

# SUSTAINABLE SUPPLY CHAIN MANAGEMENT IN CANADA

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Zoe Birnie, Leor Rotchild

September 2018

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Thank you to all the people that contributed to this report. They are all acknowledged below.

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# A MESSAGE FROM OUR EXECUTIVE DIRECTOR

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Thank you for taking the time to read our report on Sustainable Supply Chain Management in Canada. We believe there are a lot of positive supply chain stories in Canada. Some of them are highlighted in this report. We want to hear your stories so we can recognize the best practices and transformational leaders behind them.

This report you are reading is the result of a deep dive that will inform much of our future work at Canadian Business for Social Responsibility (CBSR). We believe there is an important role for CBSR to play in creating safe spaces for business professionals to learn, share and collaborate on common supply chain challenges. Those companies that understand the risks that exist across their entire value chain are well positioned to proactively address issues before they cause long term financial or reputational damage. These proactive companies also have the potential to effect transformational change within their supply chains and entire industries.

During my own career as a corporate responsibility advisor in the energy sector, a simple question about fair trade coffee led me down a rabbit hole, where I came to understand how procurement decisions were made company wide. Through relationship building and a solutions mindset, I was able to see where the opportunities lay to contribute to social and environmental criteria that made demonstrable differences in people's lives and the communities where we operated as well as improvements to relationships and reliability of contractors and suppliers. This experience makes me personally motivated to support and amplify others along the same journey.

I hope this report will be helpful to you. Let us know what you think and how it can be improved. Most importantly, please share your supply chain leadership stories and we will feature your story in future CBSR communication.



## Leor Rotchild

EXECUTIVE DIRECTOR, CBSR

A handwritten signature in black ink that reads "L. Rotchild".

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# Executive Summary

Organizations operating in global supply chains present various opportunities for growth through up-skilling, employment, and local economic growth. However, when organizations fail to conduct business responsibly they contribute to a myriad of social and environmental impacts including forced labour, human poor health and safety and environmental pollution. With the global population expected to reach 9 billion people by 2030, demand for products and services will also increase. Thus, it is becoming increasingly vital for organizations to be responsible across their supply chains and become equipped to deal with future market conditions and emerging sustainability issues. Decision making must move beyond considering not only cost, product quality and risk but environmental and social impacts.



## Study Method

- 52 companies across 6 industries (Mining, Energy, Technology, Chemical, Food & beverage and Banking)
- CSR/Sustainability reports assessed against several key criteria considered indicative of sustainable supply chain management

## What it Means to be a Transformational Leader

A rapid review of the literature reveals several characteristics that constitute what CCSR calls a 'Transformational Leader'. A transformation leader embodies and champions sustainability and drives a culture of sustainability throughout an organization and its supply chain. They are reflexive, and able to think over the short-, medium- and long-term to deliver positive social, environmental and economic outcomes.

## Supply Chains are Complex

Supply chains in a globalized market are incredibly complex, with suppliers extending beyond Tier 1 and Tier 2 in many cases, which makes them difficult to manage without adequate knowledge, tools and guidance. Although progress has been made towards more sustainably managed supply chains in Canada, several challenges persist.

## Gaps in Supply Chain Management at Canadian Companies

1. Financial risk assessment of supply chain, specifically measuring the financial risk of not pursuing a sustainable supply chain strategy
2. Reporting on Living Wages as defined by the International Labour Organization (ILO) and consideration of family well-being for supplier employees
3. There is a mismatch between procurement strategies, supplier Codes of Conduct and providing support and training to suppliers that empowers them to meet sustainable development goals

**11%** of companies reporting on living wages

**58%** reported on sustainable procurement

**68%** had a Supplier Code of Conduct

**32%** provided training and support to suppliers

## Closing These Gaps: Tools and Recommendations

This report suggests several tools and frameworks that can be implemented to manage a supply chain more sustainably by equipping yourself with the knowledge and expertise to adapt to a changing environment and future sustainability issues.

Table 1. Outline of suggested tools/frameworks that can help to advance progress towards more sustainable supply chains

Tool/Framework	Explanation
Mapping your Value Chain	To assist in identifying and understanding where your organization is and is not performing well
Inputs, Processes, Outputs (IPO) Framework	Allows for every aspect of the organization to be accounted for. IPO can serve as a framework to conduct a Life Cycle Assessment (LCA)
Materiality Assessment	Enables your organization to incorporate sustainability values into the core business model by aligning financial, economic and social concerns
sustainable Strengths, Weaknesses, Opportunities, Threats Analysis (sSWOT)	These tools can help to identify and evaluate risks in your supply chain
Return on Investment (ROI) Workbook	
Life Cycle Assessment (LCA)	
International Organization for Standardization (ISO)	ISO creates documents that provide recommendations and guidelines for operating standards across various industries
Science-Based Target Initiative (SBTi)	If scope 3 emissions account for more than 40% of total emissions, it is required for the company to have a reductions target. SBTi also includes supplier engagement targets, which are company targets that aim to drive the adoption of science-based emission reduction targets by their suppliers

## Recommendations



- 1. Foster a Strong Purpose and Culture of Sustainability** - within your organization that encompasses your entire supply chain
- 2. Conduct Value Chain and Materiality Assessments** – revisit all your products and services
- 3. Know Your Risk** – conduct financial risk assessments in line with short-, medium-, and long-term strategies
- 4. Communicate and Collaborate** - with NGO's, decision-makers and the scientific community
- 5. Work with Your Suppliers** – provide support and training that empowers them to reach sustainability goals
- 6. Be Transparent** – celebrate all the small and big wins, but also share shortfalls, and a strategy towards a new set of goals
- 7. Support and Advocate for Public Policy** - that protects human and ethical rights within supply chains
- 8. Empower Social Entrepreneurs and Indigenous Business** - through procurement decisions
- 9. Align Goals and Targets to the Sustainable Development Goals** - where applicable

Corporate executives and working professionals; after reading this paper, we would like you to consider the following questions and to seek out the perspective of your colleagues.

1. Are you tracking whether your supply chain management strategy is having a positive impact for your organization?
2. What are you doing to ensure Living Wages are paid throughout your supply chain? Are you involved in combatting forced labour practices?
3. Could you do more to help your suppliers reach sustainability goals? Have you helped them to develop the skills and knowledge required to reach those goals?
4. Does your organization have the skills, experience and knowledge to tackle a sustainability agenda alone? What collaboration and strategic partnerships could you seek out?

We challenge you to strive towards becoming a Transformational Company.

