The missing link in transparent and responsible supply chains

Protecting human rights is a leading indicator for sustainable supply chains
“Where, after all, do universal human rights begin? In small places, close to home—so close and so small that they cannot be seen on any maps of the world. Yet they are the world of the individual person; the neighborhood he lives in; the school or college he attends; the factory, farm or office where he works. Such are the places where every man, woman and child seeks equal justice, equal opportunity, equal dignity without discrimination. Unless these rights have meaning there, they have little meaning anywhere.”

Eleanor Roosevelt
Member
Drafting committee on the Bill of Human Rights
Introduction: Sustainability is good business

Supply chains today are under increasing scrutiny from regulators, investors and customers. Investors are asking companies to address social justice and sustainability through their operations. And consumers have higher expectations of companies to address environmental, social and governance (ESG) concerns.

On the heels of the 2021 United Nations Climate Change Conference (COP26), organizations are putting greater focus on net-zero commitments and decarbonization. However, human rights imperatives—the S in ESG—don’t tend to get the same level of attention. Addressing global labor ethics in the enterprise and the broader ecosystem presents significant challenges with transparency and compliance, but it’s critically important as part of a comprehensive strategy for the sustainable business.

Putting the spotlight on ESG concerns

Even before the pandemic, organizations were prioritizing ESG issues. COVID-19 showed us how interconnected the world is—from public health, safety and the importance of worker well-being to supply chains making headlines in 2021. Businesses are beginning make sustainability in the supply chain a key part of their continuing digital transformation journey.

Organizations that lead on sustainability and impact do not approach them as secondary objectives. They integrate the related objectives into their core motivation, radically altering the corporate equation for success.¹

You can’t manage what you can’t measure. To meet the demands of regulators, investors and customers, businesses should develop greater supply chain transparency and show measurable improvements on specific ESG targets. Currently only 10% of companies in the consumer industry have defined unique metrics to measure sustainability progress.² Making promises won’t be enough; stakeholders want to see real change. ESG data in supply chains provides the documented proof needed for trust and transparency.
executives say sustainable development goals can improve operational effectiveness, agility and drive business results.²

While environmental sustainability goals have become a high priority for consumers and businesses with the global call to action on climate change, other ESG issues haven’t gotten as much attention. Mitigating human rights concerns, such as modern slavery, should also be a critically important component of corporate social responsibility. Businesses that want to lead in sustainability should have an ESG strategy that includes human rights advocacy.
Advocating for human rights in the supply chain

The scope of modern slavery
In its 2016 study, the International Labour Organization (ILO) estimated that 40.3 million people worldwide were victims of modern slavery at any given time, 25 million of whom were in forced labor. To narrow the focus further, an estimated 16 million people were exploited in the private sector. A few years earlier, in 2014, the ILO estimated that forced labor generated annual profits estimated at USD 150 billion. Women and girls are disproportionately affected, accounting for 71% of those affected by modern slavery. Children represent one-quarter of the total number of victims.

An estimated 25 million people are victims of forced labor worldwide.

The reality is that forced labor continues to exist in some supply chains and many businesses don’t have sufficient visibility into the sources of the goods and services that are behind their work. The United Kingdom’s Modern Slavery Act of 2015 and similar policy enactments have been a game changer, drawing global attention to the issue of forced labor and child labor, and proving that transparency in addressing modern slavery is a business-critical issue. Social responsibility is now on the radar of more business leaders.

What companies can do
To address modern slavery and ensure human rights for all, the world needs a global cooperative effort that includes public policy-level change and private business solutions. Companies have begun making progress in addressing modern slavery, but much of the work they’ve done up to this point relies on legal compliance and self-certification through static, point-in-time supplier surveys. Consumers, investors and trading partners aren’t just looking for compliance; they’re looking for trust and proof that organizations are good stewards.

Proving stewardship requires ESG-related data collection, multitier data sharing with the ability to track, trace and document ESG-related metrics in social sustainability. The next opportunities for businesses will be to get closer to first-party data—that is, getting as close to the source as possible—to go deeper into their supply base and develop responsible and diverse suppliers; and include supplier ESG performance in sourcing and procurement decisions. It should be a North Star in all procurement decisions and should not be divorced from the transaction. IBM and FRDM are building responsible, guided workflows that help organizations make ethical decisions from source to shelf that demonstrate how to embed human rights imperatives across global supply chains and in an organization’s DNA.

As organizations work to develop responsible supply chains, it will be crucial to engage senior leadership so that ESG concerns are prioritized in the business strategy and in technology investments. Multitier transparency requires that an enterprise engage its ecosystem of partners. Sustainability isn’t achieved alone but through collaboration, data sharing and enhanced visibility through coordination and cooperation. It will be essential to cultivate partnerships and collaborative relationships that are grounded in the United Nations Sustainable Development Goals (SDGs), including SDG 17: “Revitalize the global partnership for sustainable development.”

Building a sustainable, responsible, ethical supply chain will help business leaders build brand trust and grow credibility with customers, investors, nongovernmental organizations and the public and build an inclusive world where businesses and societies thrive.
“The COVID-19 pandemic has taught us how broken and opaque supply chains truly are. Supply chain operations and oversight has lagged far behind the innovation curve. Companies today are expected to solve bigger and deeper problems in their supply chains, such as environmental and human rights risks.”

