, including political, cultural, and infrastructural issues. These models also take on a new tone—seeking to recalibrate the power dynamics between buyers and suppliers toward a partnership model in which suppliers have the incentives and tools to integrate sustainability into their businesses. The examples below illustrate how leading companies are already beginning to adopt these new models:

- **Public platforms to catalyze collective momentum:** Walmart's Project Gigaton, launched in 2016, is aimed at supporting the company's goal of preventing the release of 1 gigaton of emissions in its global supply chain by 2030.<sup>22</sup> Walmart has made these efforts public, asking its broad network of suppliers to make commitments on how they will contribute to the goal. In turn, Walmart will provide an emissions reduction toolkit to its suppliers, focusing on areas such as manufacturing, materials, and use of products.
- **New approaches to supporting women workers in supply chains:** This year, BSR's HERproject celebrated 10 years of workplace-based programs aimed at promoting health, financial inclusion, and gender equality in supply chains.<sup>23</sup> The concept of supporting women, especially at the factory and farm level in supply chains, is not new. However, the aspect of partnership between a brand and its supplier in enacting the program at the workplace has been a critical success factor for HERproject. Leading companies and leading suppliers are embracing a focus on women in new ways. For example, companies are partnering with their suppliers through BSR's HERrespect program to address sexual harassment and violence against women in factories and on farms.<sup>24</sup> And Sodexo, a global facility services company, seeks to connect

---

<sup>22</sup> <http://news.walmart.com/2017/04/19/walmart-launches-project-gigaton-to-reduce-emissions-in-companys-supply-chain>

<sup>23</sup> [www.bsr.org/our-insights/blog-view/herproject-at-10-celebrating-hersuccess-inspiring-herfuture](http://www.bsr.org/our-insights/blog-view/herproject-at-10-celebrating-hersuccess-inspiring-herfuture)

<sup>24</sup> [www.bsr.org/en/our-insights/blog-view/launching-herrespect-in-bangladesh](http://www.bsr.org/en/our-insights/blog-view/launching-herrespect-in-bangladesh)

survivors of gender-based violence to employment opportunities within the company and with supplier partners.<sup>25</sup>

- Enabling digital wage payments:** Leading companies are working with suppliers to encourage and enable them to shift from cash payment of worker wages to digital payment systems. For example, H&M recently joined the UN Better Than Cash Alliance and is working with its suppliers to transition from cash wage payments to digital payments, such as bank accounts, cards, or mobile money.<sup>26</sup> The goal of these efforts is to enhance transparency of wage payments, lower factory costs, and enhance the livelihoods of workers in supply chains. When workers can access their wages digitally, they are more likely to save and build credit. For women workers this shift can be profound—providing their first access to a formal bank account, and in turn more influence over household spending.<sup>27</sup> BSR is also partnering with Bill and Melinda Gates Foundation and several global garment buyers to help garment factories make the transition from cash to digital payroll.<sup>28</sup>
- Innovative approaches to supply chain financing:** Access to finance is a major barrier to supplier progress on sustainability, and companies are taking steps to facilitate access at preferential rates. Several leading companies and banks have pioneered new financing models to address this barrier, including company-issued green bonds, supplier innovation funds, and new financial products that enable suppliers to borrow at better rates based on their sustainability performance. For example, in 2016 Starbucks issued the first U.S. corporate sustainability bond.<sup>29</sup> The company uses a portion of the returns to support training of coffee farmers on sustainable agriculture and climate-smart farming. BNP Paribas partnered with Puma to launch an innovative financing program for Puma’s suppliers to reward better social and environmental performance with a better discount rate on their invoices.<sup>30</sup> BSR is actively engaged on this topic and will be publishing a report on trade finance for sustainable supply chains in Q2 of 2018.

