



Can conducting a Social LCA help meeting major Social Responsibility standards requirements?

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Supply Chain Risks

- Prevalence of issues and exploitation of workers is getting worse not better (Impactt, 2013)



RESPONSIBILITY OUTSOURCED:

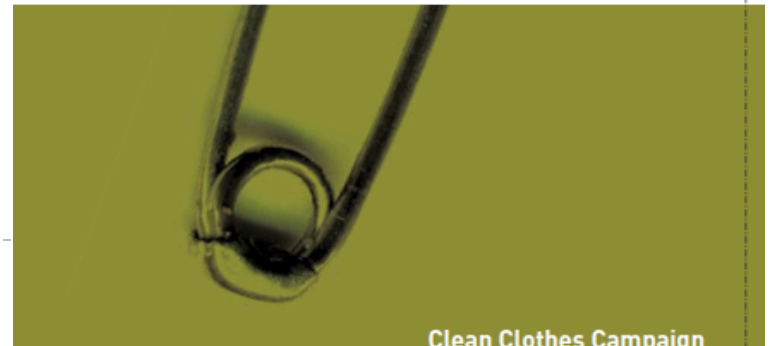
*Social Audits, Workplace Certification
and Twenty Years of Failure to Protect
Worker Rights*

AFL-CIO



Looking for a quick fix

How weak social auditing
is keeping workers in sweatshops



Clean Clothes Campaign

Supply Chain Risks

- ▶ Increase in trade of intermediary inputs (WEF, 2012, WTO, 2013)
- ▶ Fires and building collapses in Bangladesh garment factories in past two years highlight how exposed companies are to labor and human rights risks.

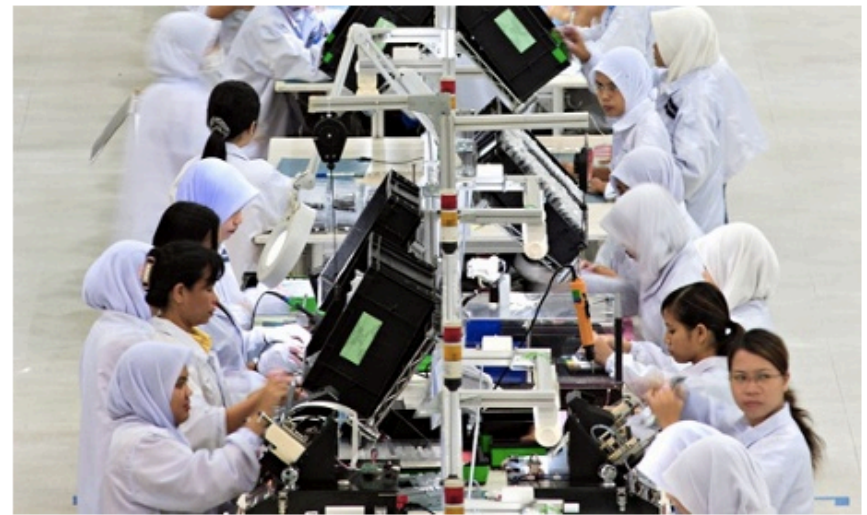
Companies from all sectors have specific risks to manage based on their supply chain geography and their sourcing of inputs.

Modern-day slavery rife in Malaysia's electronics industry

Report says a third of migrant workers in industry are trapped in debt bondage and have their passports illegally withheld

Annie Kelly

theguardian.com, Wednesday 17 September 2014 11.01 EDT



Women work at an electronics factory in Malaysia. A report says forced labour is used in the supply chains of many household brands. Photograph: Jonathan Drake/Getty Images

Invitations and Requirements to Manage and Report Supply Chain Risks

- ▶ **UN Business and Human Rights (Ruggie) Framework – Requiring Human Rights Due Diligence**
- ▶ **GRI G4 - reporting - Introducing the reporting on supply chain significant and potential negative Labour Rights and Human rights Impacts**
- ▶ **DJSI - ESG rating (Formalized process to identify supply chains sustainability Risks)**
- ▶ **ISO 26000 - Management - Due diligence and promoting SR in Value Chain**
- ▶ **California Transparency Act - Disclosing efforts to prevent, stop and mitigate child and forced labour in supply chain**
- ▶ **Dodd Franck Act/ Conflict minerals - Presence of conflict minerals in products and reasonable country of origin inquiry to understand and disclose aspects of the minerals in their supply chain**
- ▶ **Human Trafficking and slavery executive order**



- ▶ **“Human rights due diligence – a business’s ongoing processes for assessing its actual and potential human rights impact, integrating and acting upon its findings, tracking its responses and communicating how its impact is addressed, as set out in the [Guiding Principles on Business and Human Rights endorsed by the United Nations Human Rights Council](#).**
- ▶ **Human rights due diligence should cover adverse impact that the business may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by a business relationship.”**
- ▶ **Consequently, these activities and business relationships set the scope of human rights due diligence.**



UN Framework

How can enterprises be involved in adverse human rights impact?

