

THE CALL FOR COLLECTIVE ACTION ACROSS SUPPLY CHAINS

2017 IMPACT REPORT



www.sustainabilityconsortium.org/impact-report



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WELCOME

Dear Readers,


We are so pleased to bring you the second TSC Impact Report:
The Call for Collective Action Across Supply Chains.

Our first report, from 2016, was titled “Greening Global Supply Chains”. It showed the enormous benefits we get from consumer goods but also their enormous sustainability price tag. The products we buy and use are responsible for 60% of global greenhouse gas emissions, three quarters of forced and child labor, and nearly two thirds of tropical deforestation. Using data from over 2,000 companies, the 2016 report showed how to turn blind spots into hotspots into action.

In 2017, we complete that story, laying out our strategy to turn Blind spots into Hotspots into Action into Growth. Our BHAG here is to deliver sustainability impact at scale. In an increasingly resource-constrained world, successful companies must decouple their future growth from social and environmental issues. TSC’s strategy is to help these leading companies deliver this positive impact at real scale.

This means recommitting to our mission: To use the best sustainability science to help companies make the everyday products we use better and more sustainable. We will deliver on this mission in two main ways: by driving impact through the implementation of our research and tools; and by driving impact through innovation, turning hotspots into growth.

This year has seen an unprecedented increase in the implementation of our work.



Consumer products worth over \$200Bn in sales are now managed using TSC’s tools – a 50 percent increase on last year.

Consumer products worth over \$200Bn in sales are now managed using TSC's tools – a 50 percent increase on last year.

This stat is so important because it is at the heart of what we do: it is all about harnessing the demand signal from retailers, brands, and other major purchasers to super-charge the implementation of sustainability improvements right across the value chain. The Impact Report includes results for all of these.

The report also highlights some of our new work on innovation. TSC is using its convening power and sustainability expertise to bring together like-minded, leading companies, NGOs, and other stakeholders to launch Innovation Projects that tackle sustainability hotspots that can't be solved alone. We all know that, if done right, a collective-action model can make rapid, market-changing improvements to unlock growth.

I'm reminded daily how exceptionally engaged our members are in our work – they are the driving force behind all that we do. And, in my first year as CEO, I'm delighted by the outpouring of support and engagement from our members, partners, and other industry leaders.

There is still a lot to be done, so I encourage you, dear reader, to get involved. Individual actions, when brought together, create the real change we need to unlock the growth potential in driving sustainability impact at scale.

Sincerely,
Euan Murray, Chief Executive

TSC is a tiny organization
but as a collective endeavor
it is enormous.

Euan Murray

Chief Executive
The Sustainability Consortium



EXECUTIVE SUMMARY


The Sustainability Consortium has a single lofty mission – to help make all consumer products, around the globe, more sustainable. Are we there yet?

When an organization or initiative is young it measures progress by its inputs. In the early days of TSC, we measured progress by the number of members we had, or the amount of funding we obtained, or how many people came to a meeting. As our initiative matured into a concrete idea, we began to measure our progress based on process. Are stakeholders happy? Are we finishing our work on time? How much of the consumer product space are we now covering?

2017 represents a landmark year for TSC as we can now begin to see evidence of the real business change happening due to the work we have done together.

In 2016, over 2,000 suppliers used our category sustainability surveys to report their progress to their retail buyers, up 25 percent from the previous year. These suppliers represented over \$200B in sales to their retailer partners. This number is even bigger if we consider that any of the changes that these manufacturers make to their products or processes will benefit all their consumers.

So, we know participation in using TSC's KPIs is up and the numbers sound big – but is anyone doing anything differently because of it? In early 2017, we asked suppliers who had taken TSC training to share their experiences about responding to the TSC survey. Over 250



Every organization wants to know, 'What difference am I making?'

suppliers responded, and 40 percent of them replied positively that they had done something tangible to improve their KPI scores – created internal data collection and communication systems, engaged suppliers, changed products or processes, or begun to communicate publicly about their sustainability efforts.

Let's drill down a bit more. Here's one of the comments we received: "We started data collection 6-7 months earlier than the survey deadline and supported all suppliers to set up their energy records and GHG inventory."

How many dozens or hundreds of this manufacturer's suppliers are now tracking and improving their energy efficiency and reducing their GHG reductions? How many of the other 2,000+ manufacturers are doing the same with their supply base? In the next several years we'll be able to gather more quantitative measurement of our collective impact on the planet, but we're beginning to see the qualitative evidence that our theory of change is working.

TSC stakeholders are eager to act: Now that we know the hotspots, let's get on with it! In 2016, TSC initiated several member-driven projects, such as the Agricultural Metrics Task Force, Circular Economy toolkits, Common Chemical Criteria Task Force, and the Cold Water Saves campaign. TSC was also significantly involved in supporting the corporate deforestation commitments made by the Consumer Goods Forum and under the New York Declaration on Forests. TSC's unique membership base, representing corporate, NGO, and academic stakeholders, across different industries and parts of the supply chain, will continue to provide fertile ground for significant, pre-competitive collaboration.

