



# VIRTUAL SPRINGBOARD: SUPPLY CHAIN TRANSPARENCY



Executive Summary  
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# AGENDA

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# SUPPLY CHAIN TRANSPARENCY

## Introduction

Managing supply chains is about managing risks that impact companies and the communities they operate in. Risks today are more complex than they were 20 years ago and represent greater exposure for brands. Managing uncertainty and change has become a key board room requirement. To understand and manage the risks (e.g. value erosion, social, human rights, environmental etc.), companies need end-to-end supply chain visibility on key parameters that are not directly supported by ERP and legacy IT systems. Currently, these capabilities are mostly approached individually and an integrated approach seems to be the exception.

This virtual SpringBoard event brought together business leaders from all over the world to exchange on how to deal with

complexity in supply chains, address the 'first mile' connection and apply scalable technology solutions to support supply chain transparency across multiple tiers.

Separate virtual breakout rooms were set up on different themes, offering networking opportunities and the possibility for small groups to discuss certain issues.

This Executive Summary provides an overview of the global solutions companies are implementing in the area of supply chain transparency, the lessons learnt when gaining visibility all the way to production level, and highlight the need for collaboration to increase efficiency.

*More and more organisations recognise the need to collaborate, but true collaboration in Supply Chain is not easy. SpringBoard events provide leaders with an opportunity to connect and learn directly from peers to imagine the future of their business*

Jerwin Tholen  
Partner Sustainability  
and Supply Chain  
Transparency Services  
**KPMG NL**



# GAME CHANGERS: FROM NICHE PROJECTS AND PILOTS TO SCALABLE SOLUTIONS



**Brent Wilton**  
Global Director,  
Workplace Rights and Human  
Rights,  
**The Coca-Cola Company**

Brent opened the session by sharing The Coca Cola Company's experience in several initiatives focused on the social aspect of supply chain, specifically looking at technology and how it can support access to lower levels of their supply chain for due diligence purposes. He then focused his session on three topics:

## 1 MANAGING AUDITS IN TIMES OF COVID

The use of technologies has been accelerated in order to build protocols around remote audits, as it is no longer possible to undertake physical audits. Although it is not considered as a viable replacement in the long term, it helped them keep in contact with their suppliers and bottling partners to sense the impact in terms of business, people and workers, as it is important for the company to do as much as possible to sustain conditions of employment.

As every innovation comes with challenges, Brent mentioned that using technology had some limitations, making it difficult to get the full picture, as what is happening behind the camera is not always known. This limitation was also confirmed later in the event during the Rainforest Alliance session, who experienced similar issues regarding remote auditing and shared some insights of their approach to always include an on-site component, making it a partially virtual audit, and leveraging facilitators which are trusted people on the ground, rather than auditors, who are present when the remote audit is taking place to look at what is going on behind the camera. Other limitations include the fact that not all

(external) third party auditors offer virtual audits due to connectivity issues. This is also why the company has been involved in supporting programmes such as the OneWeb project, launching a constellation of 720 low-earth orbit satellites using non-geostationary technology to make internet accessible to everyone on earth, as they believe that technology is part of the solution.

## 2 EXPLORING BLOCKCHAIN TO ENSURE CONTRACT INTEGRITY

The Coca-Cola Company worked with the US department of State on a blockchain pilot programme to combat forced labour worldwide. Even though Covid somewhat influenced timing, one consideration is the cost of the technology. Given they are developing a first-to-market approach, the potential cost to roll-out in 207 countries/territories was incredibly high. This relates to the importance of a good balance between the technology chosen and the ROI for companies.

## 3 TAKING THE LANDSCAPE APPROACH

When it comes to social issues, a landscape approach is key to get a better understanding of the global picture.

Looking down at the funnel of the supply chain and at issues such as child labour for example, this approach can help understand whether children go to school, or whether they move around from one farm and plant to the next. This is why, from

Brent's perspective, a broader approach is important.

He also mentioned that although they have good collaboration in some countries, the hesitancy of some companies is still present in terms of working together in a pre-competitive space. He praised The Consumer Goods Forum for the work they do with members on forced labour, where they explore and understand what can work from a holistic view and in a way that can benefit everyone.

## BRENT CONCLUDED THE SESSION ...

...by saying things are moving quickly on the topic of transparency and traceability and his main recommendation is to learn by doing and being transparent about what you do well, but also about things that are not going so well.

No one has it 100% first time right, he said, simply because the world around us is continuously changing all the time. Therefore, trying and sharing is important; the world cannot be changed in one day but companies can try to identify areas where technology can support to create impact before moving into more complex and diverse supply chains. It can't always be perfect right away, but what people are looking for – based on feedback from their consumers – is not perfection but assurance about the fact that companies are trying and are open to stakeholders or NGOs for advice, assistance and help to make it happen.

This is a journey where everyone will continue to apply technology in a cost-effective and efficient way to collect the information and data needed to support transparency requirements, and there is still a lot of work to be done.