- ▶ **There are three basic ways in which an enterprise can be involved in an adverse impact on human rights:**
 - (a) It may cause the impact through its own activities;**
 - (b) It may contribute to the impact through its own activities—either directly or through some outside entity (Government, business or other);**
 - (c) It may neither cause nor contribute to the impact, but be involved because the impact is caused by an entity with which it has a business relationship and is linked to its own operations, products or services.**
- ▶ **Each scenario has different implications for the nature of an enterprise's responsibilities**



UN Framework

- ▶ In multi-tiered and complex value chains/ companies with thousands of suppliers even in their first tier: *it is even less feasible to assess every individual business relationship.*
- ▶ However, this does not reduce its responsibility to respect human rights: **not knowing about human rights abuses linked to its operations, products or services is unlikely by itself to satisfy key stakeholders, and may be challenged in a legal context**
- ▶ If due diligence on every individual relationship is impossible, **“business enterprises should identify general areas where the risk of adverse human rights impacts is most significant, whether due to certain suppliers’ or clients’ operating context, the particular operations, products or services involved, or other relevant considerations, and prioritize these for human rights due diligence”.**
- ▶ This would include, for example, agricultural products sourced from suppliers in an area known for child labour; security services provided by contractors or forces in areas of conflict or weak governance and rule of law etc.



Why is materiality important

Financial

- ▶ **Materiality is a fundamental principle of financial reporting**
- ▶ **It recognizes that some information is important to the fair presentation of an entity's financial condition**
- ▶ **Federal securities law seeks to protect individual investors by requiring publicly listed companies to disclose annual or periodic performance data that would be necessary for a reasonable investor to make informed investment decisions.**

Stakeholder

- ▶ **At the core of preparing a sustainability report is a focus on the process of identifying material Aspects – based, among other factors, on the Materiality Principle.**
- ▶ **Material Aspects are those that reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders.**



GRI G4



Global Reporting Initiative, May 2013

G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken
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G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken
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G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken
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GRI G4

Provide a description of key impacts, risks, and opportunities.

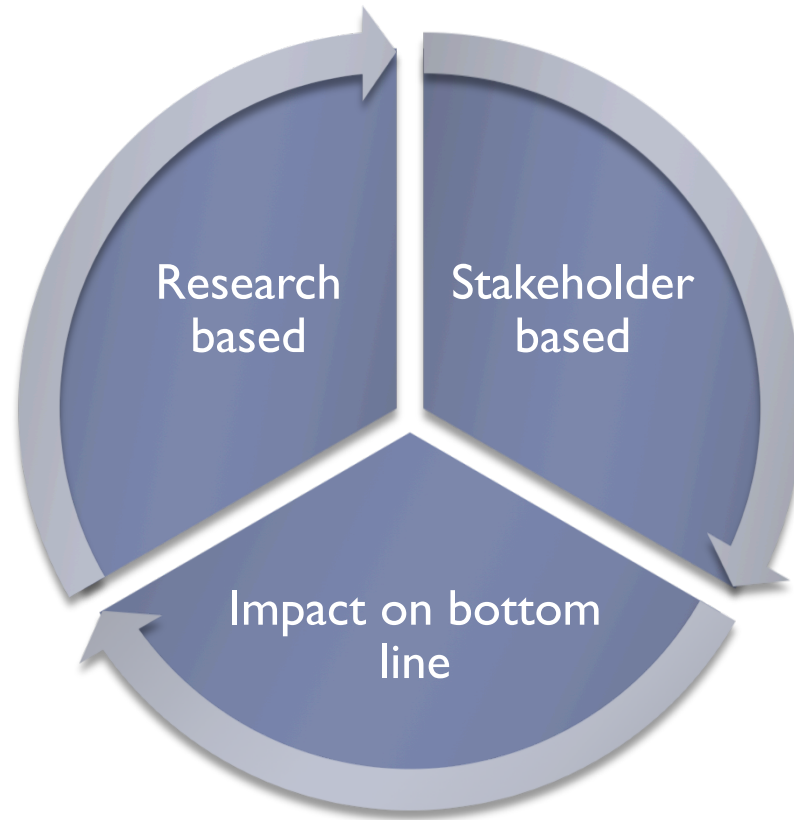
- ▶ **As defined by national laws and relevant internationally recognized standards.**

