

SUSTAINABLE SOURCING IN AGRICULTURAL VALUE CHAINS

August 2022



Acknowledgements

About the Authors

This primer has been written by **Ayushi Baloni** and **Ashutosh Choudhary**, with knowledge support from **Arnab Mukherjee**, **Aditi Verma**, **Tanvi Vijn** and **Debarati Das**. The technical review was done by **Debaranjan Pujahari**.

Disclaimer

This report has been produced by a team from Sattva Consulting as a product for the Sattva Knowledge Institute (SKI). The authors take full responsibility for the contents and conclusions. Any participation of industry experts and affiliates who were consulted and acknowledged here, does not necessarily imply endorsement of the report's contents or conclusions. To quote this primer, please mention: Sattva Knowledge Institute, *Sustainable Sourcing in Agricultural Value Chains*, August 2022. Use of the report's figures, tables or diagrams, must fully credit the respective copyright owner where indicated. Reproduction must be in original form with no adaptations or derivatives. For use of any images in the report please contact the respective copyright holders directly for permission.

This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License:

Attribution - You may give appropriate credit, provide a link to the license, indicate if any changes were made.

Non-Commercial - You may not use the material for commercial purposes.

Share Alike - If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original.



To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-sa/4.0/>

About Sattva Knowledge Institute

Sattva Knowledge Institute (SKI), established in 2022, is our official knowledge platform at Sattva. The SKI platform aims to guide investment decisions for impact, shedding light on urgent problems and high potential solutions, so that stakeholders can build greater awareness and a bias towards concerted action. Our focus is on offering solutions over symptoms, carefully curating strong evidence-based research, and engaging decision-makers actively with our insights. Overall, **SKI aims to shift intent and action toward greater impact by influencing leaders with knowledge**. All of our content proactively leverages the capabilities, experience and proprietary data from across Sattva.

Design: Cognitive Designs; cognitive.designs@gmail.com

CONTENTS

1	Executive Summary	04
2	Emerging need of sustainable sourcing across agricultural value chains	07
3	What is sustainable sourcing?	11
4	Overview of current landscape – adoption, initiatives and enabling ecosystem	15
5	Challenges in the ecosystem – supplier and buyer perspectives	29
6	Addressing challenges of suppliers and buyers	33
7	Catalytic role of government and philanthropy	36
8	Annexure	38
9	References	40

EXECUTIVE SUMMARY



Emerging need for sustainable sourcing across agricultural value chains

Given the fragile nature of global supply chains, the scope of sustainable business development is expanding to include upstream operations like procurement. Sustainable and responsible sourcing by agribusiness corporations can benefit businesses as well as communities by working on major themes like environmental sustainability, socio-economic inclusion, supply chain resilience, fair dealing and human rights.

What is sustainable sourcing?

Typically, a firm kick-starts its sustainable sourcing efforts by defining its strategy which includes its vision and targets, followed by documenting an internal policy and the selection criteria for suppliers.

- Suppliers are screened based on economic, social, and environmental selection criteria.
- During the life cycle of the sourcing programme, other aspects that will be of relevance include capacity development, monitoring/audit, required certifications, and reporting of initiatives undertaken.

Overview of current landscape – adoption, initiatives and enabling ecosystem

Adoption Drivers and Trends:

Sustainable sourcing efforts of organisations are at various levels of maturity. Whether the firm is aiming to influence the ecosystem positively will decide how well-structured its efforts are. Globally, there is growing executive concern on developing sustainable business practices where regulatory requirements and increased supply risks are key drivers.

Selection criteria for suppliers:

Firms require suppliers to obtain certifications for imbibing best practices to promote natural resource conservation, human rights, process improvements, and product quality. Buyer organisations partner with suppliers to support them in various initiatives like capacity building, collaborating to remove systemic issues and promoting diversity. Firms sourcing agricultural materials go an extra mile to directly engage with farmers (even while not directly sourcing from them) to ensure assured demand, capacity building, and timely and adequate payments by immediate suppliers.

Reporting and Communication:

Sustainable sourcing initiatives are reported as part of a firm's sustainability initiative by leveraging global standards. Global Reporting Initiative Standards (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosure (TCFD) are popular reporting standards. Firms report on multiple standards too, often to cater to diverse stakeholders.

Enabling Ecosystem:

Leading firms in sustainable sourcing engage with the ecosystem to form alliances or consortiums to promote, among other things, collaboration, development of best practices, and advisory services. Technology applications form the backbone of sustainable sourcing programmes by promoting visibility through traceability, ensuring better monitoring, quantifying impact and monitoring compliance.



Challenges in the ecosystem – Supplier and Buyer Perspectives

Given the challenges of executing sustainable sourcing programmes, efforts often remain on paper. Both supply as well as demand side challenges in the ecosystem require to be ironed out for greater adoption of sustainable sourcing programmes. Impediments to adoption are lack of expertise and necessary technology, and resource intensiveness of such programmes. Key addressable areas for suppliers include asymmetric information and gaps in knowledge, capacity constraints and limited bargaining power. Key addressable areas for buyers include long-term strategic goals, resource and capacity constraints, improper traceability and knowledge of supply chains.

Addressing challenges of suppliers and buyers

Recommendations to address supplier issues:

- (1) Enabling assurance mechanisms that protect the rights of input suppliers;
- (2) Leveraging technological solutions to ensure traceability;
- (3) Setting easy certification procedures for suppliers;
- (4) Building collaborative models to share best practices;
- (5) Training programmes for contingency planning;
- (6) Introducing insurance and risk management schemes like hedging and options trading;
- (7) Enabling a buyer-supplier relationship turnaround and
- (8) Strengthening capacity building of farmers at grassroot levels.

Recommendations to address buyer issues:

- (1) Using appropriate key performance indicators for business;
- (2) Conducting competitive market research;
- (3) Building trust and public communication;
- (4) Maintaining flexibility in utilising technology and strategies;
- (5) Bringing forth in-house supplier chain management expertise and
- (6) Leveraging existing knowledge assets.

Catalytic role of government and philanthropy

Government as well as philanthropy can catalyse the adoption of sustainable sourcing practices and bring actionable support to address existing issues in the following ways:

1. By providing capital and funding towards adoption of more sustainable actions across supply chains;
2. By driving and incentivising collaborations, and
3. Enabling an ecosystem of trust for everyone in the supply chain.



EMERGING NEED FOR SUSTAINABLE SOURCING ACROSS AGRICULTURAL VALUE CHAINS



Global consumption patterns post COVID-19 highlight drastic shifts in lifestyles, demanding supply chains to become **more sustainable and resilient** due to growing risks for businesses & communities.

Growing risks for businesses



Rapidly evolving consumer preferences

- Consumers across all generations, especially Gen X, have shown increased interest in sustainable and organic shopping. (Petro 2022)
- Consumers are willing to pay relatively higher premiums on products that are sustainable and of better quality.
- COVID-19 has also increased fluctuations in consumer demand.



Highly vulnerable and sensitive brand reputations

- Approximately 90% market value of companies is dependent on intangible assets like brand reputation and maintenance of goodwill. (Vijay 2022)
- Increasing consumer awareness and digital proactivity have made corporate supply chains more vulnerable to risks that can adversely affect reputation and goodwill.



Increasing influence of Environmental, Social and Governance (ESG) considerations in decision-making by investors

- Investors have increasingly been making investment decisions based on ESG considerations.
- Investors are satisfied with nearly half of their expected returns on high ESG scoring investments as compared to low ESG scoring investments in corporations (Principles for Responsible Investment PRI 2020).

Growing risks for communities



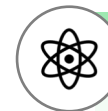
Critical climate and biodiversity risks

- Supply chains produce, on average, over five times more CO2 emissions as compared to direct emissions occurring from sources that are owned or controlled by a company (Carbon Disclosure Project CDP Report 2020).
- Over 90% of biodiversity loss and water stress is attributed to unsustainable extraction and processing of raw materials, fuels and food. (United Nations Environment Programme [UNEP] 2019).



Increasing scope for labour violations and health risks

- 450 million people are employed as part of global supply chains, which includes informal sector livelihoods depending on them.
- 40.3 million people workers were subjected to modern slavery, with more than half of them working as forced labour (Global Slavery Index 2018).
- The outbreak of COVID-19 has also increased health-related risks across all supply chains.



