

Sustainability: the missing link

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Head of Sustainability

Green Council





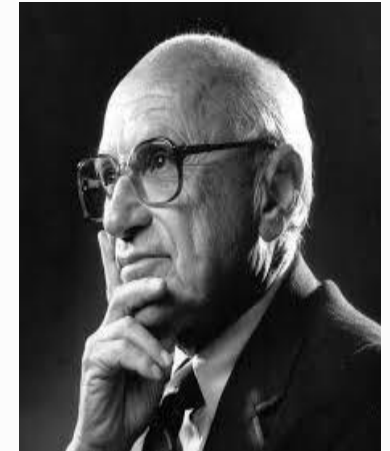
A Journey to Sustainability

Social Responsibility: Profit Maximization

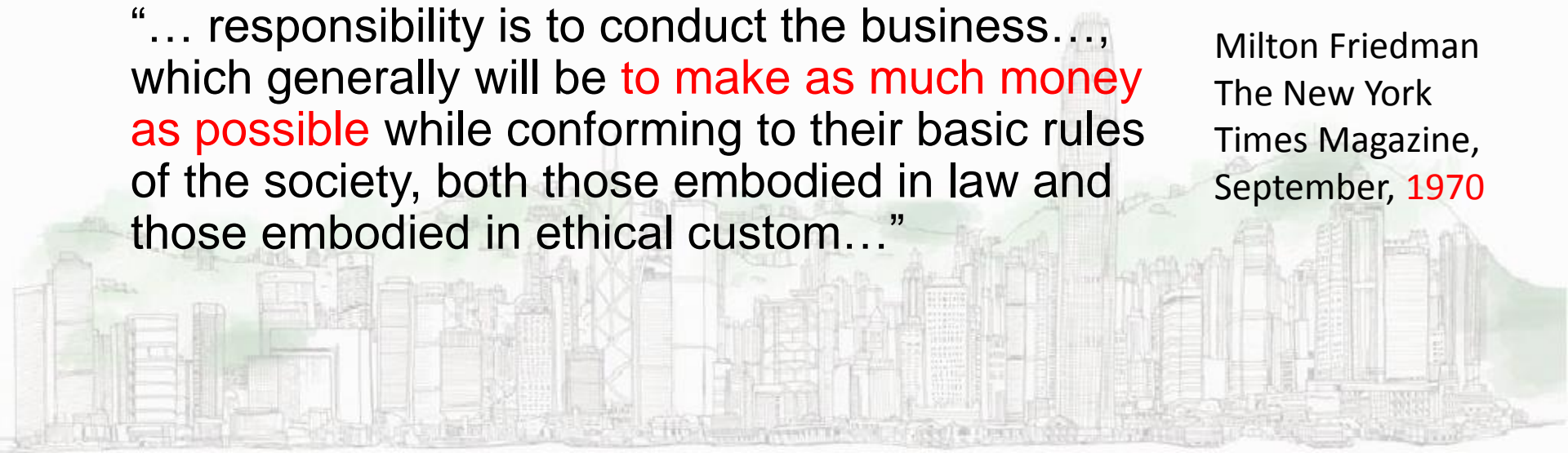
“... there is one and only one **social responsibility of business** — to use its resources and engage in activities designed **to increase its profits**

so long as it stays **within the rules of the game**, which is to say, engages in open and free competition **without deception or fraud.**”

“... responsibility is to conduct the business..., which generally will be **to make as much money as possible** while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom...”



