



Achim Steiner

Geneva, July 2007

Dear Global Compact Leaders Summit participant,

I am delighted to introduce a new initiative we are spearheading, in partnership with the UN Global Compact and SustainAbility, to help companies address complex environmental and social responsibility challenges in global supply chains. Unchaining Value seeks to uncover emerging best practice, partnering and capacity building in developing countries that will enable companies to meet those challenges.

The first phase of Unchaining Value is underway. This includes a thorough analysis of two key sectors, the Information and Communications Technology sector and Food and Beverage sector, and will result in a report to be published later in 2007. Furthermore, the initiative will supply practical and valuable outputs, such as:

- a series of workshops;
- a best-practice repository; and
- partnering and capacity building tools.

Although in the first phase, we are specifically exploring the ICT and Food and Beverage sectors, we plan to extend the programme to cover other key sectors in the future. We sincerely invite your participation to help us shape the ambitions, identify the best practices, and stimulate the partnerships to help raise performance across global value chains.

Achim Steiner
Under-Secretary-General
and Executive Director
UNEP

SustainAbility
20-22 Bedford Row
London WC1R 4EB
United Kingdom
T +44 (0)20 7269 6900
F +44 (0)20 7269 6901
unchainingvalue@
sustainability.com



UNEP Headquarters
United Nations Avenue
Gigiri
Nairobi
Kenya
T (254-20) 7621234
F (254-20) 7624489/90
www.unep.org

**UNEP Division of Technology,
Industry and Economics**
15 Rue de Milan
75441 Paris Cedex 09
France
T +33 1 44 37 14 41
F +33 1 44 37 14 74
unep.tie@unep.fr
www.unep.tie.org



UNGC
United Nations
Room S-1880A
New York
NY 10017
United States of America

Getting involved

Unchaining Value is an ongoing program, currently in its first phase. Phase 1 workshops, addressing the ICT and Food and Beverage sectors, are being planned, with the phase 1 report due for joint publication by SustainAbility, UNEP and the UN Global Compact in Autumn 2007.

Following publication, further initiatives are planned, including information sharing tools and practices on partnering with suppliers based in developing countries. Further sectors will be identified as well, for similar collaboration. To find out more, or express interest for 'just-in-time' participation, please contact unchainingvalue@sustainability.com

Unchaining Value
Corporate responsibility
through the value chain
A new initiative by SustainAbility,
the United Nations Environment
Programme and the UN Global
Compact to address challenges in
global supply chain management



Chains, webs and ties that bind

A great deal is expected of global businesses these days, especially when it comes to social and environmental responsibility. For multinational enterprises (MNCs), managing these expectations and addressing the issues that affect the business and society's interests is a full-time job. For suppliers of MNCs, however — or even their suppliers' suppliers — it is even more complex. Suppliers sell to multiple customers, each with their own requirements, expectations and stakeholders' needs. Customers deal with many different suppliers — often numbering in the thousands — who may have vastly different levels of experience and readiness to meet the challenges.

Unchaining Value will assess the value chains and webs that link producers, suppliers, end-users and consumers around the world. With globalisation, such value chains have dramatically increased in importance for business and governments as sources of wealth creation, knowledge and technology transfer, and innovation.

At the same time, scrutiny of business has led to an expectation that corporate responsibility should extend to encouraging responsible practices at every step in a value chain — wherever it may be in the world. International standards are increasingly expected of suppliers in developing countries. The concept of 'traceability' — the capacity to track products and their ingredients or components back to their original source — will soon require unprecedented levels of transparency and associated expectations of accountability.

It is hoped that *Unchaining Value* will motivate industry to build partnerships and capacity across value chains that run across developed and developing country boundaries. The project aims to encourage companies to approach value chains in a manner that is:

- more inclusive: covering both upstream and downstream impacts;
- more integrated: addressing the interplay between different functions, such as R&D, manufacturing, marketing, sales and distribution as a whole; and
- more collaborative: through supplier and value chain networks, developing joint ventures and new business models along the extended enterprise (including 'insourced' and 'outsourced' partners).

How the project works

Unchaining Value aims to:

- review and analyse the current corporate responsibility challenges in global supply chain management;
- identify new models and approaches to build supplier capacity, including joint training and design for sustainability;
- highlight emerging good practices in supply chain partnering between multinational corporations and their suppliers in emerging market economies; and
- further develop a new multicompany initiative to promote sustainable supply chain practices, displaying innovative approaches and capacity building.

Pressure to perform

Global companies face various expectations — through consumers, regulators, the media and thought leaders — to ensure their products are, among other things:

- free from dangerous substances;
- manufactured with minimal environmental pollution;
- low carbon-intensity;
- made by workers who enjoy safe and decent working conditions; and
- recyclable.

