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Research Brief

Importance of Global Supply Chains for Meeting the UN Sustainable Development Goals

Background

The Sustainable Development Goals (SDGs) are a set of 17 goals adopted by the United Nations General Assembly in 2015 that set the international development agenda through 2030. The SDGs focus on a range of issues aimed at improving the quality of life for people around the world, including ending poverty, eradicating hunger, improving health, and providing clean water, sanitation, energy and education for all. Leading international development banks and aid agencies such as the World Bank and USAID play important implementing roles to the success of the SDGs, but there is recognition that civil society and the private sector must also be involved to meet the global targets. Eighty percent of global trade flows through multinational corporations, emphasizing the particularly critical position of the private sector to achieving the envisioned sustainable future.

About the Authors

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Responding to this call, companies are taking a variety of actions to address their corporate social responsibility. Some of these trends include hiring a sustainability officer; increasing transparency and reporting on social and environmental risks and impacts; and adopting policies and standards for greater efficiency and conservation of resources. Increasingly, companies are focusing not only on internal policies and procedures, but



Photo: Joann de Zegher

also on external factors such as supply chains. A full 95% of environmental impacts in the food and retail industries stems from their supply chains, so ensuring those chains are sustainable is becoming an integral part of companies' strategies to contribute to sustainable development.

Despite this recent growth in companies' commitments to sustainable supply chains, we do not have a comprehensive understanding of how successful companies are in advancing this cause. We lack data on the sustainable development topics that companies address, practices companies commonly use, or even the types of companies that are taking action to advance sustainability in their supply chains. New research examines the specific questions: What sustainable-sourcing practices (SSPs) currently exist and which are most commonly used by companies? How do these SSPs contribute to the fulfillment of the United Nations SDGs? And what factors influence the adoption of SSPs by companies?

Research Findings

Existing sustainable-sourcing practices and those most commonly used

- Overall 52% of companies have adopted at least 1 of 16 distinct SSPs, with a supplier code of



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conduct being the most common (over 40% of companies studied had adopted this SSP). The other 15 SSPs are not nearly as widely used, with under 20% of companies using any one. These include multi-stakeholder standards, using recycled sourcing, and training suppliers on environmental and social issues.

- **Seventy-one percent of SSPs are tied to a single or subset of input materials,** the most common being wood and palm oil. For example, a company might use recycled materials for the packaging of a product but leave the remainder of that product's upstream impact unaddressed.
- **The vast majority of SSPs apply only to a single tier in the supply chain, with 60.5% of SSPs applying only to direct, or first-tier, suppliers.** Suppliers further down the supply-chain are less commonly covered by SSPs including raw material producers that are not direct suppliers of the company.

Sustainable-sourcing practices contribution to the UN Sustainable Development Goals

- **SSPs rarely address the broad social and environmental challenges outlined in the SDGs, focusing primarily on SDGs related to responsible production, working conditions and compliance with national laws.** All SSPs address SDG 12: Responsible Production and Consumption. In addition,



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SUSTAINABLE DEVELOPMENT GOALS



Graphic: UNDP

SSPs primarily address SDG 8: Decent Work and Economic Growth by seeking to improve labor rights; and SDG 16: Peace, Justice, and Strong Institutions by compliance with national law requirements.

- **Only 15% of companies address health, energy, infrastructure, climate change, education, gender or poverty in the supply chain directly.**

Factors influencing the adoption of sustainable-sourcing practices

- **Large, branded companies exposed to consumer and civil society pressure are significantly more likely to adopt SSPs.** Companies headquartered in a country with a high density of international NGOs were more likely to have adopted at least one SSP. In

contrast, stringency of environmental regulation in the company's headquarter cwith country is not associated with SSP adoption.

- **Companies that have a strong brand, such as Coca Cola and L'Oreal, demonstrate a seven percentage point increase in likelihood to adopt an SSP compared with companies that do not have recognizable brand names.**

Points for Policy Makers

Only 52% of the companies in the study address some component of social or environmental issues within their supply chain. This figure is lower than other estimates have suggested. Limitations to current SSPs affect their ability to drive change. These include:

- **SSPs are most commonly adopted by downstream firms to address issues with their first tier suppliers only.** This raises concern about the potential impact of SSPs when the most pressing social and environmental practices are often taking place among subsuppliers.
- **Companies are often using SSPs for only a small subset of their input materials of product lines.** A lack of comprehensive coverage across suppliers and input materials highlights an important limitation of the reach and impact of SSPs that is rarely acknowledged in the discourse on sustainable sourcing.
- **The research shows that consumer and civil society pressure significantly drives SSP adoption.** This may lead companies to target their sustainable-sourcing efforts only at input materials that have been the topic of visible campaigns.
- **Other studies have suggested that the inability to effectively monitor and punish actors based on adherence to requirements makes compliance unlikely.** A better understanding of how different types of verification, or lack thereof, influence the effectiveness of SSPs is critically needed.
- **Further research is needed to explore the headquarter countries' role in influencing SSP adoption as regulations are increasingly applying to a company's entire supply chain.**

Conclusion

Although there are positive indications of SSP uptake, the reach of these practices is limited by the types of companies that adopt them, the products and supply chain tiers they cover, the strength by which they are enforced, and the SDGs they address. Consumer and civil society pressure among branded firms appears to be an effective tool to encourage SSP uptake. For non-

Future Research

Companies are increasingly facing regulation of their supply chain activities. Laws like the California Transparency in Supply Chain Act or the UK Modern Slavery Act both require some companies to disclose actions they are taking to combat slavery and human trafficking. The French Duty of Vigilance Law requires major companies to identify and prevent adverse human rights and environmental impacts among their suppliers. Although not examined directly in this research, these types of supply-chain regulations may help to increase the coverage of SSPs among companies.

consumer facing firms, encouraging uptake of SSPs is more difficult. Identifying key social and environment risks may be an effective tool to encourage change among these companies. Although not directly explored in this paper, government regulations that apply to a company's entire supply chain may also be an effective way to increase private sector contributions to the SDGs. For supply chain interventions to effectively drive social and environmental change at a global scale, private sector actors need to more widely adopt SSPs that are stringent and verifiable, address a broad set of sustainability issues, and reach all tiers of global supply chains.

This brief is based on recent research on companies' sustainable-sourcing practices in the food, textile and wood-products sectors. For more information, read "Companies' contribution to sustainability through global supply chains" by Tannis Thorlakson, Joann de Zegher and Eric Lambin published in the Proceedings of the National Academy of Sciences (<https://doi.org/10.1073/pnas.1716695115>)