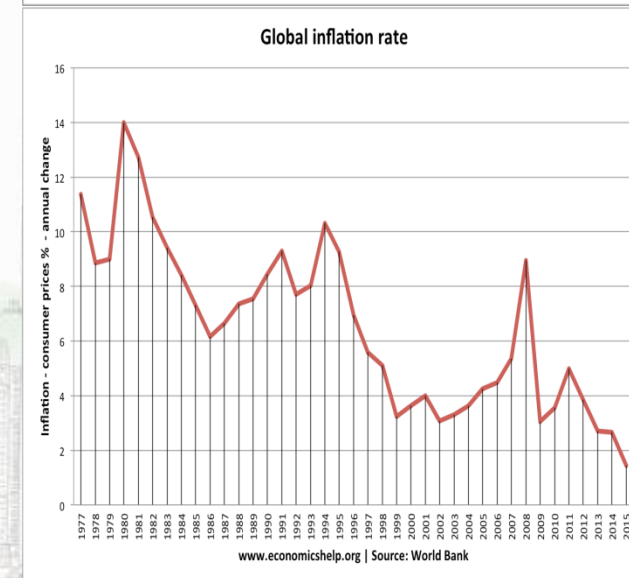
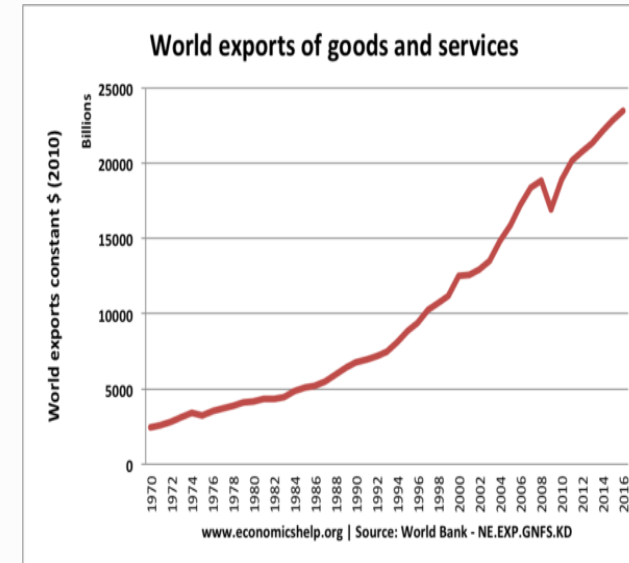
Milton Friedman
The New York
Times Magazine,
September, 1970



Procurement: Cost Minimization



- 5 Rights (Quality, Quantity, Place, Time, Price)
- Outsourcing
 - Cost Saving
 - Specialization
- Offshoring & Globalization
 - Comparative advantage
 - Trade increasing
- Multi-layered supply network
- Low inflation world-wide & low population growth vs compulsory profit growth
- Increasing risks on supply disruption, social and environmental compliance, GHG emissions



Some blind spots of procurement

- Competitive bidding
 - product quality – fit for exact purpose/warranty period
 - cheap labor – social issue
 - safe but not very safe
 - slim profit margin for supplier R&D
 - longer time in decision making – lower efficiency
- Focusing on cost not value
 - Award to lowest price NOT highest value creation
 - Evaluate current costs NOT life-time spending
- Performance Measurement
 - Cost? Quality? Delivery? Financial? Safety? Environment? Social? Innovation?
- Short-termism
 - Ask for long-term partnership
 - Pay for short-term price



CSR Thinking

“There is no way to avoid paying serious attention to corporate citizenship: the costs of failing are simply too high. ... There are countless win-win opportunities waiting to be discovered: every activity in a firm’s value chain overlaps in some way with social factors—everything from how you buy or procure to how you do your research—yet very few companies have thought about this. The goal is to leverage your company’s unique capabilities in supporting social causes, and improve your competitive context at the same time. **The job of today’s leaders is to stop being defensive and start thinking systematically about corporate responsibility.”**

Michael Porter, Professor, Harvard Business School, at the April 2005 Business and Society Conference on Corporate Citizenship, sponsored by the University of Toronto’s Rotman School of Management



