

Delivering responsible sourcing in practice: an integrated approach

Over the last few years many supply chain companies have made commitments to responsible sourcing of forest and agricultural commodities. These cover issues such as deforestation, biodiversity loss, water use, land conflicts, community development, human rights, child labour and treatment of workers.

Implementing these commitments in practice is often challenging because responsible sourcing commitments relate to production and many supply chain actors have little or no contact with producers. Supply chains are often very complex, involving multiple intermediaries and ultimately hundreds or even thousands of producers. Supply chain companies need a variety of approaches to help them implement their commitments in practice.

There are three main approaches that companies can use: certification, legal compliance and direct engagement. Each of these approaches has strengths and weaknesses, and may function better in some situations than others. To implement sourcing commitments in practice, an integrated combination of all three may be needed.



Key points

- Responsible sourcing commitments are made by companies in the supply chain, but most commitments relate to production practices, so it is necessary to make links to production.
- Certification, legal compliance and supplier engagement programmes all have a crucial role to play in delivering commitments. There is no single 'right approach' and an integrated strategy is often the most effective.
- Landscape or jurisdictional initiatives can provide a framework for implementing all of these approaches.

Supply chains flow from upstream producers through mills, traders and refiners towards downstream manufacturers and retailers (Figure 1). There is a rapid increase in the number of producers supplying an individual company at each stage of the supply chain. The figure shows only one supplier at each

stage. In reality there are often many suppliers at each stage, so a downstream supply chain company is likely to have huge numbers of producers in its supply base. Large manufacturers and retailers that have mapped their supply base have found more than 1000 mills or first aggregators and well over 10,000 producers.

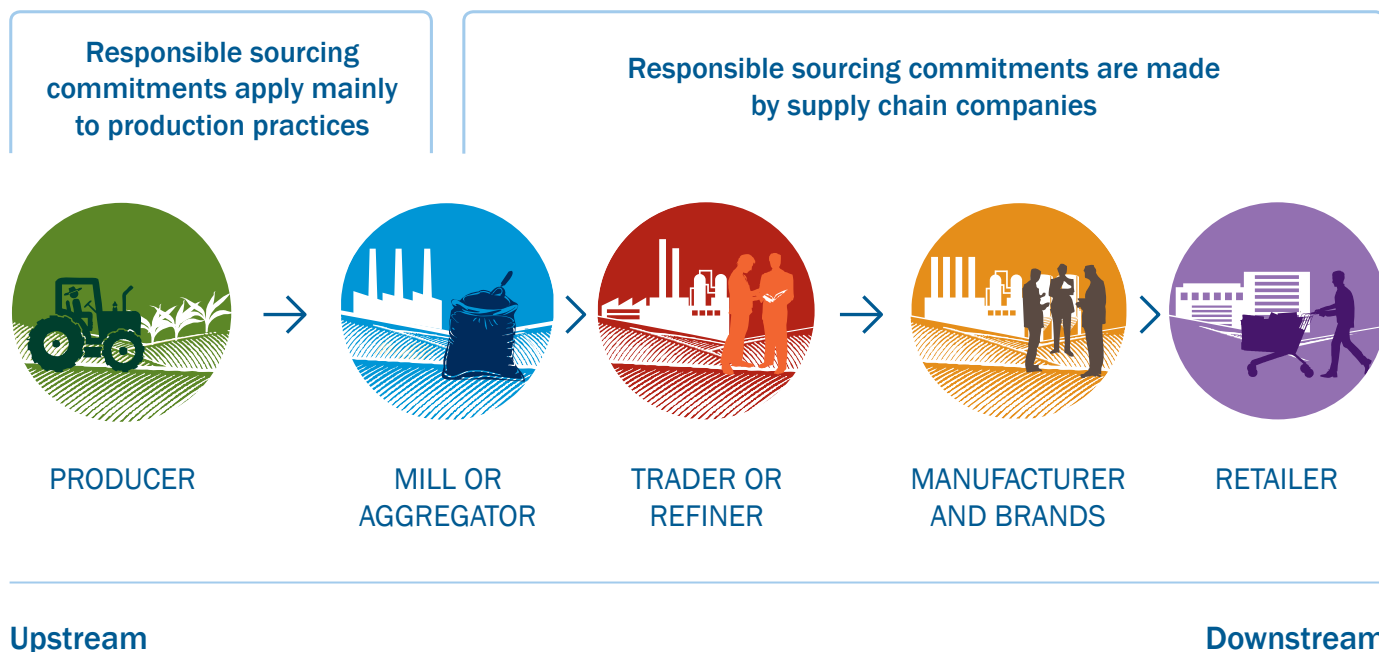


Figure 1: Responsible sourcing commitments in the supply chain

Implementing commitments in practice

Certification

Over the last two decades, a wide range of voluntary certification schemes has emerged. Some relate to specific sectors including forests, palm oil, sugar, coffee or soy; and others address specific issues such as fair trade, organic production or labour rights.

Certification has some great strengths. It provides an independent system, which delivers assurance that a known standard is being met. From a buyer's perspective it is familiar (safety and quality standards have been around for nearly a century) and simple to implement (is the product certified? Yes or no). For producers, certification allows them to remain independent of the buyer, holding the certificate themselves. Certification also has systems for dealing with complex supply chains through 'chain of custody' certification. It is not surprising, therefore, that it has been widely adopted by supply chain companies as a mechanism for delivering their responsible sourcing commitments.