Our 2017 Impact Report is presented in a serial fashion, so that we can highlight different stories of our progress throughout the year. Thanks for joining us on the journey.

When retailers and brand manufacturers agree to be stewards of our social and natural capital on behalf of their consumers, market forces can create positive change.



Kevin Dooley

Chief Scientist
The Sustainability Consortium

BUT WHO IS TSC?

The new TSC website provides a kaleidoscope of who TSC is: our [mission](#), [people](#), [partners](#), [projects](#), and [products](#). The 2016 Impact Report also has several sections explaining TSC's role in market-driven sustainability.

But who is TSC?

TSC has always been a collaborative between leading organizations, across sectors, supply chain roles, and stakeholder types. In our early days, the collaboration was driven by a profound but simple mantra: Let's use science to make consumer products more sustainable. We identified social and environmental hotspots using scientific publications, demonstrating that science can provide the objective guideposts for a shared understanding of what matters the most.

In TSC's middle years, our focus was developing KPI-based surveys that manufacturers can use to report sustainability progress to their retail buyers. The collaboration shifted from interpreting science to developing business tools. While the tools needed to be true to the science, they also needed to be practical and effective in incentivizing change. The network of collaboration also grew – we now depended on a village of strategic business partners to make the whole system functional.

Moving into our ninth year, the nature of that collaboration is changing yet again. As Walmart and other retailers have implemented their reporting platforms, thousands of suppliers, who didn't know TSC existed until now, are being asked to measure and report their sustainability performance. Now TSC has the opportunity and responsibility to extend its collaboration

“I do believe that TSC has created the supplier engagement process. It could potentially become a new norm.”

The logo for Wrangler, featuring the word "Wrangler" in white, bold, sans-serif font inside a red rectangular box.

“We need to come up with honest and educated solutions. This requires extensive collaboration; by working with TSC stakeholders, NGOs, universities, suppliers, and retailers, it creates trust and credibility to ensure collective success.”

The logo for Henkel, featuring the word "Henkel" in red, bold, sans-serif font inside a red oval border.

network beyond its members and partners – to have impact broadly in the consumer goods space. Our members and partners will be critical to our success in reaching this broader audience.

Our members and partners also see collaboration turning a corner – from understanding and measuring to acting on social and environmental hotspots. Now more than ever it's apparent that "TSC" is not the staff in Arkansas, Arizona, Netherlands, etc. TSC is a Consortium, and it's the members and partners of that Consortium that create the vision of what TSC needs to do to help save the planet, and the members and partners who need to work together to reach that next level of impact.

Click [here](#) to learn more about our [theory of change](#).

“The pilots with TSC improved our knowledge about the relevant issues in the supply chain and realizing a more professional exchange on sustainability with our supply chain partners”



IMPACT

THE CALL FOR COLLECTIVE ACTION ACROSS SUPPLY CHAINS

TSC's 2016 Impact Report, "Greening Global Supply Chains: From Blind Spots to Hotspots to Action" illustrated the case for more sustainable consumer goods, which lies at the core of TSC's mission. Buried within TSC work and research is a very simple story: Consumer goods feed and advance a growing world population. But even as they advance our society, they create a huge cost and burden on our environment and other people around the world. TSC research with our members and partners shows that when you have true visibility in your supply chain, then and only then can you create more sustainable products for a sustainable planet.

Impact reports measure impact. They also can help us spot trends and actions we can only see from the mile-high viewpoint. Deep dives into TSC methodology reveal proven measurement systems and innovations, big gains and some losses in measuring progress, and impacts seen in the subtle actions taken by thousands of companies around the world turning their attention to the issue at hand. This wave of action, or collective action, is coming – we see it very plainly in the numbers, the projects and the daily conversations we have with companies.

What does sustainability impact look like to TSC? It looks like companies integrating sustainability into their every day actions. It looks like suppliers signing up to measure their sustainability progress even when the answer is “I don’t know”. It looks like retailers such as Walmart, Kroger, Amazon, Walgreens and others recognizing the cost efficiencies and risk management that come with using the TSC approach and tools. Collective action is here and happening. This year, TSC is focusing our impact story on the wave of engagement and collective action that has been a long time coming but is now here to stay.

Collective action in the numbers: When looking at the responses to TSC surveys used by retailers in 2016, the trend from suppliers is clear. Participation rate in the survey increased by 66%, signaling that suppliers are recognizing that their sustainability performance is being taken into account by merchants. The overall average KPI scores for suppliers remained roughly the same between 2015 and 2016. If many of the new respondents in 2016 were smaller companies with less mature sustainability programs, then it’s possible their slightly lower scores may have been offset by slightly higher scores by suppliers who reported in 2015. We also know that many changes to products, processes, and supply



> 40%
OF SUPPLIERS
TOOK ACTION TO
IMPROVE KPI SCORES

chains take more than one year, so we expect improvements to be seen in 2017 and beyond.