This section should include:

- ▶ ***A description of the significant impacts*** (economic, environmental and social) of the organization, and associated challenges and opportunities.
(including the effect on stakeholders' rights)
 - ▶ ***An explanation of the approach*** to prioritizing these challenges and opportunities
 - ▶ ***Key conclusions about progress*** in addressing these topics and related performance in the reporting period.
- &**
- ▶ ***A description of the main processes*** in place to address performance and
 - ▶ **relevant changes**



Tiers of materiality assessment



Changes brought by shift to materiality

- ▶ The most significant change in materiality: consideration of the boundary attributes when determining material issues.
- ▶ Companies must not only consider what, but where an issue is relevant across the organization and its value chain (which sites, subsidiaries, countries, suppliers, products, etc.).
- ▶ Companies may report a different boundary for different issues.
- ▶ For example, child labor could only be reported on from the perspective of the supply chain or specific buying categories or geographies in the supply chain.
- ▶ While greenhouse gas emissions could be reported on from the perspective of the company-owned fleet or the downstream impacts associated with product use.



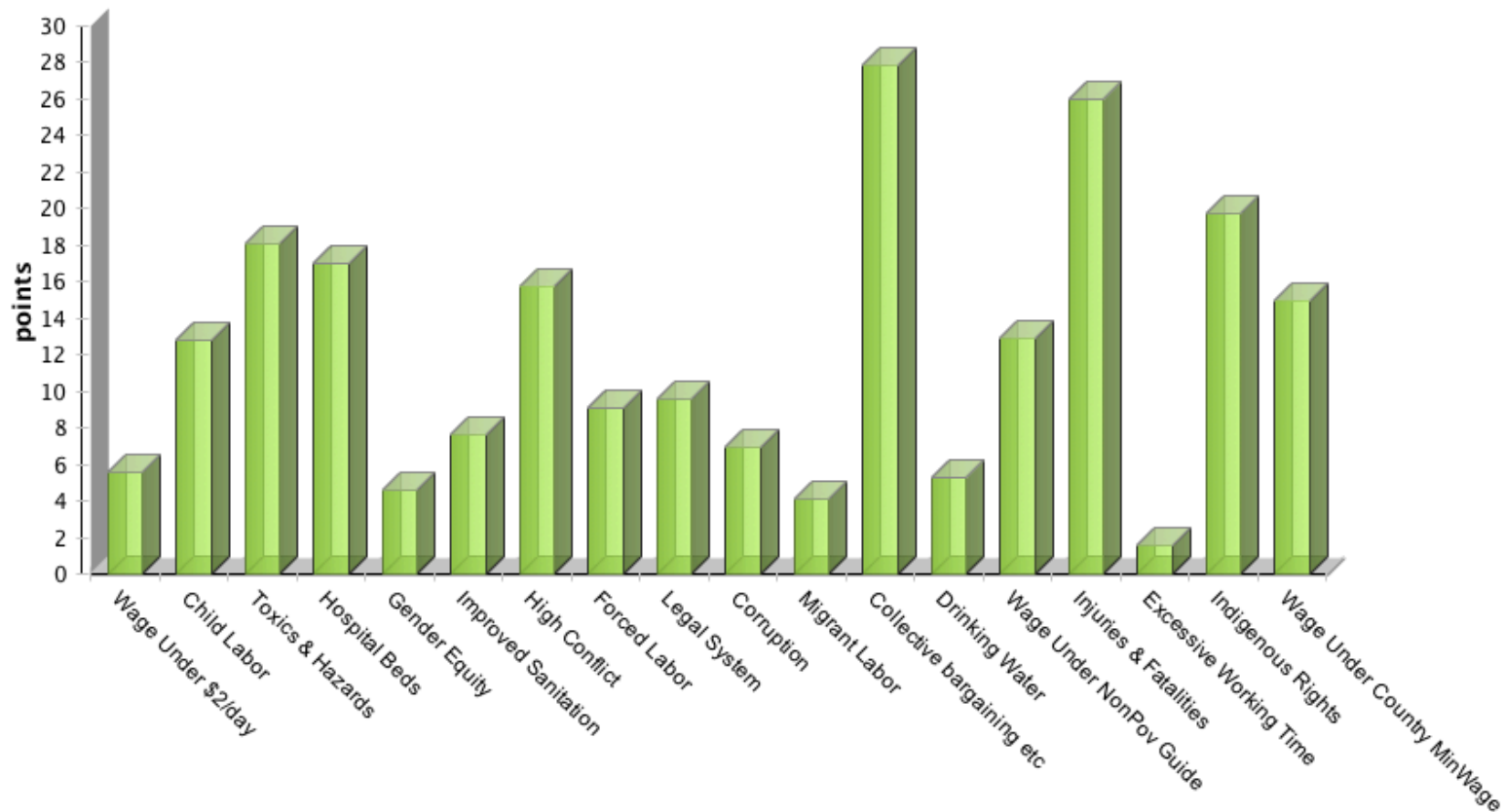
GRI 4

Category	Social			