In 2012, ILO estimated of 21 millions victims

DANGER



Lack of transparency
increases the risk of undetected



**forced labor &
SLAVERY**

somewhere in the supply chain

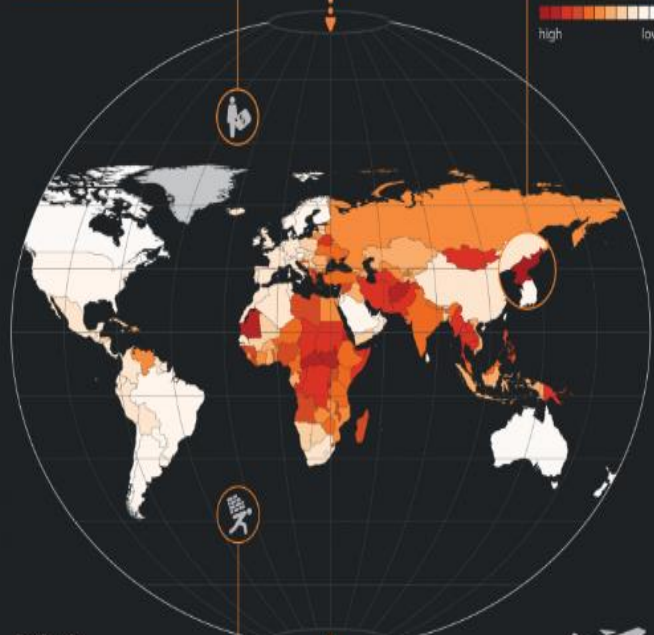


Unravelling the numbers

71% Female 40.3 million people in modern slavery in 2016 29% Male

15.4 million in forced marriage

Prevalence of modern slavery
 high low



24.9 million in forced labour



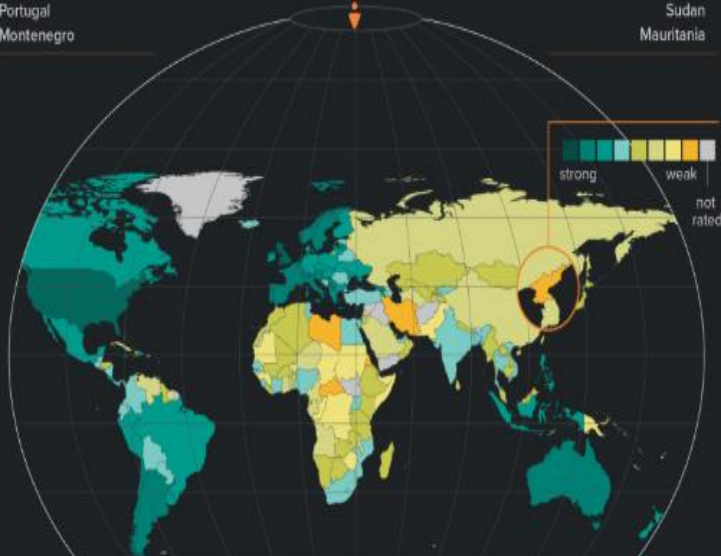
<https://www.globallslaveryindex.org/2018/findings/highlights/>

How governments respond

Most action ← + Government responses to modern slavery - → Least action

- Netherlands
- United States
- United Kingdom
- Sweden
- Belgium
- Croatia
- Spain
- Norway
- Portugal
- Montenegro

- North Korea
- Libya
- Eritrea
- Central African Republic
- Iran
- Equatorial Guinea
- Burundi
- Republic of the Congo
- Sudan
- Mauritania