Collective action in their words: Over 40% of suppliers from the Index stated that they took action in their own operations and supply chains to improve their scores. They indicated they are:

- Improving internal systems to collect data
- Engaging their own suppliers to better understand their sourcing
- Changing their processes in order to drive efficiency and transparency
- Changing the product or package they are making and selling
- Doing more to publicly communicate their actions and goals

Collective action in consumer demands: Consumers demanding transparency in their product choices creates a strong economic imperative for taking action. Kenny Kline of Inc states, “Consumers want to know more than what’s in your products. They want detailed insights regarding where you sourced your materials, how the product was made, what values guided the production process.” Consumer trust is sacred. Forward-thinking companies realize that they need to engage and act on this demand, not just because of the benefits of producing more sustainable products, but also because the risk of turning off consumers can affect their bottom line.

Collective action at the company level: Companies are realizing the value of visibility within their supply chains. Taking action is good for stock value and shareholder returns. Understanding their supply chains lowers risks, which is good for investors. Companies are asking questions, identifying their priorities, and declaring corporate strategies and goals around sustainability. The growing number of sustainability conferences, and their large attendance, portray a business community that

“Metrics and supply chain pressure are critical to obtain better environmental outcomes. The level of dialogue between stakeholders has changed dramatically as a result of TSC tools.”



is eager to learn from one another and make collective progress. It's a movement and it's growing.

Sustainability organizations are often criticized that they're "all talk and no action". There is a place for discussion and debate and there is a time for action. This growing collective action among suppliers, companies, consumers and more assures that action is the only path forward. In 2017, TSC remains committed to our \$1 trillion goal – to cover \$1 trillion in retail sales over the next (now) 4 years. This movement is helping us get there.

That's why we're calling this year's impact report "The Call for Collective Action Across Supply Chains". TSC calls our members, partners and those around the globe working on or caring about sustainability to create real impact at scale through collective action around more sustainable consumer goods. Throughout this report you will see examples on how "TSC and TSC members are doing just that.

"TSC really helped us solve a big challenge, which was how do we get our arms around our total supply chain? And how do we really focus for impact in our supply chain with our partners? TSC is really helping us shape the issues, coming at it from a science-based conversation, and helping us bring the right parties around the table to move forward with action."

