

SUSTAINABILITY FORESIGHT TOWARDS TO BUSINESS OVERVIEW

Event: Purchasing Practices and Beyond 2024

22 November 2023

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HUMAN RIGHTS ISSUE IN SUPPLY CHAIN AFFECTS FIRM VALUE

More than £1bn wiped off Boohoo value as it investigates Leicester factory



Boohoo Loses Half Its Market Value as Labor Abuse Worries Mount

- Clothing retailer hires Bureau Veritas for independent probe
- Boohoo cuts ties with two suppliers that broke code of conduct



Photographer: Dana Pleasant/Getty Images

By [Deirdre Hipwell](#)

8 July 2020 at 13:18 GMT+7

Updated on 8 July 2020 at 16:31 GMT+7





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ยืนยันทุกกระบวนการ**ปราศจากการใช้แรงงานลิง**

Statement regarding to the news that Walmart drops
Chaokoh, TCC confirms for our transparency through
the production process **without monkey labor.**

READ MORE



PRESSURE FROM ALL DIRECTIONS TO STIMULATE BUSINESS TO THINK ABOUT SUSTAINABILITY

- **Opportunities for responsible business**

Businesses in different sectors need to adjust their business model and come up with innovative products/services that have low impact to the society and the environment while add value to customers.

- **Consumers are more aware of environmental and social impact**

Consumers are highly aware of consumption impacts; they would favour products/services with lower impacts and expect transparency.

- **Investors use ESG criteria in their investment**

ESG rating/performance is important for companies to be included in ESG funds and will affect market activity and pricing. This stimulates the increasing requirement on non-financial disclosures.

- **Severe physical impact from climate change**

Extreme weather, floods and droughts happened around the world.

- **National aspiration and commitment**

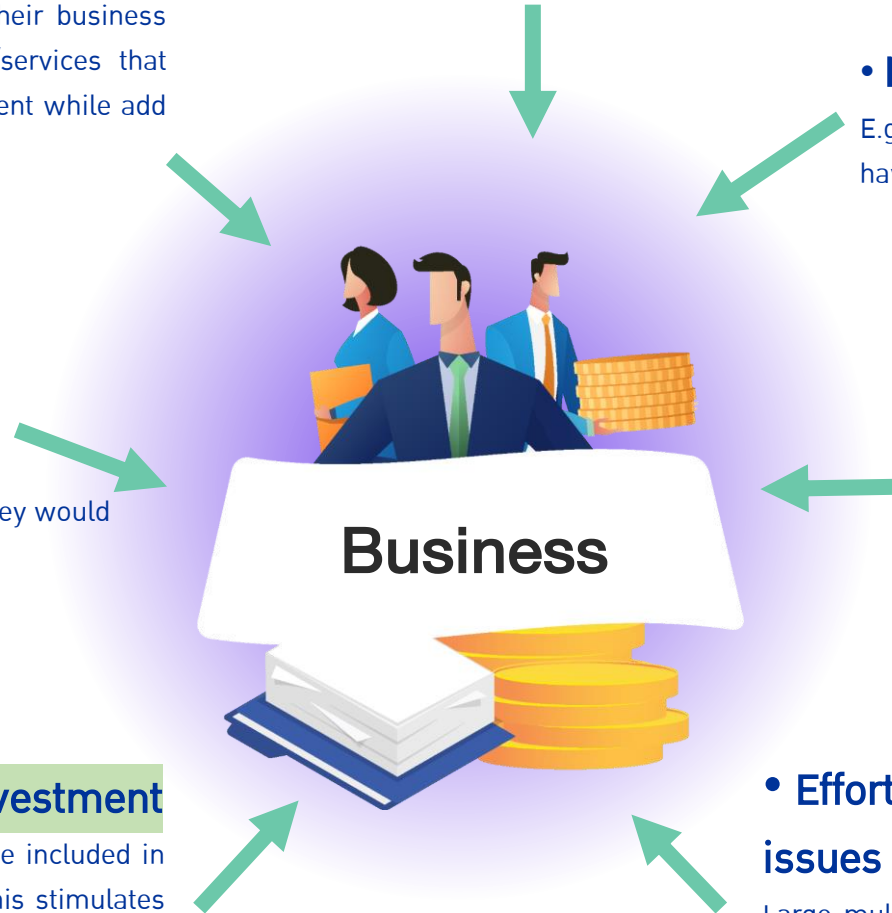
E.g. many countries around the world, including Thailand have made commitment for Net Zero Emission at COP26.

- **Increasing national and international regulations/frameworks**

For example: 56-1 One Report, IFRS S2 and S2; EU's Carbon border adjustment mechanism (CBAM); Right to Repair; Extended Producer Responsibility; CSRD; CSDDD

- **Effort to decarbonize and tackle human rights issues in supply chain**


Large multi-national companies that have global supply chain could require their suppliers to accelerate their decarbonization efforts by setting numerical targets; and conduct human rights due diligence



RETHINKING THE BOUNDARIES

A decorative graphic consisting of several overlapping, curved lines that sweep from the top left towards the bottom right. The lines are rendered in a light gray color and have a dotted or dashed texture, creating a sense of movement and depth. They are positioned behind the main title text.

EXISTING BOUNDARIES...