- Georgia
- Moldova
- Senegal
- Sierra Leone
- Mozambique

- Qatar
- Singapore
- Kuwait
- Brunei
- Hong Kong

Strong response
 relative to GDP (PPP)*

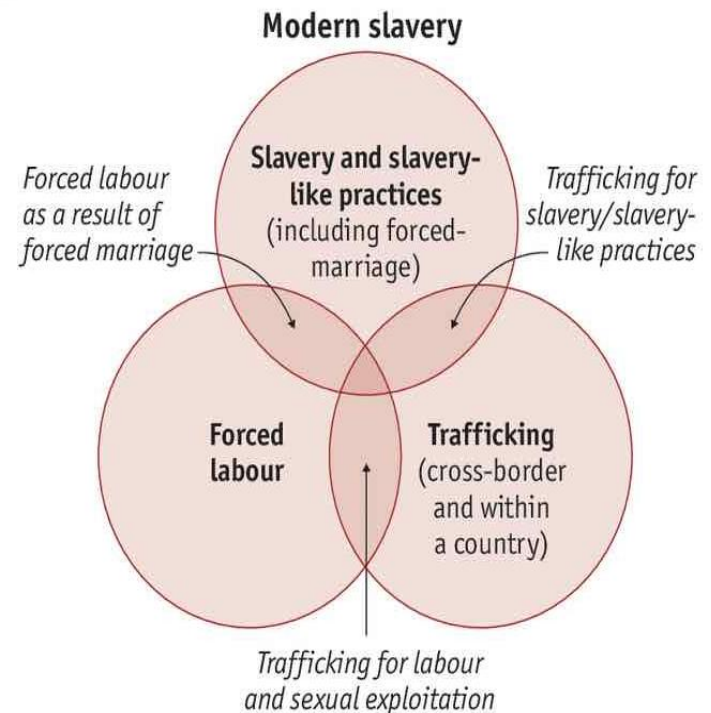
Weak response
 relative to GDP (PPP)*

*Gross Domestic Product (Purchasing Power Parity)

Modern Slavery is closer than you think!

Anti-Slavery Laws

- California Transparency in Supply Chains Act 2012
- Modern Slavery Act 2015 (UK)
- Trade Facilitation and Trade Enforcement Act 2016 (US)
- Duty of Vigilance Law 2017 (France)
- Modern Slavery Act 2018 (Australia)
- Modern Slavery Legislation 2020 (Canada) was proposed
- Crimes (Amendment) (Modern Slavery) Bill 2019 in HK was drafted



International Standard on CSR



2010

Launch of TC277
France & Brazil
(France)

2014

Draft International
Standard/Meeting
(London)

2016

Published
(15-April-2017)

2013

**Social Responsibility
ISO26000 Published**

2015

Committee Drafts/
Meetings
(Brazil & Singapore)

2017

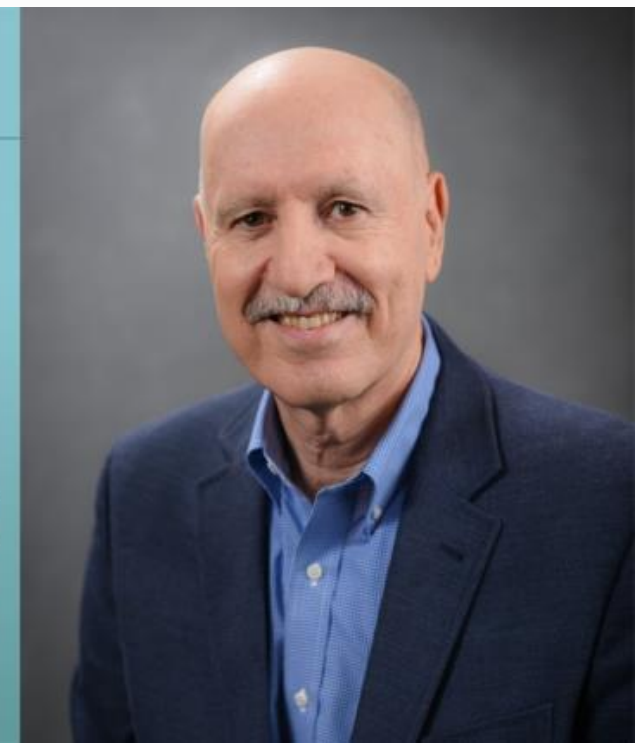
2nd Draft Internation:
Standard/Meetings
(Sydney & Rio)