Growing quality and adulteration risks

- Food fraud in the global food industry costs approximately US \$30 billion every year (FAO 2021).
- Adulteration is high in the supply chains for food products like corn sugar, fruit juices, fish and meat varieties, with milk alone reporting adulteration of around 70%.



Need for Sustainable Sourcing

Due to **evolving risks**, it is imperative for more **agribusiness organisations** in India to comprehensively integrate sustainability within their supply chains.

Studies find that companies with a focus on ESG metrics have margins that are 12.5 percentage points higher than that of competitors (Mishra 2020).

Food, textile and agribusiness companies are gradually increasing focus on utilising sustainable sourcing and procurement.



Agribusinesses have to employ more sustainable practices across agricultural supply chains to:

- Maximise business potential
- Drive strong sustainability agenda across the supply chains

Major Opportunities



Digital innovations like cloud computing, data storage, automated functions and transparency mechanisms to ensure better traceability and synthesis of complex information.



Adapting to transforming **policies and legal requirements** with authorities, focusing actively to prioritise ethical decision-making, and complying to regulations.



Using **trends in consumer preferences** for sustainable and eco-friendly products and investments in responsible organisations.



Need for Sustainable Sourcing

Sustainable and Responsible Sourcing by agribusiness corporations can **benefit businesses as well as communities** by working across the **major themes** given below



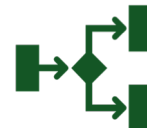
Environmental Sustainability

Reduction in environmental footprint



Socio-economic Inclusion

Opportunity for diverse businesses to participate in the supply chain



Supply Chain Resilience

Risk management to withstand disruptions and shocks



Fair Dealing

Fair remuneration and timely payment to suppliers



Human Rights

Upholding basic human rights throughout the value chain

Benefits to **Businesses**

- Ensures that **supply chains are resilient** and less exposed to major risks and disruptions.
- **Safeguards brand reputation**, especially with growing concerns of consumers on food and nutrition.
- **Promotes innovation and differentiation** of competitive products.

Benefits to **Communities**

- An increase in **awareness and empowerment** of communities influences the decision-making of businesses.
- **Inclusion** of under-represented communities.
- Better **economic opportunities and social development** of communities.
- **Positive effects** on the environment and biodiversity.



WHAT IS SUSTAINABLE SOURCING?

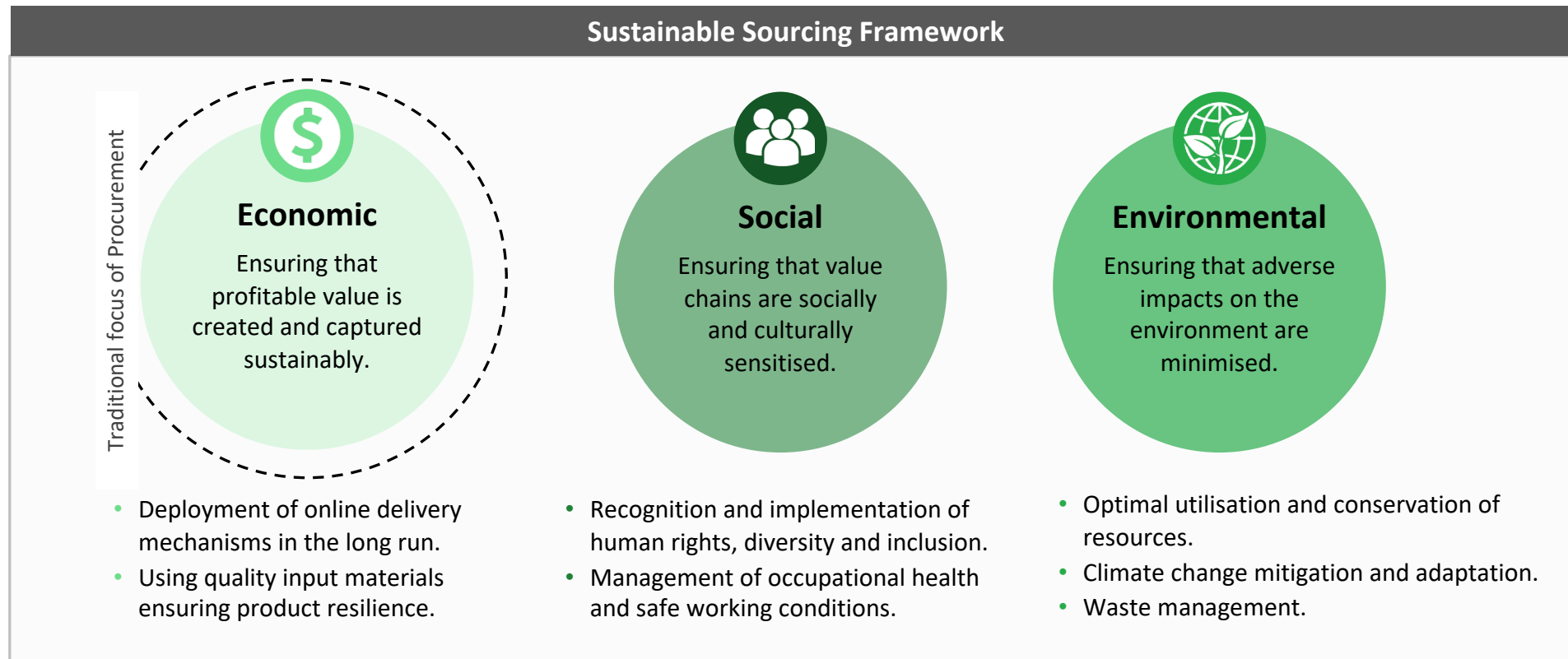


Sustainable Sourcing: An Introduction

What is Sustainable sourcing?

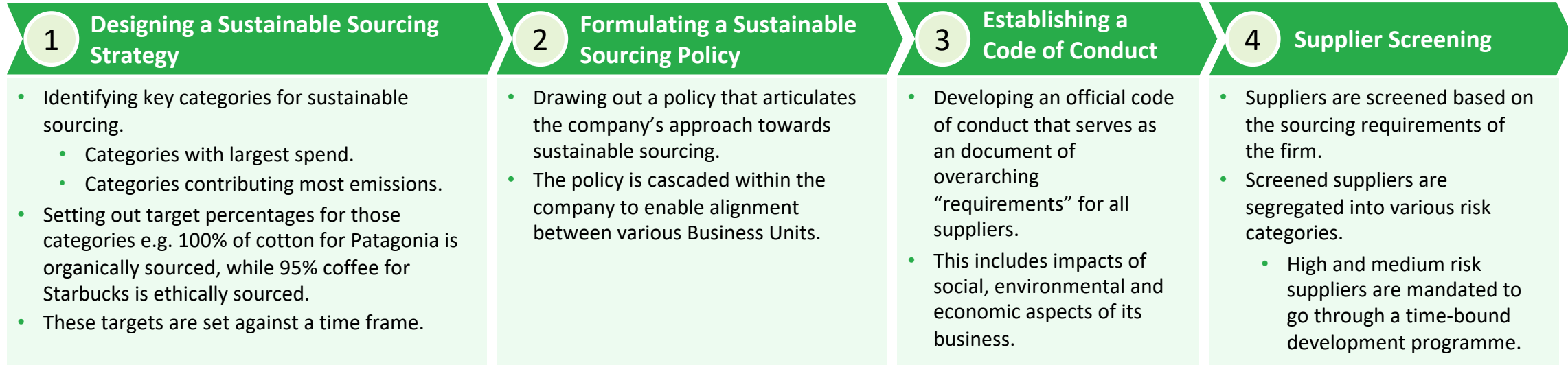
Sustainable sourcing is the integration of social, ethical and environmental performance factors into the process of selecting suppliers and input procurement.

Sustainable procurement, in addition to economic benefits, emphasises on lower social and environmental impact.



Sustainable Sourcing: Process

Setting up **sustainable sourcing programmes** by corporations involves the following key stages:



5 Post-engagement

Performance Monitoring

Procedures for monitoring to ensure suppliers comply with standards even after being onboarded. E.g.: Unannounced company audits.

Sustainability certifications

Encouraging suppliers to get industry standard certifications to further verify their processes and operations.