Sustainability-
related issues




Data



Financing
mechanisms

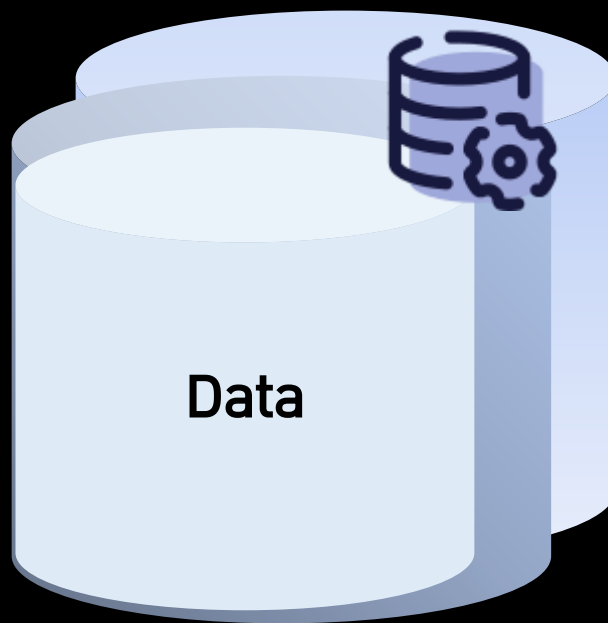
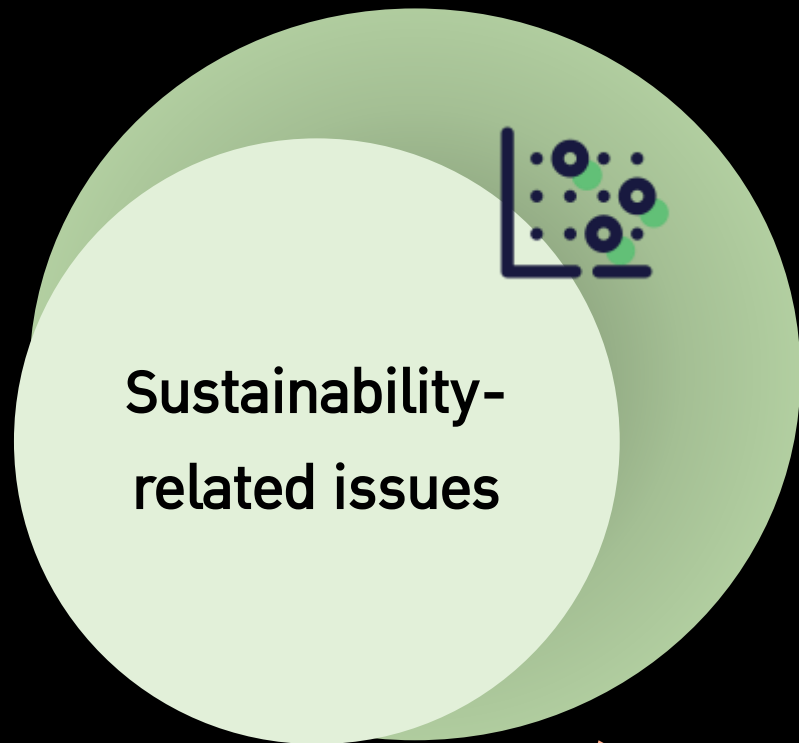


Skills

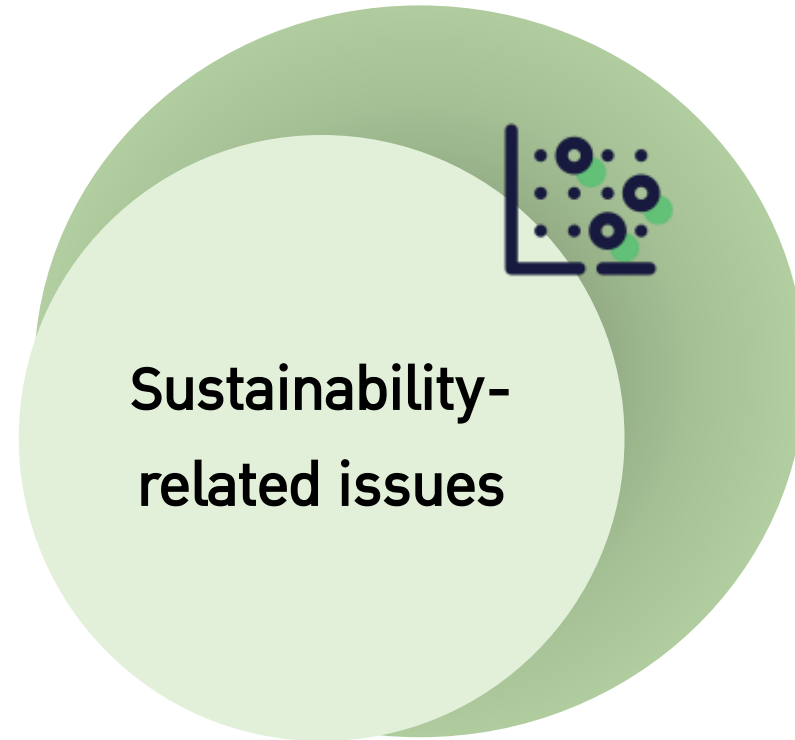


Corporate
responsibilities and
accountability

RETHINKING THE BOUNDARIES ...



GLOCALISING SUSTAINABILITY-RELATED ISSUES



THINK GLOBAL

be aware of global issues and goals, look at the world as one coherent system

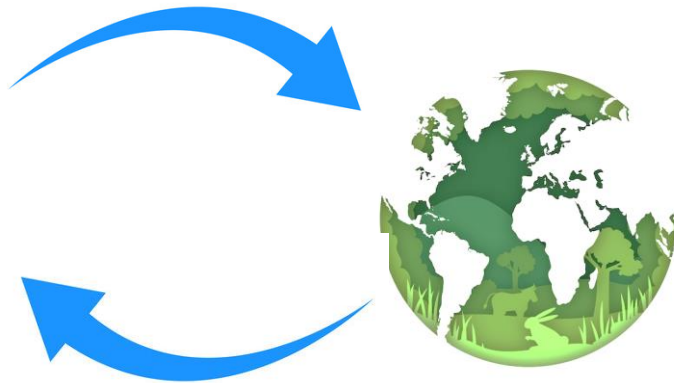
ACT LOCAL

understand local context where the business is operating in (e.g. sector, geographical)

Boundary of issues: Double materiality

- More (specific) sustainability-related issues will be added to the universe of possible material issues
- Material issues will be looked at as inside-out and outside-in

Impact/Environmental & Social Materiality



Financial Materiality

Dynamic materiality acknowledges that the materiality of an issue can shift based on anticipated or unexpected circumstances. What is (financially) immaterial to an organization today can become material tomorrow.