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# 1. Introduction

## 1.1. Background

### A changing business climate

Over time there has been a shift away from local trade, to globalized supply chains, largely influenced by cheaper outsourcing costs downstream in a corporation's value chain.(1,2) This has seen increased production and manufacturing occurring in developing countries including, most prominently China, allowing companies to produce high volumes of product at a low cost.(3,4) This has brought about many opportunities for economic growth and success. However, at the same time many of the environmental and social issues experienced today are rooted in unsustainable patterns of economic development.(3) For instance, in 2016, water scarcity affected more than two-thirds of the global population – 4 billion people – at least one month of the year.(5) While it can take over 2,000 litres of water to produce one t-shirt.(6) Further, the current minimum wages in the fashion industry is half the amount that is considered as the standard living wage.(7) This issue is heightened by factory owners lack of compliance with minimum wage laws, which is approximately 50% in India.(8) Issues such as these throughout supply chains have caused increased pressure from civil society, NGO's and other stakeholders for businesses to move beyond compliance and pursue more sustainable practices within their supply chain.

Organizations are now faced with the challenge of developing innovative strategies to contribute to sustainable development. This includes action to reduce environmental impacts including waste production, greenhouse gas (GHG) emissions, water and resource use, while concurrently addressing social and ethical impacts including paying a living wage, fair labour, workplace safety and diversity and employee well-being.(3) This has led to the emergence of Corporate Social Responsibility. Defining the boundaries of a supply chain has been debated and remains somewhat ambiguous. For the purpose of this report, supply chain will hereafter refer to all downstream and upstream processes including suppliers, customers, employees and partner organizations

who participate in any activity downstream or upstream.

The United Nations Sustainable Development Goals (SDG's) help to provide an overarching agenda that businesses can utilise to build sustainable supply chain strategies. Some examples of the SDG's applicable to Sustainable Supply Chain Management are shown on page 9.

**Sustainable Development (SD):** development that meets the needs of the present without compromising the ability of future generations to meet their own needs.(9)

**Corporate Social Responsibility (CSR):** encompasses the responsibility of corporations to include social and environmental impacts into business operations and in interactions with stakeholders.(10, p102)



It can take over 2,000 litres of water to produce a single t-shirt

### Procurement in Supply Chain Management

Supply chain management holds a significant position of influence through procurement which operates outside of the typical organizational boundary(11). Procurement refers to the buying and selling of products and services. Looking through the lens of sustainability, sustainable procurement would therefore refer to a process whereby organizations meet their needs by considering the environmental, social and economic impacts of their value chain.(12) However, procuring goods and services is met with various sustainability challenges. For example, ensuring living wages and employee safety while meeting product quality benchmarks and reaching economies of scale at a competitive price. Procurement can be separated into public and private sector procurement, which are governed by different processes and regulations. Public sector procurement refers to the buying and selling by governments of state-owned goods and services with taxpayer money and is largely governed by trade agreements and



regulations.(13) Conversely, private sector procurement refers to privately run organizations that operate outside of this boundary in the for-profit sector.(14) Typically, private sector procurement has more flexibility whereby procurement decisions are driven by the motivation to produce revenue and returns for shareholders. This paper will primarily focus on private procurement, however will discuss the interception of public procurement and public policy in advancing sustainable procurement in the private sector.

## Gaps in Sustainable Supply Chain Management

The research area of Sustainable Supply Chain Management is complex with many interrelated factors and largely lacks established theories, models, and frameworks for best practice strategies to apply sustainability principles.(15) Ahi and Searcy's definition of sustainable supply chain is described as "the creation of coordinated supply chains through the voluntary integration of economic, environmental, and social considerations with key inter-organizational business systems designed to efficiently and effectively manage the material, information, and capital flows associated with the procurement, production, and distribution of products or services in order to meet stakeholder requirements and improve the profitability, competitiveness, and resilience of the organization over the short- and long-term".(16, p339) In reality however, this process is incredibly complex and there remains a myriad

of ways that corporations approach supply chain management and likewise measure their impact. (14) For instance, new partnerships and collaborations have emerged within and between industries and sectors to help facilitate a move towards more sustainable practices throughout supply chains, commonly in respect to impacts within developing regions, but also local development and indigenous and disenfranchised communities.(17)

## 1.2. Purpose of this Report

This report contributes to the understanding of supply chain management within Canada. The report aims to firstly outline the current state of leadership in sustainable supply chains and provide an analysis of key aspects of supply chain management reporting that are lacking within several leading industries with the intention to provide recommendations for best practice guidelines. The report will be structured as follows; 1) outline key aspects of leadership in sustainability, 2) outline the results of an industry wide study of supply chain management within Canada, 3) discuss best practice tools and guidelines to inform key recommendations for companies pursuing supply chain management strategies.



Source: <https://sustainabledevelopment.un.org/?menu=1300>

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## 2. Method

### 2.1. Rapid Literature Review

A qualitative review of the literature was undertaken on leaders in Sustainable Supply Chain Management, specifically what attributes and measurements are used to define a 'leader' in sustainability. This involved sourcing primary academic papers, and secondary and grey literature. To obtain primary studies, a combination of databases was used including; Web of Science, Scopus and ProQuest Environmental Science Collection. The general search terms used were; sustainability leadership, sustainability, supply chain management, green supply chain, corporate social responsibility, closed loop supply chain, procurement, outsourcing, sustainable waste management, fair trade, ethical purchasing and conflict free. This approach combined the effect of individual studies to provide a robust summary that will be used to discuss opportunities for leadership in supply chain management.

### 2.2. Desktop Survey Study

A desktop survey was conducted of 52 companies that were either Headquartered in Canada or were subsidiaries. Data was collected from publicly disclosed Corporate Social Responsibility/sustainability reports. Various criteria were used to gain understanding of supply chain management within each organization including the presence of supplier Codes of Conduct, living wages, sustainable procurement strategies, scope 3 greenhouse gas emissions and more.

## 3. Results: Rapid Review

### Transformational Leadership

Research shows the importance of strong senior leadership in embedding sustainability into core business values.(18) This can be a driving force behind creating a culture of sustainability that is filtered throughout the organization to staff, shareholders, and further to external stakeholders. Transformational companies are those who envision and imagine the possibility of a different, more sustainable world and feel compelled to bring it to fruition. According to the recent GlobeScan – SustainAbility survey, 'The 2017 Sustainability Leaders' Unilever, Patagonia and Interface were recognised as the foremost sustainability leaders.(19) Each of these companies are examples of inspiring thought leaders, that embody sustainability as the core purpose of business. A key aspect of each companies' sustainability strategy is their extension and ownership over supply chain management.