Supplier capacity development

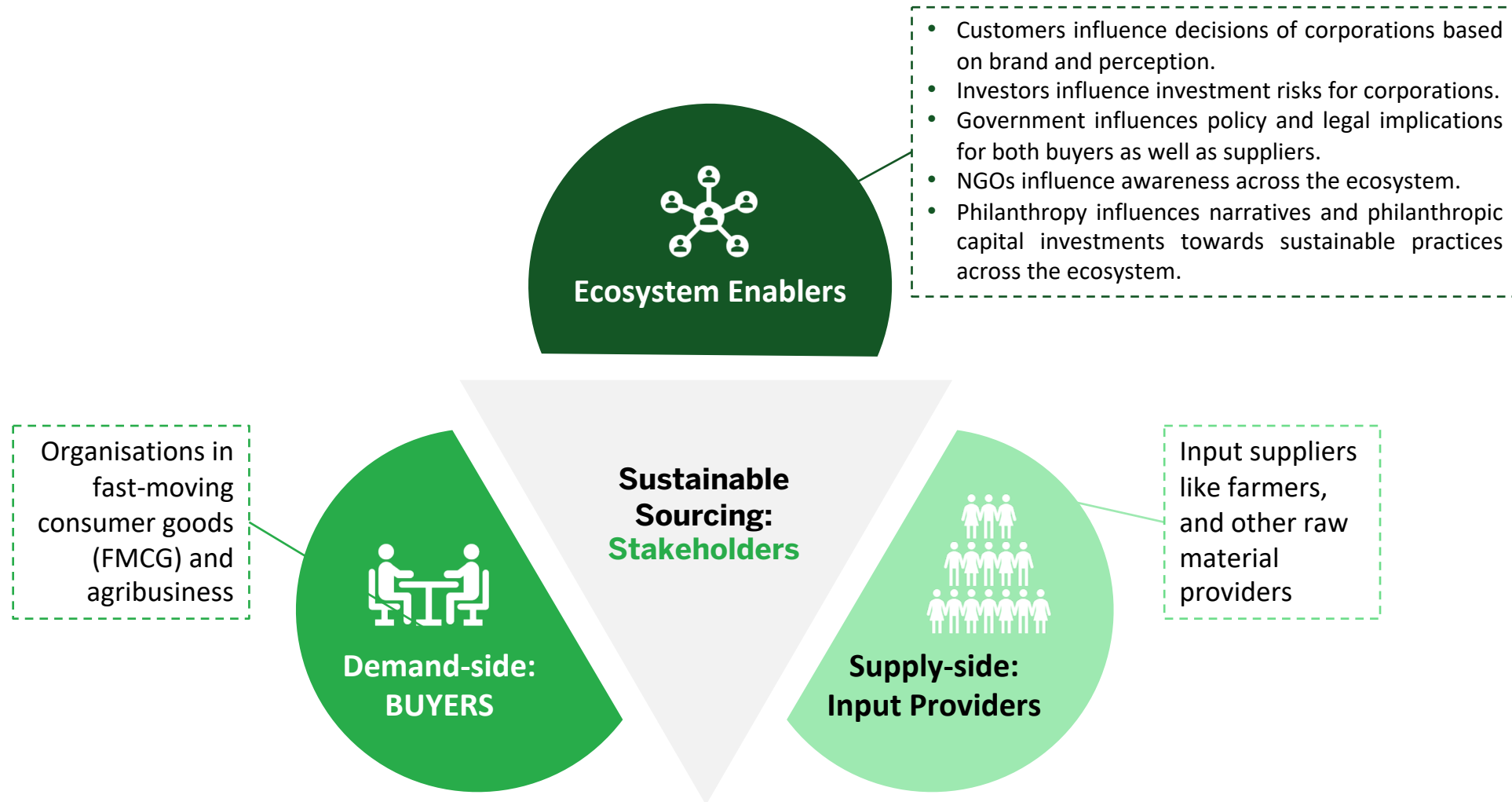
Supplier training, surveys and informal periodic meetings with suppliers.

Reporting

Reporting by firms on sustainable business practices including sourcing.