Example: Thai Union

- Three different “Responsible sourcing” issues are recognized as material issues.
 1. Responsible Sourcing - Wild Capture Fisheries
 2. Responsible Sourcing – Aquaculture
 3. Responsible Sourcing - Non-seafood Ingredients (inc; chicken, soy & palm oil)
- Double materiality

Dimension	Chapter	Materiality topic	Double Materiality	Stakeholders including Impact on Human Rights	SDGs
Environment	RESPONSIBLE WILD CAUGHT SEAFOOD	Responsible Sourcing - Wild Capture Fisheries	Increase in operational costs	Suppliers, Government, NGOs, International organizations	SDG 2, SDG 8 SDG 10, SDG 14
		Biodiversity			



Boundary of issues: Smaller organisations

Common material issues would be the following ... But the material issues could be expanding

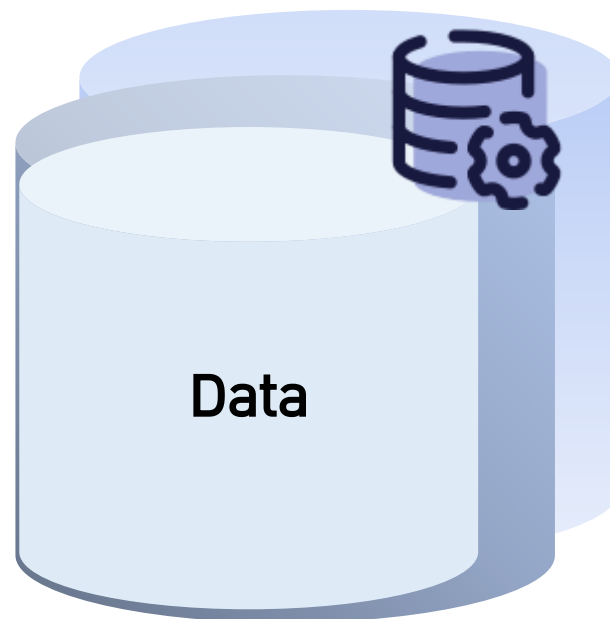
- **Climate change** – specific on GHG reduction
- **Human rights** – specific on labour rights

Boundary of issues: Expansion

- From CLIMATE CHANGE mitigation to NATURE protection, management, and restoration
- From TRANSITION plan to JUST TRANSITION plan



CAPTURING MORE DATA – BOTH QUANTITY AND QUALITY



NEED FOR MORE DATA – BOTH QUANTITY AND QUALITY

- Increasing regulation and ESG data requirements



Near Future

- Corporate Sustainability Reporting Directive
- Corporate Sustainability Due Diligence Directive

- Sustainability-related/ESG data is needed for decision makings by various stakeholders

Examples:

- Regulators – for compliance, tax collection
- Investors – for investment decision, portfolio risk assessment, compliance
- Financial institutions – for lending decision, risk assessment, compliance
- Business partners/buyers – for procurement and buying decision, risk assessment, supply chain target alignment, trade credit consideration



NEED FOR MORE DATA – BOTH QUANTITY AND QUALITY

Problem of trust in ESG data:

- Three quarters of more than 1,000 respondents (76%) of “Accelerating sustainable action through IoT” survey in 2022 doubt their peers’ ESG reporting
- There is the need for robust, granular data to back up sustainability claims and rebuild industry trust.



Data is needed for tracking progress of set targets

- Setting goal is not enough, targets for different progression stages need to also be set
- ESG data could help monitor and assess target progress



NEED FOR MORE DATA – BOTH QUANTITY AND QUALITY

If data assurance is one of the answer ... ,
are businesses ready for such assurance?

“[KPMG ESG Assurance Maturity Index 2023](#)”

- five critical steps to become ESG assurance ready:

1. Determining applicable *ESG reporting standards*
2. Building robust *ESG governance* and developing the right skills
3. Identifying the applicable ESG disclosures and necessary *data requirements*
4. *Digitizing ESG data processes* and ensuring high quality data
5. *Working with the value chain* to collect ESG information



INNOVATING FINANCING STRATEGIES TO DRIVE SUSTAINABILITY





INNOVATING FINANCING STRATEGIES TO DRIVE SUSTAINABILITY

“Following the COVID-19 outbreak, available resources are not keeping pace with those growing SDG financing needs, resulting in a scissors effect. The SDG financing gap in developing countries increased by 56% percent in 2020, totalling USD 3.9 trillion.”


[OECD](#), 2022

Some financing instruments for driving sustainability agenda

“Use of Proceed” bonds - *Green, Social Sustainability bonds (GSS)*

-  **Green bonds / Blue bonds**
-  **Social bonds**
-  **Sustainability bonds**
-  **Other labels** e.g. Blue bonds, Transition bonds, SDGs bonds

“KPIs/SPTs-based bonds” - *Sustainability-linked bonds (SLB)*

-  **Sustainability-linked bonds**
>> General purpose, attached to performance conditions (KPIs and Sustainability Performance Targets)

Outcome-based bonds

-  A few examples ...
e.g. [World Bank Wildlife Conservation Bond](#), [Emission Reduction-Linked Bond](#)



Emission Reduction-Linked Bond – Water Purifier Project in Vietnam

Issuer: The World Bank (International Bank for Reconstruction and Development, IBRD)

Amount: \$50 million

Trade – Maturity Dates: February 14, 2023 - March 31, 2028

Linked condition: Interests are linked to the number of *Verified Carbon Units (VCUs)* issued by Verra for the water purifier project, paid semi-annually subject to a cap



Objectives:

- Solve the problem of **lack of clean water and air pollution** (reduce the burning of biomass traditionally used in boiling water for safe consumption).
- Support the **production of 300,000 water purifiers** to 8,000 schools and other organizations - *covering provision of clean water to around 2 million children and reduction of GHGs by almost 3 million tCO₂e over 5 years.*