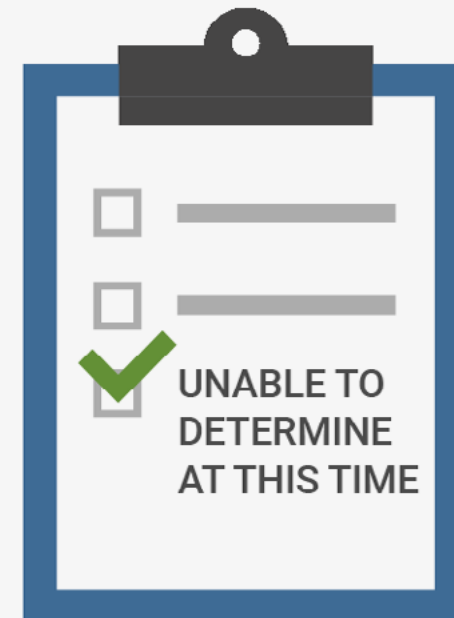


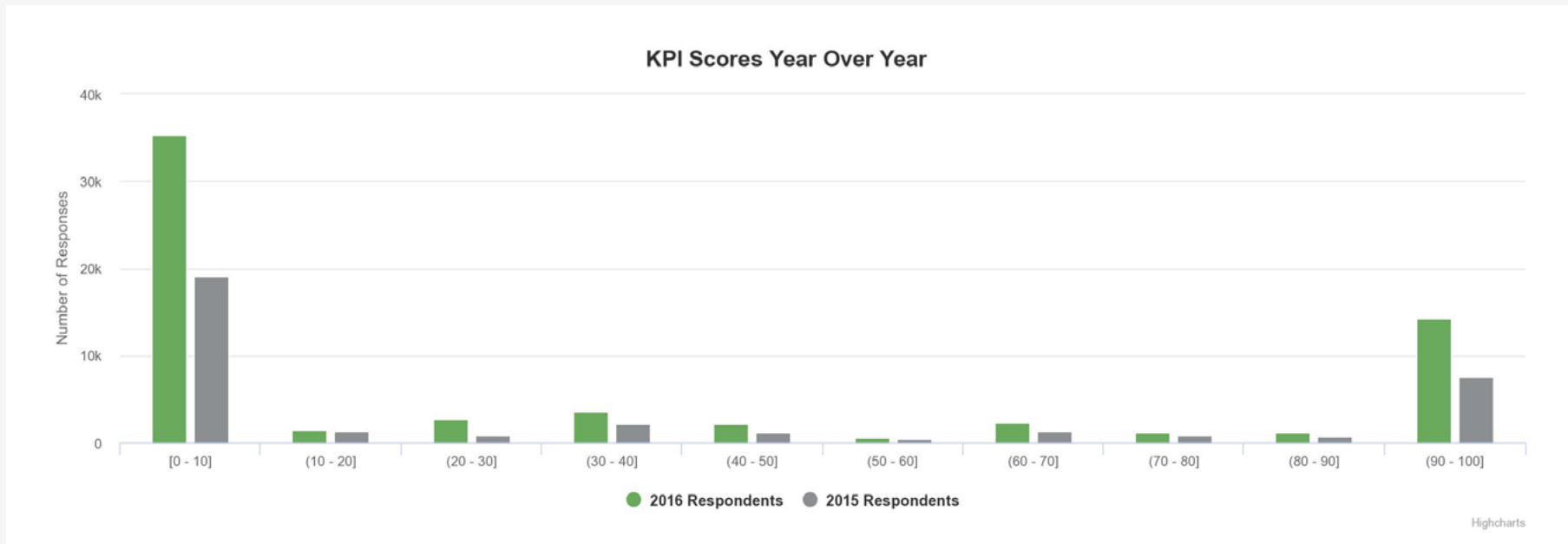
PART 1

UNABLE TO DETERMINE AT THIS TIME

In 2016, over 2,000 suppliers used our category sustainability surveys to report their progress to their retail buyers, up 25 percent from the previous year. The year-on-year growth in the number of survey responses suggests more companies see the importance of managing sustainability proactively. Additionally, there is a growing willingness among retailers to get more of their suppliers involved.

These suppliers represented over \$200B in sales to their retailer partners. Also in 2016, there were over 64,000 responses to our KPIs, with more than half of the responses scoring below 10%. Of the responses that scored under 10%, 70% of those choose “unable to determine at this time” as their responses.



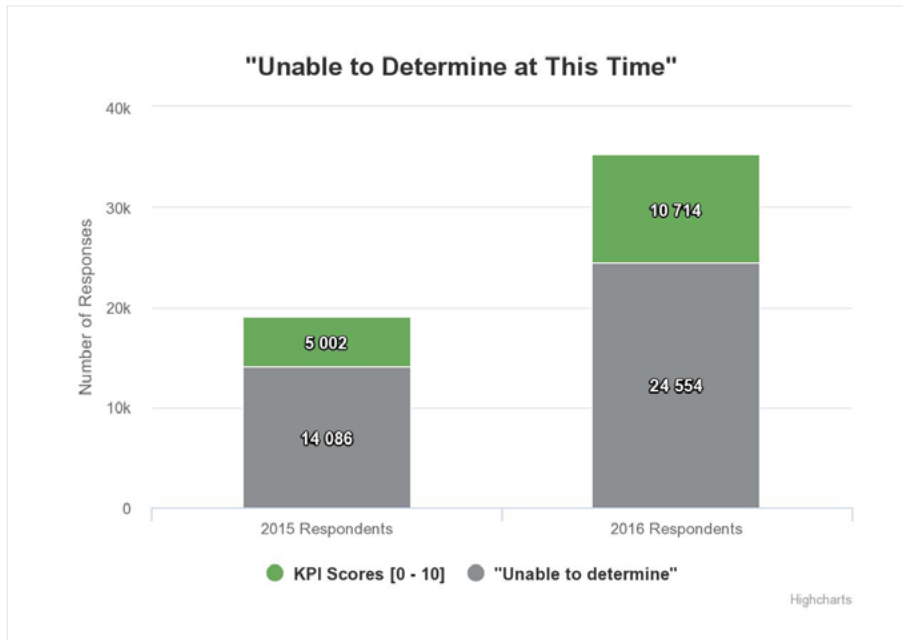


Visit our [website](#) to see an interactive version of the graph.

The shape of this chart may be surprising. Why are there so few responses in the space between “we are unable to determine...” and 100%? It seems that once companies begin to assess an issue, they quickly progress to assessing it for all of the relevant suppliers, facilities, or products. And for some, the desire to improve their score will act as an additional incentive.

The silver lining is of course that companies are reporting even if it means revealing that they have significant room for improvement. Although awareness and activity in sustainability for consumer goods is likely higher than it has ever been, it should come as no surprise that the most companies are still at the beginning of their sustainability journey. Leaders continue to lead and demonstrate the value and possibilities in pursuing sustainability. Many may be building the relationships, networks and

systems they need to be able to report in the future. But, how do we change the shape of this chart? How do we shift response away from “we are unable to determine...” to 5, 10, 50%?



Visit our [website](#) to see an interactive version of the graph.

We know that suppliers are working hard to improve their KPI scores through creating the internal infrastructure they need to move forward: awareness, training and education, data collection, project management, supplier engagement, and improvement processes. Once the infrastructure is in place, suppliers are able to make rapid progress as they can address multiple sustainability issues at once, spreading responsibility and opportunity for sustainability throughout the organization.