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspects ^{IV}	<ul style="list-style-type: none"> • Employment • Labor/Management Relations • Occupational Health and Safety • Training and Education • Diversity and Equal Opportunity • Equal Remuneration for Women and Men • Supplier Assessment for Labor Practices • Labor Practices Grievance Mechanisms 	<ul style="list-style-type: none"> • Investment • Non-discrimination • Freedom of Association and Collective Bargaining • Child Labor • Forced or Compulsory Labor • Security Practices • Indigenous Rights • Assessment • Supplier Human Rights Assessment • Human Rights Grievance Mechanisms 	<ul style="list-style-type: none"> • Local Communities • Anti-corruption • Public Policy • Anti-competitive Behavior • Compliance • Supplier Assessment for Impacts on Society • Grievance Mechanisms for Impacts on Society 	<ul style="list-style-type: none"> • Customer Health and Safety • Product and Service Labeling • Marketing Communications • Customer Privacy • Compliance

LCA = Methods + Models + Data

Characterization Normalization Weighting SingleScore

Compare product systems for LCIA method Social LCIA method1 - Equal Weights



Social LCA provide Methods

Why are methods needed?

To enable the assessment of risks and performances throughout the value chain

Social LCA requires its own Life Cycle Inventory and Impact Assessment methods.

Dynamic field with multiple methods published in LCA journals

Initiatives providing multistakeholder or targeted stakeholder input



Social LCA provide Models

Why are models needed?

To inform about the supply chain activities, linkages and location

Social LCA require geographic location information:

- Global IO models (WIOD, GTAP, Exiopol)
- Model including higher number of countries: GTAP

