



ksapa

WEBINAR

**Solutions for Resilient
Raw Material Supply Chains**

26 October 2021



- Introduction
- Facilitation



Christèle Delbé
Supply Chain Solutions Director

A photograph of a green plant with a central stem and several large, rounded, seed-like structures (samaras) and leaves. The plant is positioned vertically, with the seed-like structure in the center. The leaves are elongated and pointed. The background is a light, neutral color.

Turning the Tide on Resilient Raw Material Supply Chains

What is Resilient Raw Material Sourcing?

Resilience (definition): the capacity to recover quickly from difficulties
=> Sourcing is under multiple contrary environmental, social, ethical, regulatory pressures. **Practices and risk profile must quickly and dramatically change for sourcing to remain compliant, affordable and predictable**

Raw material (definition): Also known as a feedstock, unprocessed material, or primary commodity, is a basic material that is used to produce goods, finished products, energy, or intermediate materials that are feedstock for future finished products

Examples

- Raw materials include **steel, oil, gasoline, plastic, natural gas, coal, cobalt, lithium, nickel, graphite, tin, tantalum, tungsten, gold, aluminium, copper, mica, rare earth elements, platinum metals...**
- Agricultural raw materials include **rice, soybean, sugarcane, cotton, palm oil, barley, coffee, rubber, tea, cotton, lumber, forest resources, leather...**

Responsible Sourcing is Gaining Momentum

Regardless of the complexities of responsible agricultural commodity sourcing, **stakeholders** have converged to make it a requirement:



Regulatory Pressures

- **High-profile transnational lawsuits** and adjoining national jurisprudence
- **EU Mandatory Due Diligence** slated for 2021, covering both direct operations and extended supply chains and related **national compliance requirements** – French/Germany Vigilance laws, the UK Modern Slavery Act and the Transparency in Supply Chains Act in the State of California.
- **US Withhold-Release Orders/Tariff Act** with major economic implications (cocoa in Ivory Coast, cotton from Xinjiang, latex gloves from Malaysia...)



Consumer Behavior

- Even before Covid-19, 42% of Millennials surveyed favored products or services with a **positive impact on society/the environment**. 37% ended a business relationship because of **behaviors construed as unethical**.
- 23% of global consumers demand brands **lead by example**, with 75% of US consumers want companies to pursue positive impact initiatives they launched because of Covid-19.



Business Considerations

- Companies are increasingly asked to accelerate their positive impact against the **UN 2030 SDG**, reduce their **supply chains risks** and move towards more **responsible sourcing practices**.
- Investors as similarly subject to regulatory and civil society pressures, notably to respect **Human Rights**, fight **deforestation**, address **water stress** and **biodiversity loss**

Why Rationalize Agricultural Commodity Sourcing?

Adverse Impact

- The IPCC already reported food and drink production has driven **75% of deforestation** to date.
- A Chatham House report lists **agriculture as the top threat** for some **86% of the ~28k plant/animal species** at risk of extinction.
- Though many go hungry, **1.3 billion tons of food is either wasted or lost** all along the global value chain.

Growing Demand

- In 2017, **worldwide material consumption reached 92.1 billion tons**, up from 87 in 2015. Without remediation measures, this is projected to grow to 190 billion tons by 2060.
- The **global material footprint per capita increased to 12 tons** of natural resources extracted p/p in 2015 (from 8.1 tons in 1990).
- Global mean crop yields of rice, maize and wheat are projected to decrease **by 3 to 10%** per degree of global warming, impacting livestock through feed, pest and disease prevalence, yield and quality decrease ultimately impacting global infrastructure.

Smallholders and agricultural value chains

General Metrics

- **Agriculture/Poverty Nexus** = ~63% of the world's poorest work the land, ~2.5B in poor countries make a living via the agri-food sector.
- **Central Role** = With farmers providing up to 80% of Asia and Sub-Saharan Africa's food, governments rely on them to sustain global supply chains and generate national revenue.
- **Earnings** = A large share of the 500Mn farming households lives among the world's poorest, with less than **\$2/day**, pointing to **worker pauperization**.
- **Access to Finance** = While financing for climate action > ½ trillion US dollars for the first time in 2017 and 2018, only \$10B reached smallholders annually.