INNOVATING FINANCING STRATEGIES TO DRIVE SUSTAINABILITY

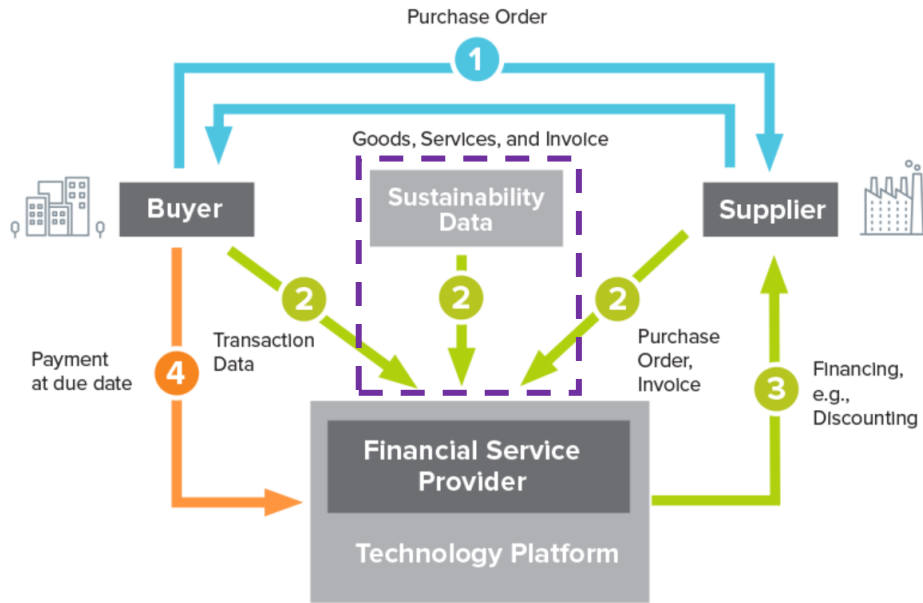
Although there have been an increasing sustainable investment and finance, these are example of main challenges ...

- These financing initiatives need to lead to impact and reflect a portfolio's relation to sustainability. If they do not, markets will lose credibility.
- There is currently no universally agreed definition of sustainability in financial or capital markets.
- A lack of data impedes transparency and accountability of the impact of resources.
Thus, there is a risk for green/impact/SDGs-washing

**Sustainability-labelled finance instruments will be more rigorous,
possibly closely linked to taxonomies or Net Zero pathway.**



SUPPLY CHAIN FINANCE IS ANOTHER OPPORTUNITY



Why Sustainable Supply Chain Finance?

- » Companies need working capital, and cash optimization is a tangible incentive for both buyers and suppliers.
- » Supply chain finance is becoming digital.
- » Supplier sustainability performance data is still not perfect, but it is getting more quantifiable and readily available.
- » Financial service providers offer solutions that can integrate sustainability data.

Table 1: Overview of Promising Sustainable Supply Chain Finance Solutions

Lead Actor	Solution	When to Consider
Single Buyer	Sustainable Payables Finance	When a global company wants to offer a direct incentive to its own suppliers
Supplier	Sustainable Trade Loans	When a supplier needs financing for sustainable goods and projects
Multiple Actors in a Supply Chain	Smart Contract Solutions	When a group of actors are aiming to create traceability of goods and sustainability data, while unlocking SCF in vertical supply chains



EXAMPLE: TMB/TTB AND MITR PHOL

- Mith Phol and TMB/TTB supply chain solution

Supply Chain Solution for Mitr Phol

As a result of a successful collaboration between TMB and Mitr Phol, the Bank has developed innovative supply chain solution that helps Mitr Phol efficiently manage its financing and supply chain to be in line with Mitr Phol Modern Farm concept which promotes the use of innovation and technology to enhance productivity, reduces cost of operation, and promotes responsible sugar cane farming practices. The collaboration helps both parties to simultaneously tackle financial inclusion, financial well-being, and climate change issues.

Digital Wallet and Green Cane Loan

TMB developed a digital supply chain finance solution and platform for Mitr Phol's farmers through Digital Wallet that connects Mitr Phol, farmers and their supply chain, such as suppliers and dealers, and enables farmers to gain access to cash and non-cash items necessary for cane farming activity (e.g., fertilizers, equipment, machinery). The lending of non-cash items was pioneered by Mitr Phol to ensure that farmers use proper tools and equipment for cane farming as these items support farmers to grow and harvest cane responsibly, improve productivity, reduce environmental problems by eliminating burning of canes that contributes to climate change, and substitute chemical fertilizers with organic fertilizers. TMB also provided Green Cane Loan to Mitr Phol to facilitate fresh cane harvesting and reduce burned cane from farmers which aligns with Mitr Phol's modern farm concept. Mitr Phol has identified clear action plans and measurable targets to assess the eligibility of farmers to gain access to the Green Cane Loan such as percentage of fresh cane (unburnt cane) and number of farmers who adopted mechanical farming.



4,650
Farmers

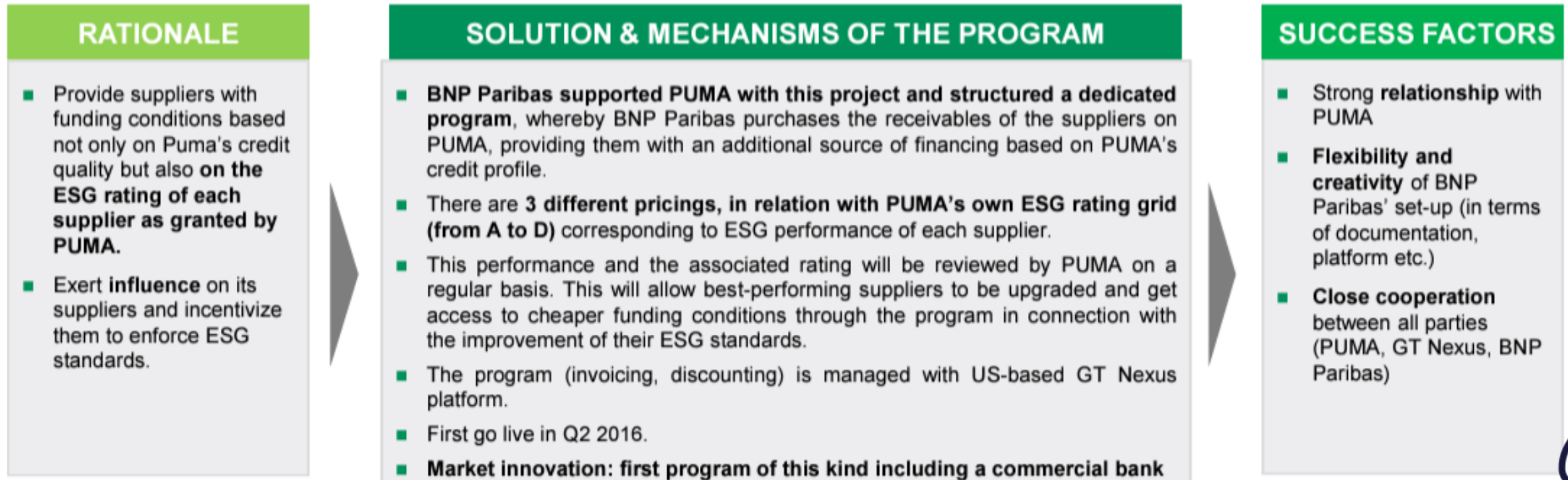
adopted our solution since the launch of this product in mid-2019 where these farmers also gained access to finance. In 2020, TMB expects over 8,000 farmers to use the digital wallet as the Bank plans to roll out digital wallet with Mitr Phol in the Northeastern Provinces such as Khon Kaen and Loei. The partnership with Mitr Phol reflects how TMB thrives to make the difference for our customers by being a true partner who supports not only financial strength, but also brings added value in terms of strengthening sustainable growth of customers' supply chain ecosystem. TMB aims to apply the same concept of supply chain solution to other business sectors and business partners where the Bank can offer all-in-one solution to solve issues and challenges in customers' supply chain and contribute to their sustainable growth.