#### PLG CASE STUDY

## HILTON WORLDWIDE:

Partnership with Diverse Suppliers Advances Sustainability

### The Challenge:

As part of Hilton’s “Travel with Purpose” corporate social responsibility platform, Hilton was looking to replace old television sets across its properties with more energy-efficient models.<sup>31</sup> TVs

<sup>25</sup> [www.clintonfoundation.org/clinton-global-initiative/commitments/girls-women-global-goals-end-workplace-violence](http://www.clintonfoundation.org/clinton-global-initiative/commitments/girls-women-global-goals-end-workplace-violence)

<sup>26</sup> [www.devex.com/news/h-m-wants-to-pay-its-garment-workers-digitally-here-s-why-89781](http://www.devex.com/news/h-m-wants-to-pay-its-garment-workers-digitally-here-s-why-89781)

<sup>27</sup> [www.dhakatribune.com/opinion/op-ed/2017/04/02/why-is-cash-a-problem/](http://www.dhakatribune.com/opinion/op-ed/2017/04/02/why-is-cash-a-problem/)

<sup>28</sup> [www.bsr.org/en/our-insights/blog-view/a-conversation-between-herfinance-and-gates-foundation](http://www.bsr.org/en/our-insights/blog-view/a-conversation-between-herfinance-and-gates-foundation)

<sup>29</sup> <https://news.starbucks.com/press-releases/starbucks-issues-the-first-u.s.-corporate-sustainability-bond>

<sup>30</sup> <http://group.bnpparibas/en/press-release/bnp-paribas-puma-launch-innovative-financing-program-suppliers-reward-social-environmental-standards>

<sup>31</sup> <http://cr.hiltonworldwide.com/>

represent one of the largest contributors to electronic waste, and disposal of TVs is mandatory in many U.S. states through legislation that outlaws landfilling TVs.

**The Approach:**

Hilton is committed to responsible electronics recycling as part of the company's overall approach to responsible sourcing. To implement a pilot TV recycling program, Hilton turned to its suppliers to co-create an approach that would advance sustainability while minimizing disruption to hotel activities and guests. Hilton and its TV supplier, LG Electronics, worked together to design the program and engaged Global Sustainability Solutions (GSS)—a woman-owned business that specializes in the transportation and recycling of old TV sets—to join the project. After a successful pilot program in 2017, Hilton and LG are extending the program into 2018 with plans to continue responsible recycling of hundreds of older TVs across Hilton's properties.

**Lessons Learned:**

- Taking a partnership approach to supplier engagement—in which the unique strengths of each business are unleashed toward shared sustainability commitments—supports positive outcomes for both buyers and suppliers of goods and services.
- A pilot program, launched at a single Hilton property, enabled Hilton and its suppliers to establish a working model that can be scaled across Hilton's properties.
- Hilton was able to make progress on both environmental and social aspects of its responsible sourcing program through working with a woman-owned business to deliver environmental results.



Partnering with diverse businesses to further support local job creation and improve the environment is of the utmost importance at Hilton, where we hold sustainability in the highest regard.

—Judy Pines, Director of Sustainability and Responsible Sourcing



### 3. Responses to Shifts in Trade and Globalization

In a time of significant uncertainty and volatility in our political systems, supply chain professionals are monitoring complex global developments such as trade policy reforms, potential dissolution of international agreements, and changing supply chain labor dynamics. Each of these topics has the potential to challenge—or disrupt entirely—the current global supply chain model. Key areas of concern for supply chain professionals include NAFTA renegotiations, Brexit and other indicators of anti-globalization sentiment, the planned U.S. withdrawal from the Paris Climate Agreement, and barriers to cross-border migration.

There is significant uncertainty about the ways in which these topics will develop, precisely how they will impact supply chains in different industries and geographies, and how they will interact with and influence one another. However, supply chain and sustainability professionals are tasked with translating the supply chain implications of these developments.

## CHALLENGES AND UNCERTAINTIES

We are already beginning to see companies adjust their supply chain models and their supply chain communications in response to the uncertainties around globalization and trade. For example, in the wake of trade uncertainty, some U.S. car manufacturers have retracted foreign production and announced expansion plans for American production.<sup>32</sup> Major apparel companies are investing in automation and working to develop manufacturing capacity closer to end customers. For example, Nike is digitizing and vertically integrating its footwear supply chains, including deploying 1,200 new automated machines in the next few months and near-shoring production in North America and in Asia. In the United States, Nike plans to deliver 3 million pairs of shoes manufactured in a new domestic footwear factory in 2018 and plans to increase domestic production to tens of millions of shoes by 2023.<sup>33</sup> Other companies have responded to growing anti-globalization sentiments through new communications and messaging about their supply chain models. For example, in 2017 Apple launched a website highlighting its positive impact on the U.S. labor market and citing the creation of more than 2 million jobs in its U.S. supply chains.<sup>34</sup>

