

# Traceability in Global Supply Chains

## *Forestry Sector*

*Wednesday 22 October 2014 at 10 am EDT*



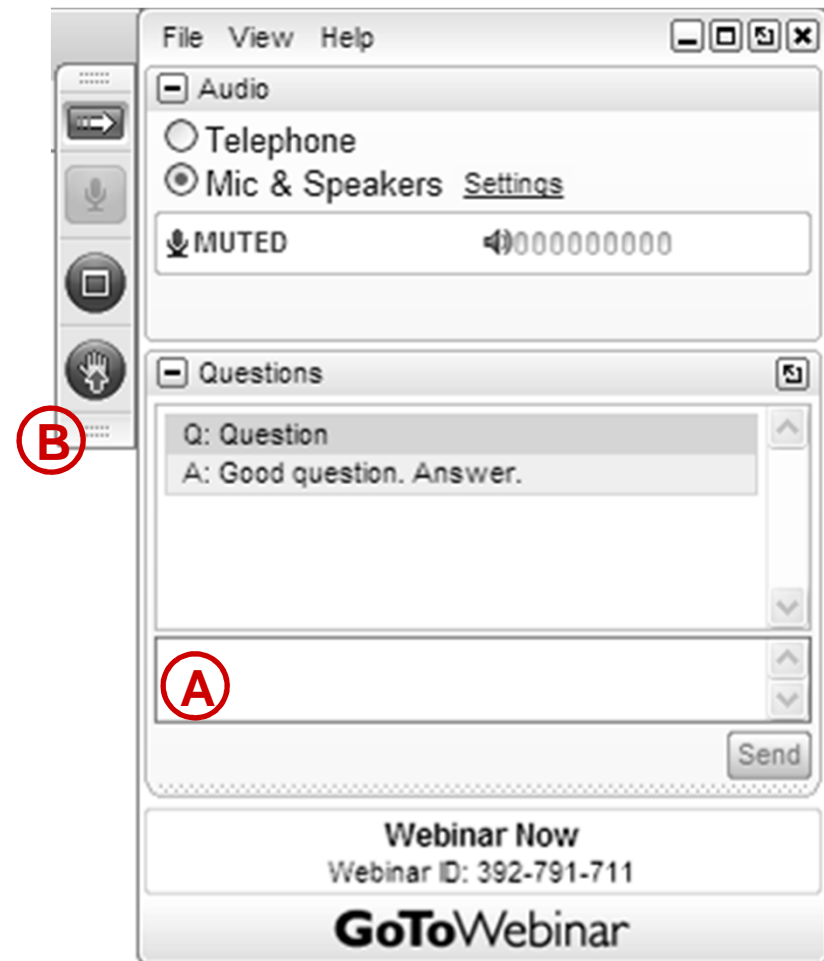
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# Questions

**Technical Difficulties:** If you have technical issues, please let us know by typing a message in the Questions pane (A). You can raise your hand (B) if we do not respond.

**Q&A:** We will be taking questions on content at the end, but you can send them to us throughout the webinar by using the Questions pane (A). Please specify to whom the question should be directed.

**Example:** Question for John Doe: What is Human Trafficking?



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# Agenda



## Welcome and Introduction

*Anita Househam, Issue Manager, Supply Chain Sustainability, UN Global Compact*



## Presentation of “A Guide to Traceability” by UN Global Compact and BSR

*Tara Norton, Director, Advisory Services (EMEA), BSR*

Member of UNGC Advisory Group on Supply Chain Sustainability – Traceability Task Force



## Traceability in the Forestry Sector

*Phil Guillery, Supply Chain Integrity Director, Forest Stewardship Council (FSC)*



## Stora Enso and Wood Traceability

*Anna-Liisa Myllynen, Head of Responsibility, Division Building and Living, Stora Enso*



## Closing Remarks Caring for Climate

*Margaret Fenwick, Associate Project Manager – Environment and Climate, UN Global Compact*



## General Q & A: Remaining Time



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# Agenda / Objectives

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Agenda	Objective
1. Definition and overview	Understand definition of traceability for sustainability purposes
2. Traceability models	Understand the different traceability models and their pros and cons
3. Practical steps for implementation	Consider the Seven Steps that you can take to practically implement traceability
4. Traceability schemes	Get an overview of the landscape of global traceability schemes
5. Considerations for Timber	Look at an overview of timber and traceability

# DEFINITION: Traceability for sustainability

The ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labor (including health and safety), the environment and anti-corruption.