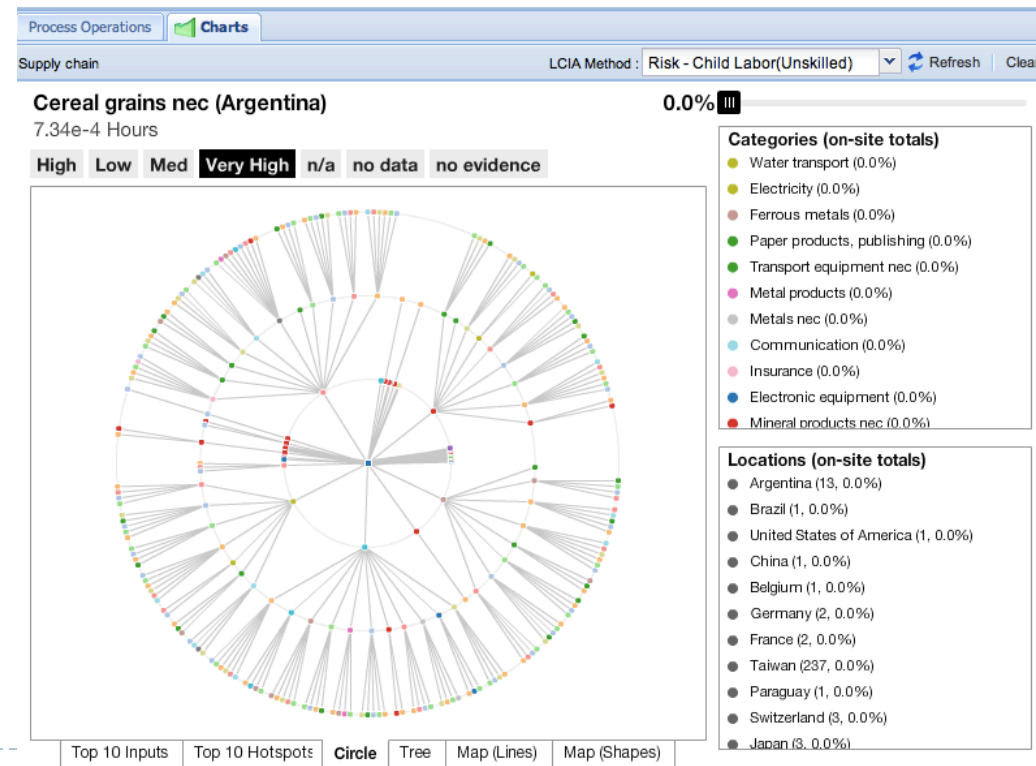
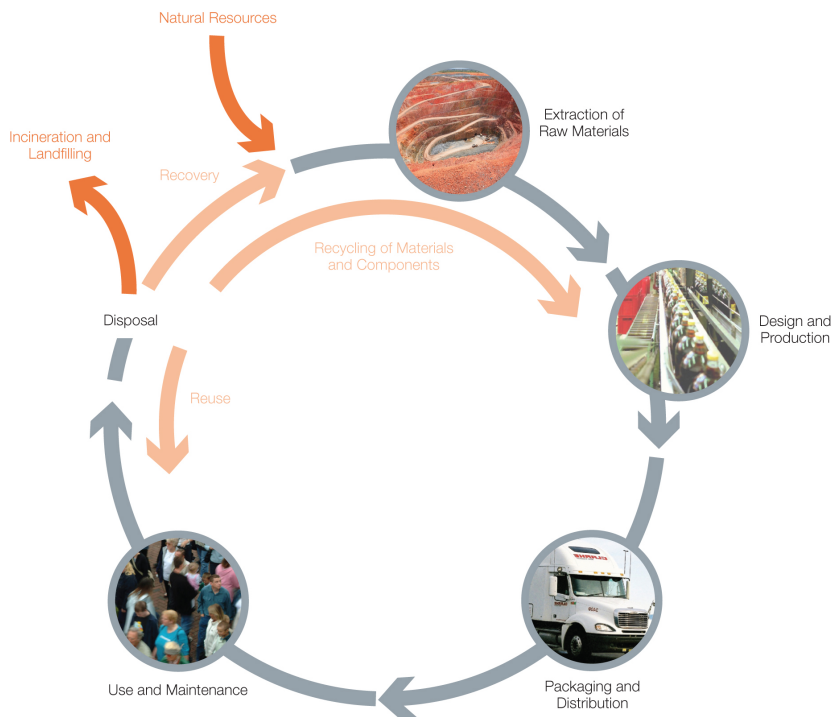


Figure 6 – The Product Life Cycle

Social LCA provide Data

Why are data needed?

To support assessments by providing generic and site-specific information that will allow to identify hotspots and assess performances

Social LCA requires its own data

First comprehensive Social LCA data source:



Can be used in Sima Pro – Open LCA and is being tested in GaBi



Social Hotspots Database

Applying LCA methods integrating social impacts enables capturing the full spectrum of sustainability issues across the full value chain

Categories



Labor Rights and Decent Work



Human Rights



Health and safety



Governance



Community

Themes

Freedom of Association
Child Labor
Forced Labor
Excessive working time
Wage Assessment
Poverty
Migrant labor
Unemployment
Labor Laws