*Founded by Yvon Chouinard, Patagonia grew from environmental values at the core of business strategy - "build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis".(20)*

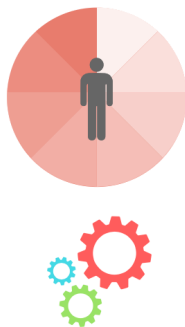
*Comparatively, Interface's sustainability journey was sparked by the change in mindset of Founder and Chairman, Ray Anderson 21 years after starting the company. Ray was an instrumental leader that brought sustainability values to the core of Interface's business strategy. "If humanity has changed the climate by mistake, can we change it with intent?".(21)*

Unilever's vision for sustainability took to new heights upon the appointment of CEO Paul Polman in 2009, now with a purpose to "make sustainable living commonplace. We believe this is the best long-term way for our business to grow".(22) Given the potential power of senior level executives in driving sustainability,

it was surprising that research conducted by Ceres of 600 US companies, revealed that 65% of the 600 companies hold senior-level executives accountable for sustainability performance and of that only 31% formally integrated sustainability principles into board committee agreements with a link towards executive compensation for issues beyond compliance.(23) Additionally, this research outlines that coupling board oversight with management accountability creates a stronger link between governance and sustainability performance, yet only 31% of companies surveyed formally integrate sustainability into board committee charters. Further, their research identifies investors as key players in influencing sustainability strategies such as achieving gender equality and equal wages, yet only 43% of companies engage investors in sustainability. **This outlines that integrating sustainability strategies and extending it to encompass an entire supply chain, requires more than a transformation leader but that it needs to be coupled with a governance mindset of sustainability that influences and empowers investors and stakeholders to support sustainability progress.**

### Key messages

- Transformational senior leadership from the CEO is instrumental in creating a culture of sustainability that is incorporated at the core of business values
- A transformational leader demonstrates the ability to think over the short-, medium- and long-term as well as spread a mindset of sustainability throughout an organization, it's shareholders, industry association and supply chain
- Integrating board oversight and management accountability provides a strong foundation for sustainability performance that extends across the value chain and supply chain
- In progressing towards a more sustainable supply chain it is important to be reflexive and responsive to the changing economic, environmental and social setting



### What Does a Sustainable Supply Chain Look Like?

Determining and implementing best practice sustainability strategies for supply chain management has been a common challenge among industries for decades. A useful question to ask foremost is 'what does a sustainable supply chain look like'. Some experts, such as Pagell and Wu argue that sustainability in supply chains should not be thought of in terms of a well-defined endpoint, but rather a continuous process that identifies current and future environmental, social and economic impacts and develops innovative solutions to address them.(24) Therefore, this demonstrates the vital necessity for businesses to continually assess and adapt their supply chains to the emerging environment. Research conducted by Ceres uncovered that while 69% of the companies surveyed rely on their suppliers to manage their environmental and social impacts, only 34% provided tools and incentives to support them. Similarly, 64% of companies made commitments to reduce GHG emissions, but only 36% set actionable quantitative targets within a set time-frame.(23)

### **MEC**

Mountain Equipment Co-operative (MEC) is a retail co-op that sells exclusively to its members. The story of the Mountain 14 Hydration Pack demonstrates MEC's ownership over their supply chain. MEC is very transparent about the processes (from design to distribution) involved to deliver this Pack to Canadian stores, notably including a partnership with Better Work Vietnam.

Read more at <https://www.mec.ca/en/article/it-takes-this-many-people-to-make-your-backpack>

MEC was the subject of heightened public scrutiny this year when an online petition surfaced pressuring them to drop various brands, because of ties to an international conglomerate that manufactures guns in the US. MEC engaged stakeholders and promptly developed a process to consult on the issue. As a result, MEC announced they would stop using this supplier once current stock runs out. A decision that is in line with their ethical roots.



# End notes

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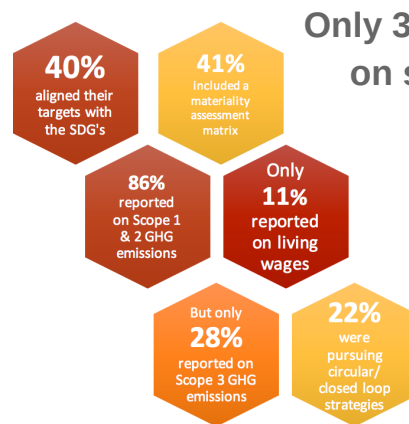
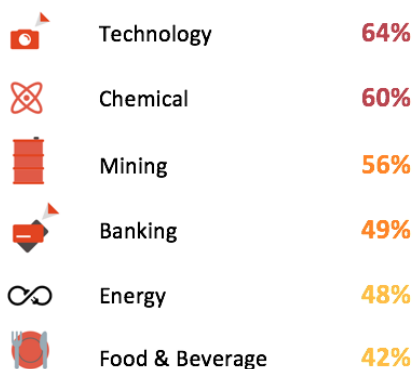
# 4. Results:

## Desktop Survey

This study provided several meaningful results that show insights into SCCM practices in Canada. Averaged across all criteria evaluated, the Technology sector produced the most comprehensive CSR reports, followed by Chemical companies, whilst Food & Beverage companies provided the least amount of reporting as it relates to supply chain management.

- Few companies including broad scale risk data

Few companies measured their impact according to broader scale data, for example: mapping water scarce regions and assessing the implications of operating in this region in terms of groundwater resources or watershed levels that are relied upon by their suppliers and local communities. This is important to supply chain management as it poses a potential future risk for operating in the environment that they are currently doing business in and possibly degrading.



### Only 37% of companies reported on scope 3 GHG emissions

Scope 3 emissions refer to emissions not directly owned or controlled by the reporting organization but occur in the value chain/supply chain of their end-product or service.

### Key Findings:

- Few companies effectively reporting supply chain management strategies alongside financial performance

Few companies reflected a business model that successfully addressed social and economic concerns in line with financial return. There was a lack of financial considerations through cost/benefit analyses and risk assessments over the short-, medium- and long-term for supply chain management strategies. Since cost is a significant aspect of procuring products and services in a supply chain, financial risk assessments should be fundamental in pursuing Sustainable Supply Chain Management.

**38%** of the 52 Canadian companies studied included a financial statement within their CSR/sustainability report

This mismatch between Scope 1 and 2, and scope 3 helps to indicate the level of responsibility a company is taking for its supply chain and operational footprint.