## A GUIDE TO TRACEABILITY

A Practical Approach to Advance Sustainability in Global Supply Chains



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# Traceability Today

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- Traceability is an increasingly useful tool for companies to advance sustainability and prove claims and attributes of sustainable products
- Some companies have instituted their own traceability programmes and schemes for certain business-critical commodities
- Companies and stakeholders have come together to build global multi-stakeholder initiatives in order to trace commodities collaboratively. Examples:
  - The Forest Stewardship Council (FSC)
  - The Marine Stewardship Council (MSC)
  - UTZ Certified



# Impact & Opportunities for traceability

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*Traceability is already providing impact, but there is more to do.*

## Impact of Traceability

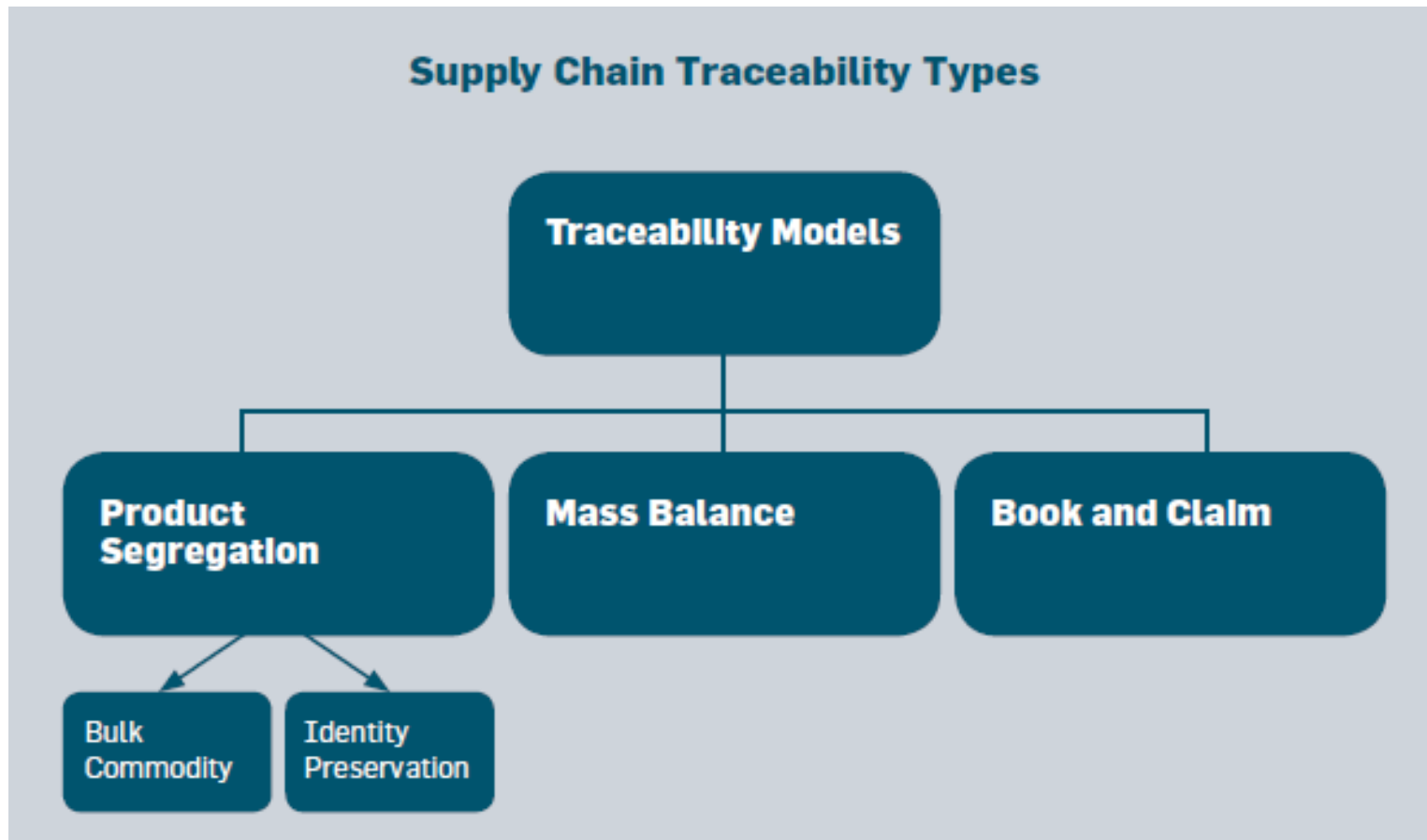
- Drives the sustainability of raw materials
  - Timber: Relative annual growth rate of 11.8% in forest certification (either FSC or PEFC); currently 10% of world's forest area are certified sustainable
  - Cotton: 8% of global cotton consumption engaged in the Better Cotton Initiative
  - Bonsucro: 3.66% of global sugar is certified
- Proof of good business practices
- Unites companies and stakeholders around a common purpose