Puma Vendor Financing Programme

- Offer [better financing](#) to those suppliers who achieve higher sustainability ratings to ensure the Puma's supply chain performance.
- [2016](#) – Collaboration between PUMA, BNP Paribas, IFC and GT Nexus.
 - The bank discounts the suppliers' invoices on *PUMA's credit standing* and on *PUMA's supplier rating*, including social and environmental issues.





Puma Vendor Financing Programme – Scoring

➤ T.13 NUMBER OF FACTORIES WITH FACILITY ENVIRONMENT MODULE (FEM) VERIFIED SCORE

Number of factories with FEM
verified score

	2022			2021		
	Core T1	Core T2	Core L&P*	Core T1	Core T2	Core L&P*
A	8	10	2	5	3	1
B+	25	25	1	21	23	5
B-	30	22	7	27	24	4
C	2	8	2	12	17	1
D	0	0	0		2	1
Total	65	65	12	65	69	12
Number of factories	142**			146		

* L&P: Labeling and packaging

** Out of a total of 147 core factories targeted for FEM, 142 factories have completed verification

This practice has provided Puma with a more **comprehensive mechanism for supplier assessment**, and **enhanced the collaborative relationship** with their suppliers.



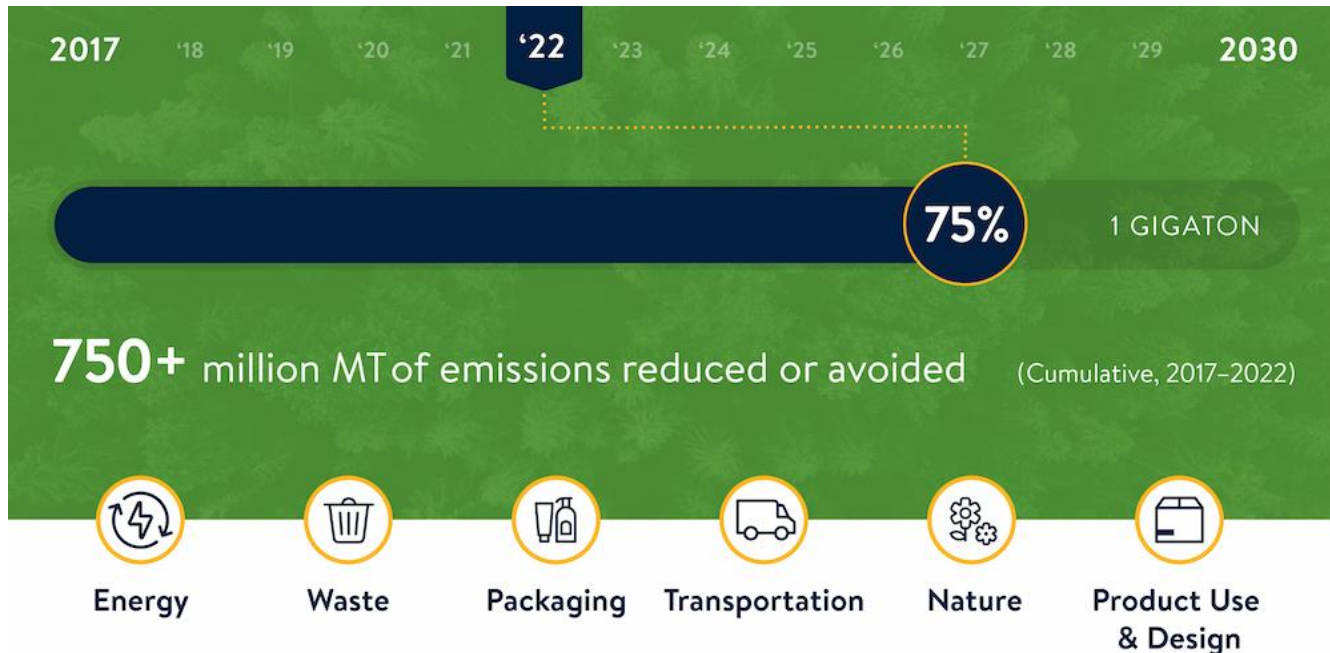
Walmart – Project Gigaton launched in 2017

Walmart established a sustainable supply chain finance (SSCF) program with HSBC - companies can access better pricing than available in traditional SCF offerings. To qualify, suppliers have to meet sustainability criteria established by Walmart.

“Walmart administers the entire programme. They are the ones who assess their suppliers on an ongoing basis, and they share their ratings with us on a periodic basis. Based on their ratings, we would set those up on our internal platform, and whatever is the applicable financing price would then get applied to the suppliers,”



- The goal is to reduce or avoid 1 billion metric tons of GHGs from its global value chain by 2030.
- Recently, supplier participation (voluntary program) has grown from a couple hundred to over 5,000 suppliers.