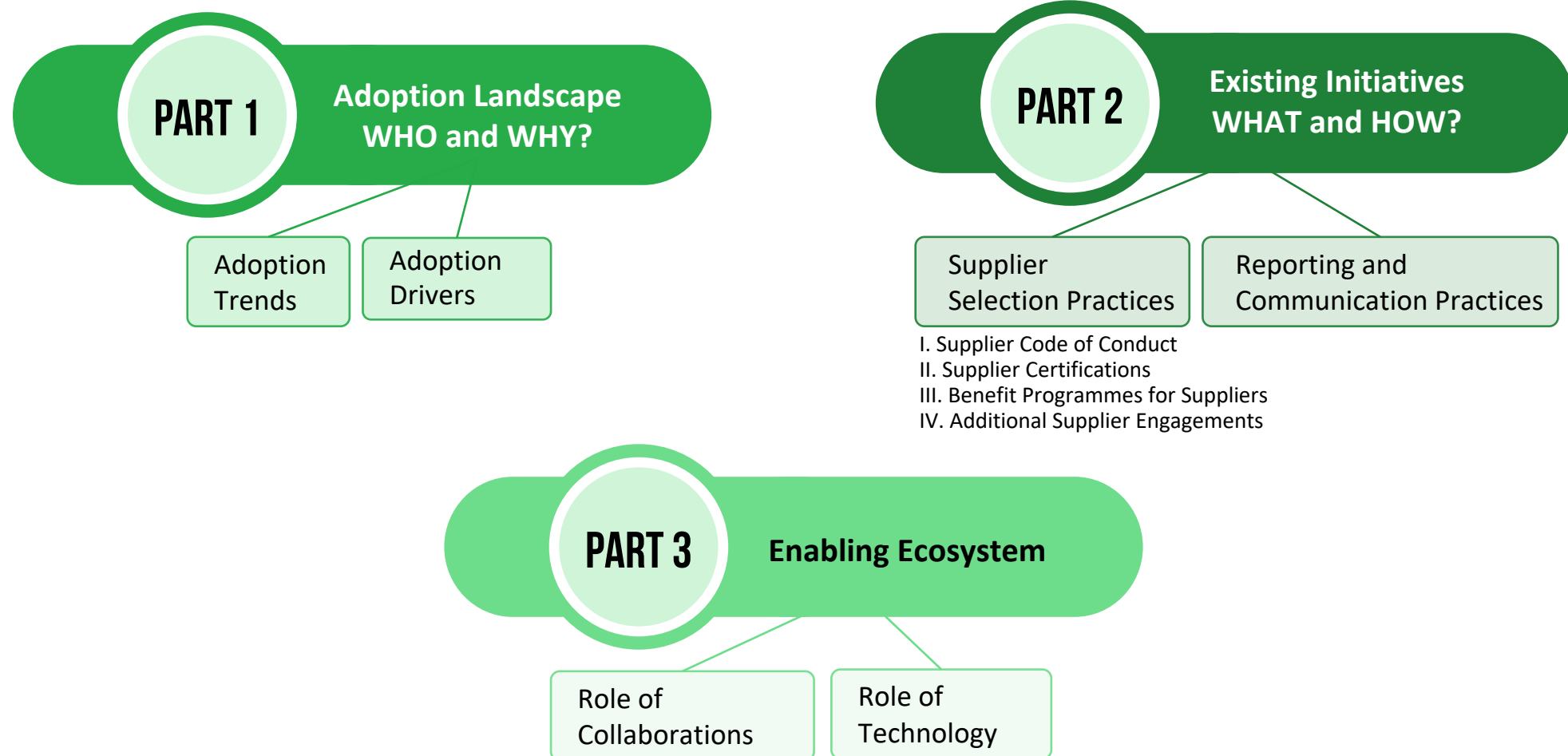
Sustainable Sourcing: Stakeholders



OVERVIEW OF CURRENT LANDSCAPE — ADOPTION, INITIATIVES AND ENABLING THE ECOSYSTEM



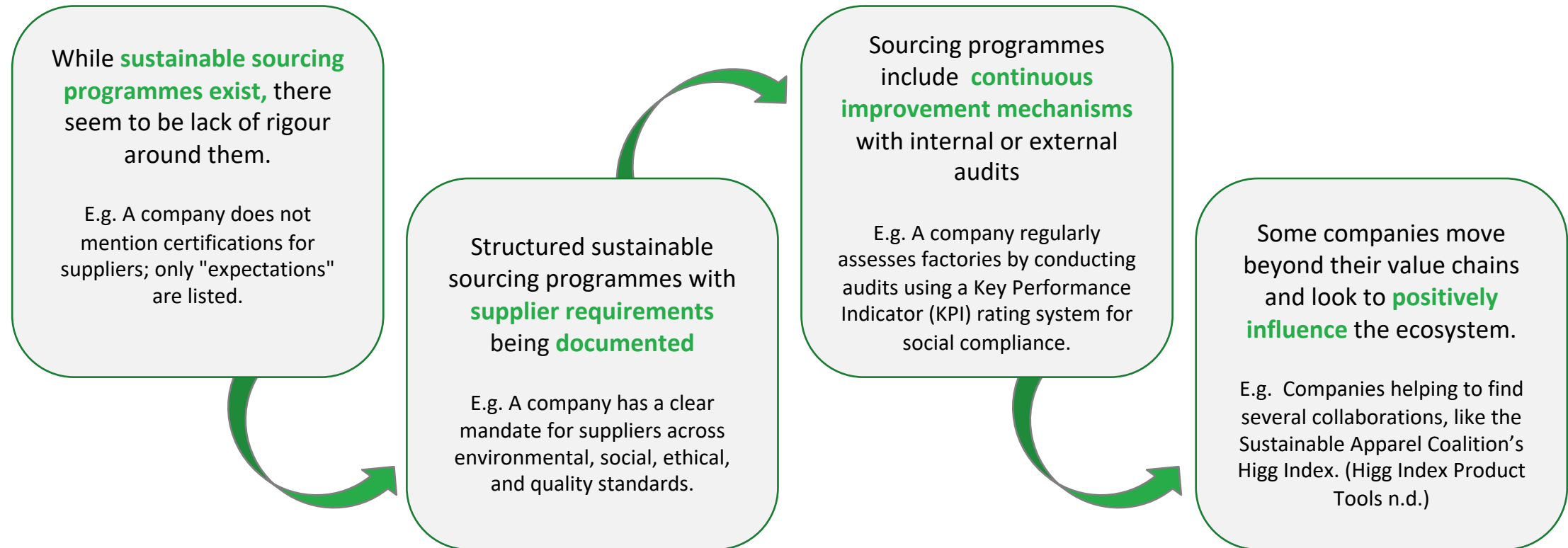
Overview of the current landscape - three key parts



Adoption Trends

Firms are at **varying stages of adoption** with respect to sustainable sourcing – some companies, in addition to having a well designed programme in place, are also leveraging the opportunity to positively influence the ecosystem.

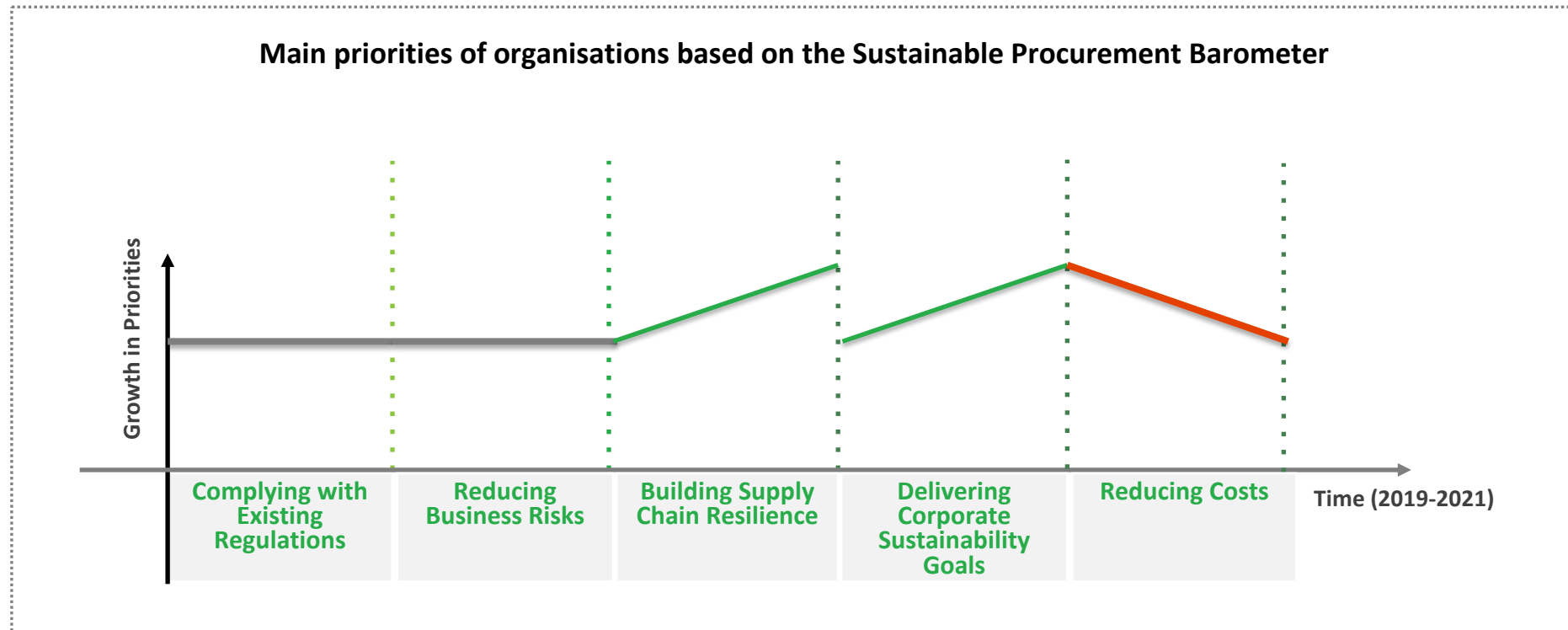
PART 1

Adoption Landscape
WHO and WHY?Adoption
TrendsAdoption
Drivers

Adoption Drivers

Regulatory requirements and supply risks are the **primary drivers for firms** to become sustainable. The importance of corporate sustainable goals have increased over time (EcoVadis and NYU Stern Center for Sustainable Business).

PART 1

Adoption Landscape
WHO and WHY?Adoption
TrendsAdoption
Drivers






The above insights are based on a study of the **Sustainable Procurement Barometer**, which is a tool for benchmarking sustainable procurement practices of companies across all industries. It has been published biennially since 2007.



Supplier Selection Practices: Supplier Code of Conduct

Supplier requirements (code of conduct) established by buyers span across the three key pillars of sustainable sourcing.

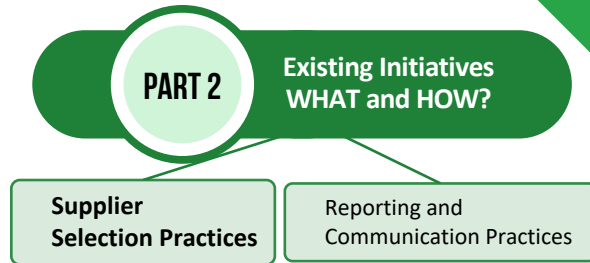


	Social	Environment	Economic
Commonly observed supplier requirements	<ul style="list-style-type: none"> Prevent child labour and forced labour. Prevent workplace harassment and abuse. Ensure gender diversity. Prevent workplace discrimination. Ensure presence of freedom of association and grievance channels. Prevent long work hours. Allow necessary leaves. Ensure health and safety of all workers. Prevent unethical activities against animals. 	<ul style="list-style-type: none"> Control emissions of Greenhouse Gases (GHG). Ensure pollution prevention. Use of recyclable materials. Responsible disposal of chemical, water and hazardous waste. Obtain required environmental permits, approvals and registrations. Practise sustainable natural resource management. Reduce environmental impact of packaging material. 	<ul style="list-style-type: none"> Ensure deserved wages and benefits. Provide wages for overtime work. Prevent corruption and bribery. Ensure quality products to clients.
Unique practices	<p> Approved factories are mandated to ensure a grievance channel for workers either by open letters or local hotlines run by NGOs.</p> <p> Suppliers are required to monitor exposure of workers to potential risks and address them through design, engineering and administrative controls, preventive maintenance, safe work procedures and ongoing safety training.</p>	<p> H&M requires all suppliers to maintain data on sustainability performance</p> <p> Has its own list of restricted materials which are not environment-friendly</p>	<p> CAFE practices programme - requires suppliers to provide documentation of prices paid to farmers</p>



Supplier Selection Practices: Supplier Certifications

Firms require suppliers to **obtain certifications** in order to imbibe best practices. Certifications promote ecosystem conversations, human rights, process improvements, and product quality (1/2).