Justin Dillon
CEO
FRDM
Solutions for a transparent and responsible supply chain

The pandemic disrupted global supply chains and revealed their vulnerability, which only increased the urgency of rethinking and transforming them. There’s no doubt that supply chains need to be smarter, more agile and sustainable as we move into an unpredictable future. In fact, supply chain and sustainability go hand in hand. As organizations address supply chain risks and challenges, they should simultaneously prioritize ESG concerns to design an ethical, sustainable future that’s fair and ensures human rights are protected across global networks.

Supply chain challenges
Companies face numerous barriers to addressing modern slavery, but technology can be an enabler for change. Modernizing the supply chain for greater transparency can create a more visible and equitable outcomes.

Some of the common challenges are around compliance, data management, transparency and businesses processes

- **Data complexity and availability**
  
  From lack of data to disparate data types and sources to disjointed data systems, organizational data challenges are plentiful. Figuring out how to centrally manage complex enterprise data environments to get real insights is an enormous challenge that technologies like the data fabric are helping to address. To optimize the supply chain around ESG goals, businesses need to be able to easily mine their data for insights into carbon footprint and supplier diversity, to name a few.

- **Lack of end-to-end transparency**

  Increasing supply chain transparency is at the heart of addressing core ESG concerns from stakeholders. As various stakeholders demand more insight into suppliers, environmental responsibility metrics, human rights metrics and so forth, organizations need to create end-to-end supply chain visibility. Currently, many organizations lack the kind of detailed information and insight that’s needed to lead on creating more ethical supply chains.

- **Disconnected business processes**

  Business process transformation is a high priority for many companies, as disconnected business processes create lower efficiency and effectiveness. To support a more sustainable, responsible supply chain, businesses need to incorporate various types of disclosures into their business processes.

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9 of 10 companies surveyed say they will be working on various sustainability initiatives across the enterprise by the end of 2021.²
Prioritizing ESG in supply chain transformation
Sustainability is the new digital—rather than being just nice to have, it has become a business imperative. While the challenges are real, businesses have a significant opportunity to modernize their supply chains while prioritizing environmental, social and governance issues. A range of tools, technologies and services can help.

Deploying technology for societal good can be good for business.

IBM offers a range of services and technology solutions to help businesses improve ESG reporting, transition to net-zero greenhouse gas emissions, increase risk resilience and innovate for sustainability and profitability. IBM Consulting™ provides holistic assessments; future-state experience roadmaps, using co-creation and the IBM Garage™ methodology; data capture technologies; and benchmarking against industry norms to help companies move toward actionable sustainability targets.

IBM is also cultivating collaborative relationships that help more organizations uphold their sustainability goals like its new partnership with FRDM—a technology company with a platform that uses data science, ML and AI to highlight ESG risks across global supply chains. FRDM’s mission centers on helping companies cultivate the kind of supply chain transparency that’s needed to address global human rights imperatives and tackle complex injustices like forced labor.

FRDM works by:

– Organizing your company’s supplier and spend data
– Creating a predictive bill of materials for everything you buy and applying estimates about environmental, social and business continuity risks
– Helping you engage with suppliers, using its toolkit to reduce risk and increase your resilience
– Producing helpful reports for your team, stakeholders and regulators
– Helping you track improvements to your supply chain and constantly improving your resilience

This kind of platform is the next wave in predictive and proactive ESG risk resilience to realize sustainable outcomes. Organizations that want to lead on sustainability and human rights need technology solutions like IBM and FRDM that support supply chain transparency and the next generation of tech for good.

Take the next step

If you’re ready to take the next step in reducing risk and creating a more sustainable, ethical supply chain, IBM Consulting can help.

To learn more about supply chain consulting services from IBM, visit www.ibm.com/services/supply-chain.

To find out how FRDM is helping businesses address supply chain risks, visit http://www.frdm.co/.
About the author

Sheri Hinish is a senior leader supporting IBM global sustainability and supply chain transformation teams with a focus in sustain-ability strategy, responsible supply chains, and innovation. Her purpose is to make a meaningful impact for the clients, colleagues, partners, and communities she serves. She helps clients design and build supply chains of the future that empower the human experience, strategically champion stewardship, and create change that's impactful, equitable, and profitable.

Sheri has been recognized as the 2021 top executive in supply chain by Supply Chain Digital; a 2022, 2021, 2020 and 2019 Supply & Demand Chain Executive “Pro to Know;” the “People’s Choice 2020 Global Woman in Supply Chain Leader;” Corporate Vision Excellence award recipient for “2020’s Most Influential Leader in Supply Chain & Technology;” a 2021 Top 100 Women in Supply Chain by Supply Chain Digital, and a trusted partner. She’s a leading advocate for sustainable supply chains and supply chains with purpose across social media and professional networks.
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1 The virtual enterprise: The urgency of sustainability and impact, IBM Institute for Business Value, 2021
2 The last call for sustainability, IBM Institute for Business Value, 2021
4 Profits and poverty: The economics of forced labour, International Labour Office, 2014
5 Goal 17: Revitalize the global partnership for sustainable development, United Nations Sustainable Development Goals.