Many companies, including several PLG members, highlight concerns about supply chain labor availability in the context of rising barriers to cross-border migration and supply chain human rights risks related to the global refugee crisis. An increasing number of industries in Europe and the United States—including manufacturing, food and agriculture, and logistics—face significant labor shortages. Regulations on immigration and labor market reforms—such as increasing immigration barriers in the United States and Brexit in the UK—exacerbate the issue. In the wake of the global refugee crisis, incidents of forced labor have dramatically increased in the EU, and migrant workers around the world are exposed to heightened human rights risks.

---

<sup>32</sup> [www.theguardian.com/business/2017/jan/03/donald-trump-general-motors-tax-chevrolet-cruz](http://www.theguardian.com/business/2017/jan/03/donald-trump-general-motors-tax-chevrolet-cruz)

<sup>33</sup> [www.cips.org/en/supply-management/news/2017/november/nike-onshoring-manufacturing-in-north-america/](http://www.cips.org/en/supply-management/news/2017/november/nike-onshoring-manufacturing-in-north-america/)

<sup>34</sup> [www.apple.com/job-creation/](http://www.apple.com/job-creation/)

## BEST PRACTICE EXAMPLES

Given the level of uncertainty inherent in this set of issues, best practices are hard to pinpoint. However, the PLG discussed a few cross-cutting approaches that can help to support supply chain resilience in the face of multiple possible future developments.

- **Business taking a stand:** Over the past year, many CEOs have raised their voices to support progress on topics ranging from diversity to climate action and migration. CEOs resigned from two presidential business advisory councils in the U.S. to express support for diversity and inclusion, signed on to the “We Are Still In” declaration as a recommitment to climate action, and spoke out in support of inclusive employment practices when support for refugees and migrants was challenged.<sup>35</sup> For example, Microsoft took a public position in support of foreign workers and inclusion, and against the U.S. government, on the issue of Deferred Action for Childhood Arrivals, or DACA.<sup>36</sup> As issues of trade, globalization, and migration continue to be debated among governments and in civil society circles, business can continue to speak out in support of approaches that enable sustainable supply chains.
- **Impact sourcing:** In an effort to address growing unemployment and inequality, companies can adopt impact sourcing practices—selecting suppliers that intentionally hire people who would otherwise have limited prospects for formal employment, including youth, migrants, refugees, women, and veterans. For example, IKEA has adopted a long-term goal to create jobs for 200,000 disadvantaged people. One program under IKEA’s strategy focuses on support for refugee employment in its supply chains; the company is currently developing a textile line made by Syrian refugees based in refugee camps in Jordan and refugees living in Austin, Texas.<sup>37</sup> Bloomberg has been working with suppliers on impact sourcing for several years, including preferential sourcing from suppliers that employ members of the military community in the United States and suppliers that create job opportunities in remote villages outside of Kolkata, India.<sup>38</sup> There are also collaborative efforts underway to support companies and suppliers to define and adopt impact sourcing practices. The Global Impact Sourcing Coalition (GISC), launched in 2016 by the Rockefeller Foundation and BSR, is a forum for buyers and suppliers to develop an impact sourcing standard and to accelerate impact sourcing practices.<sup>39</sup>

---

<sup>35</sup> [www.bsr.org/en/our-insights/blog-view/next-steps-former-members-trump-business-advisory-councils](http://www.bsr.org/en/our-insights/blog-view/next-steps-former-members-trump-business-advisory-councils)

<sup>36</sup> [www.bsr.org/our-insights/blog-view/microsoft-brad-smith-highlights-business-leadership-at-bsr-conference-2017](http://www.bsr.org/our-insights/blog-view/microsoft-brad-smith-highlights-business-leadership-at-bsr-conference-2017)