1 Ecosystem Conservation

- Ensure responsible extraction and resource conservation. Best Aquaculture Practices (BAP) ensures long-term health of fish stock, and Rainforest Alliance protects forest ecosystems.
- Promote green production practices reducing carbon emissions across the supply chain. The Better Cotton Initiatives (BCI) trains farmers in sustainable production practices for cotton.
- Ensure ethical treatment of animals. The Responsible Wool Standard (RWS) recognises Five Freedoms of Animal Welfare for sheep.



2 Human Rights and Livelihoods of Workers

- Enable small farmers and workers to avail fair profits and secure their livelihoods. The Fair Trade Certificate focuses heavily on income stability.
- Empower indigenous groups to regulate their own surroundings. The Rainforest Alliance checks violation of land rights of the indigenous people.
- Promote humane, safe, and ethical working conditions and check the presence of forced and child labour. For example, the UN Guiding Principles on Business and Human Rights.



Supplier Selection Practices: Supplier Certifications

Firms require suppliers to **obtain certifications** in order to imbibe best practices. Certifications promote ecosystem conversations, human rights, process improvements, and product quality (2/2).

PART 2

Existing Initiatives
WHAT and HOW?Supplier
Selection PracticesReporting and
Communication Practices

3

Process Improvement

- The International Standards Organization enables process improvement across production facilities. It also enables safety and relevant environmental standards.
- Aid in streamlining of various certifications. The Consumer Goods Forum (CGF) uses a Social and Scheme Management Criteria to benchmark third party certifications.
- Offer guidance to organisations that are evaluating sustainability. For example, ISEAL's Sustainability Benchmarking Good Practice Guide.



4

Product Quality

- Ensure product safety by checking safety standards at every step of the supply chain. The Global Food Safety Initiative (GFSI) approves food safety standards in packaging, storage, and distribution.
- Ensure that products are harmless to the human environment. Bluesign Certification enables management of chemicals in apparel and footwear and their replacement with safer alternatives.
- Less chemical infusion reduces adverse effects on the health of workers.



Supplier Selection Practices: Supplier Benefit Programmes

With the help of **supplier benefit programmes**, buyer organisations support suppliers to build sustainable businesses, address systemic issues and promote diversity.

PART 2

Existing Initiatives
WHAT and HOW?Supplier
Selection PracticesReporting and
Communication Practices

1

Capacity Building

- Conduct training, certification programmes and capacity building sessions for Tier 1 and Tier 2 suppliers.
- Conduct field interventions to ensure sustainable practices across all levels in supply chains.
- Conduct supplier conventions and informal interactions between suppliers to ensure capacity building.
- Conduct meets for vendors or suppliers to discuss and promote environmental and social standards.






2

Process Improvement through Collaborations

- Collaborate with suppliers, NGO experts and others to address root causes of systemic issues, such as forced labour, unsafe working conditions and gender inequity.



3

Inclusion

- Promote supplier diversity by ensuring sourcing materials from minority groups like women, LGBTQ+ communities, disabled, the aged, etc.
- Supplier Inclusion Programme by Walmart ensures certification support to companies owned and operated by minorities, veterans, LGBTQ+ community etc.




Supplier Selection Practices: Additional Supplier Engagements

Many firms **sourcing agri-materials** go an **extra mile** to directly engage with farmers, although they may not be directly sourcing from them.

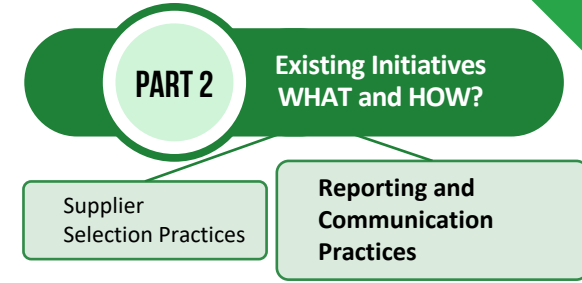
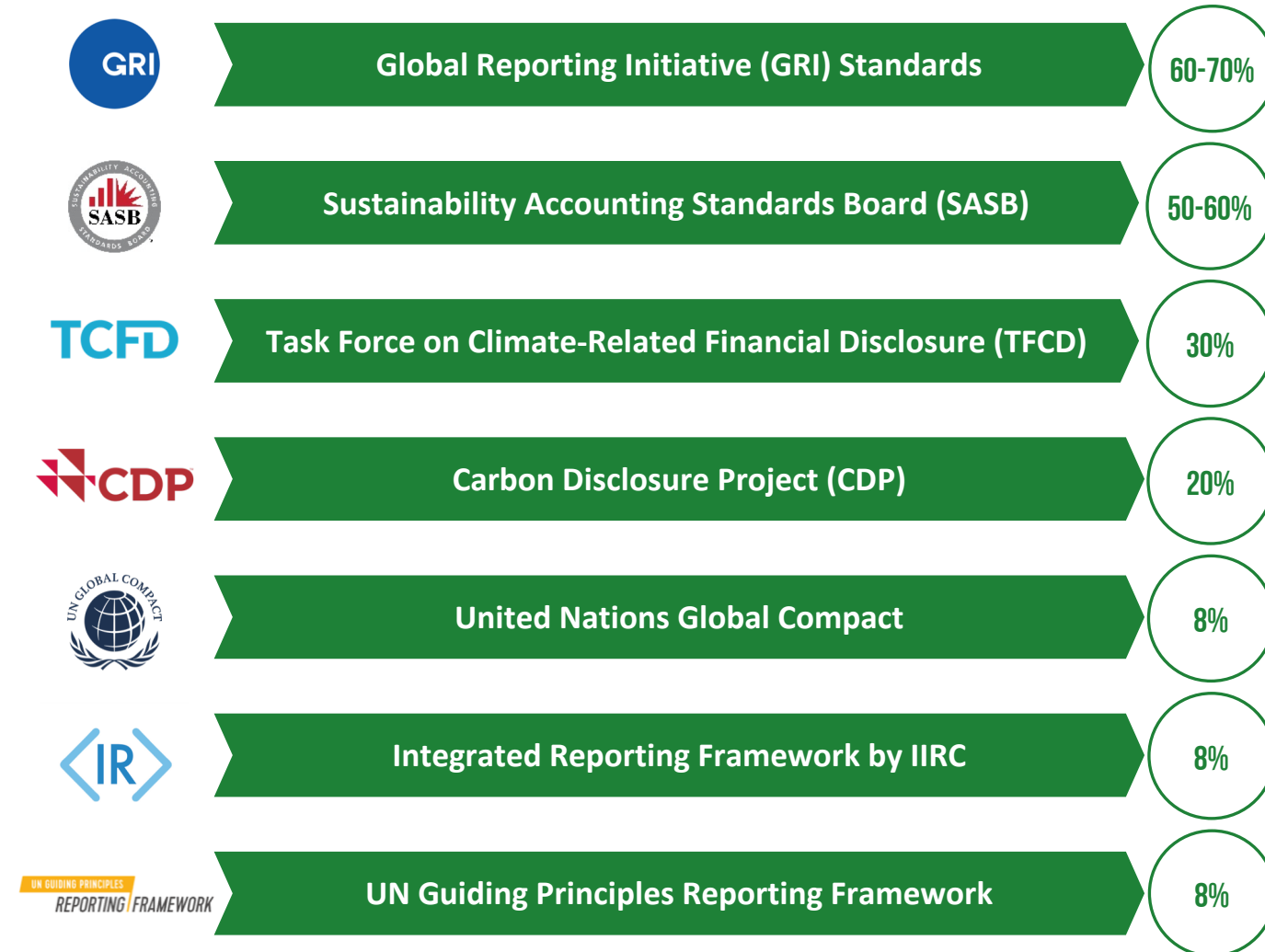


<p>1 Farmer Certification Assistance</p>	<ul style="list-style-type: none"> • Certification is a time- and resource-intensive initiative. Companies often assist farmers in the certification process to enable them to sell their crops at competitive market prices. 	
<p>2 Assured Demand</p>	<ul style="list-style-type: none"> • Companies ensure financial stability through “purchase guarantees” on their produce (especially for bulk quantities). • This is especially relevant for farmers in the midst of obtaining certification, a time-consuming process. Firms like Patagonia provide assured demand for farmers in the process of obtaining certification. 	
<p>3 Payment Transparency</p>	<ul style="list-style-type: none"> • Companies require their suppliers to provide evidence of farmer payments, thereby ensuring sustainable farmer livelihoods. • Kellogg’s deploys tools like Grower Surveys and Farm Sustainability assessments to increase transparency in the supply chain. 	
<p>4 Capacity Building</p>	<ul style="list-style-type: none"> • By conducting extensive training programmes, companies enable farmers to shift to sustainable agricultural practices. • Example - PepsiCo India through its direct seeding technology, facilitates reduced water consumption and GHG emissions during farming. 	