EXAMPLE: WALMART

	2022	2023
Giga-Guru 	<ul style="list-style-type: none"> <input type="checkbox"/> SMART Goal in 3+ pillars or Science Based Target <input type="checkbox"/> Report Impact in 3+ pillars 	<ul style="list-style-type: none"> <input type="checkbox"/> SMART Goal in 3+ pillars or Science Based Target <input type="checkbox"/> Report Impact in 3+ pillars <p>NEW Share Carbon Footprint (Scopes 1 & 2)</p>
Sparking Change 	<ul style="list-style-type: none"> <input type="checkbox"/> SMART Goal in 1 pillar <input type="checkbox"/> Report Impact in 1 pillar 	<ul style="list-style-type: none"> <input type="checkbox"/> SMART Goal in 3+ pillars or Science Based Target <input type="checkbox"/> Report Impact in 3+ pillars

*“HSBC links this rating to the **financing pricing**, so both the diverse suppliers and the green sustainable suppliers have an awarded pricing, which is better than the standard financing pricing. The objective is to incentivize suppliers to qualify and get recognized.”*

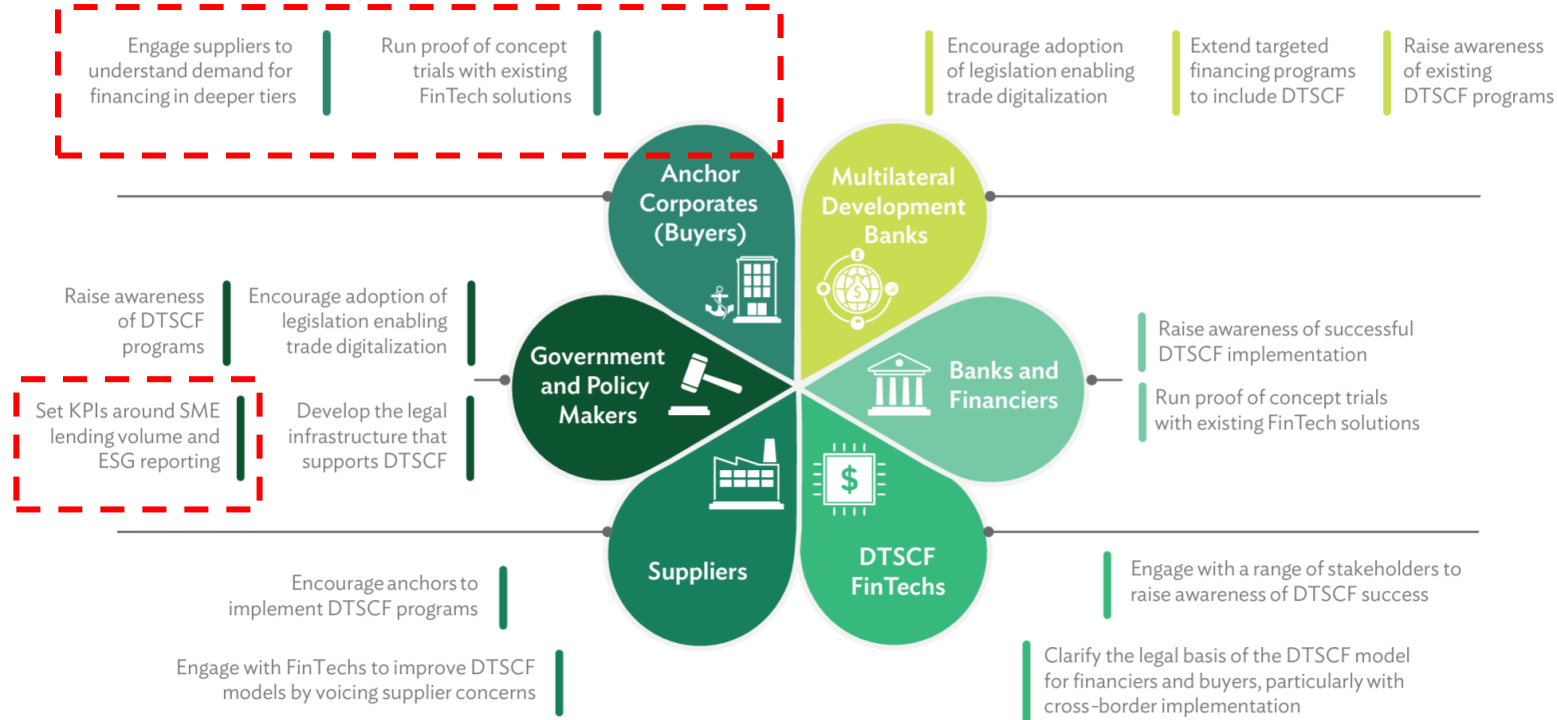


DEEP-TIER SUPPLY CHAIN FINANCING

Deep-tier supply chain financing is also crucial, yet challenging...

- In the past, this may not be feasible for lower tiers of the supply chain; however, advancements in digital technologies are making this degree of transparency and *data sharing* possible.
- Driving ESG initiatives through this financing need action points from different stakeholders

Figure 2: Accelerating the Adoption of Deep-Tier Supply Chain Finance—Action Points for Each Stakeholder



DTSCF = deep-tier supply chain finance; ESG = environmental, social, and governance; FinTech = financial technology; KPI = key performance indicator; SMEs = small and medium-sized enterprises.
Sources: Asian Development Bank; and BCG FinTech Control Tower.