## Opportunities to strengthen traceability

- For certain commodities, traceability is difficult due to supply chain complexity. More is needed to increase transparency at certain key points in supply chains.
- Increase availability and scale of certified, traceability products
- Reduce cost of traceability for all supply chain actors
- Develop technology to meet traceability needs

# Traceability Models

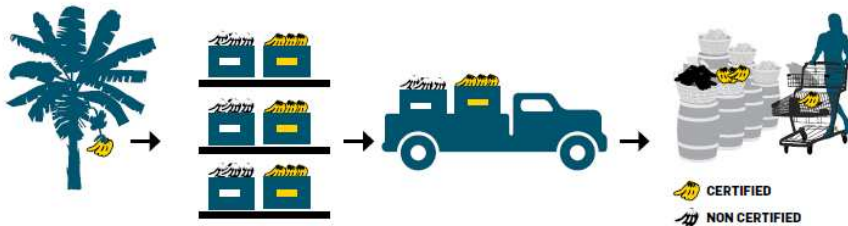
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# Product Segregation

The Product Segregation model implies that certified materials and products are physically separated from non-certified materials and products at each stage along the value chain.



**Better Cotton Initiative** – Physical segregation until the bale of cotton is formed

**Fairtrade Labelling Organizations International (FLO)** – Product segregation for bananas, other fresh fruits, coffee, flowers, nuts, rice and spices

**Forest Stewardship Council (FSC)** – “FSC Pure Products”

**Organic Food Labels**

**Responsible Jewelry Council** Chain-of-Custody standard

**Roundtable for Sustainable Palm Oil (RSPO)** – RSPO Segregated System

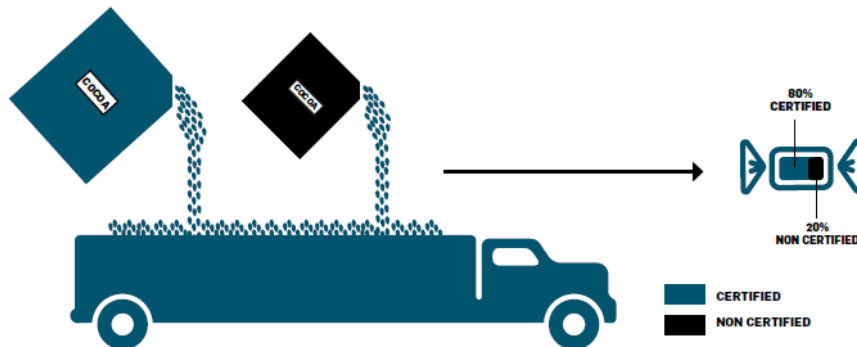
**Textile Exchange** standards

**UTZ Certified** – Traceability Programme “Segregation Physical Link”

**Marine Stewardship Council (MSC)**

# Mass Balance

With the Mass Balance model, certified and non-certified materials can be mixed. The exact volume of certified material entering the value chain must be controlled and an equivalent volume of the certified product leaving the value chain can be sold as certified.