Covid Impact

- **Health impacts** and underpinning socio-economic implications
- Pressure on **households** and disruption of **community-based services** and **solidarity systems** (field work, maintenance, cooperative).
- Difficulty **accessing fertilizers, seeds or harvesting equipment**, if any;
- Migrant workers and smallholders run a greater risk of irreversible **poverty** as they consider selling their land for cash.
- Covid-19 left workers without a source of income, forcing many to **return to their home villages**. Surviving crops were **harvested late, with a lower and poorer quality yield and at a higher price in labor**.

Our Panel Discussion Today

Perspectives From our Panelists
Facilitation: Christèle Delbé, Ksapa



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With insights from expert panelists



SHIVANI KANNABHIRAN

OECD, LEAD RESPONSIBLE
AGRICULTURAL SUPPLY CHAINS



MICHELIN

HELENE VERMONT

MICHELIN, SUSTAINABLE
PURCHASING MANAGER



FARID BADDACHE

KSAPA, SUPPLY CHAIN RISK
MITIGATION SOLUTIONS



Building on the OECD- FAO Guidance for Responsible Agricultural Supply Chains



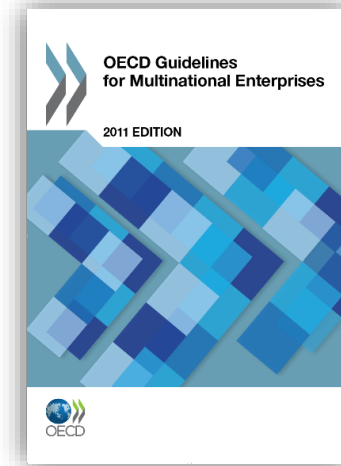
SHIVANI KANNABHIRAN

Agricultural Sector Lead,
OECD Centre for Responsible
Business Conduct

Responsible Business Conduct @ OECD

International standards:

- OECD Guidelines for Multinational Enterprises: expectations from governments to companies; aligned with UN and ILO
- OECD Due Diligence Guidance: specifics on due diligence; developed with business, referenced in regulation



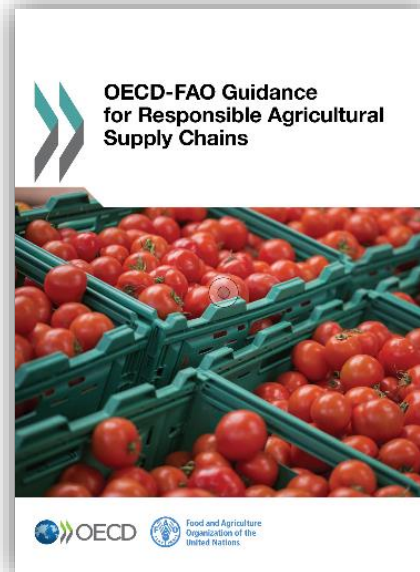
Implementation at scale:

- Governments: To promote and monitor uptake of standards
- Business and industry groups: To promote awareness and implementation of standards at scale and address challenges
- National Contact Points: Promote OECD standards and handle non-compliance (non judicial)



The OECD-FAO Guidance for Responsible Agricultural Supply Chains

- 5-step framework on OECD due diligence
- Comprehensive risk coverage
- Full value chain – investors, producers, traders, food manufacturers, distributors
- Aligned with UN, ILO, CFS-RAI, VGGT standards
- Recommendations not regulations



Cross-cutting and Financial Enterprises



Focus now - implementation at scale

1

Integration of OECD due diligence into regulatory frameworks and industry standards

2

Conduct alignment assessments of certification schemes

3

Develop communications materials and integrate references in international for a (G7, G20 etc)

4

Training on risk-based due diligence - OECD e-learning Academy

5

Measure progress of uptake and develop indicators of impact



Sustainable Purchasing : Michelin's Example



HELENE VERMONT

Michelin

Sustainable Purchasing Manager

SUSTAINABLE PURCHASING APPROACH

Overall approach

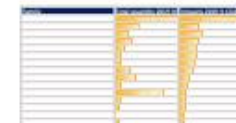


Purchasing Principles



Supplier CSR assessments
ecovadis

CO2 scope 3



Conflict minerals policy



For raw materials
(mainly)