Reporting and Communication Practices

Firms leverage multiple reporting standards; **GRI and SASB** are the most commonly known reporting standards. (SKI 2022).



Companies typically report against multiple standards for the following reasons:

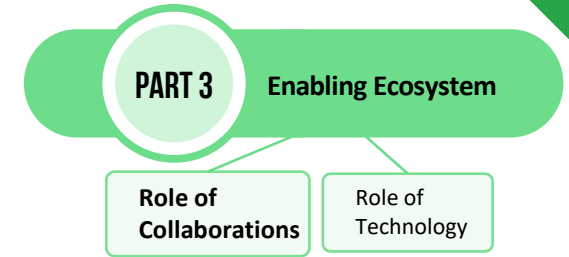
- Often **done to cater to diverse stakeholders and diverse parameters**. The SASB and TCFD are more relevant metrics for investors. GRI is a broader standard which caters to all stakeholders. The CDP is specifically leveraged for reporting related to carbon, water, and forests.
- Companies are **encouraged to report** against a certain standard used by peers.
- In the data set, **1-2% did not report** using any standard reporting frameworks.

Note: Sustainable Reporting Standards for a sample size of 25 companies were studied by Sattva. 22 of the studied firms source agri-inputs, 3 firms do not. List of companies provided in Annexure.



Role of Collaborations

Multiple stakeholders and corporate alliances or consortiums promote sustainable sourcing through collaboration, knowledge consolidation, advisory support, and alignment of standards (1/2).



1 Stakeholder Collaboration to Streamline Interests

- Provides a platform for stakeholders: Corporates, NGOs, Civil Society, Governments, to collectively identify cross-cutting issues and co-create policies.
- Pressure from regulatory bodies, investors and consumers encourages companies to be sustainable.
- Industry-specific alliances represent a large portion of commodities produced; the members of World Cocoa Foundation represent more than 80% of the cocoa industry production.



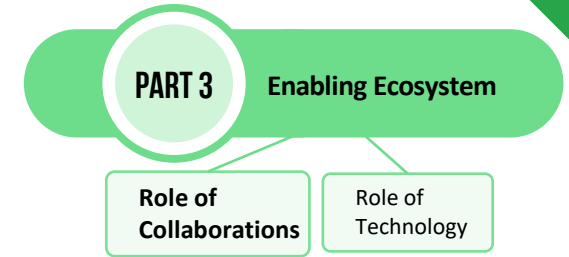
2 Alignment with Certifications and Sustainability Standards

- Facilitates credibility of sustainability claims and encourages uniformity, transparency, and responsible consumerism.
- Sustainable Apparel Coalition (SAC), with 250+ member organisations, developed the Higg Index as a standardised measurement of value chain sustainability in the textile and apparel industry.
- Better Cotton certifies 14% of the world's cotton production, and the Roundtable on Sustainable Palm Oil (RSPO) certifies 18.9% of the global palm oil production.



Role of Collaborations

Multiple stakeholders and corporate alliances or consortiums promote sustainable sourcing through collaboration, knowledge consolidation, advisory support, and alignment of standards (2/2).



3 Consolidation of Practices and Knowledge Systems

- Enables pooling of capacity, knowledge, technology, and information resources and consolidates the best sustainable sourcing practices.
- The Global Social Compliance Programme created by CGF sets the international reference on best practices for sustainable supply chain management.
- Sustainable Purchasing Leadership Council (SPLC) released Guidance for Leadership in Sustainable Purchasing, a comprehensive guide on sustainable purchasing.



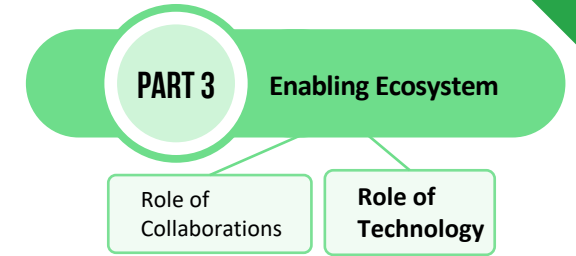
4 Customised Support and Advisory Services

- Offers companies advisory services to fulfil their sustainable sourcing goals.
- The Rainforest Alliance provides supply chain services to help companies map their sustainability journey. Business for Social Responsibility (BSR) offers sustainability consultancy services to its network of 300+ companies.



Role of Technology

Technology adoption is playing a significant role in facilitating sustainable sourcing; traceability, stakeholder collaboration, and impact measurement are some of the key applications (1/2).



1 Supply Chain Visibility and Product Traceability

- By providing visibility across the supply chain, technology helps with information on sustainable sourcing.
- Technology platforms use Unique Identification Codes and Blockchain to collect, consolidate, and report data from all parts of the supply chain.
- The platform FibreTrace embeds luminescent pigments as markers on fibers that are read and tracked at every stage with handheld hardware devices.



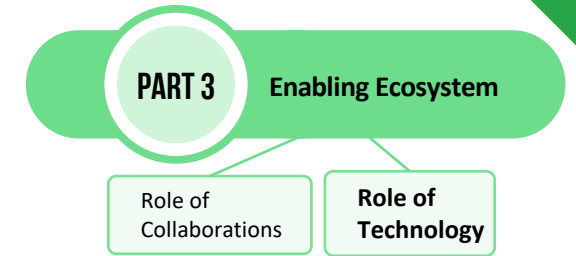
2 Facilitating Stakeholder Collaboration

- Platforms such as SourceUp link stakeholders in local producing areas, as well as along supply chains, for effective collaboration in sustainable sourcing.
- Digitisation facilitates collaborative data exchange and communication within the supply chain which resolves problems such as wastage in the food industry.
- Platforms such as Makersite and SourceUp offer knowledge resources such as Life Cycle Assessment (LCA) datasets for all industries for further collaboration.



Role of Technology

Technology adoption is playing a significant role in facilitating sustainable sourcing; traceability, stakeholder collaboration, and impact measurement are some of the key applications (2/2).



3 Measuring and Quantifying Impact

- Technology facilitates consolidation of fragmented data and impact quantification, such as calculation of carbon footprint and emissions, including Scope 3 Emissions.
- Platforms such as Higg Index offer measurement tools, indices, and sustainability assessment frameworks to enable brands to measurably assess their own progress and improve sustainability efforts.
- ESG disclosures and government compliance are simplified with the availability of data. Some platforms enable companies to create their own ESG Scorecards.



Higg



4 Monitoring Supplier Credentials and Compliance

- Technology platforms enable verification, organisation, and storage of supplier credentials such as certifications, accreditations, ratings, and memberships.
- They allow companies to monitor supplier actions and KPIs to confirm compliance with standards. IntegrityNext uses Artificial Intelligence (AI) to scan and analyse social media messages of suppliers and alerts companies in case of malpractices or reputational threats.
- Platforms like Givvable map supplier data with sustainability frameworks like SDGs or ESG norms to allow brands to select suppliers as per their customised targets.