**Better Cotton Initiative** – Mass Balance model once the bale of cotton is broken and split into yarn

**Bonsucro** – Mass Balance Chain of Custody Standard

**Fairtrade Labeling Organization (FLO)** – Mass balance model for cocoa, sugar, tea and juice

**Forest Stewardship Council (FSC)** – FSC volume based system

**Roundtable for Sustainable Palm Oil (RSPO)** – RSPO Mass Balance System

**UTZ Certified** – Mass Balance Traceability Programme

# Book and Claim

The Book and Claim model does not seek to have traceability at each stage in the supply chain. Instead, it relies on the link between volumes of certified materials produced and the amount of the certified product purchased, and on sustainability certificates issued and purchased.

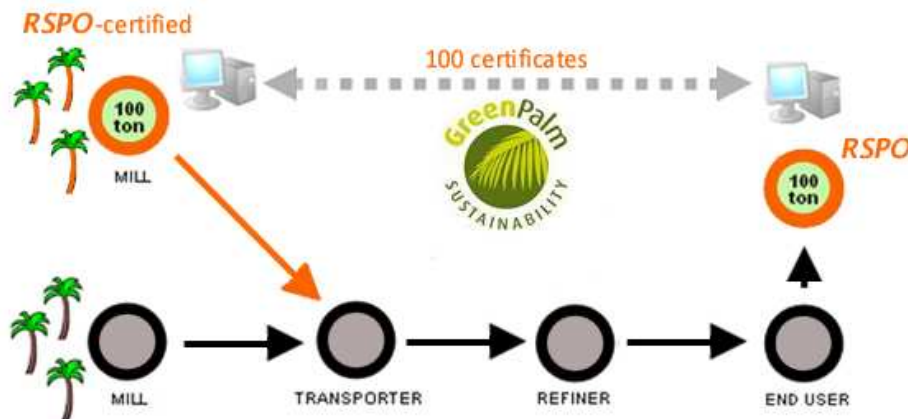
**Bonsucro – Credit trading system (Book and Claim)**

**Roundtable for Responsible Palm Oil (RSPO) – Book and Claim system**

**UTZ Certified –Trading & Traceability Programme used**

**Book and Claim Trading Platform**

**Renewable Energy Certificates**



**NOTE:** The Mass Balance and Book and Claim models are open to criticism for commodities where Product Segregation is available.

# Global traceability schemes

	Agricultural products	Beef	Birds/fat	Carpet	Cashews	Cocoa	Cotton	Coffee	Conflict minerals	Diamonds	Down	Electronics	Fish	Flowers		Fruit	Gold	Honey	Leather	Palm Oil	Personal Care	Recycled Materials	Rice	Soy	Spices and herbs	Sports balls	Sugar	Tea	Textiles	Timber	Tin	Trunk	Toys	Vegetables	Wine	Wood	
Conflict Free Sourcing Initiative (CFSI)									•																												
Fair Trade Labelling Organizations International (FLO)						•	•	•						•		•	•						•			•		•	•							•	
Forest Stewardship Council (FSC)																															•						
Global Organic Textile Standard							•																							•							•
Global Sustainable Beef Roundtable		•																																			
Good Weave				•																																	
IDH Sustainable Trade Initiative					•	•	•	•				•	•	•		•				•					•	•			•		•				•		
International Federation of Organic Agricultural Movements (IFOAM)	•																																				
ITRI Tin Supply Chain Initiative (iTSCI)									•																							•					
Kimberley Process										•																											
Leather Working Group																			•																		
Marine Stewardship Council (MSC)													•																								
Materials Traceability Working Group (of the Outdoor Industry Association)																			•			•															
Programme for the Endorsement of Forest Certification (PEFC)																															•						
Rain Forest Alliance						•	•							•		•												•		•					•		
Responsible Jewellery Council									•								•																				
Roundtable for Responsible Soy																								•													
Roundtable on Sustainable Biomaterials (RSB)			•																																		
Roundtable on Sustainable Palm Oil (RSPO)																				•																	
Sustainable Forest Initiative (SFI)																															•						
TE Organic Content Standard							•																								•						•
TE Recycled Claim Standard																																					
TE Responsible Down Standard											•																										
Tropical Forest Alliance 2020																															•						
UTZ Certified						•		•																					•								