<sup>37</sup> [http://media.ikea.ch/filemanager/2017/06/RefugeeToolkit/IKEA\\_Toolkit\\_E.pdf](http://media.ikea.ch/filemanager/2017/06/RefugeeToolkit/IKEA_Toolkit_E.pdf)

<sup>38</sup> [www.bsr.org/en/our-insights/blog-view/impact-sourcing-inclusive-supply-chains-bloomberg-digital-divide-data](http://www.bsr.org/en/our-insights/blog-view/impact-sourcing-inclusive-supply-chains-bloomberg-digital-divide-data)

<sup>39</sup> <http://gisc.bsr.org/>

## PLG CASE STUDY

## HYDRO-QUÉBEC:

Supporting Youth Skills Development Through Circular Economy

### The Challenge:

Hydro-Québec, a public utility that manages the generation, transmission, and distribution of electricity in Quebec, Canada, has a strong commitment to sustainability and seeks opportunities to support social and economic development through its procurement and partnerships. The company was seeking an approach to refurbish and reuse materials such as power-line hardware and worn-out work clothes, while also contributing to the local economy.

### The Approach:

For the past decade, Hydro-Québec has partnered with the Réseau québécois des centres de formation en entreprise et récupération (CFER).<sup>40</sup> The business and recycling training centers in the network recover and recycle materials while helping young people ages 15 to 18 who are having difficulty in school develop vocational skills that will enable them to enter the labor market more easily. The CFERs encourage young people to remain in school and endeavor to develop citizens' sense of responsibility and support for the environment and sustainability. Two examples:

- Some power-line hardware from dismantled distribution lines is given to the CFERs. One of them, in Victoriaville, has developed expertise to re-mill parts in good condition. In 2016, this CFER recovered 538 tonnes of Hydro-Québec's power-line hardware. Parts re-milled were reused, and damaged parts were recycled.
- Two CFERs, in Alma and Boucherville, have developed expertise in recycling work clothes. All of Hydro-Quebec's work clothes are given to the CFERs at the end of their useful life. Students remove any distinctive Hydro-Quebec signs, then wash, mend, and resell these high-quality products. In 2016, more than 15,000 pounds of used work clothing were collected. Clothing that was still usable was reconditioned and sold. Worn-out clothing was recycled when possible.

### Lessons Learned:

Thanks to this partnership with the CFER network, Hydro-Québec contributes to social and economic development while recovering residual materials, in keeping with a circular economy approach.

<sup>40</sup> <http://reseaucfer.ca/?lang=en>

## **CONCLUSION: NEW MODELS FOR SUSTAINABLE PROCUREMENT**

Major forces of change are poised to have significant impacts on supply chains in the short- and long-term. To develop supply chains that are fit for the future, leading companies are testing and adopting innovative approaches that build on learnings from the past 20 years of sustainable procurement efforts and incorporate an understanding of the ways in which supply chains are changing. New and innovative approaches are emerging, as illustrated by the examples in this paper highlighting supply chain transparency, supplier engagement, and efforts to navigate global economic uncertainty. However, there is a greater need for coordination, ideation, and collaboration across leading companies on these topics.

To address this need for innovation and new models, BSR is launching a new cross-industry collaborative initiative: The Future of Supply Chains.

In partnership with BSR's Futures practice, the Future of Supply Chains will provide members with new information, tools, and a community of practice organized to understand and plan for the forces of change that are likely to change supply chains over the next 10 years. Participants will build skills in translating these forces of change into business-relevant insights, including deploying tools for engaging internally with key supply chain stakeholders across functions, and will be better equipped to lead change within their organizations to build future-proofed supply chains.

We invite you to join us in shaping the future of supply chains that we would all like to see—one in which supply chains enable human rights, climate resilience, women's empowerment, and inclusive economies on a global scale.

To learn more about the Future of Supply Chains Collaborative Initiative and our 2018 scope of work, please contact Meghan Ryan: [mryan@bsr.org](mailto:mryan@bsr.org).

## About BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit [www.bsr.org](http://www.bsr.org) for more information about BSR's 25 years of leadership in sustainability.

[www.bsr.org](http://www.bsr.org)

