Sustainable Purchasing Leadership Council
Finding Social Hotspots in the Supply Chains of Your Purchases

May 19 2014

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VP Social Sustainability  New Earth
Outline

- Every purchase has social risks in its supply chain
- Due diligence perspective
- Example
- Standards
Supply Chain Risks

- Prevalence of issues and exploitation of workers is getting worse not better (Impactt, 2013)
- Increase in trade of intermediary inputs (WEF, 2012)
- Recent fires and building collapses in Bangladesh garment factories highlight how exposed companies are to labor and human rights risks.
- Companies from all sectors have specific risks to manage based on their supply chain geography and their sourcing of inputs.
What can be done

1. Additional Research
2. Public-Private Partnership
3. Form / Respect Union
4. Increase the Minimum Wage
5. Enforce Minimum Wage Payments
6. Additional Payment for Overtime
7. Expansion of Supply Chain Inspections
8. Increase Investigations and Prosecutions
9. Support and Empower Vulnerable Communities
10. Increase Consumer Awareness
11. Building responsible sourcing capabilities

HSPH, WDR, Richard Locke
Invitations and Requirements to Manage and Report Supply Chain Risks

- **UN Business and Human Rights (Ruggie) Framework** – Requiring Human Rights Due Diligence
- **GRI G4 - reporting** - Introducing the reporting on supply chain significant and potential negative Labour Rights and Human rights Impacts
- **DJSI - ESG rating** (Formalized process to identify supply chains sustainability Risks)
- **ISO 26000 - Management** - Due diligence and promoting SR in Value Chain
- **California Transparency Act** - Disclosing efforts to prevent, stop and mitigate child and forced labour in supply chain
- **Dodd Franck Act/ Conflict minerals** - Presence of conflict minerals in products and reasonable country of origin inquiry to understand and disclose aspects of the minerals in their supply chain
Used SHDB to study supply chains, and compared results with simpler “country-of-origin-based” assessment.

“Our analysis underscores the importance of a life cycle-based approach to understanding and managing social risk in support of policies for socially sustainable development.”
Social Risk Assessment

- Start by assessing the production and supply chain of your global operations
- Data needed:
  - Revenues/output by sector by country
  - Spend data and country source
- Use the Social Hotspot Database to identify “material” (GRI) and “relevant” (ISO 26000) labor, human rights, and social hot spots
The SHDB Enables INPUT/OUTPUT LCA

- Like
  - OpenIO
  - CEDA
  - Carnegie Mellon EIO-LCA

- Two major differences
  - This is *More Countries* (113) than you find in other input/output or process LCI databases
  - The elementary flows (inventory data) are worker-hours at a given level of risk, for a comprehensive set of social risk indicators

- *Otherwise the same* as other I/O LCA DB's

- ... Brings a practical implication:
  - You don't just refer to “generic, country-less” inputs
  - Not just “Wheat” but “Wheat from which country?”
Owens Corning Social Risk Assessment

**Inputs**

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<thead>
<tr>
<th>Flow</th>
<th>Category</th>
<th>Flow property</th>
<th>Unit</th>
<th>Resulting amount</th>
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**Outputs**

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Compare product systems for LCIA method Social LCIA method ± @ Category Level
Human Rights Hot Spot Overview
Child Labor Hot Spot Overview

[Image: Pie chart showing impact contributions for different categories, with the largest category being 'Mineral products nec (CN)'.]

- 0.107 CL med rh: Mineral products nec (CN)
- 0.042 CL med rh: Mineral products nec (IN)
- 0.018 CL med rh: Commerce (IN)
- 0.018 CL med rh: Transport nec (IN)
- 0.014 CL med rh: Mineral products nec (BR)
- 0.062 CL med rh: Other
“Contribution Tree” for Poverty
Wages

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<tr>
<th>Contribution</th>
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<td>PW1 m...</td>
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<td>Mineral products nec (CZ)</td>
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Drilling Down for More Detail: Priorities

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<th>Process</th>
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Once You’ve Identified Your Hot Spots and Key Issues

Welcome to Standards Map

Standards Map provides information on over 130 standards, codes of conduct, audit protocols addressing sustainability hotspots in global supply chains.
Once You’ve Identified Your Hot Spots and Key Issues

- **Identify**: Identify voluntary sustainability standards which apply to your business.
- **Quick-scan**: Quickly review selected standards at a glance.
- **Compare**: Compare voluntary sustainability standards' hotspots.
- **Self-Assess**: Assess your business' sustainability profile and roadmap to sustainable trade.

- Are there measures to promote and enhance the education of neighborhood local communities?
  - Yes
  - No
  - Not yet

- Working towards this objective in?
  - 1 year
  - 1-3 years
  - 3-5 years
  - Maybe

- Do/Will you measure progress/improvement/results?
  - Yes
  - No
Narrow down your search

Product/service
- Mining and quarrying

Producing country
- China

Destination market
- North America

More options

13 standards correspond to the chosen criteria

Please select a number of standards to work with, check and uncheck the ones you wish to view.