Specific natural rubber approach

COMMITMENTS

Policy for Sustainable Natural Rubber



ASSESSMENTS

NR Value Chain Assessment



WORDS IN ACTION

Actions on the ground



Indonesia
Thailand
W Africa
Brazil



SECTOR APPROACH





Introducing the Scale Up Training, Traceability and Impact initiative



FARID BADDACHE
Supply Chain Risk
Mitigation Expert

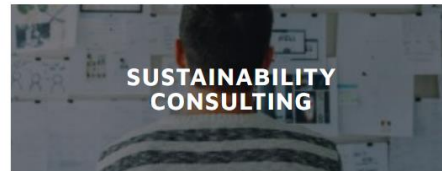
Resources and Programs Driving

Ksapa is a mission-native company. By Combining Sustainability Consulting, Impact Investing Solutions and Advocacy, Ksapa Provides Scalable Innovative Solutions for Companies and Investors to Converge on More Resilient, Inclusive and Competitive Operating Models

Illustrative resources



Advisory Services



Risk Remediation Programs



Build responsible commodity sourcing.
Scale up Training, Traceability and Impact.
Make Nature Based Solutions real, at scale.

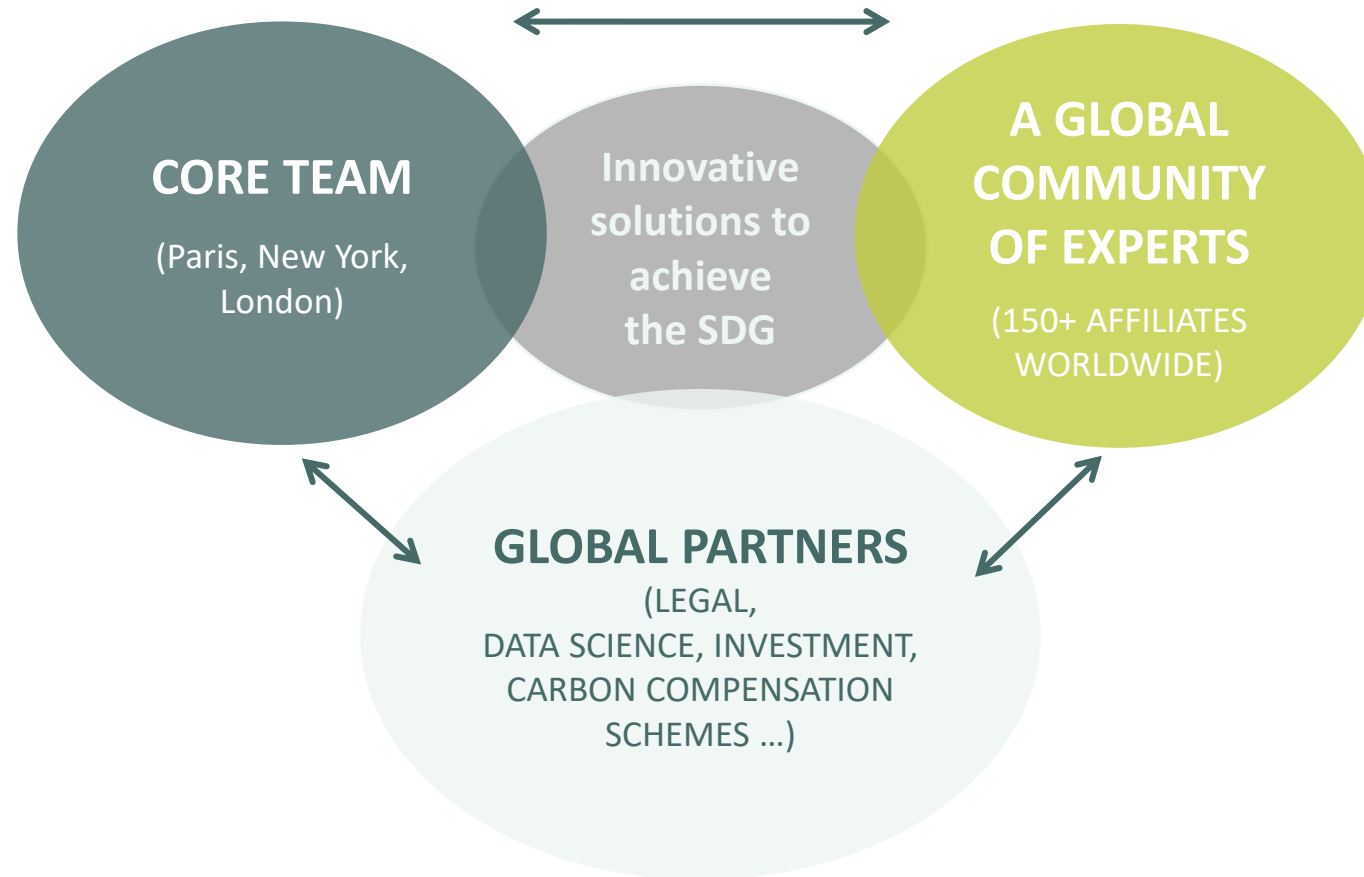


Use low tech digital solutions to empower large scale and fragmented populations with responsible program content.



Supercharge corporate climate transition plan.
Onboard operations and suppliers.

A Global Network for Maximum Impact



As a team, Ksapa operates through a **network of partnering international organizations and a community of 150+ experts worldwide.**

By working together, we provide our clients with **locally-relevant solutions** to efficiently meet their needs.

Ksapa, A Convener for Sustainable Change

FARMERS

By dispensing technical and vocational **training** to farmers, we **generate impact** across smallholders communities and we **monitor their progress**