- Few companies reporting on living wages

The International Labour Organization (ILO) recognises the need for workers to earn a living wage as a human right, defined as enough that “workers and their families can afford a basic, but decent lifestyle that is considered acceptable by society at its current level of economic development”.<sup>(25)</sup> Unfortunately, universal adoption of this definition, and a lack of a robust method to measure living wages remains a challenge for businesses and NGO's.

Many reports included a statement of operating in accordance with the



Universal Human Rights Declaration, but **less than 30% discussed how they ensure provision of living wages** as defined

by the ILO or how this is measured. Moreover, there was little evidence of the consideration of family well-being.

- **Mismatch between supplier Codes of Conduct and supplier training**

Although 58% of the companies studied had a sustainable procurement strategy and 68% had a supplier Code of Conduct in place, only 32% reported on supplier training. This is considered a significant gap in supply chain management and corporate responsibility.

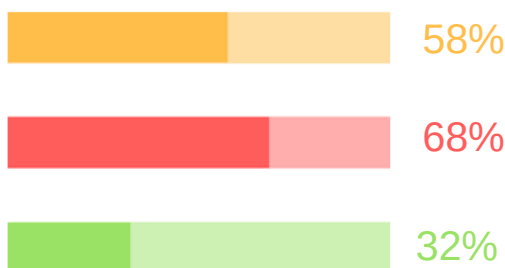


Figure 1. Graph showing the percentage of Canadian companies studied that had a sustainable procurement strategy (yellow), supplier Code of Conduct (red) and that provided training to suppliers (green).

## 5. Discussion

This study revealed key findings on the progress towards more Sustainable Supply Chain Management practices for several Canadian industry sectors. Primarily, the study highlighted the need to improve integrated reporting – reporting that incorporates environmental and social impacts alongside financial considerations – and to increase transparency of such reports. Moreover, the study provided key insights into several aspects of supply chain management that are lagging in terms of appropriate measurement metrics, and broader scale implications. This section aims to explore

these aspects and provide some recommendations of how they could be overcome.

### Towards a Transformational Company

The companies that provided the most comprehensive CSR/sustainability report and measurements on key supply chain criteria were those that utilized the International Integrated Reporting Council (IIRC), Global Reporting Index as frameworks and/or hired consultancy firms to conduct analyses including Life Cycle Analysis (LCA) and Environmental Impact Assessments (EIA), integrated the SDG's into their targets and took a short-, medium-, and long-term view of the company. These frameworks enable corporations to effectively design, implement and manage their strategies within a time-line and become adaptable to an ever-changing corporate environment. Benn et al. (2014) outlines the phases of sustainability model – first wave, second wave and third wave, whereby the third wave describes a 'sustaining corporation'.<sup>(26)</sup> This report takes the position that sustainability is not static and therefore expands this model to include 'transformational company' as the final phase (shown in Figure 2, pg 16). Whereby a company has developed the knowledge and skills to adapt to a changing environment and tackle emerging sustainability issues and trends.

### Many companies are in the 2nd wave

Many of the companies that were covered in this study would fall under second wave phase of sustainability, whereby their sustainability efforts with respect to supply chain management reflects compliance and efficiency motivated by reducing costs through tightening resource efficiency, reducing waste, and increased employee productivity. This finding is in accordance with previous research. For instance, HEC (2013) outlined that sustainable procurement in North America is more heavily driven by compliance and cost reduction with a significant

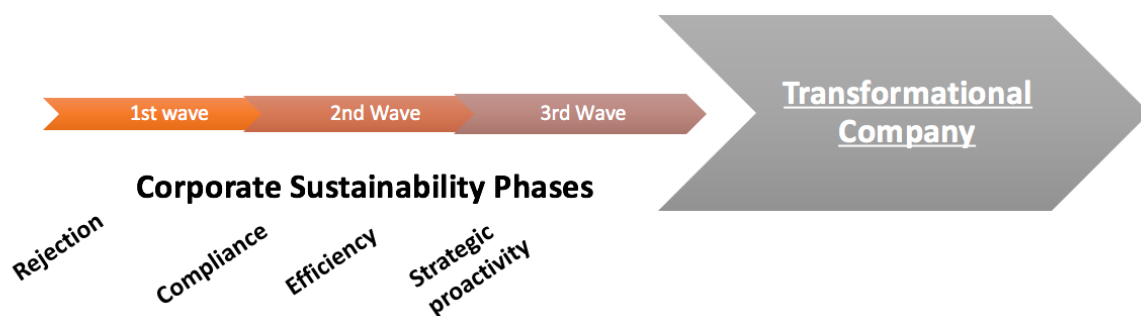


Figure 2. Phases of sustainability model. Adapted from Benn et al. (2014)

**The Transformational Company Qualities Framework (TCQ)** – that is closely associated with CBSR, calls on companies to champion sustainability thinking through industry associations, investor networks and supply chains. The TCQ's highlight the importance of inclusivity, value chain influence, stakeholder engagement, industry standards, and restorative impact across the value chain which should be considered key components of Sustainable Supply Chain Management.

<http://transformationalcompany.ca>

challenge between short-term outcomes and long-term sustainability goals.(27) Therefore, a framework such as the Transformational Company Qualities could be implemented as a guide for companies to operationalize the 19 TCQ's and to benchmark and scale sustainability efforts across their supply chains.

## 5.1. Recommendations

### Tackling environmental and social issues across a global supply chain is complex.

A large company may have suppliers that extend beyond Tier 4, at which stage communication and measurement of sustainability issues can become blurred. However, it is possible to work through them by using several tools and frameworks. The following section aims to outline some simplified and easy to adopt tools and frameworks to address sustainability issues in an organizations' supply chain. However, it should be noted that these are not the only tools available but were considered as foundational for the findings of this paper.