- Fair Stone
  A major part of the natural stones in Europe is imported from Asia, especially from China and India. The production of natural stone is very cheap there but often at the cost of the workers in the quarries and factories. Safety and health at the workplace are often neglected and silicosis, harms by noise and dust, are frequently encountered. The standard aims to reduce the risk, or at least the exposure to these risks. The standard is available in Chinese and English.
  Information last updated in Standards Map: October 2013

- International Council on Mining and Metals
  The International Council on Mining and Metals (ICMM) was established in 2001 to act as a catalyst for performance improvement in the mining and metals industry. Today, the organization brings together over 20 mining and metals companies as well as over 30 national and regional mining associations and global mining institutes and companies. ICMM provides the industry with the tools and solutions needed to meet the challenges of the 21st century. These include advancing its core values of: sustainability, integrity, transparency and accountability. The aim of the standard is to promote responsible mining and metals production. The standard is available in English.

More options

Reset
Business benefits of social spend analysis: Reducing risks and creating benefits

1. **Cost reduction**
   1. Reduced social compliance costs
   2. Payback (6) in cost reduction across the spend.

2. **Risk reduction**
   1. Avoided financial impacts: impact on brand value from negative supplier practices (e.g. child labour, forced labour);
   2. Economic cost of supply chain disruptions (e.g non-compliance with regulations).
   3. Payback (85) through risk reduction outcomes.

- **Risk Reduction = Footprint Reduction**
- **Benefit Creation entails working on hot spots via supplier engagement.**
Thank you!

New Earth – Social Hotspots Database
Catherine Benoit Norris, VP Social Sustainability
catherine@socialhotspot.org
www.socialhotspot.org
Some of the SHDB users
Appendix

- One tool which firms and organizations can use today is the Social Hotspot Database
- It works in existing LCA software (SimaPro, GaBi, etc.) including free tools such as OpenLCA
- Same modeling and assessment approach
Scope of the SHDB

- The Full Global Economy
- Divided into 113 countries or regions
- Each of them divided into 57 sectors
- Total: 6441 Country-Specific-Sectors
Basic ("Inventory") Data

- Supply chain model (process linkages):
  - Flow from each process into each, per unit of output ($/$)

- Activity data
  - Worker hours in each process, per unit of output (workHrs/$)

- Social Attribute or Characteristic data:
  - Risk or probability of an adverse (or positive) social characteristic, for each of the 6441 processes
GTAP-Based Input/Output Model

- Version 7: 57 Sectors, 113 countries/regions

- → global static input/output table at full resolution

- GTAP also provides data on wage payments by each sector, to skilled and unskilled labor, per $ of output

- Used to construct a table of wage rates ($/hr) for skilled and unskilled labor, for each process

- → Worker-hours, skilled and unskilled, per $ output
Inventory Data in the SHDB

- Economic data: Dollars of output, dollars of value-added, etc. from each sector in each country, in the supply chain of a product or service
- Socio-economic data: Wage payments to skilled & unskilled labor by each sector in each country, in the supply chain of a product or service
- Social Activity data: Worker-hours in each sector in each country, in the supply chain
- Social Attribute Data: Risk or probability for each of 139 different social attributes, for each sector in each country, in the supply chain
Inventory Data in the SHDB

- Economic data: Dollars of output, dollars of value-added
- Socio-economic data: Wage payments to skilled & unskilled labor
- Social Activity data: Worker-hours
- Social Attribute Data as Inventory Flows: Worker hours at one of 5 different levels of risk or probability for each of 139 different social attributes, at each process in the supply chain or life cycle
  - No Evidence
  - Low
  - Medium
  - High
  - Very High
Next Let’s Consider How to Calculate Total Labor in the Supply Chain

- Analogous to environmental footprints, we can calculate total supply chain labor via:
  - Output required from each supplying activity, times labor intensity for each supplying activity \((\text{hours of work per unit of output})\), +
  - Output required from each of their suppliers times labor intensity for each of theirs, +
    ... and so-on
  - Thus: Total output from each supply chain activity times labor intensities for each activity, summed over all activities

Provide the first comprehensive database for Social Life Cycle Assessment (www.socialhotspot.org)

Expertise in CSR, including Social LCA, Social Auditing, Materiality assessment, Sustainable purchasing, Improvement opportunity identification

Conducted Social LCAs for companies, industry associations and multi-stakeholder initiatives

Collaborate with many organisations (eg. UN ITC, UNEP, Sustainable Purchasing Leadership Council, Quantis, Groupe Agéco, Greendelta, GTAP)

Global advisory board chaired by Dr. Raymond Robertson