Indigenous Rights
High Conflicts
Gender Equity
Human Health Issues

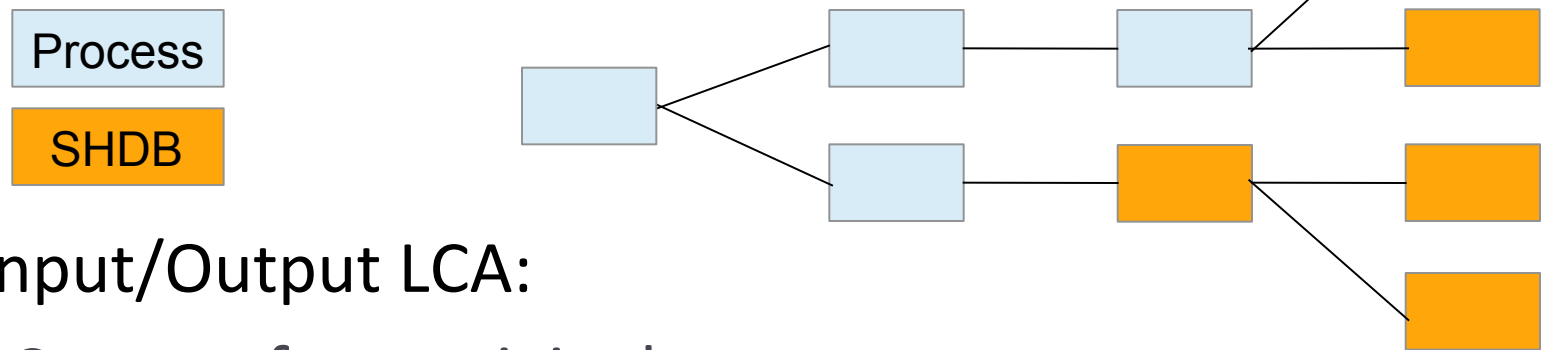
Injuries and Fatalities
Toxics and Hazards

Legal System
Corruption

Hospital Beds
Drinking Water
Sanitation
Children Out of School
Smallholder vs Commercial Farms

Socially Extending Environmental LCAs

- Process LCA:
 - ▶ Augment foreground processes with worker-hours per unit of output
 - ▶ Link foreground processes to SHDB for life cycle social risk assessment



- Input/Output LCA:
 - ▶ Convert from original sectors (e.g., NAICS, ISIC) to GTAP

Level of assessment

**First Broad
Overview**

Revenues
or sales –



Spend
categories
or
Investment
portfolio



Product
categories

Prioritization



Hotspots
discovery

Assessment



Social Risk Assessment

- **Start by assessing the production and supply chain of your global operations**
- **Data needed:**
 - Revenues/output by sector by country
- **Use the Social Hotspot Database to identify “material” (GRI) and “relevant” (ISO 26000) labor, human rights, and social hot spots thus conducting “due diligence” (UN)**



Owens Corning Social Risk Assessment

▼ Inputs						
Flow	Category	Flow property	Unit	Resulting		
⚙️ OC Belgium		Market value USD 2002	USD 2002	257622		
⚙️ OC Brazil		Market value USD 2002	USD 2002	106057		
⚙️ OC Canada		Market value USD 2002	USD 2002	393019		
⚙️ OC CN		Market value USD 2002	USD 2002	154736		
⚙️ OC France		Market value USD 2002	USD 2002	130201		
⚙️ OC India		Market value USD 2002	USD 2002	809680		
⚙️ OC Italy		Market value USD 2002	USD 2002	114260		
⚙️ OC Japan		Market value USD 2002	USD 2002	951170		
⚙️ OC Korea		Market value USD 2002	USD 2002	779200		
⚙️ OC Mexico		Market value USD 2002	USD 2002	739579		
⚙️ OC Netherlands		Market value USD 2002	USD 2002	842452		
⚙️ OC Spain		Market value USD 2002	USD 2002	306401		

▼ Outputs						
Flow	Category	Flow property	Unit	Resulting amount	Uncertainty	Avoided
⚙️ Owens Corning		Market val...	U...	5145130018	No distr...	<input type="checkbox"/>