## 1. Value Chain and IPO Framework

Identifying the value chain of a business is a useful place to begin this process. First established by Michael Porter the value chain is a depiction of all the functions needed for an organization to run and meet the demands of customers.(28) The value chain can assist in identifying and understanding where the company is and is not performing well. The inner workings of each stage of the value chain can then be analysed by using a system thinking approach and developing an 'Input–Processes-Output' (IPO) framework.(29) For example, a typical value chain of a global fashion company is shown on page 17, whereby sourcing, production and export is typically outsourced to suppliers;



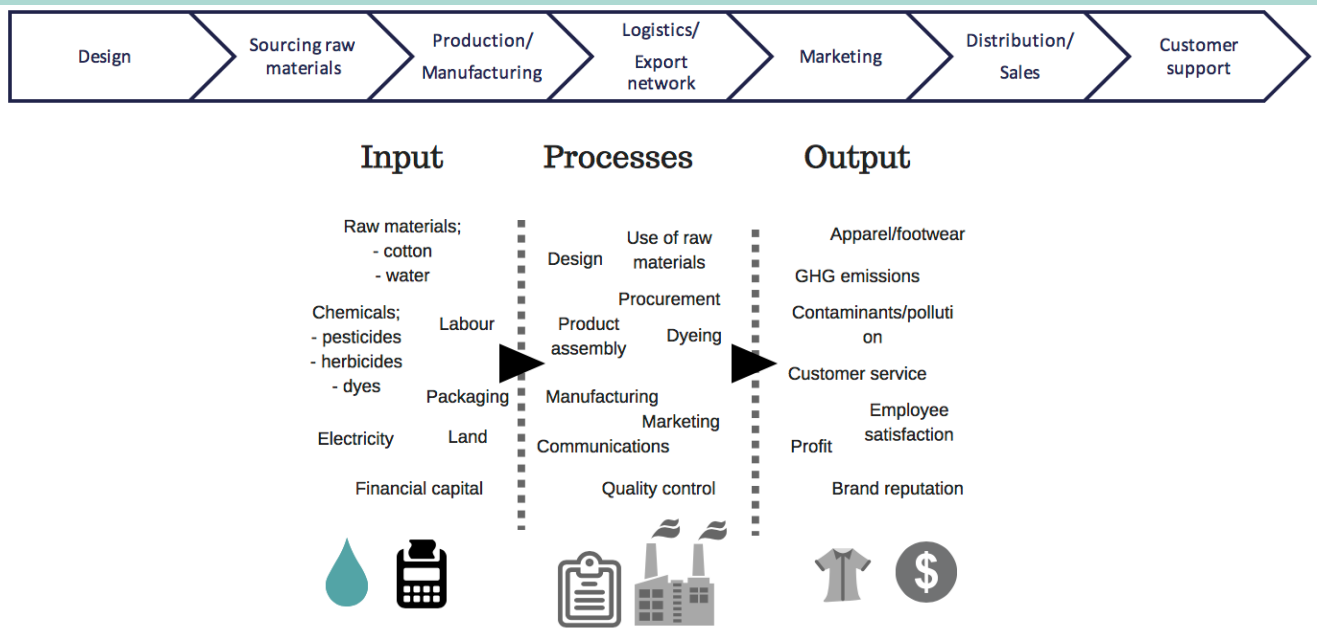


Figure 3. Value chain and IPO framework. Own creation, based off Porter & Advantage (1985)

## 2. Materiality Assessment

In addition, a materiality assessment is a valuable tool that extends from value chain development and the IPO framework and enables a company to incorporate sustainability values into the core business model by aligning financial, economic and social concerns. It allows for identifying and addressing the most material issues across a supply chain.

Generally, a materiality assessment is designed to rank issues according to magnitude of impact against importance to stakeholders (Figure 4). Those with the highest impact and importance can then be strategically measured and managed through appropriate goal and target setting, metric tools and resource allocation. It is also an effective way to increase transparency, improve communication with stakeholders on key sustainability issues and empower more science-based and sustainability positive decision-making. The Global Reporting Index (GRI) and International Integrated Reporting Council (IIRC) have both released a guide and framework respectively, that has brought attention to and emphasised the key importance of assessing material issues.(30,31)

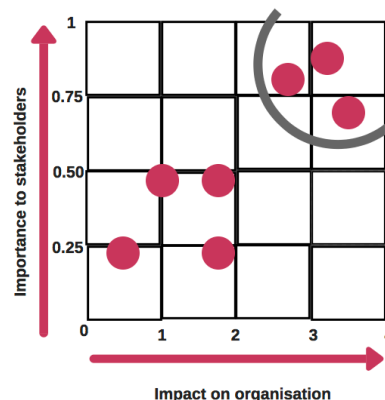



Figure 4. Materiality assessment matrix. Source: Own creation

## 3. Using Science as a Basis for Sustainability Strategies Across the Supply Chain

The Science Based Target Initiative (SBTi) provides a path to incorporating value chain and supply chain impacts into a company's emissions targets through accounting for scope 3 emissions. SBTi is a collaboration between CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact (UNGC), World Resources Institute (WRI), the World Wide Fund for Nature (WWF) and one of the We Mean Business Coalition commitments.(32) SBTi aims to institutionalise science-based emissions' reduction targets by defining and promoting best practice with the support of a technical advisory

group, formed by a suite of experts in the field of corporate sustainability. Targets to reduce GHG emissions are considered 'science-based' if they are in accordance with the level of decarbonisation required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperature as described by the Intergovernmental Panel on Climate Change (IPCC) and stipulated in the Paris Agreement. If scope 3 emissions account for more than 40% of total emissions, it is required for the company to have a reductions target. SBTi also includes supplier engagement targets, which are company targets that aim to drive the adoption of science-based emission reduction targets by their suppliers.

The initiative is gaining traction worldwide, with 464 companies taking science-based climate action and 126 with approved science-based targets. However, only 11 Canadian companies have committed, and have not yet set targets. (33) This is a vital next step for companies as it encourages supplier engagement and involvement in sustainability issues. It is suggested that companies recognise and incorporate science-based targets for emissions, and support the development of science-based targets for other areas of sustainability that are relevant to supply chain including waste reduction, water management and ecosystem protection.

Region	Companies taking science-based climate action	Companies with approved science-based targets
 Global	464	126
 Canada	11	0


#### 4. Knowing the Risk in your Supply Chain

Moreover, an area that was observed to be lacking in CSR/sustainability reporting was incorporation of financial risk assessments

and/or cost benefit analysis throughout the value chain. Many will recall the Rana Plaza disaster of 2013, a stand out example of a failure to sustainably manage a supply chain.(34) Sustainable procurement and supplier relationship management (SRM) are not new ideas, however a disaster such as Rana Plaza provided a push for consumers, NGO's and corporate responsibility professionals to address supply chain issues and answer questions of what progress is being made in these areas. This study in addition to other research eludes that several Canadians companies still fail to be fully transparent on their supply chains.(34)

### Rana Plaza Disaster

2013, Dhaka District, Bangladesh

 **8**-story building collapse that housed **5** garment factories of major retailers

Killing more than **1000** people 

The Rana Plaza housed five garment factories that supplied to major retailers in North America and Europe. **The disaster heightened the need for more transparency into supply chain management and human rights.**

### Nike

Nike provides an example of how intense public scrutiny can influence changes in supply chain management. In the late 1990's Nike came under fire when their supply chain practices, including sweatshops in developing nations and forced child labour, were exposed. This erupted into consumer boycotts and a drop-in Nike's reputation and sales, coupled with a demand for Nike to be more responsible.