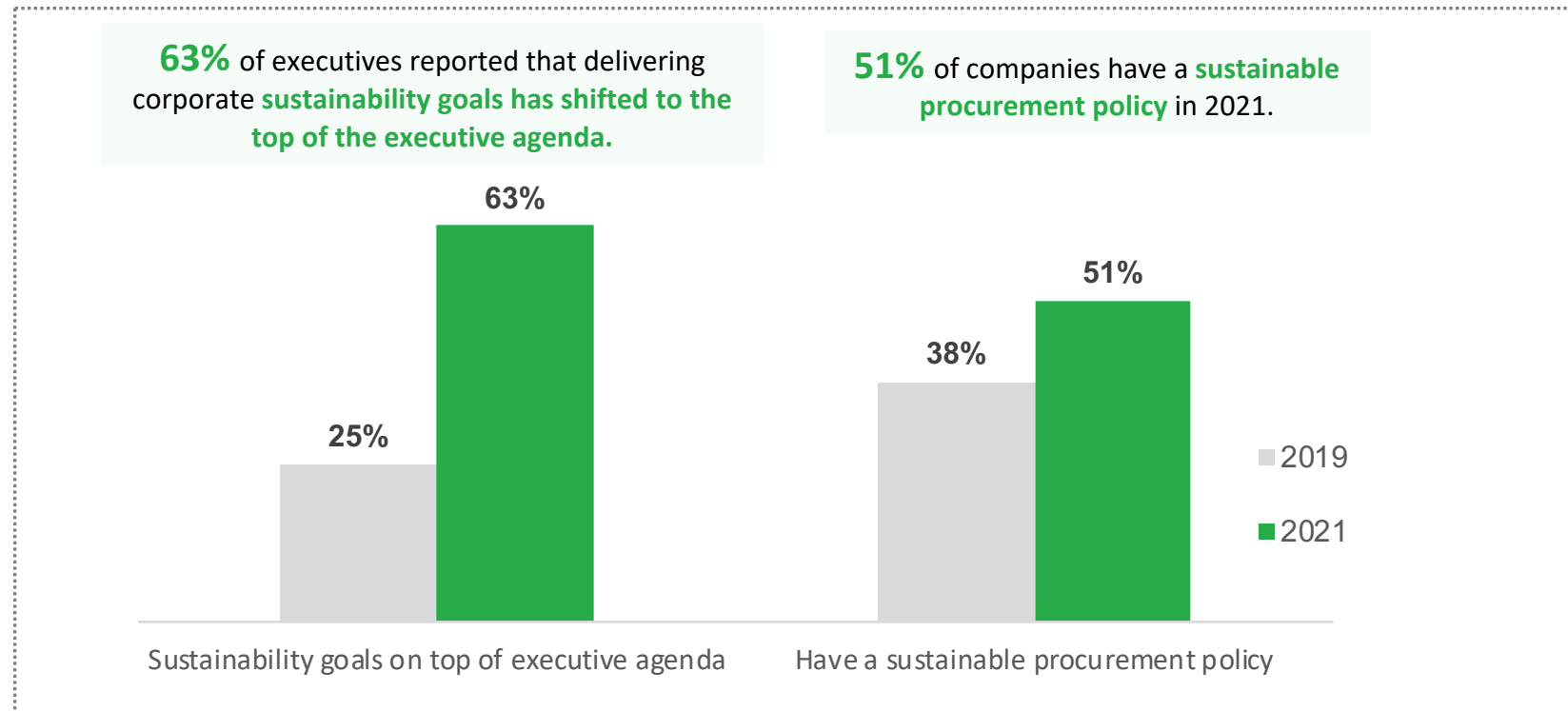
CHALLENGES IN THE ECOSYSTEM — SUPPLIER AND BUYER PERSPECTIVES



Existing Challenges: Overview

Though there is growing executive concern on developing sustainable business practices, **efforts remain largely on paper.**

Sustainable Procurement Barometer 2021 Study by Stanford and Eco Vadis



63% of executives reported that delivering corporate **sustainability goals** has shifted to the **top of the executive agenda.**

51% of companies have a **sustainable procurement policy** in 2021.

Demographics of this survey in 2021:

- The buyer companies surveyed belong to a range of sectors with the highest in manufacturing (20%), services (15%), chemicals (9%), followed by others.
- While a vast majority of buyers surveyed are based in Europe (~70%) with only 6.5% based out of Asia Pacific, about a 17% of 207 suppliers were based out of Asia Pacific.

However, **46% of suppliers** reported their large customers' (those with revenue of more than \$1 billion) **commitment to sustainability as "important only on paper."**



Existing Challenges: Supplier Perspective

Constraints and key addressable areas emerging for suppliers:

Constraints of farmers and input suppliers

Lack of expertise in sustainable business practices.

Suppliers often lack the necessary know-how on sustainable business practices. In addition, they often also struggle to understand the relevance of these concepts to their business operations.

Sustainable business practices are often resource intensive.

Suppliers find the required certifications to be complicated and resource-intensive. Also, sustainable raw materials can often be cost-intensive.

Unrealistic demands and deadlines from big companies.

Suppliers are, at times, forced to ignore sustainable business practices due to unrealistic delivery timelines of powerful buyers in the value chain.

Cascading sustainable practices further 'upstream' in the supply chain.

Tier 1 suppliers struggle to build capacity of their own, hence, limiting the cascading effect of sustainable business practices in the value chain.

Low technology adoption among suppliers.

Technology is critical to ensure sustainable sourcing, however a majority of suppliers have poor adoption of technology within their businesses.

Key addressable areas

1

Addressing asymmetric gaps in information and knowledge for suppliers

2

Addressing capacity constraints of suppliers

3

Addressing limited bargaining power of suppliers



Existing Challenges: Buyer Perspective

Constraints and key addressable areas emerging for buyers:

Constraints of buyers like corporations

Sustainable sourcing not part of long-term vision or strategy of the firm.

Firms often take up sustainable sourcing initiatives as a quick, short-term measure, instead of including them in their strategic goals for the longer term.

Lack of implementation and adoption across multiple business units.

Sustainable procurement policies are not uniformly adopted across multiple business units and geographies.

Imbalance in demand of green products.

Increased demand for green products leading to a acute shortage of green raw materials.

Smaller firms lack necessary resources to drive sustainable sourcing.

- Inability to conduct audits of suppliers due to lack of capital.
- Lack of necessary bandwidth to invest in capacity building.
- Non-availability of benchmarking data making it difficult to assess performance levels in this segment.

Cascading of sustainable practices further 'upstream' in the supply chain.

- Lack of visibility through the supply chain prevents buyers from knowing their lower tier suppliers.
- Buyers also find it a challenge to influence lower tier suppliers due to a lack of direct contractual relationships.

Key addressable areas

1

Addressing long-term strategic motivations for buyers

2

Addressing resource and capacity constraints for buyers

3

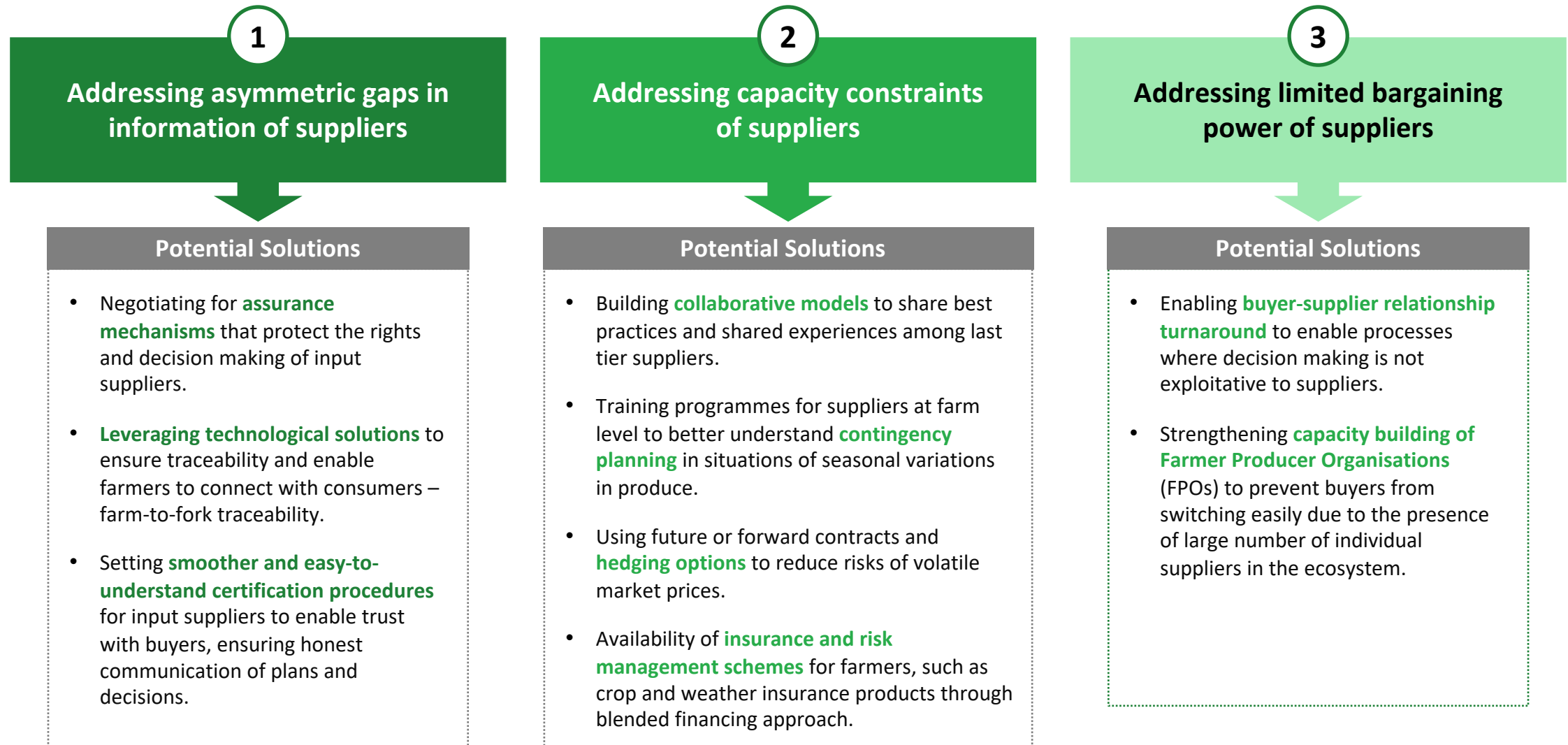
Addressing improper traceability and knowledge of supply chains for buyers