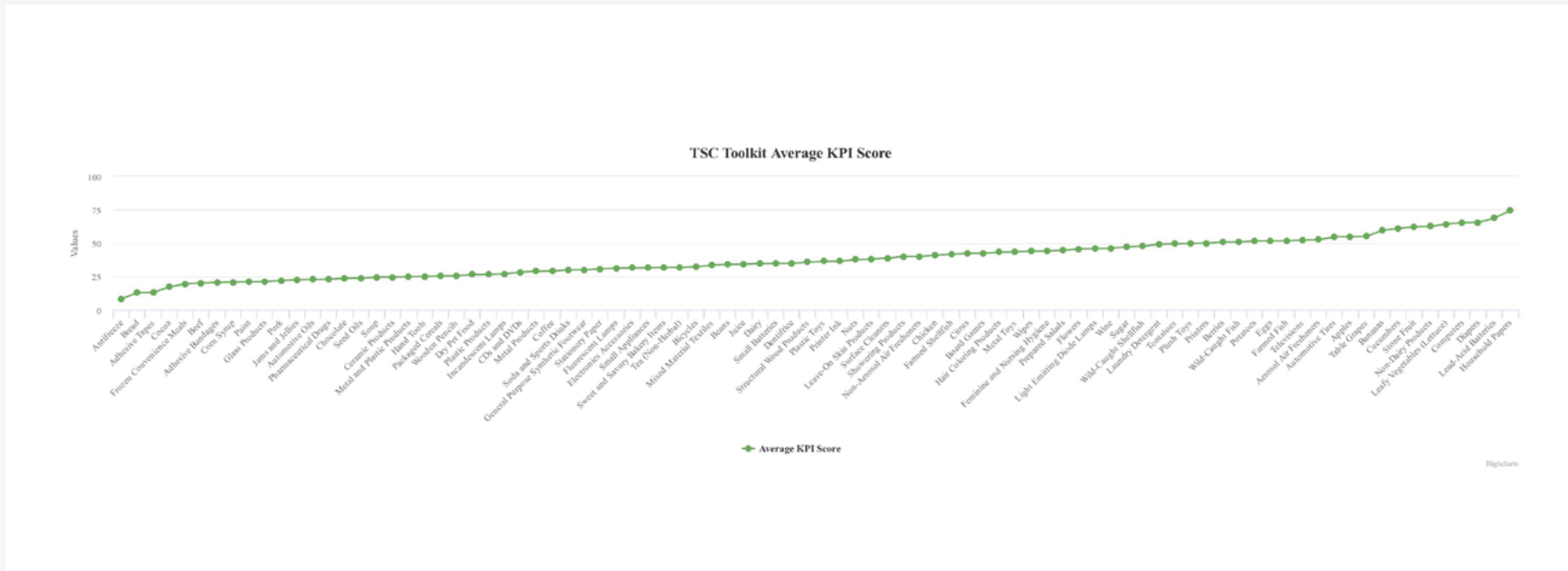
Together, TSC, our members, and our partners can help and support suppliers to change these numbers and change the way they report them. Some already are making gains, others haven't started yet. It is the call for collective action from retailers, suppliers, manufacturer, NGOs and everyone involved in creating more sustainability consumer products that will help us make real changes to these charts, bringing impact at scale to a system already set in motion.

PART 2

64 AND OVER CLUB

What do diapers, computers, household papers, leafy vegetables, and automotive batteries have in common? They were the five product categories in 2016 surveys whose average survey scores were equal to or greater than 64 out of 100. What is it about these product categories that enable respondents to provide more data about their value chains? Taking a deeper look into a couple of these product categories shows some of the possible reasons for the higher scores.





Visit our [website](#) to see an interactive version of the graph.