Now, almost 20 years after their shift towards responsible supply chains, Nike has transformed their core purpose towards sustainability and is now considered a leader in sustainable innovation.

Although Nike's story provides a positive outcome, it is encouraged that organizations be proactive rather than reactive and pursue Sustainable Supply Chain Management before it becomes vital to the business's survival.

Source: [www.nike.com](http://www.nike.com)

## Useful Tools

**sswot** – the sustainability Strengths, Weaknesses, Opportunities, Threats Analysis by the World Resources Institute, 2012 is designed to drive action on environmental and social challenges internally, with suppliers and stakeholders.(35)

<https://www.wri.org/publication/sswot>

**The ROI Workbook** by Bob Willard is a tool that helps to build a business case that incorporates financial calculations and risk analysis. This tool could be used to identify supplier risk and the risk of not pursuing a sustainable supply chain project.(36)

<https://sustainabilityadvantage.com/books-dvds/roi-workbook/>

**Life Cycle Assessment (LCA)** – can be used to identify the environmental impacts of the flows of materials and energy that make up an end-product. LCA is a 'cradle to grave' analysis and therefore accounts for all processes within a supply chain.(37) LCA's can utilise IPO as a framework.

A typical LCA will undergo the following steps:

1. Goal and Scope Definition
2. Life Cycle Inventory
3. Life Cycle Impact Assessment

**International Organization for Standardisation (ISO)** - develop and publish international standard documents that provide requirements and guidelines to ensure products, processes and services are fit for their purpose.(38) Various ISO standards pertain to Sustainable Supply Chain Management such as;

**ISO 45001** - Occupational health and safety  
**ISO 20400** - Sustainable procurement

## 5. Collaboration

Environmental and social issues embedded within global supply chains are often too large and complex to be adequately addressed by single entities, therefore collaborating with other high profile non-government organizations (NGO's) and other not-for-profit entities such as industry associations and academic institutions is preferable when pursuing sustainable supply chain strategies. Collaboration can further help to reduce perceived greenwashing through increased transparency on operations, and building brand reputation. Additionally, there is a need for shifting the mindset of business leaders to embrace collaboration as a guiding principle rather than competition. Interestingly, the chemistry sector has an industry wide, UN-recognised sustainability initiative known as Responsible Care led by 96 of the 100 largest chemical producers in the world.(39) This added level of governance and guidance may have contributed to the higher level of reporting observed in the Chemistry sector compared to others included in this study.

### Collaboration and Partnership Opportunities:

**Better Cotton Initiative (BCI):** BCI is a not-for-profit organization that cooperates with various stakeholders of the global cotton supply chain to develop a more sustainable way of growing cotton.

<https://bettercotton.org>

**Better Work:** a partnership between the UN's International Labour Organization (ILO) and the International Finance Corporation (IFC) and a member of the World Bank Group (WBG), Better Work brings together governments, global brands, factory owners and workers to improve working conditions in the garment industry.

<https://betterwork.org>

The Natural Step Canada: as part of the Natural Step network, the Natural Step Canada has become a leader in sustainability. Amongst other areas, the Natural Step Canada is helping to advance supply chain sustainability practices through their Natural Capital Lab and Circular Economy Lab.

<http://www.naturalstep.ca>

**The UN Global Compact:** The UN Global Compact is the world's largest voluntary corporate responsibility and sustainability initiative. CCSR led national consultations to gain acceptance for greater adoption of the UN Global Compact which contributed to the development of the Global Compact Network Canada (GCNC) in 2013. The GCNC was established as a federally incorporated not-for-profit organization to assist Canadian organizations in incorporating the 17 SDG's.

<https://www.unglobalcompact.org>

<https://www.globalcompact.ca>

**World Wildlife Fund (WWF):** WWF is a NGO that aims to conserve nature and reduce threats to biodiversity. WWF collaborated with companies to reduce their environmental footprint, champion sustainable solutions and harness the global marketplace to leverage conservation. WWF has several corporate partnerships including Walmart, Cisco Systems, General Motors, McDonalds and notably a 10-year transformational partnership between WWF-Canada and HP.

[http://www.wwf.ca/about\\_us/](http://www.wwf.ca/about_us/)

**CSRR** - a not-for-profit since 1995, is proud to work with organizations to engage, empower, connect, support and amplify their corporate social responsibility and sustainability strategies to position them for greater success and less social and environmental risk.

## WWF & HP Partnership

### World Wildlife Fund Canada (WWF-Canada)

strives to create conditions to reverse the decline of wildlife in Canada by identifying current and emerging threats, influencing the implementation of science-based solutions and driving collaboration between industry, policy-makers and civil society.

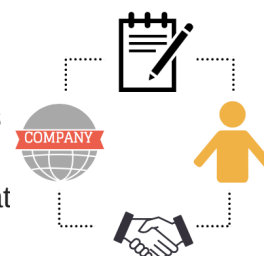
**Hewlett Packard (HP) Canada** is Canada's most environmentally responsible IT company.

Inspirational leaders Frances Edmonds, Head of Sustainable Impact at HP and Amy Acastator, Specialist, Living Planet @ Work, WWF Canada are working hard to progress sustainable procurement in Canada.

HP Canada actively measures GHG emissions across its entire supply chain, is committed to a closed-loop strategy that contributes to the circular economy through materials recovery and re-use programs and using innovation to design products that consider its end-of-life. Further, HP Canada is actively measuring ethics throughout their supply chain and is a leader in transparency and combatting forced labour. **Integral to their management approach is; sensing risk, stakeholder engagement, utilising external data and measuring supplier performance.**

## 6. Supplier Codes of Conduct and Supplier Training

68% of companies studied had a policy or Code of Conduct in place for suppliers but only 32% reported on supplier training programs that aim to improve social,



environmental and/or economic impacts. There is a clear disconnect between supplier codes and policy and providing training and support that enables suppliers to meet sustainability goals. This demonstrates that significant barriers remain in supplier relations. According to research by EcoVadis and Effectio Mutandi, a common



challenge is that many supplier clauses are very general and hard to enforce, and there is no clear consequence for failure to comply.(40) Furthermore, measuring supplier performance has been a commonly difficult process to achieve particularly for tiers 2,3, and 4 onwards as they are so disconnected from the parent company that it is difficult to obtain transparency on their operations. Scorecards have become increasingly popular as a tool to assess supplier performance, however are often burdened with concerns over data integrity, lack of flexibility and are infrequently repeated.