# Best practice in traceability

## THE MODEL: COLLABORATION IS BEST PRACTICE FOR TRACEABILITY

A clear model has emerged of best practice in traceability based on interviews and research conducted in developing this guide. The model has three distinctive features:

1. One independent, multi-stakeholder **Global Collaborative Scheme**. This organization provides guidance and works on commodities to advance traceability.
2. **Focus**. The traceability scheme is focused on a limited number of issues, both in terms of the number of commodities and the sustainability attributes that must be traced.
3. **Appropriate collaboration along the supply chain**. The supply chain actors along the way are participating in the scheme in a manner appropriate to their position in the supply chain, and are communicating with their immediate business partners.



# Seven Steps to traceability implementation

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1. Identify the key commodities.
2. Gain a full understanding of all relevant sustainability issues to those commodities and identify whether traceability is the best way to mitigate those risks.
3. Develop the business case for traceability.
4. Take traceability action.
  - If there is an existing traceability scheme, get involved.
  - If there is not an existing scheme for that commodity, reach out to peers and stakeholders (and the UN Global Compact) to encourage or start one.
5. Engage internally with key staff, and develop solid internal practices and processes.
6. Engage with suppliers.
7. Stay the course.



# Tips for Successful Implementation

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*Focus on those commodities that are most material to your business, and areas where you have the greatest risk and leverage.*

*Traceability is a long-term investment; be prepared to stick with it over the long-term.*

*Devote time, effort and resources to collaboration.*

*Companies also need to devote internal resources to the programme.*

*Strong supplier relationships and good supplier communication is key to the success of a traceability programme.*

# Timber

- Relative annual growth rate of 11.8% in forest certification (either FSC or PEFC)
- Currently 10% of world's forest area are certified sustainable

## Key Issues

- Climate change and CO<sub>2</sub> emissions
- Deforestation of rainforests
- Illegal logging
- Destruction of habitat of flora and fauna
- Land rights of indigenous people

## Relevant Actors

- Forest Stewardship Council (FSC)
- Programme for the Endorsement of Forest Certification (PEFC)
- EU Timber Regulation
- Sustainable Forest Initiative (SFI)
- Tropical Forest Alliance
- eAmerican Tree Farm System (ATFS)
- Canadian Standards Association's Sustainable Forest Management Standard