LETTUCE & LEAF VEGETABLES

AVERAGE KPI SCORE

64.18%

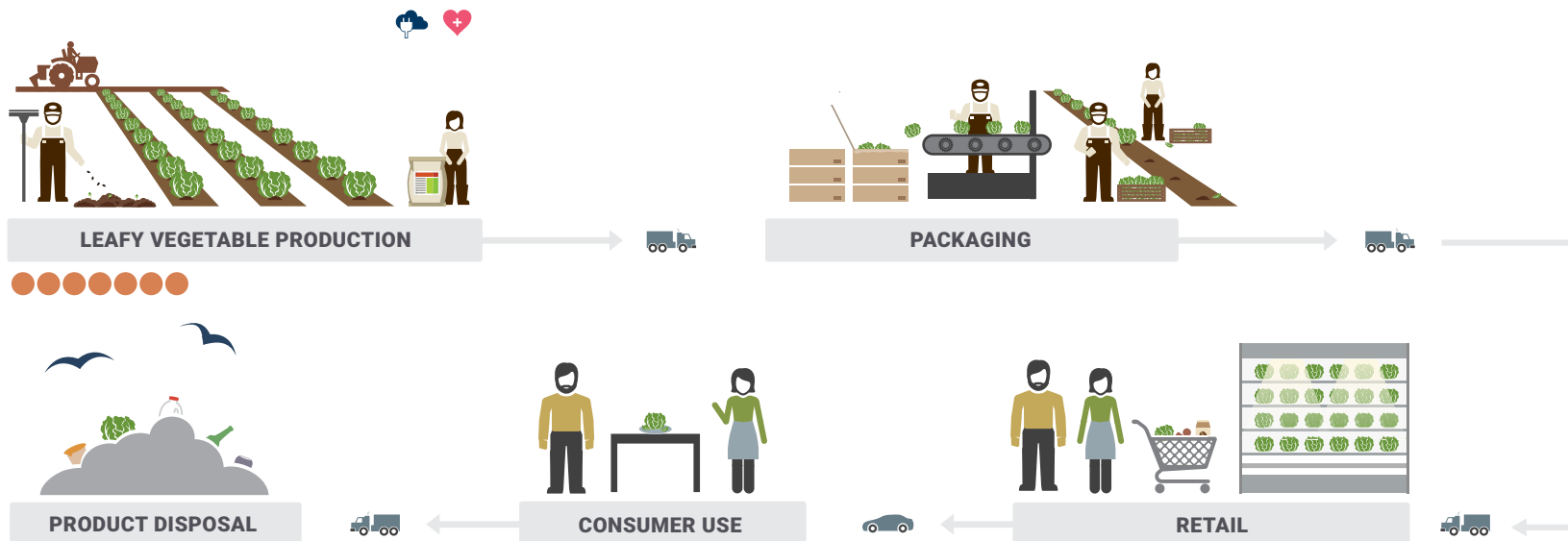
Firstly, **leafy vegetables**: The stages of the leafy vegetable value chain are shown in the figure below. From production, leafy vegetables go directly to packaging and then are distributed to retail, resulting in a relatively “short” supply chain. Retailers generally source this type of produce directly from growers, or from brokers that work directly with growers and then sell directly to consumers. As a result of this short supply chain, there is the opportunity for more visibility into the social and environmental hotspots that are associated with leafy vegetable farming.

But not all value chains are so short. Diapers, another category than had an average KPI score above 64, is a complex product made of many materials.




LETTUCE AND LEAF VEGETABLES SUPPLY CHAIN

SUSTAINABILITY ISSUES: CLIMATE & ENERGY HEALTH, SAFETY & RIGHTS
HOTSPOTS



Diaper manufacturing is a relatively mature industry. Hypercompetition had led to low margins, driving consolidation and vertical integration. The materials in a diaper drive both its cost and carbon footprint, so efforts aimed to reduce one have reduced the other as well. The high degree of vertical integration increases the ability of a diaper manufacturer to connect with the different facilities across the product's life cycle and build relationships with each of the component manufacturing facilities along the value chain.

DIAPERS



AVERAGE KPI SCORE
65.44%



The electronics industry has a history of working together, in part to address the benefits of having common technical standards, and in part to address regulatory issues in a shared and standardized way. As the sector turns to addressing sustainability issues, it has these long-standing partnerships and strong industry associations, like EICC, to facilitate progress. The **computer** category in particular has benefited from broadly adopted eco-certifications, like ENERGY STAR(c) and EPEAT, which has helped drive sector manufacturers to focus on the key sustainability issues within their own operations and their suppliers.