**49** of supplier relation management programs end in failure according to Procurement Leaders' 2017 supplier relationship management report.(41)

Procurement Leaders Limited outlines four common drivers for pursuing sustainability in the supply chain:(41)

1. Legal obligations
2. Customer obligations
3. Talent obligations
4. Moral obligations

## Keurig Canada

A subsidiary of the world's dominant coffee distributor, Keurig Canada is passionate about sustainability. Keurig Canada proudly practices fair trade and is committed to building meaningful relationships with their suppliers around the globe.

Since 2001, Keurig Canada has been working alongside the Embera Chami Indigenous community of San Lorenzo, in Colombia. Keurig purchases exceptional coffee from smallholder farmers in the community for a premium price and in addition supports community projects and clean water initiatives in each farm.

Further, Keurig Canada have recently introduced a recyclable version of their coffee pods two years ahead of the company's global goal.

Source: <http://corp.keurig.ca/Sustainability/canada/Overview-ca.aspx>

## Interface

Interface's sustainability journey began in 1994 when the late Founder Ray Anderson had an 'epiphany moment' after reading Paul Hawken's book the "Ecology of Commerce". Ray was an example of a transformational leader, with a vision and a passion that culminated into Interface's Mission Zero by 2020.

Creating a strong sustainability culture has enabled Erin Meezan, Vice President and Chief Sustainability Officer and Nadine Gudzs, Global Director for Sustainability in Canada to drive the new generation of sustainability at Interface with the new Climate Take Back initiative that aims to Create a Climate Fit For Life.

Interface has risen to be the world's largest producer of modular carpet tiles and renowned sustainability leader. A key component of Interface's success is their engagement with and ownership of their supply chain.

- **ReEntry program:** Interface is closing the loop with their carpet recycling program ReEntry. Since 1995, more than 309 million pounds of carpet have been reclaimed.

- **Net-Works Program:** a program that provides small fishing villages with a source of income whilst cleaning up their shorelines and oceans of discarded fishing nets which pose a significant threat to marine life. The discarded fishing nets are collected by peoples from the fishing villages, baled and sold to Interface's yarn supplier and partner, Aquafil. What began as a pilot program in the Danajon Bank area of the Philippines has now expanded to the Cameroon in Central Africa, with the ambition to become global.

Since 2012, 208 metric tonnes of waste fishing nets have been collected, 2,200 families now have access to finance, 64,000 people are enjoying a healthier environment

By 2022, the goal is for 10,000 families to have better access to finance, 1 million people to enjoy a healthier environment, and to protect 1 billion square meters of the ocean

Source: [http://www.interface.com/CA/en-CA/campaign/climate-take-back/Climate-Take-Back-en\\_CA](http://www.interface.com/CA/en-CA/campaign/climate-take-back/Climate-Take-Back-en_CA)

## Creating A Culture of Collaborative Supplier Relations

Recent research and case studies have helped to highlight that a culture of ongoing collaborative supplier relationships is better at achieving sustainable outcomes. According to Procurement Leaders' 2017 supplier relationship management report, 64% of supplier collaborations succeed when buyers share 'a lot' of information with suppliers, compared to 53% when 'as much as necessary' is shared, whilst 47% succeed when 'little' is shared. Furthermore, standardised processes can generate savings of up to 16% compared to non-standardised processes. Considering these findings, Procurement Leaders propose three steps to improve supplier collaborations:(42)

1. Share important information
2. Adopt standardised processes
3. Implement a platform strategy.

**Platform strategies, typically online, are a way to centralise communication between purchasers and suppliers.**(42)

## The Fashion Industry as an Example

The fashion industry has gained much attention over the last two decades as the details behind their apparel and footwear and along their supply chains became exposed. The fashion and apparel industry has been cited as the world's 2nd largest polluting sector (after fossil fuels). It also employs one of the world's largest workforces, with women making up 80% of workers and many millions involved in various forms of forced labour.(43) The global fashion and textile industry is valued at more than three trillion dollars and therefore has tremendous power to have positive social and environmental impacts, if it can harness innovative ideas and transition towards more sustainable business models.(7)

## The Peggy Sue Collection

Founded in 2015 by Peggy Sue Deaven-Smiltnieks, the Peggy Sue Collection is an ethical fashion brand that strives to be an example of fashion as a force for good. Peggy Sue Deaven-Smiltnieks grew up on the beaches of California which gave her an intrinsic appreciation for nature and its power. With a passion for design, Peggy gained her Bachelor of Fine Arts (BFA) in Apparel Design at the Rhode Island School of Design, Providence, Rhode Island. The early stages of her career took her to New York where she was exposed to large scale supply chain logistics - getting a quality product at the lowest cost in the quickest time. But Peggy was eager to discover if it was possible to combine community values, local sourcing, high quality and higher costs to create a luxury brand.

The Peggy Sue Collection focusses on a traceable and transparent supply chain, zero waste designs, diversity and inclusion. The Collection demonstrated its foundation of sustainability as it was named winner in the Design Forward 2017 competition.

Source: <http://www.peggysuecollection.com>

## 7. Supporting Supply Chain Policy and Legal Frameworks

It is important to discuss the legalities that pertain to supply chain management and procurement and how this can impede or streamline sustainability initiatives within the private sector. In Canada, there is currently no legal obligation for organizations to report on their supply chains nor is there an active governmental legal framework to oversee supply chain management. Consequently, onus falls to organizations to pursue and implement policies and codes of conduct, but these are generally not legally binding either. Earlier this year

however, the Minister of International Trade announced two new initiatives that aim to strengthen Canada's approach to responsible business conduct for Canadian companies operating abroad. This includes an independent **Canadian Ombudsperson for Responsible Enterprise (CORE)**, which will be mandated to investigate allegations of human rights abuses linked to Canadian organizations.(44) It will be empowered to investigate, report, recommend and monitor its implementation. Initially CORE will focus on the mining, oil and gas, and garment sectors with the intent to expand across other sectors within a year of appointment of an Ombudsperson. Accompanying CORE will be the creation of a **multi-stakeholder Advisory Body** to advise the Government and CORE on responsible business conduct abroad.(44)

## Policy Examples

### **French Corporate Duty of Vigilance Law – France.(45)**

Passed in March 2017, the new Duty of Vigilance Law embeds the corporate responsibility to respect human rights within the law. The law applies to companies incorporated or registered in France for two consecutive fiscal years that either employ 5,000 people themselves and through their French subsidiaries, or employ at least 10,000 people themselves and through their subsidiaries located in France and abroad. The Duty of Vigilance includes reasonable measures to adequately identify risks and prevent serious violations of human rights and fundamental freedoms, risks and serious harms to health and safety and the environment.

