

Text transcript of the video:

(Lucy Dablin, Online Educator)

Hello and welcome to this short video on supply chains. I've put together this video to help you understand supply chains and also the impact that we as consumers have across the planet every day with the decisions that we make. In this short video, we are going to speak to two members of the SPOTT team. They will tell us about the work that they do assessing forest risk commodities and what actions businesses must take to ensure that the products that they are sourcing are sustainable. While we are watching this video, I would like you to think about the United Nations Sustainable Development Goals, and in particular, whether or not supply chains are supporting a sustainable future. If you're not familiar with the United Nations Sustainable Development Goals, it might be a good time to pause the video and go back to refresh your memory. Thank you and enjoy the video.

[logo: ZSL London let's work for wildlife, SPOTT]

(Sam Ginger, Sustainable Business Project Analyst)

So, I'm a sustainable business project analyst, so what I do is actually coordinate the assessments that we do at SPOTT. Currently we assess three commodities, which are palm oil, timber and pulp and natural rubber. Assessing them on their ESG practices and policies and their public disclosure of that, in terms of the environment, but also social sustainability, so looking at local communities, how companies interact with them, observation of human rights, and things like that, but also governance practises as well. Largely speaking, we aim at the financial sector, so this could be investors, asset managers, banks... people who can use this ESG data, so 'Environmental', 'Social', and 'Governance' data to inform their own decisions, often this is part of a due diligence process before they have invested in a company for example, so they will be looking at SPOTT and going, 'Ok, does this company, which is a timber company, does it have a zero deforestation policy?'

(Maggie FitzHerbert, Sustainable Business Advisory Manager)

It's often quite complicated for those companies to actually understand what is going on within their supply chains, so whether or not the negative things that are occurring in their supply base are the result of negligence, or deliberate malpractice, or simply ignorance is quite a difficult thing to untangle. So, the transparency into disclosure is often considered to be a first step because that goes hand in hand with them actually investigating and understanding their own supply chains. So where you have products which contain many different types of natural resources, have travelled through lots of different parts of the world, where there's potential for quite long chains of subcontracting going on within the manufacturing base as well then as a very first step you could consider the transparency to include things like "What countries do you source from? Do you have the names of the factories that your products are made in?' Right through to, 'what are your environmental targets? Have

you been doing auditing? Have you got third party auditors or are they your own auditors? How many instances of breaches to local water quality legislation have there been in the last year from your factories? Have there been any instances of fatalities? If so how many? What have you done about it?' So the transparency can go from the very sort of high level things and there's a certain amount of transparency which is required by law, so things like the country of origin for lots of types of products that's necessary, but for lots of other, more complicated detailed aspects there isn't really a legal precedent for it, but there's absolutely a sustainability precedence for it. So as a first step, the importer organisation would be expected to conduct an information gathering exercise where they map their supply chains in as much detail as possible, preferably back to all of the individual producers, but it would also include all of the logistics, material, movement and manufacturing as well. Once that information is known, then the next step would be to conduct a risk assessment to understand what the risks are, because that will vary in different countries and with different commodities. So there's lots of resources available often conducted by NGOs, but also government resources, academic resources, which inform those risk assessments. Once a company understands the risk within their supply chain then it'll be up to them to put in place mitigation measures, so the mitigation measures will be things that they do to reduce the risk of whatever the bad thing is that they are trying to avoid occurring. So it might be to start sourcing certified products from particularly high risk areas, it might be that they want to engage their suppliers in a much more involved way where they actually send out representatives from the company to those areas to gather information about practices on the ground, whether that be health & safety in the factories or to check that the licencing is in place within the forest management unit and so on. So that's a basic overview of a good due diligence system. Information gathering, risk assessment and risk mitigation. If you can't mitigate the risk then you need to find an alternative supply or seek an alternative method with which to engage that supply chain to remove that risk. And if you can't do that, and you import anyway, then you're in breach of the legislation.