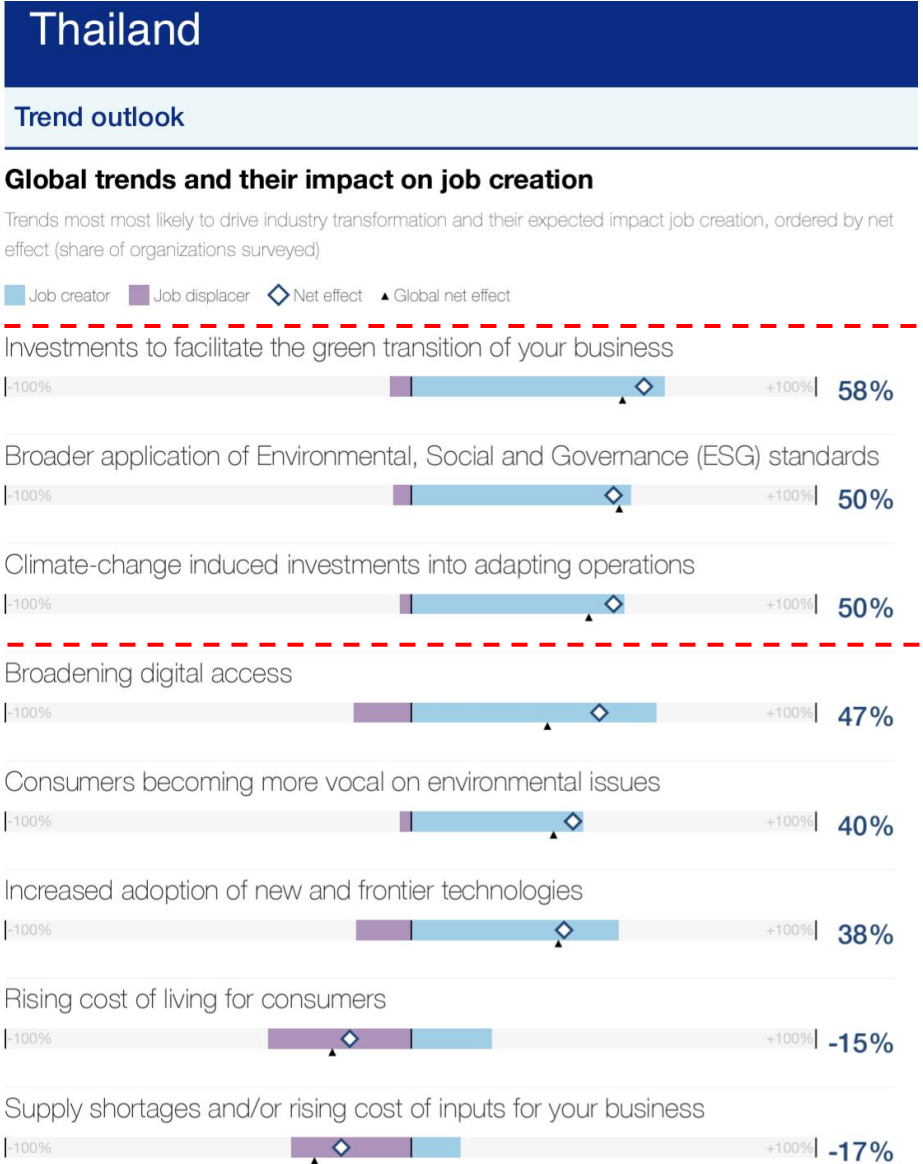


NEW SKILLS FOR EXISTING JOBS AND ALSO FOR EMERGING JOBS



NEW SKILLS ARE NEEDED FOR EXISTING JOBS AND ALSO FOR EMERGING JOBS

[Future of Jobs Report 2023](#) by World Economic Forum addresses that **Investment in green transition, Application of ESG standards** and **Climate change induced investments for adaption** will have significant impact on job creation and destruction.



e.g. Wind turbine technician, GHG verifier, ESG analyst, water management specialist

Emerging jobs that **require specific** sustainability-related knowledge and skills



e.g. Financial analyst analyzing ESG data, Marketing manager conducting green/social product campaigns, Corporate manager having have ESG-related KPIs

Existing jobs with the need for **topped-up** sustainability-related knowledge and skills

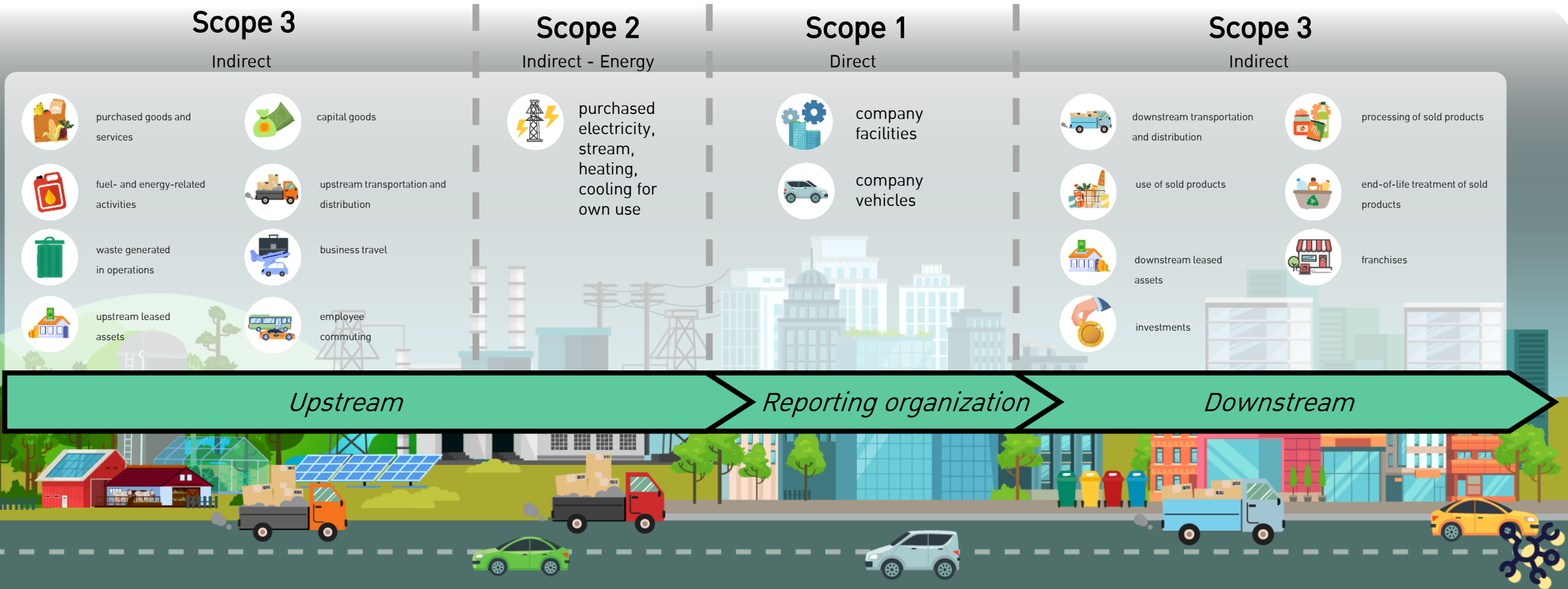
Skills-Future Singapore shows priority skills clusters for Green Economy include **Green Process Design, Carbon Footprint Management, and Sustainability Management.**