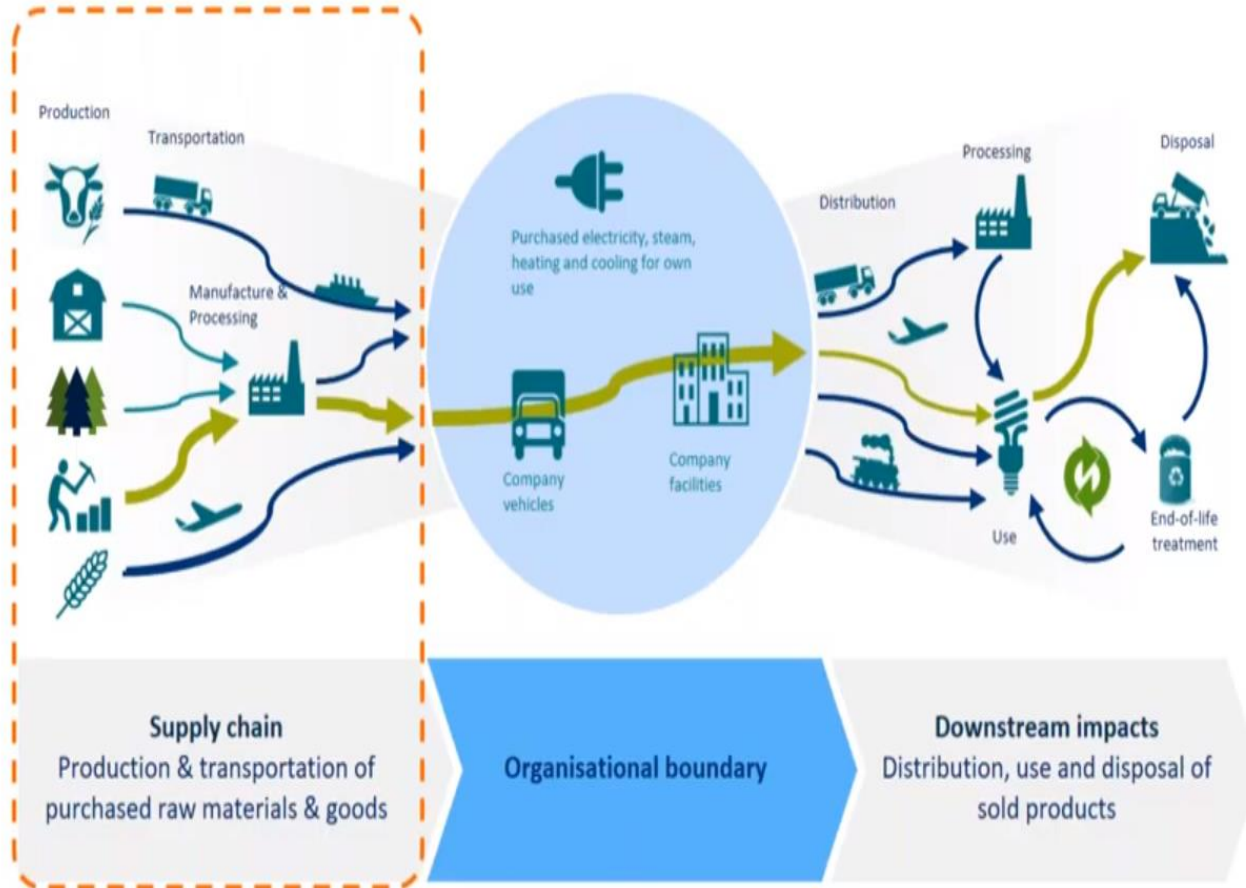
“Sustainability is intimately connected with *supply chains*, the complex economic structures formed by companies that are using the global supply of natural resources to meet worldwide consumer demand.”

Mr. Yossi Sheffi,
Professor of Engineering Systems at
MIT,
Director of MIT Center for
Transportation & Logistics