## Gaps & Opportunities

- Greater alignment between governmental and voluntary standards

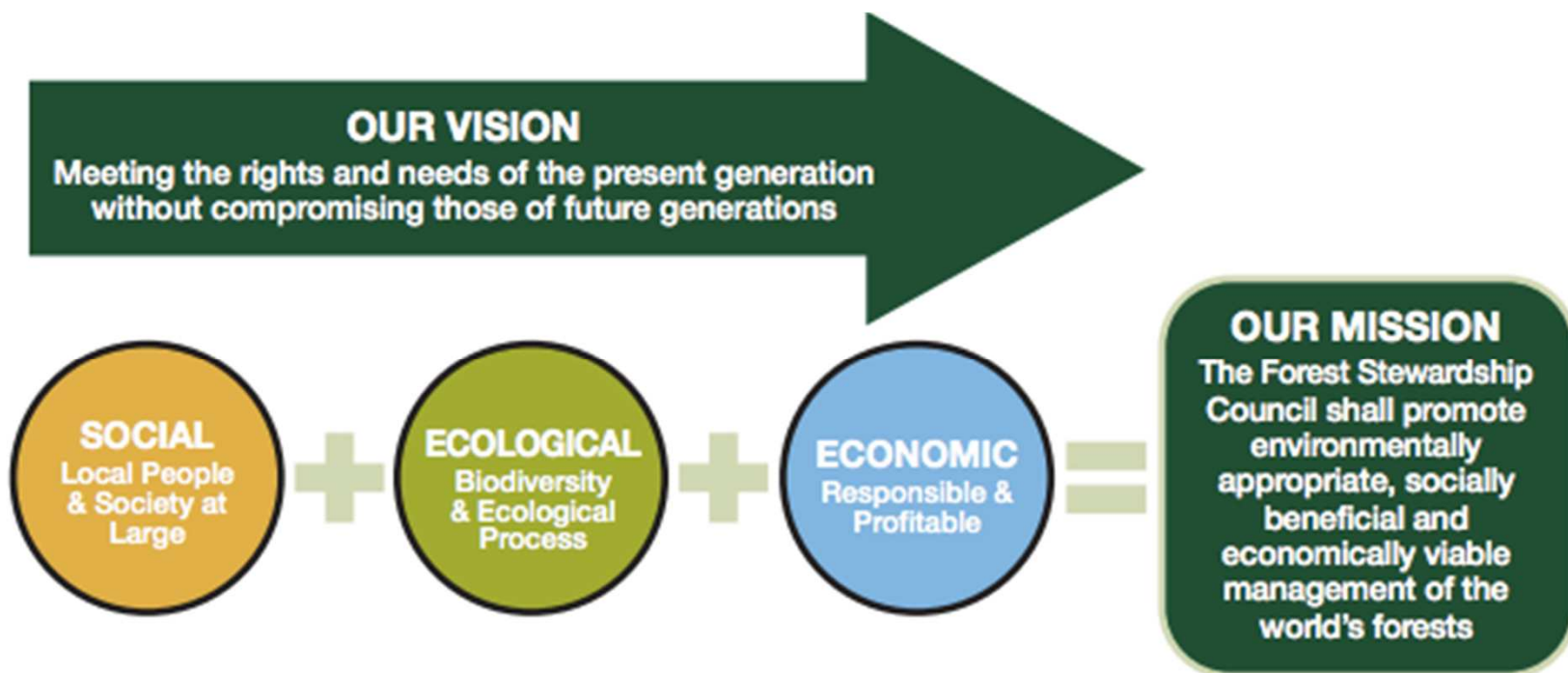




Thank you.



## Background





## Scope of FSC certification

- Over 180 million hectares of forest worldwide are now managed according to FSC standards, a growth of over 7% from December 2012 to November 2013
- Small and community producers manage 14% of all FSC Certified Forest area worldwide in 2013.
- Forest Management Certificates increased from 1,181 in 2012 to 1,238 FM Certificates in the FSC system in 2013. This includes 354 Group Certificates, representing around 126,468 group members.
- Chain of Custody (CoC) Certificates increased from 24,242 CoC certificates in 2012 to 27,055 certificates in 2013, a growth of over 10%



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## FSC Chain of Custody

- Chain-of-Custody (COC) is the path taken by raw materials harvested from an FSC-certified source through processing, manufacturing, distribution, and printing until it is a final product ready for sale to the end consumer
- Product segregation - FSC Pure products
- Mass balance - FSC Mix products (volume and credit system)

## Question – FSC

*Seeing as the Chain of Custody Certification and the Forest Management Certification have been in existence for several years, how have you evolved and adapted the standards to new issues and legislation affecting the forestry sector?*



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## Question – FSC

*What kind of support do you offer to forests or companies seeking certification, with particular respect to those located in developing countries/emerging markets?*



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# Stora Enso and Wood Traceability

22 October 2014

Anna-Liisa Myllynen, Head of Responsibility, Division Building and Living



# Stora Enso in brief

Stora Enso is the global rethinker of the paper, biomaterials, wood products and packaging industry. We always rethink the old and expand to the new to offer our customers innovative solutions based on renewable materials.