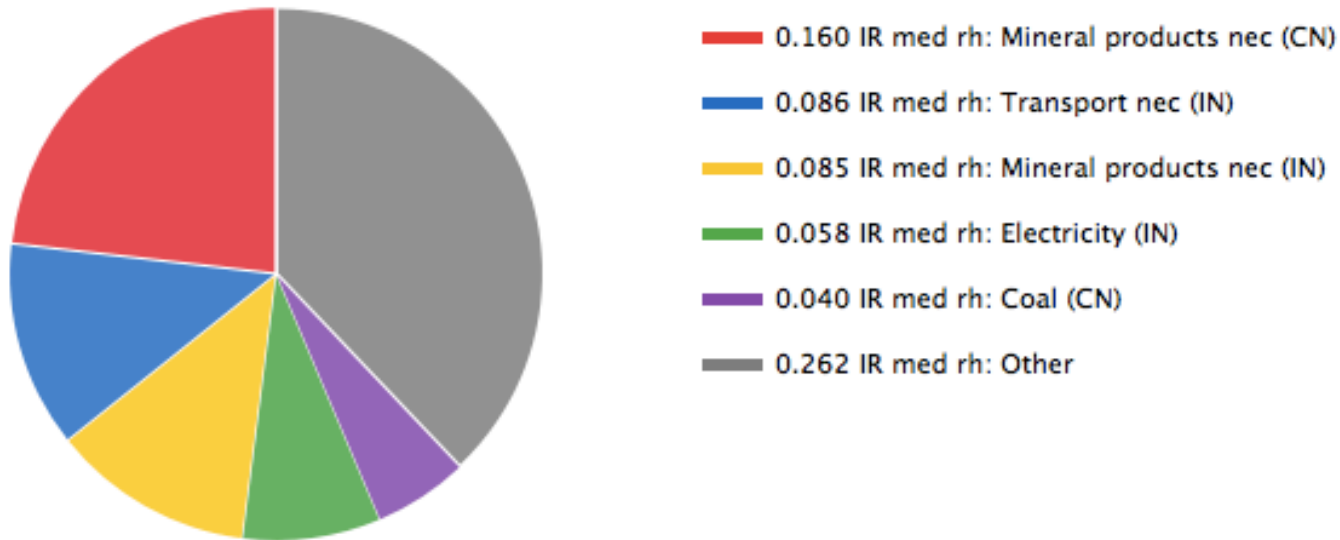


Human Rights Hot Spot Overview

▼ Impact contributions

Impact category  Human Rights ▼

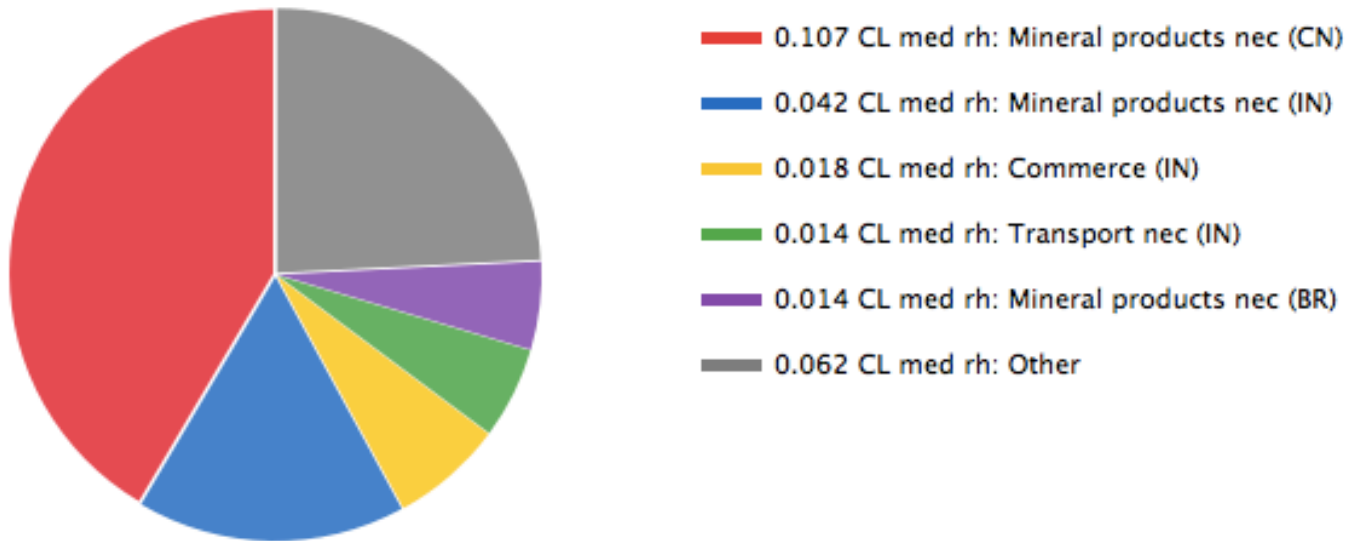
Order by Hot spots ▼



Child Labor Hot Spot Overview

▼ Impact contributions

Impact category  Child Labor ▼ Order by Hot spots ▼







“Contribution Tree” for Poverty Wages

Impact categories Wage Under \$2/day

Contribution	Process	Amount	Unit
▼ 100.00%	Owens Corning 2012	0.20803	PW1 m...
▶ 56.23%	OC India	0.11697	PW1 m...
▶ 35.14%	OC CN	0.07311	PW1 m...
▶ 06.99%	OC USA	0.01455	PW1 m...
▶ 01.03%	OC Brazil	0.00214	PW1 m...
▶ 00.16%	OC Korea	0.00034	PW1 m...
▶ 00.14%	OC Mexico	0.00029	PW1 m...
▶ 00.13%	OC Netherlands	0.00027	PW1 m...
▶ 00.06%	Mineral products nec (RU)	0.00014	PW1 m...
▶ 00.03%	OC Italy	6.22111E-5	PW1 m...
▶ 00.03%	OC Japan	5.22989E-5	PW1 m...
▶ 00.02%	OC France	3.36533E-5	PW1 m...
▶ 00.02%	OC Canada	3.33788E-5	PW1 m...
▶ 00.01%	OC Spain	1.26818E-5	PW1 m...
▶ 00.00%	OC Belgium	9.31043E-6	PW1 m...
▶ 00.00%	OC UK	9.17080E-6	PW1 m...
▶ 00.00%	Mineral products nec (CZ)	7.79393E-6	PW1 m...

Drilling Down for More Detail: Priorities

Impact categories  Wage Under \$2/day 

Contribution	Process	Amount	Unit
▼ 100.00%	 Owens Corning 2012	0.20803	PW1 m...
▼ 56.23%	 OC India	0.11697	PW1 m...
▼ 56.23%	 Mineral products nec (IN)	0.11697	PW1 m...
▶ 12.21%	 Transport nec (IN)	0.02541	PW1 m...
▶ 10.31%	 Electricity (IN)	0.02145	PW1 m...
08.27%	 Commerce (IN)	0.01720	PW1 m...
02.20%	 Minerals nec (IN)	0.00458	PW1 m...
01.37%	Financial services nec (IN)	0.00284	PW1 m...
00.82%	Coal (IN)	0.00170	PW1 m...
00.58%	Mineral products nec (IN)	0.00121	PW1 m...
00.26%	Textiles (IN)	0.00055	PW1 m...
00.24%	Water transport (IN)	0.00050	PW1 m...
00.14%	Chemical, rubber, plastic...	0.00029	PW1 m...
00.02%	Petroleum, coal products (IN)	3.53348E-5	PW1 m...