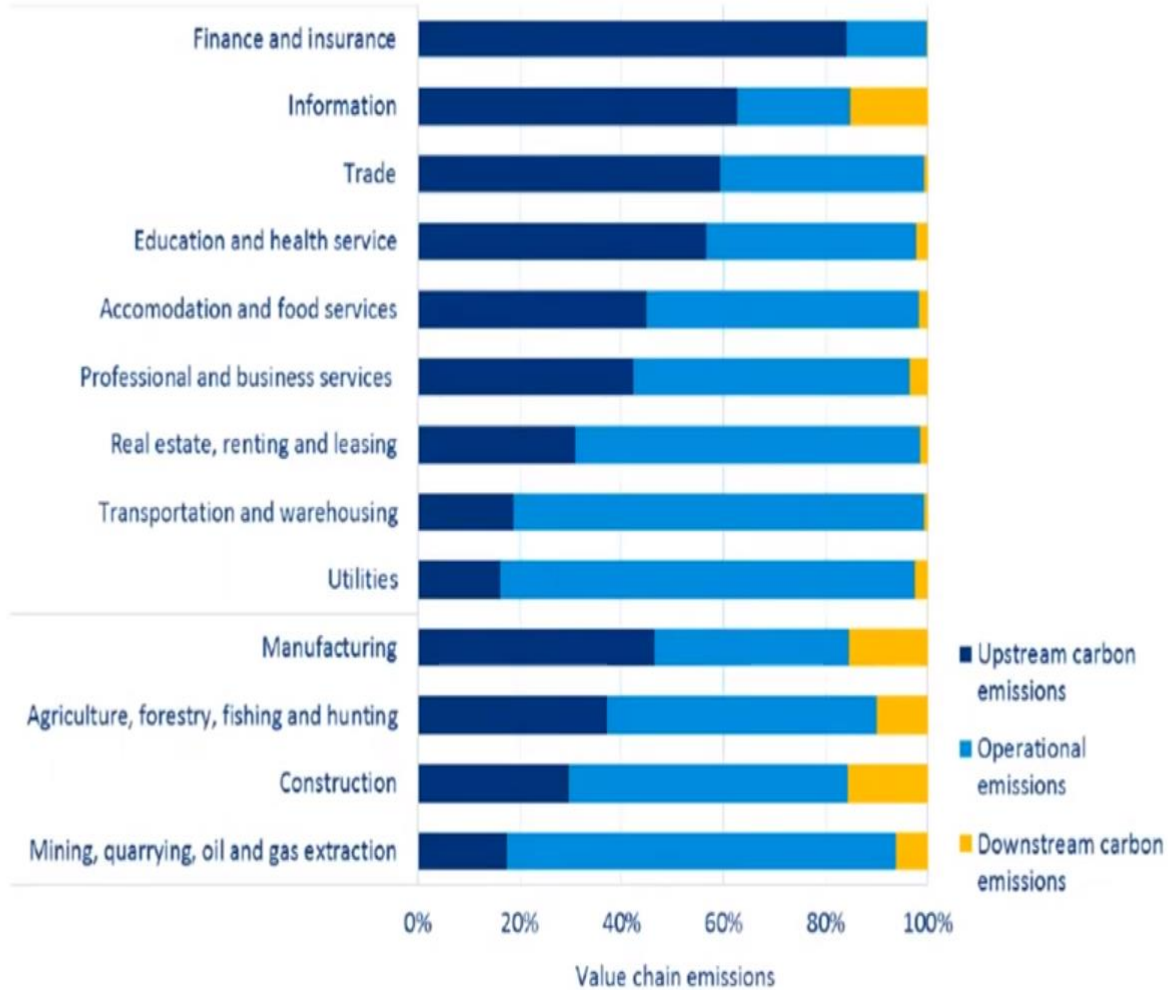
Published March, 2018



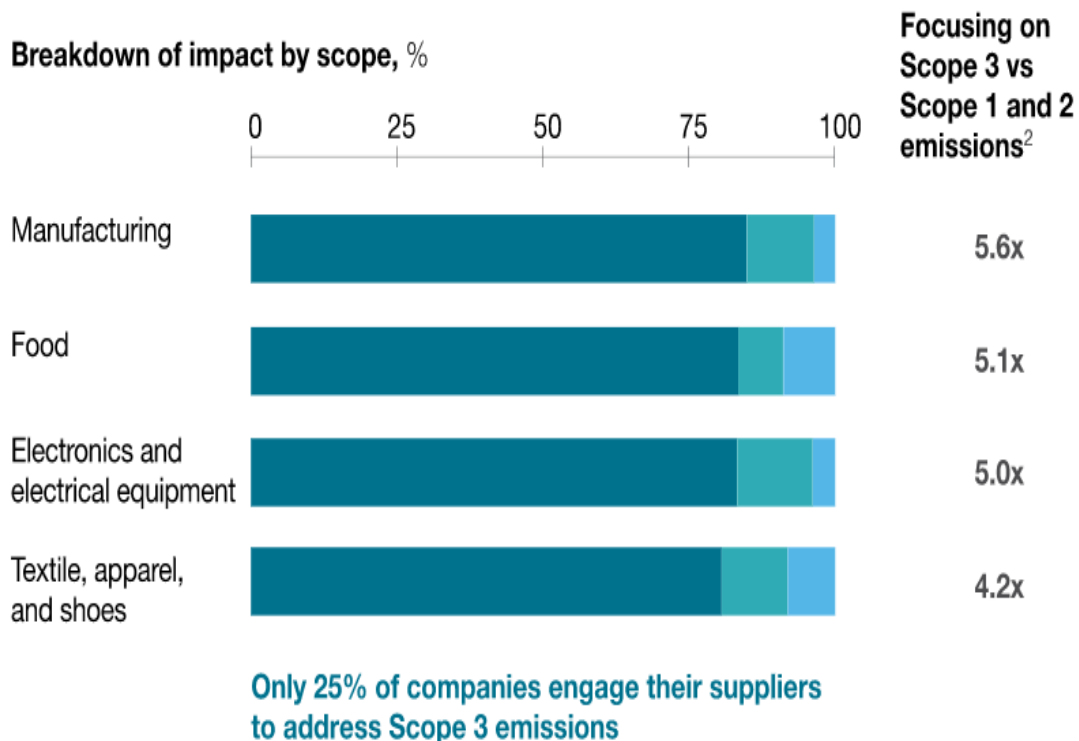
Value chain emissions



Supply Chain emissions in different Sectors



GHG Scope 3 is bigger than you think!



Note: Supply chains are defined here as all organizations, including energy providers, involved in producing and distributing consumer goods.

¹Supply-chain impact multiples are lower for GHG emissions than for natural capital because GHG multiples consider Scope 1 and Scope 2 emissions jointly.

²Among companies that disclose to CDP.

SDGs, also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.



SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY 	2 ZERO HUNGER 	3 GOOD HEALTH AND WELL-BEING 	4 QUALITY EDUCATION 	5 GENDER EQUALITY 	6 CLEAN WATER AND SANITATION 
7 AFFORDABLE AND CLEAN ENERGY 	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	10 REDUCED INEQUALITIES 	11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 
13 CLIMATE ACTION 	14 LIFE BELOW WATER 	15 LIFE ON LAND 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	17 PARTNERSHIPS FOR THE GOALS 	 SUSTAINABLE DEVELOPMENT GOALS 15

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Target 12.7

Promote public procurement practices that are sustainable, in accordance with national policies and priorities

Ensure sustainable consumption and production patterns



One planet
handle with care



One planet
procure with care

In 2017, worldwide material consumption reached 92.1 billion tons, up from 87 billion in 2015 and a 254 per cent increase from 27 billion in 1970, with the rate of extraction accelerating every year since 2000.

CIPS - Procurement: People, Planet, Profit



<https://www.youtube.com/watch?v=8on6aNeqs2w>



**IFPSM WORLD
SUMMIT 2019**

Mombasa • Kenya

10th - 13th September

At Pridelnn Paradise Beach Resort



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- Network with Professionals from 45 countries • World Class Speakers
- Insights on Trends and Future of Procurement and Supply Chains

**2019
THEME**

**SUSTAINABLE PROCUREMENT AND SUPPLY
CHAIN PRACTICES FOR THE 21ST CENTURY**

From Green to Sustainability...



Hong Kong Green Purchasing Charter
(2007)



**SUSTAINABLE
PROCUREMENT
CHARTER**

Sustainable Procurement Charter
(2018)





Corporate Members



Thank you for your listening!



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