COMPUTERS

AVERAGE KPI SCORE

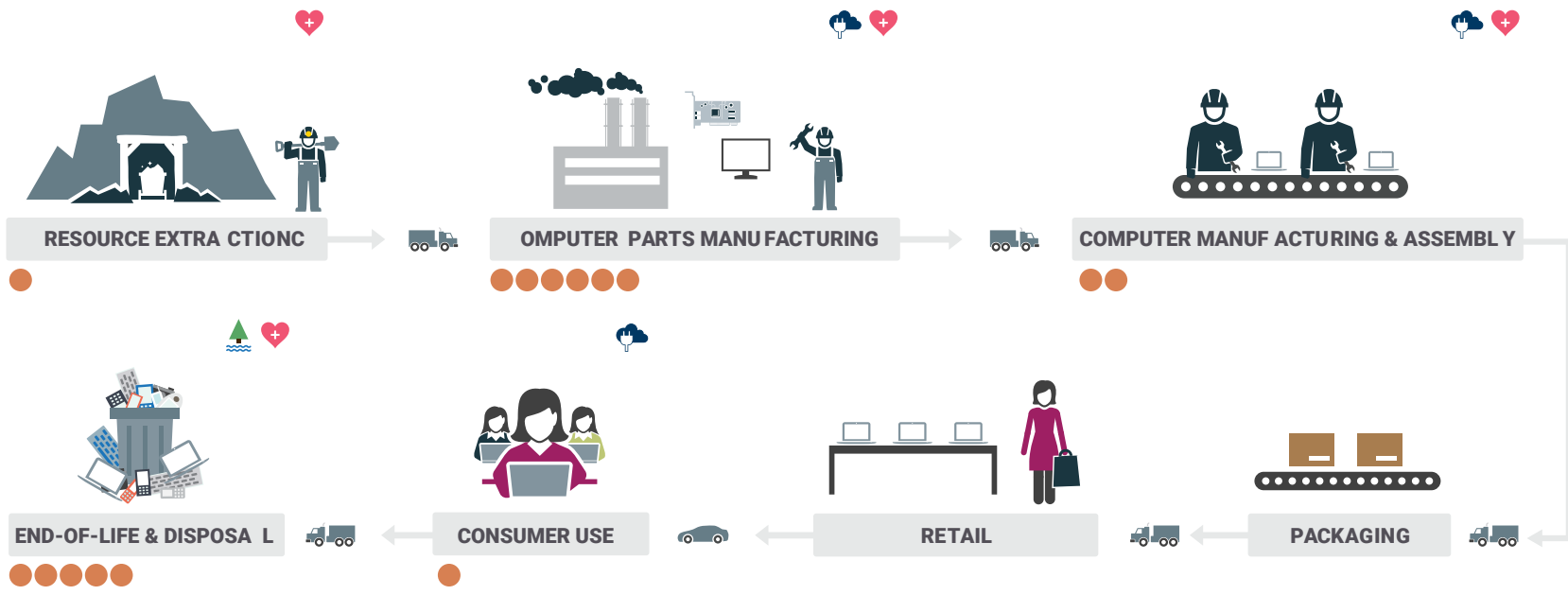
65.22%

COMPUTERS

SUPPLY CHAIN

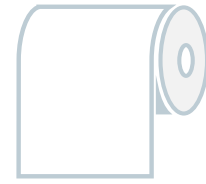
SUSTAINABILITY ISSUES: CLIMATE & ENERGY LAND & ECOSYSTEMS HEALTH, SAFETY & RIGHTS

HOTSPOTS ●



The category of **household papers**, which includes products such as toilet tissue, paper towels, facial tissue, and paper napkins, was another high scoring category. Like Diapers, the underlying sector is mature, with the leading brands having long-standing sustainability programs, and having great supply chain visibility via higher levels of vertical integration. The KPIs that averaged the highest scores within the category all related to sustainable forest certification, which highlights the critical role that these systems have played.