A major strength of multi-stakeholder certification schemes is their role in bringing together diverse actors, including producers, buyers, environmental and social NGOs, communities and academics. It provides a platform for them to develop standards, discuss issues and resolve challenges, as well as to understand each other better.

However, certification also faces some major challenges. Many producers struggle with the costs and bureaucracy of certification and it has proved a particular challenge to include small producers. Certification focuses on individual producers and the overall impact can be quite limited where only one or two producers are certified in a region. Producers often resist the additional costs of certification in a context where they compete with uncertified producers. In addition, there are persistent challenges with maintaining a high quality of assurance through sufficiently robust sustainability certification assessments.

Beyond certification

The concept of 'beyond certification' has received much attention recently – but with two interpretations. It has been suggested that, because certification is not appropriate for every situation, it has somehow 'failed' and we need to move on to something new, which is not a very helpful approach.

The second interpretation is that certification is, and will remain, an effective and practical tool in many situations. However, in some cases too much dependence was placed on this single approach without considering how appropriate it is for specific circumstances. Where 'beyond certification' is used to emphasize the need for a well thought out combination of different approaches, then it is a very helpful concept.

Legal compliance

Though often overlooked, legal compliance plays a major role in delivering responsible sourcing commitments. In many countries, some or all of the requirements of companies' responsible sourcing policies are already required by law. If the law is adequately enforced then no further work is needed, saving a lot of time and effort for both producers and buyers (see Figure 2). For each country of origin, it is relatively straightforward to find out whether an issue is addressed by the law and whether the law is enforced. This forms a basis for deciding whether any further work is needed to ensure that commitments are being met.

Legal compliance also has the advantage of being a requirement for all producers, large or small. If a producer does not comply with the law, it is reasonable to ask that they start. This avoids the concerns about additional bureaucracy and costs which certification raises.

However, legal compliance does not always provide the solution for responsible sourcing because of:

- **Legal variation:** There is a lot of variation between countries' legal requirements, so while legal compliance delivers sourcing commitments in some countries, it does not in others.
- **Poor law enforcement:** Some countries have good laws but poor enforcement: confirming legal compliance then requires producer by producer verification, adding costs and bureaucracy very similar to certification.
- **Understanding supply chains:** A supply chain company also needs to understand its supply chain well enough to know where its producers are based, and how to track legal products through the supply chain without chain of custody certification. For short supply chains this is relatively easy, but for complex supply chains it can be challenging. For more, see [Proforest Briefing 4](#).



Figure 2: Legal compliance and responsible sourcing

In Country A, a strong and well enforced legal framework covers relevant issues. Responsible sourcing commitments are being delivered. No further work is needed. In Country B, the legal framework is weak and/or poorly enforced. Additional measures will be needed to deliver commitments.

Supplier engagement

Direct engagement with suppliers by supply chain companies can complement legal compliance and certification. Unlike certification or legal compliance, there is no pre-defined system of supplier engagement, but rather a framework of good practice. This involves mapping the supply base and assessing the risk that producers do not meet responsible sourcing commitments (see [Profrest Briefing 6](#)). This helps to identify priorities for further engagement to verify producers' practices on the ground. Some companies develop standards or minimum requirements for suppliers. Where suppliers do not meet responsible sourcing commitments, action is needed to support change. Finally, a transparent approach to monitoring progress and dealing with grievances is important.

Direct engagement allows much greater flexibility than certification or legal compliance, so approaches can be adapted for different situations. It also

focuses resources on the highest risk suppliers, and often involves active support for improvements, providing a framework for significant positive impact.

Like the other approaches, however, supplier engagement has its limitations. It can be very resource intensive – particularly at the start – making it difficult for small or even medium companies to develop their own supplier engagement programmes. It also depends on suppliers' collaboration to provide information and engage in positive change. Not all suppliers are interested in collaborating, and where a company has limited leverage on suppliers, this can be a serious constraint. In addition, it can create an excessive burden for upstream suppliers that receive multiple requests for the same information from different clients, or are required to undergo multiple assessment visits commissioned by different customers. For more, see [Proforest Briefing 8](#).

Jurisdictional or landscape initiatives

There is a growing focus on landscape or jurisdictional initiatives as a mechanism to increase the impact of commitments to responsible production and sourcing. There is no formal definition, but these are initiatives which are developed and implemented at the **scale** of a jurisdiction (ie. local or national government) with **participation** of government together with other stakeholders such as civil society groups, NGOs, communities, companies or farmers. These stakeholders agree on one or more **shared goals** (eg. reducing deforestation, eliminating child labour, supporting smallholders or improving yields) and **align their activities and inputs** (eg. incentives, support programmes, enforcement, policy and planning, campaigns) in order to be more effective. **Accountability**, including long-term governance, monitoring and transparency, communication, review processes and mechanisms to deal with issues and grievances, is also needed to provide credibility and assurance.

This type of initiative can be very useful in supporting the implementation of all three approaches and may be the best way to address some of the greatest challenges. For more, see [Proforest Briefings 2 and 3](#).



Other relevant Proforest Briefings are available at www.proforest.net/publications:

Briefing 2: Introduction to jurisdictional approaches

Briefing 3: Implementing responsible sourcing - using jurisdictional approaches

Briefing 4: Building on legality

Briefing 6: Geospatial risk assessment

Briefing 8: Supplier engagement

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