## THE CONNECTION: DIGITAL SUPPLY CHAINS MEET REAL HUMAN CHAINS IN THE 'FIRST MILE'

David is the Global Head of Responsible Sourcing at Givaudan, a leading company in taste, wellbeing, fragrance and beauty. With its heritage going back over 250 years, the company has a long history of innovating scents and tastes and is currently a supplier of thousands of ingredients for prestigious fragrances and laundry care, food, hygiene as well as health and wellbeing products. In other words, there is a high probability that people who are reading this summary have or will use one of their products by the end of the day!

Brent Wilton's comments from the previous session, on elements such as trust, costs, scale and the importance of collaboration, strongly resonated with David, as Givaudan embarked on a similar journey towards the improvement of traceability, particularly in the first mile of the different supply chains they work with.

In November last year, Givaudan launched its new purpose 'Creating For Happier, Healthier Lives With Love For Nature. Let's Imagine Together.' The purpose is framed around four different goal areas including Creation, Nature, People and Communities together with Givaudan's recently-announced B Corp ambition. This shift signals a strong commitment, both inside and outside of the company, to act as a force for good. As part of its purpose, Givaudan has set a longer-term commitment to source all materials and services in a way that protects the people and the environment by 2030. At first glance, this might look like a simple ambition to achieve, but in reality, because of the diverse supply

chains they work with, it is a challenging task. Therefore, for the last eight months, they have been working on a project looking at reviewing, updating and upgrading their responsible sourcing programme and focusing on how they can make it more impactful in the right areas, to the right stakeholders and up and down the supply chain, from suppliers to consumers, throughout their customers.

Over the years, Givaudan has grown through acquisitions with companies that had their own special supply chains, making their environment even more complex to deal with. To embed supply chains from those acquisitions in their business and day-to-day activities, and in the light of the company's purpose, Givaudan is working to evolve its 'Responsible Sourcing' approach, focusing on increasing the scope and build capacity in their supply chains.

**BUILDING CAPACITY WILL BE SUPPORTED BY TECHNOLOGY**, starting with one they already have – 'ISource' – which already reaches thousands of farmers and producers. This is very important for Givaudan going forward, with the biggest challenge being the capability to move this to scale in a cost-balanced and targeted way, taking into account what is important for the business, the needs of its customers and the level of risks identified to keep creating a meaningful impact in a more strategic way, as part of the programme.



**David Howson**  
Global Head of  
Responsible Sourcing,  
**Givaudan**



*Sustainability is a journey and there are many ways of looking at it. What is clear is that collaboration is a vital part of this journey and that's why peer-to-peer knowledge sharing is so valuable*

David Howson  
**Givaudan**



## DYNAMIC PARTNERS: DEALING WITH CHANGING STAKEHOLDERS IN THE SUPPLY CHAIN

Earlier this year, Rainforest Alliance launched the new 2020 Certification Programme which is based on the principles of data-driven insights on risks and performance, continuous improvement, transparency and shared responsibility. The new certification programme is supported by the use of new tools such as geospatial technologies to map deforestation risks and a Farm Intelligence tool to collect information on risks and performance at farm level.

**THE FARM INTELLIGENCE APP:** This new digital tool has been developed by the organisation to provide producers with tailored data, tools, knowledge and support they need to improve their practices and support farmers to keep track of their data in a more efficient way as well as giving them access to analytic functionalities to identify risks, gaps and opportunities.

**GEOSPATIAL DATA:** Rainforest Alliance uses the GPS location data provided by farmers to identify the risk of deforestation and encroachment in protected forests in certified supply chains. Farm GPS points are mapped against forest layer maps created from satellite imagery to detect deforestation. Farm data points are also mapped against official maps of protected forest areas in key countries such as Nicaragua, Honduras, Peru, Côte d'Ivoire, Ghana, Nigeria, Cameroon, and Indonesia. This allows auditors to draw on reliable and dynamic information to focus verification on high-risk areas, to better detect evidence of recent forest conversion. GPS coordinates are also the foundation of traceability for

the 'first mile' of production from (smallholder) farmers to certificate holders. Rainforest Alliance has carried out 'first mile' pilots and tests in several countries over several years. Between June 2020 and mid-2021, they will implement a comprehensive training plan to prepare producers and companies to implement the new standard. Audits against the new programme will begin from 1 July 2021.

### RUTH ALSO MENTIONED CHALLENGES THEY FACED IN SEVERAL AREAS, INCLUDING:

- 1 TECHNOLOGY** is evolving fast and it is difficult to know what will be scalable and to have portability of content from one platform to another. Many Rainforest Alliance certified producers work in remote rural areas that often have poor connectivity, which is another challenge for digital first-mile traceability solutions. Deciding a single digital solution to use is complex, taking into account the differences in crops, geographies, partners and the fast moving digital technology landscape.
- 2 DATA COLLECTION** at the farm level requires people to be trained to input data, perform quality checks, understand the use of it, and interpret it correctly. This can be expensive and time-consuming and requires capacity at the farm level to manage and use data systems which can take time to develop.