- Approximately 28 000 employees worldwide
- Sales in 2013 EUR 10,5 billion





# Stora Enso in brief



Renewable Packaging



Biomaterials

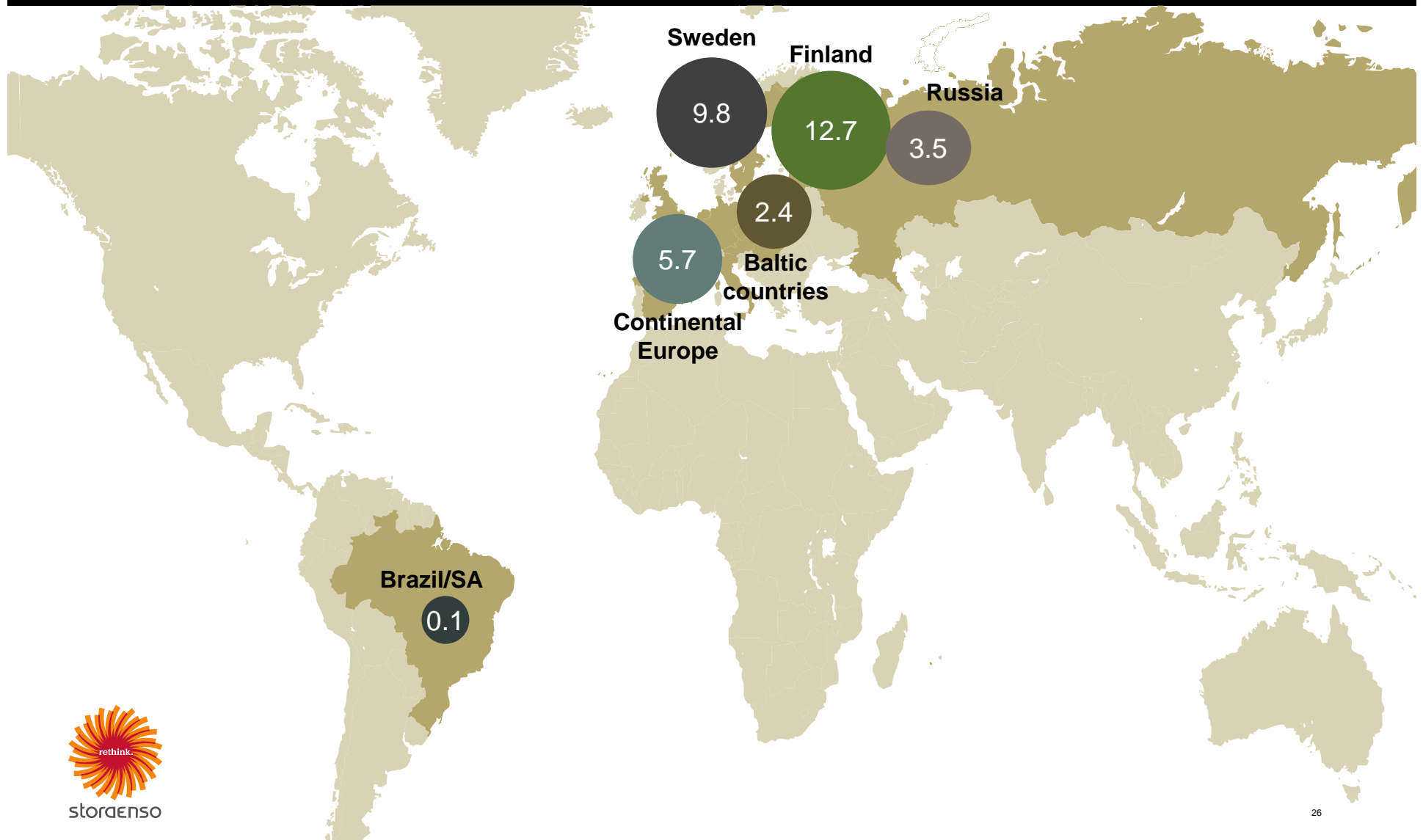


Building and Living



Printing and Reading

# Stora Enso's wood sources in 2013, 34.2 million m<sup>3</sup> (wood deliveries to Stora Enso mills)



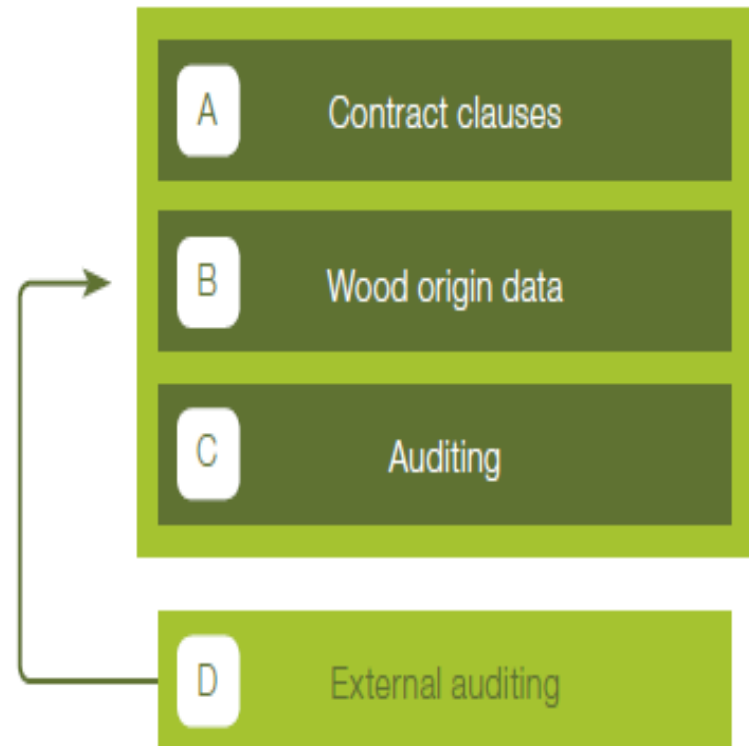
# Sustainable and legal wood

- We know the origin of all wood through our third party certified wood traceability systems
- We take care of biodiversity through sustainable forest management and forest certification
- Guided by
  - Stora Enso's Policy for Sustainable Wood and Fibre Procurement and Land Management (2012)
  - Stora Enso Traceability Guideline for Wood and Pulp (2007)
- Traceability system enables to apply Stora Enso's policies and requirements into supply chains and to control the suppliers' performance



# Stora Enso's wood traceability system

- **All wood** and purchased pulp from all suppliers have to be fully traceable and documented to ensure legal and acceptable fibre sources
- **Traceability** covers origin of wood all the way from the harvesting area until the wood first enters Stora Enso's possession
- Stora Enso traceability systems have **third-party certification**
  - FSC® Chain of Custody / Controlled Wood
  - PEFC™ Chain of Custody / Due Diligence





storaenso

## Question – Stora Enso

*What are the greatest benefits and challenges you encountered using your traceability programme? How have you worked to overcome those challenges?*



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# Caring for Climate