00.00%	Minerals nec (BE)	5.06760E-7	PW1 m...
00.00%	Minerals nec (QA)	4.18028E-7	PW1 m...
00.00%	Minerals nec (GB)	1.58424E-7	PW1 m...

Some of the SHDB users



Reducing Risks, Creating Benefits

- **Risk Reduction = Footprint Reduction**
- **Benefit Creation entails working on hot spots via supplier engagement.**



What can be done

1. **Additional Research**
2. Public-Private Partnership
3. Form / Respect Union
4. Increase the Minimum Wage
5. Enforce Minimum Wage Payments
6. Additional Payment for Overtime
7. **Expansion of Supply Chain Inspections**
8. Increase Investigations and Prosecutions
9. Support and Empower Vulnerable Communities
10. **Increase Consumer Awareness**
11. **Building responsible sourcing capabilities**



Conclusion

- Regulations are being implemented in the US such as the California Transparency Act, the Dodd-Frank act section on conflict minerals and the 2013 Executive order on Human Trafficking.
- Due diligence is becoming a compliance issue that is directly affecting business.
- Laws on supply chain due diligence/responsibility are in development or under review in the UK, Switzerland, EU, Canada.
- Social LCA has specific characteristics making it a tool of choice for companies implementing such processes.
- **How can WE make Social LCA as effective, understandable, reliable and user-friendly as it needs to be in order to be broadly utilized.**



Thank you!



social hotspots database

New Earth – Social Hotspots Database project

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www.socialhotspot.org



HARVARD EXTENSION SCHOOL

ENVR E-153 Social Responsibility in Product Supply Chains

A semester long distance and on-campus class designed for students to develop the necessary skills to conduct Social Life Cycle Assessment