**Ruth Rennie**  
Director, Standards  
and Assurance,  
**Rainforest Alliance**



- 3 TRANSPARENCY** through data-sharing is complex and must take into account legal restrictions on data collection, sharing and use in the different countries where Rainforest Alliance works. In the system they use, the data collected belongs to the group that collects it, and they have an agreement to share the data with certification bodies. Effective transparency systems that rely on digital data require a clear understanding of the rules and regulations around data ownership and agreement from producers and supply chain actors to voluntarily upload that type of information to the Rainforest Alliance system, and to agree to how it will be shared and with whom.
- 4 COSTS:** Everyone acknowledges the need for transparency, but the incentives are not the same for all actors across the supply chain. Pressure to increase the supply of certified volumes can conflict with pressures on companies to mitigate the reputational risks they face if they buy from farms located in protected forests. Implementing first mile traceability systems is costly and producers cannot be expected to bear the whole burden of this cost. This is why the new Rainforest Alliance Certification programme introduces the concept of 'shared responsibility'. This includes requirements for buyers of Rainforest Alliance certified products to contribute 'sustainability investments' to support producers to maintain and improve their sustainability performance, including introducing the use of digital tools where appropriate.

## PRE-COMPETITIVE COLLABORATION AND OPEN-SOURCE APPROACHES TO DRIVE COMMON VALUES

During the last session of the day, Daan talked about the recently launched SourceUp technology (previously known as Verified Sourcing Areas), an online platform that connects landscapes and markets and aims to reach critical mass by providing large volumes of sustainable commodities at a competitive scale, so it is no longer necessary to verify each individual producer, mill or commodity.

Focusing on an end-to-end sustainability proposition, SourceUp links buyers to Compacts -jurisdictional multi-stakeholder coalitions that include local government representatives, civil society organisations, producers, and supply chain actors- in areas with agricultural production. The Compact stakeholders agree on sustainability priorities and indicators at a local level and on topics such as forest and natural resource management, labour conditions, land tenure and livelihoods. These Compacts receive support (e.g. funding, sourcing, technical assistance) and report on sustainability progress at a landscape level.

SourceUp verifies that actions are taken by the right stakeholders, that the process is followed and that reported results are supported by evidence. The SourceUp platform will also provide dashboards to monitor sustainability progress of the production areas integrating other data sources, such as GlobalForestWatch and Trase.

Technology plays an important role in the further development of SourceUp. The platform was developed to identify themes, address and detail scope terms and indicators. To test the approach on the ground and ensure that the model is realistic and delivers on commitments, pilot projects were launched in Brazil, Vietnam and Indonesia.

Daan guided participants through the most advanced pilot in Aceh Tamiang District, Indonesia to improve sustainable palm oil yield by 30% with themes on deforestation, productivity, sustainability improvement in production, land tenure and labour practices. Sustainability issues are addressed and selected Compact goals have been identified by partners such as the Government of Aceh Tamiang District and companies such as Unilever, Musim Mas and Pepsico.

### 3 MAIN CHALLENGES FACED BY SOURCEUP INCLUDE:

- 1 A new model to be embraced by businesses, meaning embracing new ways of collaborating along the supply chain.
- 2 Leveraging data and turning it into a strong basis for common understanding and positive actions.
- 3 Value delivered by a multisided platform is growing exponentially but leadership is needed to take the first steps feeding it.



**Daan Wensing,**  
Chief Executive Officer,  
Chair of the Executive  
Board,  
**IDH, The Sustainable  
Trade Initiative**

**IDH believes that this landscape approach to sustainability is a step forward towards improving supply chain transparency, complementing other transparency tactics such as chain of custody or traceability models.**

*A landscape approach is another way to look at continuous sustainability improvement and transparency in production areas, helping companies to mitigate systemic supply chain risks and to source large volumes of commodities in lines with their sustainability commitments, at a competitive scale and price. During this Springboard event, I was delighted to share how SourceUp, the new platform for collaboration towards more sustainable supply chains, can deliver that.*

Daan Wensing  
**IDH, The Sustainable  
Trade Initiative**





**Thank you to all participants.  
See you at the next  
Springboard!**

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## About The Consumer Goods Forum

The Consumer Goods Forum (“CGF”) is a global, parity-based industry network that is driven by its members to encourage the global adoption of practices and standards that serves the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 3.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises 58 manufacturer and retailer CEOs.

For more information, please visit: [www.theconsumergoodsforum.com](http://www.theconsumergoodsforum.com).

## About KPMG

KPMG is a global network of independent member firms offering audit, tax and advisory services. We combine global expertise in supply chain management, technology, ethical sourcing and farm level sustainability with local experience. We operate as a collaborative global network to bring the best expertise and experience.

Our Supply Chain Transparency services help companies to meet challenges and respond to opportunities and are managed by our experienced professionals, familiar with industry solutions, local language, legislation and context.

For more information please visit: [home.kpmg/nl/en/transparencysupply](http://home.kpmg/nl/en/transparencysupply)

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