## Business Leadership on Climate Change

Caring for Climate





# Caring for Climate: Business leadership on Climate Change

## Caring for Climate



- Launched by the UN Secretary-General Ban Ki-moon in 2007, Caring for Climate is the **United Nation's initiative for business leadership** on climate change.
- Provides a framework for business leaders to **advance practical solutions** and help **shape public policy** as well as public attitudes.





# Caring for Climate: Global reach



**400** signatories



**60** countries



**30** business sectors

The world's  
**largest**  
initiative for  
**business  
leadership**  
on  
**climate change**

Caring for Climate



# Caring for Climate 2014 Priorities

## Workstreams

Policy  
Engagement

Carbon  
Pricing

Long-Term  
Goal  
Setting

Adaptation

## Tools

Action  
Hub

Transparency  
& Disclosure

## 2014 Events

Caring for Climate  
Regional Events

Annual Business Forum  
at COP Meetings

UN Climate Summit  
Private Sector Forum

Caring for Climate





## PRESS RELEASE



**Declaration Would End Billions of Tons of Climate Pollution per Year, Restore 350 Million Hectares of Forest; Backed by Tangible Private Sector Commitments**

**Governments, Business, Civil Society Pledge to End Loss of Forests**



# Thank you!

Caring for Climate



## Q & A



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# Thank You

## Thank you for joining us today.

Presentation slides and a recording of the webinar  
will be available on the UNGC website.

*If you have any additional questions, please contact:*

**Anita Househam:** [househam@un.org](mailto:househam@un.org)



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