HOUSEHOLD PAPER PRODUCTS



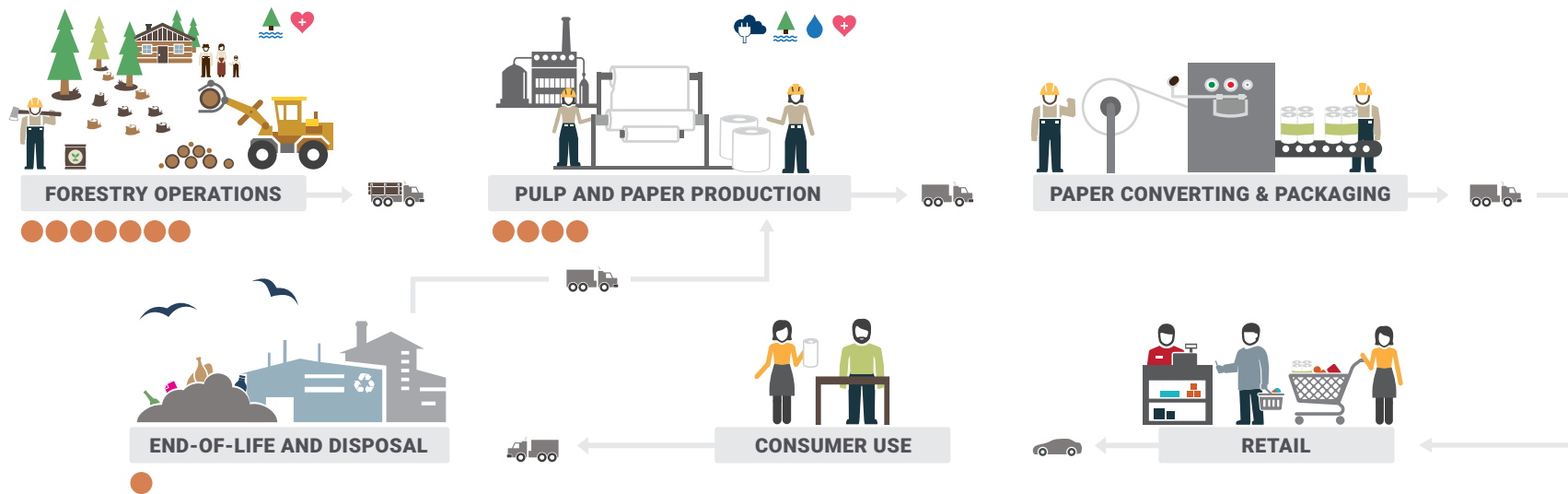
AVERAGE KPI SCORE

74.36%

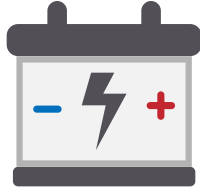


HOUSEHOLD PAPER PRODUCTS SUPPLY CHAIN

SUSTAINABILITY ISSUES: CLIMATE & ENERGY LAND & ECOSYSTEMS WATER USE HEALTH, SAFETY & RIGHTS
HOTSPOTS



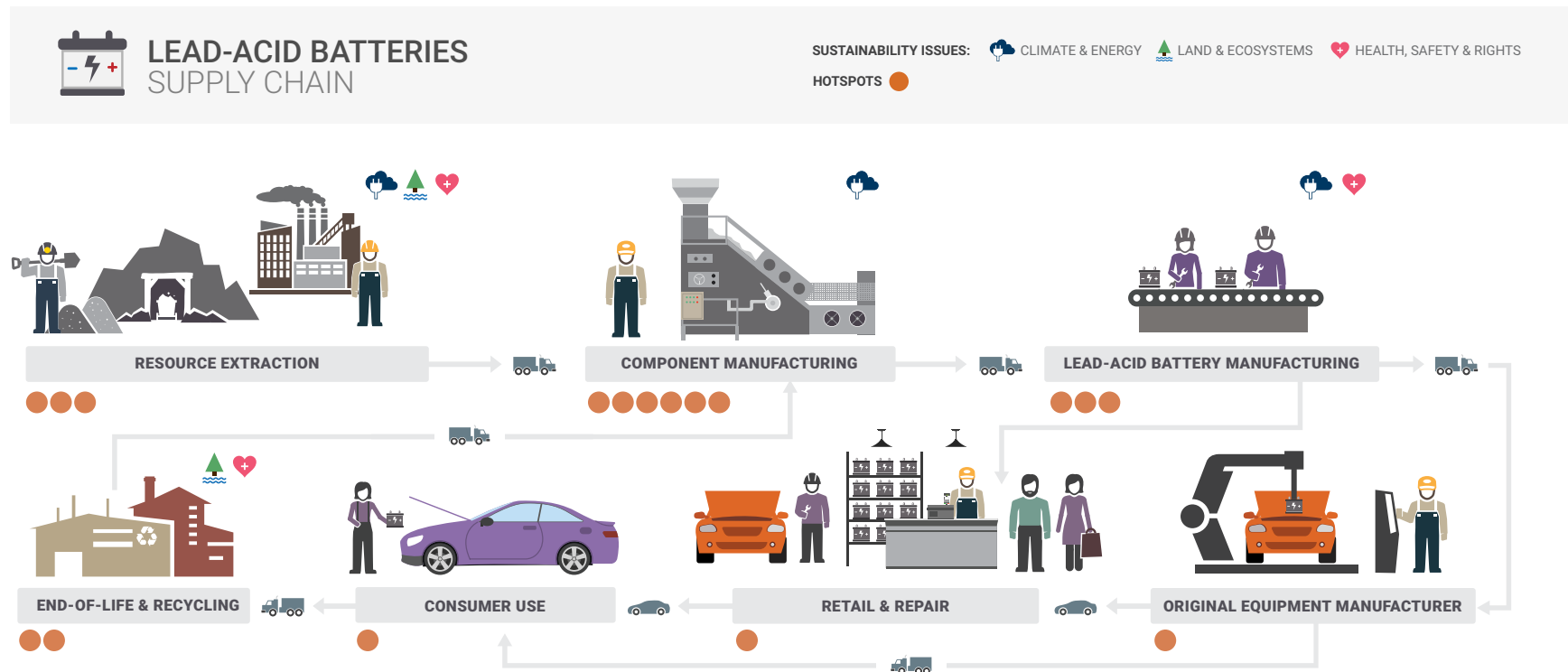
Finally, the **automotive batteries** category: As in some of the other high scoring categories, leading brands are larger and more mature. The highest scoring KPIs in the category involved worker health and safety, where the industry has invested in systems and technology. Also scoring high were KPIs involving product stewardship and recycled content, demonstrating the category's commitment to closing the loop.



LEAD-ACID BATTERIES

AVERAGE KPI SCORE

68.64%



In summary, high scoring categories are characterized by the category's brands doing well on many things, and doing excellent or near perfection on a few things. Some of this excellence has to be attributed to individual brands who have taken leadership on sustainability for many years now, and part can be attributed to the collaboration that exists within supply chains and even across competitors.

Interested in learning more about the sustainability issues around our everyday consumer products? Visit our [ProductFinder](#) search tool to search and download Sustainability Insights.



Visit our website to explore Case Studies of TSC tools and services in action.

www.sustainabilityconsortium.org/impact-report

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2017 Impact Report

Lead Designer: Giada Mannino, The Sustainability Consortium

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About The Sustainability Consortium

The Sustainability Consortium® (TSC®) is an independent, global non-profit organization working at the intersection of science and business to create transparent tools, methodologies and strategies for product and supply networks that address environmental, social, and economic imperatives. TSC collaborates with more than 100 members from civil society, NGOs and corporations, such as Unilever, Campbell's, P&G, and Walmart.

TSC is jointly administered by Arizona State University and the University of Arkansas, with additional operations and support at Wageningen UR in the Netherlands, and in Tianjin, China.

For more information, please visit:

www.sustainabilityconsortium.org/impact-report





TSC continues to drive toward our mission and vision thanks to our members and donor support. You can support TSC too! Every gift matters.

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