

Responsible Sourcing

All companies are subject to their stakeholders' growing expectations on accountability, transparency, and legitimacy, arising from a range of environmental and social concerns.

Responsible sourcing (RS) is not just a buzzword; it is fundamental to raising the standards of supply chains. Government legislation is increasingly focused on ensuring that ethical business practices permeate throughout the building and construction industry. Some European Union (EU) member states have introduced, or are considering introducing, regulations on business and human rights. EU-wide due diligence legislation must clearly set out the responsibilities of businesses *in line with the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises*. National legislations summary is in the figure below.

Examples of national legislation:

- 2010 • **Section 1502 of the US Dodd-Frank Act** requires disclosure of due diligence on whether products contain conflict minerals.
- 2010 • **California Transparency in Supply Chains Act** requires all businesses trading in California with a turnover of over \$60 million to report on efforts to combat slavery.
- 2015 • **UK Modern Slavery Act** requires all commercial organisations trading in the UK with a turnover of £36 million or more to publish an annual statement on action to eliminate slavery from supply chains.
- 2015 • **US Trade Facilitation and Trade Enforcement Act** prohibits companies from importing goods into the US produced by forced labour.
- 2017 • **French Duty of Vigilance Law** makes human rights due diligence responsibilities for large multinational businesses established in France obligatory, including a requirement to produce and publish a due diligence plan.
- 2018 • **The Australian Modern Slavery Act** requires more than 3,000 businesses and other entities to publish annual statements on actions to address modern slavery in their operations and supply chains on a government-administered public register.
- 2019 • **In March, the Dutch Senate voted to adopt the Child Labour Due Diligence Law** requiring Dutch companies to identify, prevent and assess child labour in their value chains.

Sustainable procurement

Companies increasingly make RS an integral part of their procurement and supply chain management processes to understand and manage risks in the supply chain- and the biggest growth in addressing RS, we have seen in the last 12 months, is Building & Construction. If you are involved in supplying this end market, paying attention to this issue will certainly be advisable.

The 2015-2017 United Nations Development Programme (UNDP) Procurement Strategy represents a commitment to realize the benefits sustainable procurement offers. UNDP procurement will focus on:

- Incorporating sustainability criteria in the organization's purchasing evaluations;
- Developing monitoring mechanisms and assessments to promote vendor compliance in the UNDP supply chain;
- Stimulating innovation through crowd-sourcing, functional specifications and piloting other innovative technologies;
- Better Integration of procurement at the project design stage;
- Promoting and utilizing public-private partnerships with companies that focus on innovation and sustainability; and
- Enhancing the already high transparency standards in UNDP's procurement activities.

Supply chains typically comprise 60 to 70% of the total sustainability footprint. Intertek is uniquely positioned to support these types of supply chain analysis. Typically, we support clients to achieve on average a 10 to 15% reduction on greenhouse gas footprint, revenue increase, brand value increase, and supply chain cost reduction. Examples of aspects and KPIs that our team uses to evaluate the maturity of a client's journey to improve their sustainability profile through RS are: Legality (adhering to laws and standards); Economising (cost efficiency), Risk reduction (avoidance of 'purchasing risk' within supply chains); Strategy (stakeholders and investors request of transparency); Leadership (future proofing and holistic reporting on sustainability).



Common misconceptions

"We responsibly source our constituent materials, packaging, stationery, and so on."

If you feel you do, what evidence is there to support this claim? Greenwashing and unsupported or misleading claims are undesirable to customers, as they not only undermine the company making them but all companies striving for improvement.

"Our customers do not ask for any information."

Unquestionably, your customers are subject to the same pressures in their business as you are; therefore, it is only a question of a very (VERY) short time before you will be outbid, outperformed and unable to grow your business. There is a clear sense of insistence of doing what needs to be done immediately, without being asked, and in the most thorough way possible to create change. Customers' pre-qualifications, your sales team's comprehension of questions pertaining to corporate social responsibility (CSR), sustainability, and RS are being demanded across all sectors regularly and with auditable monitoring attached to the specifications. The marketplace demands to know, stakeholders and shareholders demand to know, and your employees do as well.

Conclusion: Act now on RS initiatives and benefit from securing your market share and futureproofing your business for upcoming legislation in the building and construction sector, as well as other related sectors (investment, commodities supply, etc).

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