To address these expectations, a plethora of approaches — from industry initiatives to multi-company partnerships to individual company codes — has arisen, addressing everything from materials used to manufacturing processes, shared extranet information systems, working hours and wages, anti-discrimination policies, payment of invoices, waste management and logistics. These initiatives help define the impacts associated with products and their supply chain, and set boundaries for companies' responsibilities. But oftentimes, the sheer number of issues addressed, the lack of established and agreed standards, the lack of a convincing business case for suppliers to engage, and suppliers' unfamiliarity with the issues can create confusion and resistance, rather than buy-in and collaboration.

Furthermore, customers' requirements often overlook the business case for suppliers. While supply chain sustainability initiatives are created to address a business need for customers, they can be equally beneficial to suppliers, but this may be unclear or unproven. Without a compelling, demonstrable business case to engage in sustainability management, suppliers will tend to take a minimalist approach, with limited success.

However, there are well-designed, collaborative and successful initiatives to help overcome these challenges. *Unchaining Value* will seek to uncover these and apply the best of what they can teach us to the challenges that still remain.

Leadership in the ICT sector

The ICT sector is broad and diverse, ranging from fashionable mobile phones and music players to high-end routers to automobile components. The production processes and issues associated with these different product platforms vary greatly from one another, and many companies are involved in several different product lines or platforms, with the associated supply chain challenges that come with each.

The sector has shown a great deal of interest and creativity in addressing social and environmental challenges through the supply chain. There are best practices from each of the computer, mobile phone, wireless communications and telecoms industries.

The Electronic Industry Code of Conduct (EICC) and the Global e Sustainability Initiative (GeSI) are widely considered as leading cross-sector initiatives on social and environmental responsibility. The EICC was developed as a collaborative effort among leading companies in the sector. The Code helps ensure decent and safe working conditions and environmentally responsible manufacturing processes and to provide these guidelines across the whole of the industry. GeSI, an industry initiative started with UNEP, aims to provide member companies with tools, best practice and a research and advocacy platform for social and environmental responsibility across the ICT sector. The two initiatives have joined forces to develop a set of supply chain implementation tools, including a Supplier Risk Assessment Tool, a Self Assessment Questionnaire and a Common Audit Methodology.

Hewlett Packard operates a four-phase supplier Social and Environmental Responsibility (SER) program to identify suppliers in need of support, assess their status against HP's guidelines, validate and continuously improve performance.

Nokia's efforts include development of the Nokia Substance List (NSR), a list of all substances the company has banned, restricted or targeted for reduction, and is the core requirement for all Nokia product development. The company has set up a web-based information platform for suppliers, including information on materials content.

Vodafone has instituted a Code of Ethical Purchasing (CEP) to define expectations of suppliers, as well as a range of efforts to implement the code. These include site visits and assessments, training for supply chain managers, introduction of a scorecard system for suppliers, and working with suppliers to develop their own corporate responsibility programs.

BT's Sourcing With Human Dignity (SWHD) initiative sets out how suppliers are expected to operate with respect to the Universal Declaration of Human Rights and the International Labour Organization (ILO) Conventions. All BT buyers are required to undertake training on the company's human rights standard.

Food sector under the spotlight

One of the key characteristics of the Food & Beverage sector is the sheer number of farmers and growers that supply much of the produce that we consume and many of the raw ingredients that end up in the products we eat and drink. For example, over 1 million cocoa farms in West Africa supply approximately 70% of the world's cocoa requirements. The majority of these farm less than 0.5 hectare with an output of less than 0.5 tonne.

The infrastructure that has developed to enable many of these producers in developing countries to access markets in the north has also meant that supply chains have been lengthened. While, for example, in the US the meat supply chain is quite streamlined with a short chain from ranchers through to meat processing, in China the existence of millions of family raised animals and small businesses creates the need for many middlemen and open market transaction, thus reducing the direct exposures of final buyers to the supply base.

This scale and complexity pose particular problems for companies seeking to influence their suppliers' behaviour. This project will identify the types of capacity-building initiatives and partnerships companies are engaging in and how effective these initiatives are for improving environmental and social performance through the supply chain.

We will also be examining innovative case studies in order to understand the challenges companies and suppliers experience in implementing these practices and identify successful models from which best practice can be drawn and lessons learnt.

Unilever is providing technical and financial support to tomato farmers in Brazil to help them convert to drip irrigation which has significantly reduced the use of water, fungicides and pesticides and increased tomato yields by up to 40%.

McDonald's, a major buyer of soy feed for poultry, partnered with Greenpeace as well as UK retailers Asda, Waitrose and M&S to persuade Cargill, ADM and three other large soy traders to place a 2-year moratorium on buying soy from newly deforested areas of the Amazon. During the moratorium, governance processes for protecting the rainforest are expected to be established.