The law includes a mechanism to ensure compliance whereby a company's failure to comply may be dealt with in court and result in financial penalties

### **Transparency in Supply Chains provision in the Modern Slavery Act. – United Kingdom.(46)**

Passed in 2015, the United Kingdom introduced the Transparency in Supply Chains provision of UK's Modern Slavery Act (Provision 54). This requires certain businesses (annual turnover threshold of EURO 36 million) to produce a statement detailing how they ensure there is no modern slavery in their own business operations or their supply chain.

While this is clearly a step in the right direction, there is no mechanism to check which companies are required to report and this law does not have any civil liability attached in case of harm.

## **8. Increasing Social Value**

### Social Enterprises

**Social enterprises** are community based businesses that operate in the economy with a social and or environmental purpose. All profits are re-invested into projects that support positive social and/or environmental outcomes.(47)

**Certified B Corporations (BCorps)** are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.(48) In addition to social enterprises, BCorps are helping to accelerate CSR and sustainable supply chains.

Social enterprises and BCorps can help to deliver added social and environmental value through procurement decisions.

### Aboriginal Businesses

In 2014, there were more than 37,000 Aboriginal owned businesses in Canada, helping to create

jobs and strengthen local communities.(49)  
Aboriginal entrepreneurship is expanding over a range of industries including primary, construction, manufacturing and transportation, retail, health and social and the arts and entertainment.(50)

## Suncor

A number of companies within the energy and mining sectors have been championing Aboriginal businesses in their supply chain through procurement strategies including Suncor and Syncrude. The ongoing support from the demand side has helped to reduce barriers on the supply side. For example, in November 2017 Fort McKay and Mikisew Cree First Nations completed a \$503 million acquisition of a 49% ownership stake in Suncor's East Tank Farm Development.(51) This demonstrated the value that Aboriginal business can create in the corporate sector and further highlights the importance of building strong partnerships and the role of visionary leadership in procurement decision-making.

## EcoVadis

Founded in 2007, EcoVadis has quickly become a trusted partner for organisations to reduce risk, foster transparency and drive innovation in their procurement strategies and supply chains. Through their combined expertise in CSR, and technology and innovation, EcoVadis delivers Sustainability Ratings for global supply chains using a unique assessment method. This comprises of a system of adaptable questionnaires to evaluate the quality of a company's CSR management system in the context of labour and human rights, ethics, environmental protection and sustainable procurement, based upon several founding principles.

Since 2007 more than 50,000 businesses in 190 purchasing categories and 150 countries have joined the EcoVadis network, all working with a single methodology to evaluate, collaborate and improve sustainability performance in order to protect their brands, foster transparency and innovation, and accelerate growth

Source: <https://www.ecovadis.com/about-us/>

## Summary of Recommendations:

### 1. Foster a Strong Purpose and Culture of Sustainability within your Organization that Extends to and Encompasses your Supply Chain.

Bringing sustainability to the core of business models is a key factor in developing successful supplier relationships and driving action across the supply chain

### 2. Conduct Value Chain and Materiality Assessments – revisit all your products and services

It is suggested that a company conduct at minimum an annual review of its value chain, IPO Framework and conduct a materiality assessment that considers financial, social and environmental impacts

### 3. Know Your Risk – Conduct Financial Risk Assessments in line with short-, medium-, and long-term strategies

It is recommended to conduct a financial risk assessment that not only incorporates internal aspects of the company but extends to include externalities across the entire supply chain that is complementary to the materiality assessment. Map risks across the short-, medium- and long-term to inform strategic plans

Where available, use scientific data to map high risk areas (resource scarcity, water scarcity, poor human security)

### 4. Communicate and Collaborate with NGO's, Decision-makers and the Scientific Community

Collaborate and develop strategic partnerships within and across industries and sectors. Share information and work together to create frameworks and methods as they relate to supply chain management. This will help to amplify sustainability efforts and build positive corporate reputation as business for good.

## 5. Work with Your Suppliers – provide support and training that empowers them to reach sustainability goals

Develop/implement a framework that provides support to suppliers in achieving sustainability goals. In addition, establish detailed and specific Codes of Conduct for Suppliers that consider social, environmental and economic impacts with a binding clause for non-compliance. Thirdly, adopt a methodology to measure supplier performance or consult third parties that possess the expertise to conduct such measurements.

## 6. Be Transparent – Celebrate all the Small and Big Wins, but also share Shortfalls, and a Strategy Towards a New Set of Goals

Be transparent in all business operations including those that extends to suppliers across all tiers. This can help to build brand reputation and consumer knowledge and avoid greenwashing

## 7. Support and Advocate for Public Policy that Protects Human and Ethical Rights within Supply Chain Management

Support and advocate for public policy that aims to legally protect labour and human rights, human health and safety and the environment in supply chains, across all sectors. Further, support progress towards social procurement to being embedded in public policy through increased education and awareness of social value.

## 8. Empower Social Entrepreneurs and Indigenous Business through Procurement Decisions

Support businesses that provide social and environmental value in your supply chain including social enterprises, BCorporations and Indigenous Businesses

## 9. Align Goals and Targets to the Sustainable Development Goals where Applicable

The 2030 Agenda Towards Sustainable Development and the 17 Sustainable Development Goals provide a roadmap that businesses can adopt to guide the creation of meaningful goals and targets within a time-frame.



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# 6. Future Directions

Although this study provided useful insights into sustainable supply chains in Canada, it had several limitations. Firstly, the study relied on information being published on companies' website and therefore, the results of this study may not accurately reflect their actions on Sustainable Supply Chain Management. Nevertheless this provides insights on the level of transparency of the company. Additionally, time and resources were another key limitation. A future study would benefit from including a more complete pool of industries, larger sample sizes of companies within each industry and conducting personal interviews with corporations to access more data. This would help deliver statistically significant results.

# 7. Concluding Comments

This study provided key insights into Sustainable Supply Chain Management across several industries within Canada. Three distinct gaps were identified; 1) Lack of financial consideration in risk assessments, 2) Lack of reporting on Living Wages as defined by the ILO, and 3) A mismatch between Supplier Codes of Conduct and the provision of training programs. Based off these findings several recommendations were discussed that were deemed to be in line with progress towards becoming a Transformational Company.

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