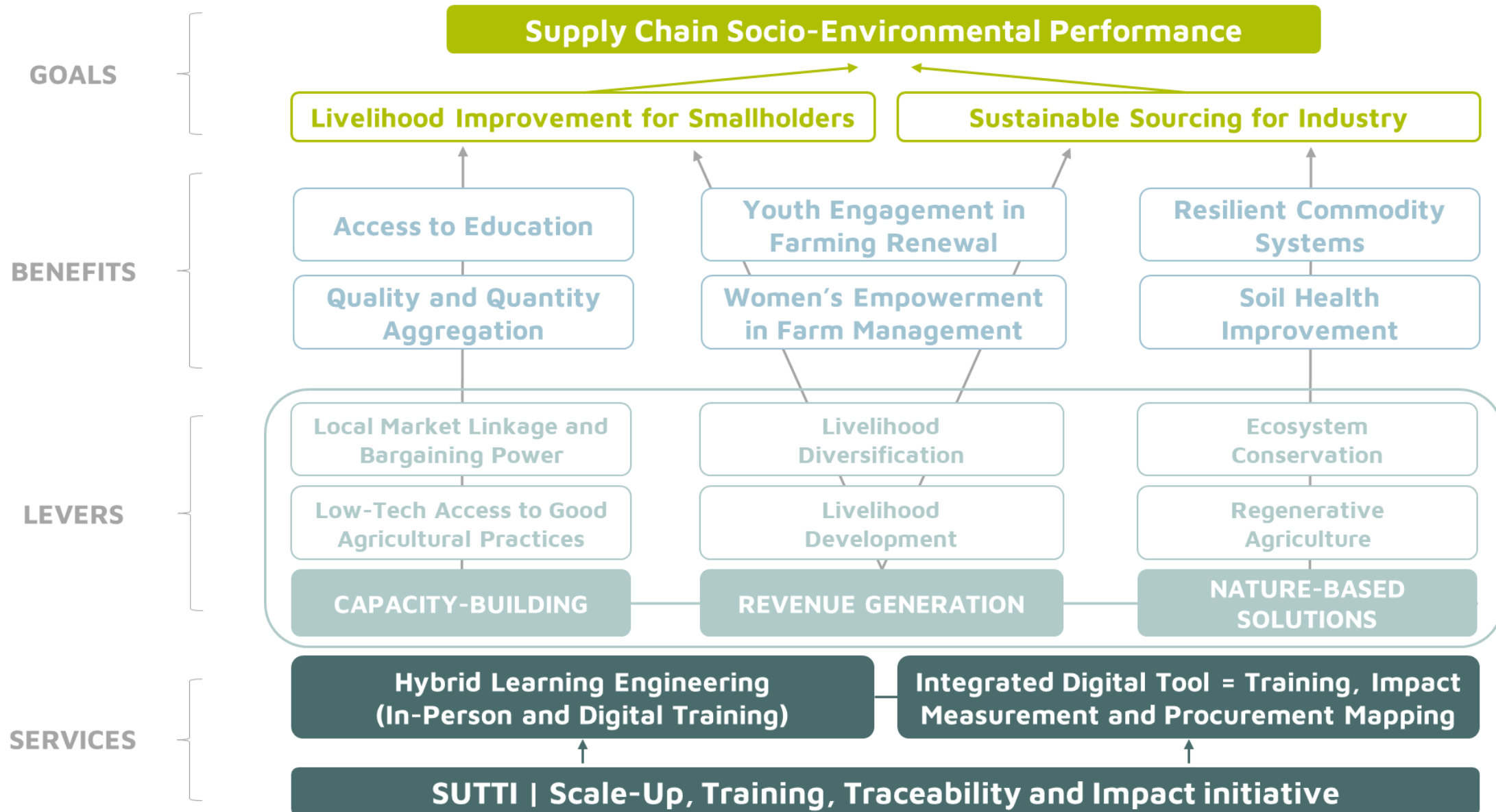
INDUSTRY

By improving **sourcing resilience and mapping**, we help businesses secure strategic commodities and manage supply chain risks

INVESTORS

By developing **sound economics**, we engage investors in positive investment schemes with **measurable impact**

Our Theory of Change



Our Value Proposition: a Smallholder's Journey

Supporting farmers at the collective and individual levels



Follow Ari, a smallholder and head of a family-run 2 Ha farm



Raising Awareness
And Enrollment

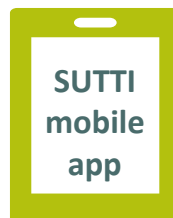


After meeting a qualified instructor,
Ari decides to **enroll**
in the SUTTI program

Mainstreaming
Best Agricultural Practices



Ari attends a SUTTI **training**
with a cohort
of local farmers



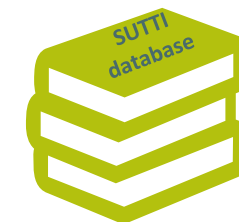
Ari dives deeper in training
content to keep **improving
his skills** at his farm by
interacting with the
instructor and his peers at
will

Generating
Farm-Level Impact



Ari starts to see his
livelihood improve: his
**income increases and
diversifies**, his **safety** and
his **access to market
improve**