NEW SKILLS FOR EXISTING JOBS AND ALSO FOR EMERGING JOBS



RESPONSIBILITY AND ACCOUNTABILITY BEYOND ORGANIZATION: GHG Emissions related to supply chain



RESPONSIBILITY AND ACCOUNTABILITY BEYOND ORGANIZATION: Human rights related to supply chain



Rana Plaza, 2013

- Brands and retailers' purchasing practices affect the economic viability of manufacturers and, in turn, the **treatment of workers**.
- Factory safety might has been improved since Rana Plaza; however buyers' purchasing practices continue to **create conditions that lead suppliers to exploit their employees**.
- The problem is not unique to garment exports from Bangladesh - other factories, other sectors, and other countries are vulnerable. This is a global supply chain issue.
- **We need to reimagine how supply chains operate, and vastly improve built-in protection for the most vulnerable workers.**

Reimagining supply chains:

- Transparency, traceability and compliance
- Contracts and relationships with suppliers
- Shift from indirect sourcing models / indirect relationship to to **direct relationship models**, helping to create **long-term partnerships** and therefore **better protection of labour rights**.



PROCUREMENT CAN PLAY CRUCIAL ROLE

Fashion online retailers have put stricter purchasing and procurement practices after Boohoo

EDITORS' PICK

Why Has Boohoo Been Dropped By Amazon And ASOS

Forbes

Boohoo dropped by Next, Asos and Zalando over exploitation claims

🕒 7 July 2020

B B C

After ditching Boohoo, ASOS sets new sustainability and ethics requirements for brands

edie

ASOS will require third-party fashion brands to comply with new ethical manufacturing and supply chain sustainability standards if they wish to be listed on its website, after it dropped Boohoo over allegations of human rights abuses at a supplier factory.

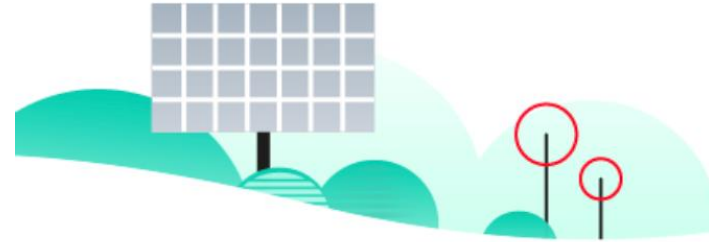


RESPONSIBLE PROCUREMENT AND BEYOND ...

Carrefour puts 'shrinkflation' price warnings on food to shame brands - Putting pressure on suppliers



"Obviously, the aim in stigmatising these products is to be able to tell manufacturers to rethink their pricing policy," said [Stefen Bompais](#), director of client communications at Carrefour.



Definitions differ between customers and companies

48%

of global consumers consider **how products are used** when thinking about sustainability

However, most companies sell them based on **how they are made**



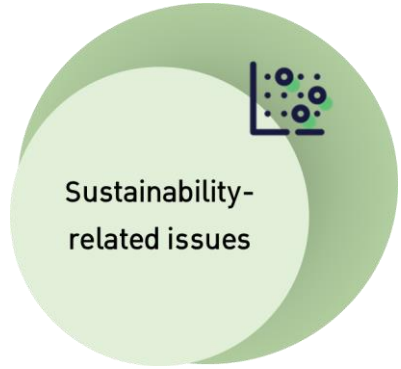
BENEFITS OF SUSTAINABLE PROCUREMENT AND CHALLENGES



Environmental Benefits	Social Benefits	Governmental or Economic Benefits	Challenges
<ul style="list-style-type: none"> • Reduces waste and pollution • Decreases carbon/GHG emissions • Lowers energy consumption • Limits the negative impacts of purchasing from non-certified sources • Restoration of biodiversity and protection of wildlife 	<ul style="list-style-type: none"> • Improves living conditions and the well-being of people • Spreads awareness about climate change • Enhances community engagement • Pressures the market to be accountable for their actions • Eliminates unfair and unjust labor practices 	<ul style="list-style-type: none"> • Compliance with all the regulations and applicable laws • Ensures security of supply and business continuity • Manage reputation and minimize business risks • Gain savings through efficient resource usage and demand management 	<ul style="list-style-type: none"> • Lack of knowledge and tools • Lack of training for procurement officers • Lack of awareness on sustainable procurement concept • Lack of guideline and government policy • Lack of commitment and resources • Lack of incentives • Lack of market demands • Limited supply for green products

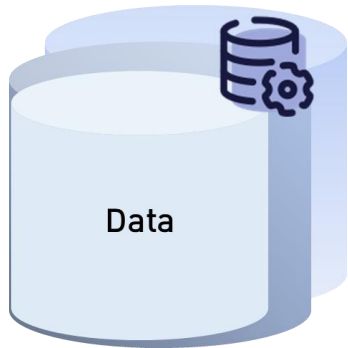


RETHINKING THE BOUNDARIES



Sustainability-
related issues

**GLOCALISING
SUSTAINABILITY-RELATED
ISSUES**



Data

**CAPTURING MORE DATA –
BOTH QUANTITY AND QUALITY**



Financing
mechanisms

**INNOVATING FINANCING
STRATEGIES TO DRIVE
SUSTAINABILITY**



Skills

**NEW SKILLS FOR EXISTING JOBS
AND ALSO FOR EMERGING JOBS**



Corporate
responsibilities and
accountability

**RESPONSIBILITY AND
ACCOUNTABILITY
BEYOND ORGANIZATION**

- **Boundaries** of corporate responsibility and accountability have been **expanded and challenged** due to complexity of sustainability-related issues, which need to be effectively managed due to increasing social expectation, pressure from investors, and reporting regulations.
- Attentions have been placed beyond the business, but business activities in their **supply chain/value chain**.
- **Data sharing** and **partnerships** are crucial for integrating sustainability into supply chain management.
- **Financing mechanisms** could play a vital role to create ecosystem and incentives for sustainable supply chain.
- Business needs to re-evaluate the **skills** their personnel should have to drive sustainability agenda in every part of the organisation.





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