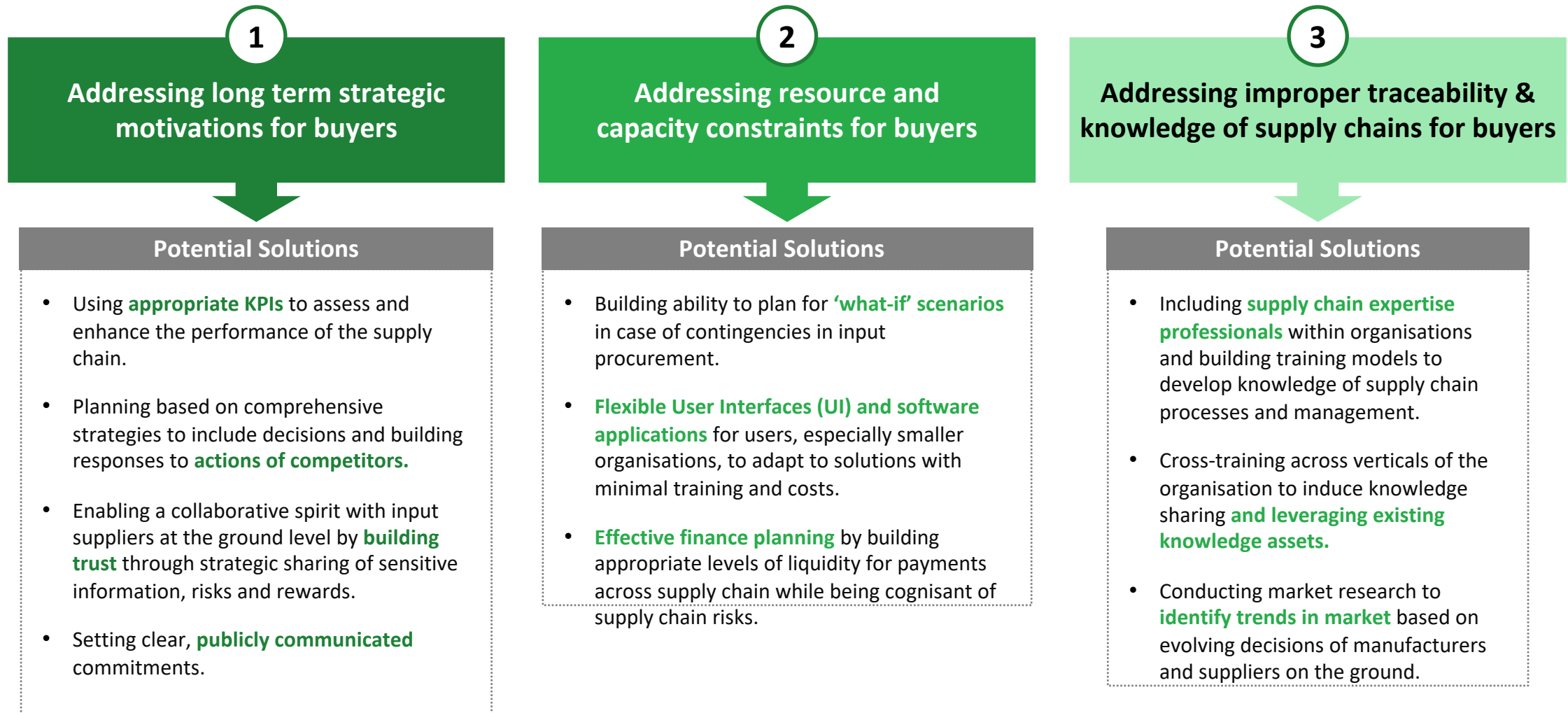
ADDRESSING CHALLENGES OF SUPPLIERS AND BUYERS



Recommendations: Supplier Perspective



Recommendations: Buyer Perspective



CATALYTIC ROLE OF GOVERNMENT AND PHILANTHROPY



Role of Government and Philanthropy

Government as well as philanthropy can catalyse the adoption of sustainable sourcing practices and bring actionable support to address key issues.



Government

Establishing support not only for Indian suppliers majorly exporting to large multinationals, but setting trends by promoting responsible procuring across Indian firms.

Providing grants, capital and incentives to academic institutions and private research firms for research and development to provide solutions for sustainable supply chain management across the value chain.

Offering subsidies to suppliers at scale to adopt alternative and responsible modes of farming.

Setting special incentives for government procurement to support innovative farmers and establish use cases for private procurers as well.



Philanthropy

Companies should align their philanthropic initiatives with the long-term goals of business sustainability that they want to achieve.

Big philanthropic investors can enable collaborative linkages by using funds towards building infrastructure and capacity across the supply chain.

Mobilising capital for advocacy at the grassroots level to impact suppliers capabilities, and at the governmental level, to encourage policy reforms that make procurement sustainable.


























Collaboratives of grassroots, NGOs and foundation leaders can address issues at an ecosystem level.



ANNEXURE



Sustainable sourcing practices of several global and Indian firms were analysed for this report.

	Food & Beverages	FMCG	Automation & Machinery	Apparels & Textiles	Retail & E-Commerce	Conglomerates	Agri Chemicals	Paper Manufacturing
Global Firms	   	 Procter&Gamble	  JOHN DEERE 	  	 			 Klabin
National Firms	  	 Hindustan Unilever Limited  	 ESCORTS			 ADITYA BIRLA GROUP  ITC Limited		



REFERENCES



- Carbon Disclosure Project 2019, [CDP Supply Chain: Changing the Chain](#).
- Dandage, K, Badia-Melis, R, & Ruiz-García, L 2017, '[Indian perspective in food traceability: A review](#)', Food Control, vol. 71, pp. 217-227.
- EcoVadis, NYU Stern Center for Sustainable Business, 2019, [Sustainable Procurement Barometer 2019](#).
- EcoVadis, The Value Chain Innovation Initiative at the Stanford Graduate School of Business, 2021, [2021 Sustainable Procurement Barometer](#).
- Humphrey, J, Kogan, S, Sagi, J, & Starks, LT 2020, [The Asymmetry in Responsible Investing Preferences](#), Social Science Research Network (SSRN).
- Mishra, S 2020, [ESG Matters](#), Harvard Law School Forum on Corporate Governance.
- Petro, G 2022, [Consumers demand Sustainable products and shopping formats](#), Forbes.
- Sustainable Apparel Coalition n.d., [Higg Index Product Tools](#).
- United Nations Environment Programme 2019, [We're gobbling up the Earth's resources at an unsustainable rate](#), UNEP.
- Vijay, S 2022, [Valuation of Intangible Assets](#), Corporate Professionals.
- Waikar, S 2021, [Are Customers Skeptical of Eco-friendly Products?](#), Kellogg School of Management at Northwestern University.