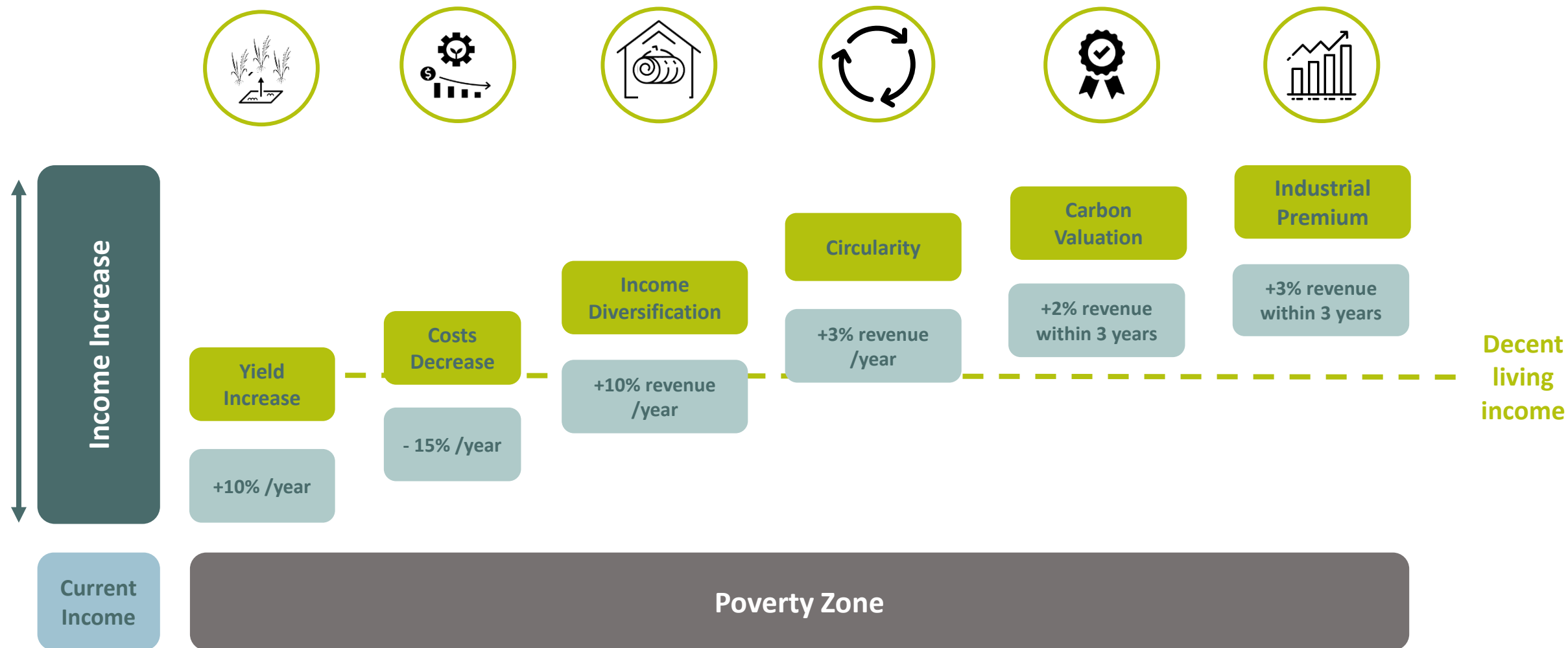
Strengthening Topical
Knowledge



Ari benefits from
a **permanent access** to
complementary technical and
vocational training
and services

6 key levers for the SUTTI program to significantly increase smallholder income

Estimation based on the example of a 2ha rice plot



Ksapa, an Active Contributor to the Committed Actions for Smallholders Capacity Development (CASCADE) project in Indonesia



- Indonesia is one of the world's most important rubber production regions and includes the **rural Jambi province**.
- Porsche and Michelin identified risks to the sustainability of the supply chain in rubber extraction using **Ksapa's digital app specially developed for this purpose** and by conducting **discussions with market participants** in the area.
- **CASCADE is the first natural rubber project that encompasses the entirety of the supply chain:** smallholder farmers and partners, a natural rubber processing company, a tire maker and a carmaker. The scheme will see **1,000 smallholders trained by local partners** to make extraction methods more environmentally compatible and efficient.
- This makes a considerable contribution to the lasting improvement of living conditions of smallholders and their families. **Porsche and Michelin are committed until 2024.**

Ksapa, an Active Contributor to the Committed Actions for Smallholders Capacity Development (CASCADE) project in Indonesia



“ We take responsibility for our impact on the rubber extraction regions in Indonesia. We want to improve people’s lives through projects conducted in the area. Smallholders form the heart of a sustainable supply chain for natural rubber. That's why we are supporting them to achieve a decent standard of living while adhering to good environmental and social practices. ”



Barbara Frenkel

**Member of the Executive Board for
Procurement at Porsche AG**



Panel Discussion

Questions & Answers

Perspectives From our Panelists
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Closing Remarks

Perspectives on Socio-Environmental and Human Rights Due Diligence

As a mission-native company, we regularly share our perspectives and knowledge to boost engagement on our key advisory topics.

REPORTS & BRIEFING PAPERS



BLOG ARTICLES



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Getting in Touch

Ksapa.org – contact@ksapa.org

